

**PIKEVILLE INDEPENDENT
SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

For the year ended June 30, 2020

Prepared by:

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Pikeville Independent School District
Pikeville, KY
And the State Committee for School District Audits

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 Pikeville Independent School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Pikeville Independent School District'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 and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities and State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Pikeville Independent School District, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Special Revenue Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedules of the District's Proportionate Share of the Net Pension and OPEB Liability and Schedule of Contributions for CERS and TRS and Medical and Life and Health Insurance Plans comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, 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 Pikeville Independent School District basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2020, on our consideration of the Pikeville Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Pikeville Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pikeville Independent School District's internal control over financial reporting and compliance.

White & Associates, PSC

Richmond, Kentucky

November 13, 2020

**PIKEVILLE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2020**

This section of the financial statements for the District presents management's discussion and analysis of the financial performance of the Pikeville Independent School District during the fiscal year that ended on June 30, 2020. As management of the District, we offer readers of the District's financial statements this narrative overview and analysis to highlight and further explain the financial events that have taken place in the past year. We encourage readers to consider the information presented herein along with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The total General Fund Balance was \$964,000 at June 30, 2020, compared to \$911,283 at June 30, 2019, an increase of \$52,717.
- General Fund revenues totaled \$13.06 million, which primarily consisted of funding through the state's Support Education Excellence in Kentucky (SEEK) program and revenues from property, utilities, and motor vehicle taxes. General Fund revenues were \$12.97 million in FY 2019.
- Excluding inter-fund transfers, General Fund expenditures totaled \$13.43 million. This compares to \$12.89 million in the prior year. Of these expenditures salaries and benefits totaled \$11.24 million compared to \$10.87 million in FY 2019.
- SEEK revenue decreased \$55,637 from FY 2019. The SEEK Guaranteed Base was \$3,981 in FY 2019, and was \$3,981 in FY 2020, this slight decrease was a result of ADA and slight decrease in student enrollment for FY2020.

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) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Government-wide Financial Statements: The government-wide financial statements, Statement of Net Position and Statement of Activities, 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, respectively. To assess the District's overall health, one needs to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

In the government-wide financial statements, the District's activities are divided into two categories:

- Governmental activities – Most of the District's basic services are included here, such as regular and special needs education, transportation, and administration. Property taxes and state formula aid finance most of these activities.
- Business-type activities – The District charges fees to help cover the costs of certain services it provides. The District's food services, and daycare and community education operations are included here.

Fund Financial Statements: The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State Laws and by bond covenants. The District establishes other funds to control and manage money for specific purposes (like the Construction Fund) or to show that it is properly using certain Revenues (like the Building Fund, Capital Outlay Fund, and Special Revenue Fund).

The District has two kinds of funds:

- Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on how money flows into and out of those funds and the balances left at year end that are available for spending in future periods. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information with the governmental funds statement that explains the relationships (or differences) between the governmental activities and the governmental funds, through the Statement of Net position and the Statement of Activities.
- Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District’s financial position.

The largest portion of the District’s net position reflects its investment in capital assets (e.g., land and improvements, building and improvements, vehicles, furniture and equipment, and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District’s financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. Net position is summarized in Table 1.

Table 1
Net Position
\$ (in Millions)

	Governmental Activities		Business-type Activities		Totals	
	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>
Current assets	1.73	2.37	0.05	0.07	1.78	2.44
Non-current assets	6.97	6.81	0.07	0.06	7.04	6.87
Total assets	8.70	9.18	0.12	0.13	8.82	9.31
Deferred outflows	1.38	1.37	0.04	0.04	1.42	1.41
Current liabilities	0.50	0.72	0.11	0.09	0.61	0.81
Non-current liabilities	10.12	10.10	0.16	0.17	10.28	10.27
Total liabilities	10.62	10.82	0.27	0.26	10.89	11.08
Deferred inflows	1.06	1.62	0.02	0.03	1.08	1.65
Net position:						
Invested in capital assets, net of debt	4.46	4.09	0.07	0.06	4.53	4.15
Restricted	0.12	0.52			0.12	0.52
Unrestricted (deficit)	(6.17)	(6.49)	(0.21)	(0.18)	(6.38)	(6.67)
Total net position	(1.59)	(1.88)	(0.14)	(0.12)	(1.73)	(2.00)

Table 2
Changes in Net Position
(in millions)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2019-2020
	2019	2020	2019	2020	2019	2020	
Revenues:							
Charges for services	\$ 0.48	\$ 0.48	\$ 0.35	\$ 0.29	\$ 0.83	\$ 0.77	-7%
Operating grants and contributions	0.95	0.89	0.39	0.54	1.34	1.43	7%
Capital grants and contributions	0.38	0.36			0.38	0.36	-5%
General revenues	12.87	12.94			12.87	12.94	1%
Total revenue	14.68	14.67	0.74	0.83	15.42	15.50	1%
Expenses:							
Instruction	\$ 9.11	\$ 9.05			\$ 9.11	\$ 9.05	-1%
Student	0.50	0.52			0.50	0.52	4%
Instructional staff	0.76	0.83			0.76	0.83	9%
District administration	0.73	0.78			0.73	0.78	7%
School administration	0.79	0.76			0.79	0.76	-4%
Business	0.25	0.24			0.25	0.24	-4%
Plant operation & maintenance	1.45	1.63			1.45	1.63	12%
Student transportation	0.42	0.40			0.42	0.40	-5%
Community services operations	0.09	0.09			0.09	0.09	0%
Food Service Operations			0.78	0.81	0.78	0.81	4%
Depreciaion/Amortization	0.54	0.55	0.01	0.01	0.55	0.56	2%
Interest on long-term debt	0.10	0.10			0.10	0.10	0%
Total Expenses	\$ 14.74	\$ 14.95	\$ 0.79	\$ 0.82	\$ 15.53	\$ 15.77	2%
Change in net position	\$ (0.06)	\$ (0.28)	\$ (0.05)	\$ 0.01	\$ (0.11)	\$ (0.27)	-145%

Changes in Net Position: The District's total net position decreased \$0.16 million. The District's total revenues increased from \$15.42 million to \$15.50 million. (See Table 2 above.) Property taxes and state and formula grants accounted for most of the District's revenues.

The total cost of all programs and resources increased from \$15.53 million to \$15.77 million. The District's expenses are predominantly related to educating and caring for students (58%). The administrative activities of the District and school level accounted for 20% of total costs. Plant Operation and Maintenance is 10% of the total costs to the District.

Governmental Activities

Revenues for the District's governmental activities decreased \$0.01 million, with an increase of \$0.21 million in the District's total expenses.

Business-type activities

Revenues for the District's business-type activities increased by \$0.09, while expenses increased by \$0.03 million in 2020. The net position showed a slight increase.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported combined fund balances totaling \$1.49 million, which is an increase of \$0.46 million from the prior year.

The District has been budgeting and spending conservatively for several years now based on recommendations of the Kentucky Department of Education's District Support staff. The economy still has not fully recovered from the downturn that started in 2008. Every year, KDE staff warns all Districts to be fiscally conservative for fear that both state and federal grants will be cut even further. The District's SEEK funding and property taxes are its two largest forms of revenue.

Table 3 shows revenues and expenses by fund.

SEE TABLE ON NEXT PAGE

Table 3 **\$ (in Millions)**

	General Fund	Special Revenue Fund	Other Funds	Proprietary Funds
Local Revenue	5.81	0.07	0.31	0.29
State Revenue	7.22	0.20	0.61	0.09
Federal Revenue	0.03	0.65	-	0.45
Other	0.44	0.02	1.24	-
Totals	13.50	0.94	2.16	0.83
Instruction	8.20	0.68	-	-
Student Support	0.50	0.01	-	-
Instructional Staff	0.67	0.16	-	-
District Admin	0.78	-	-	-
School Support	0.76	-	-	-
Business Support	0.25	-	-	-
Plant Operation & Maintenance	1.62	-	-	-
Student Transportation	0.61	-	-	-
Food Service	0.01	-	-	0.82
Community Svc.	-	-	-	-
Debt Service	0.03	-	0.47	-
Building Improvements	-	0.09	-	-
Daycare	-	-	-	-
Depreciation	-	-	-	-
Other	0.02	-	2.06	-
Totals	13.45	0.94	2.53	0.82

General Fund Revenue/Expenditures (Fund 1)

Revenue was basically derived from State Sources (53%) with local property, motor vehicle and utility taxes making up the other 47% of total revenue.

The instruction function comprises 60% of the expenditures. The instruction function includes school expenditures for staff and supplies. The student support services function is comprised of spending for attendance services, guidance counseling, health services, psychological testing, and speech, hearing and vision services. The instructional staff support function includes spending for staff support personnel and librarians. The district administration support function includes spending for workers compensation, sick leave pay for retirees, property insurance, tax collection fees, and superintendent's office expenses. The school support function includes spending for principals and secretaries. The Plant Operation and Maintenance function accounts for 12% of the expenditures, while the Student Transportation services function accounts for 4%. Community services expenditures includes activities concerned with providing services to students, staff, or the community which are not considered instructional.

Special Revenue Fund Revenue/Expenditures

The majority of revenue was derived from federal sources (69%). The majority of expenditures (72%) is spent in the instructional function.

FSPK and Construction Funds Revenue/Expenditures

Fund 310 is the capital outlay fund and Fund 320 is the building fund (FSPK). State funding makes up the Capital Outlay fund and the building fund is made up of state and local revenue. During the FY 2020 school year, these funds were used to make bond payments on existing debt and for approved expenditures through Capital Funds Request.

Food Service Fund Revenue/Expenditures

Revenue is received from local, state and federal monies, with the largest percentage of the revenue being from federal funding (54%) and local sources (35%).

CAPITAL ASSETS

At the end of fiscal 2020, the District had \$6.87 million invested in capital assets, including land, buildings, buses, computers and other equipment.

	Capital Assets at Year-End					
	\$ (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Totals	
	2019	2020	2019	2020	2019	2020
Land	454,468	454,468			454,468	454,468
Land Improvements	258,958	227,631			258,958	227,631
Buildings	5,778,259	5,441,821			5,778,259	5,441,821
Technology Equipment	51,842	-			51,842	-
Vehicles	275,584	410,999			275,584	410,999
General Equipment	154,165	128,821	72,116	57,738	226,281	186,559
Construction in Progress		144,836			-	144,836
Totals	6,973,276	6,808,576	72,116	57,738	7,045,392	6,866,314

DEBT

During fiscal year 2020 the district assumed no new debt and continues to make all bond payment obligations in a timely manner.

	Outstanding Debt at Year-End	
	Government Activities	
	2019	2020
General Obligation Bonds	2,575,599	2,785,482
Capital Lease Obligations	159,154	361,162
KSBIT Obligations	40,928	20,464
Total Obligations	2,775,681	3,167,108

Comments on Budget Comparisons

Over the course of the fiscal year, the District revised the annual operating budget as needed and to meet the statutory deadlines from the Kentucky Department of Education.

- General Fund budget compared to actual revenue varied somewhat in most line items with the ending actual balance being \$0.09 million more than budget.
- Net of the contingency, expenditures were \$0.10 million more than the budget.

FUTURE BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30. Some federal programs operate on a different fiscal calendar, but are reflected in the district overall budget. By law, the budget must have a minimum 2% contingency. The district adopted a final working budget with \$750,000 in contingency. State funding is not keeping pace with mandated state requirements and will continue to be an issue.

Issues which will impact future budgets include:

- State budgetary shortfalls which could result in the inability to fully fund SEEK.
- KSBIT assessment for shortfall in Workers Compensation and Liability Insurances
- Possible sequestration of Federal Funds.
- Insufficient funding of the state transportation formula.
- Increasing retirement costs to be borne by district could be significant.
- COVID-19
- The District has experienced a very small amount of growth in student population over the past several years, although cost of providing services continues to increase. Thus, management will continue to be challenged with balancing our staffing needs with declining enrollment and prudently providing the resources to meet the students' needs in a time of increasing prices for goods and services.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact Denise Clark, Finance Officer, at (606) 432-8161 or by mail at Pikeville Independent Schools, 148 Second Street, Pikeville, Kentucky 41501.

Pikeville Independent School District
Statement of Net Position
June 30, 2020

	Primary Government		
	Governmental Activities	Business- type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,460,612	\$ -	\$ 1,460,612
Receivables			
Taxes-current	101,299		101,299
Taxes-delinquent	651,202		651,202
Accounts	7,064	60,457	67,521
Intergovernmental	81,187		81,187
Internal balances	73,528		73,528
Inventories		15,751	15,751
Capital assets:			
Land and construction in progress	599,304		599,304
Other capital assets, net of depreciation	6,209,272	57,738	6,267,010
Total capital assets	<u>6,808,576</u>	<u>57,738</u>	<u>6,866,314</u>
Total assets	<u>9,183,468</u>	<u>133,946</u>	<u>9,317,414</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	716,417	32,433	748,850
Deferred outflows related to OPEB	595,181	11,602	606,783
Deferred savings from refunding bonds	62,864		62,864
Total deferred outflows of resources	<u>1,374,462</u>	<u>44,035</u>	<u>1,418,497</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>10,557,930</u>	<u>177,981</u>	<u>10,735,911</u>
LIABILITIES			
Accounts payable and accrued expenses	145,313	23,081	168,394
Accrued interest payable	22,722		22,722
Internal balances		73,528	73,528
Unearned revenue	89,863		89,863
Long-term liabilities:			
Due within 1 year:			
Bond obligations	393,000		393,000
Capital lease obligations	43,089		43,089
KSBIT payable	20,464		20,464
Total due within 1 year	<u>456,553</u>	<u>-</u>	<u>456,553</u>
Due in more than 1 year:			
Bond obligations	2,392,482		2,392,482
Capital lease obligations	318,073		318,073
Sick leave	265,239		265,239
Net pension liability	3,110,758	140,829	3,251,587
Net OPEB liability	4,013,746	33,670	4,047,416
Total due in more than 1 year	<u>10,100,298</u>	<u>174,499</u>	<u>10,274,797</u>
Total liabilities	<u>10,814,749</u>	<u>271,108</u>	<u>11,085,857</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	347,500	15,732	363,232
Deferred inflows related to OPEB	1,275,713	16,873	1,292,586
Total deferred inflows of resources	<u>1,623,213</u>	<u>32,605</u>	<u>1,655,818</u>
NET POSITION			
Net Investment in capital assets	4,085,958	57,738	4,143,696
Restricted for:			
Capital projects	524,515		524,515
Unrestricted (deficit)	(6,490,505)	(183,470)	(6,673,975)
Total net position	<u>(1,880,032)</u>	<u>(125,732)</u>	<u>(2,005,764)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 10,557,930</u>	<u>\$ 177,981</u>	<u>\$ 10,735,911</u>

See the accompanying notes to the financial statements.

Pikeville Independent School District
Statement of Activities
Year ended June 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
Instruction	\$ 9,045,337	\$ 479,860	\$ 574,718	\$ -	\$ (7,990,759)	\$ -	\$ (7,990,759)
Support services							
Student	519,120		30,772		(488,348)		(488,348)
Instructional staff	825,403		48,928		(776,475)		(776,475)
District administration	784,403		46,497		(737,906)		(737,906)
School administration	757,695		44,914		(712,781)		(712,781)
Business	246,978		14,640		(232,338)		(232,338)
Plant operation & maintenance	1,625,021	250	96,327	243,384	(1,285,060)		(1,285,060)
Student transportation	398,194		23,604		(374,590)		(374,590)
Food service operations	8,069		478		(7,591)		(7,591)
Community services operations	94,690		5,613		(89,077)		(89,077)
Depreciation*	526,438				(526,438)		(526,438)
Amortization	19,513				(19,513)		(19,513)
Interest on long term debt	104,092			121,303	17,211		17,211
Total governmental activities	<u>14,954,953</u>	<u>480,110</u>	<u>886,493</u>	<u>364,687</u>	<u>(13,223,663)</u>		<u>(13,223,663)</u>
Business-type activities:							
Food service operations	808,151	291,852	543,450			27,151	27,151
Depreciation	14,378					(14,378)	(14,378)
Total business-type activities	<u>822,529</u>	<u>291,852</u>	<u>543,450</u>	<u>-</u>	<u>-</u>	<u>12,773</u>	<u>12,773</u>
Total primary government	\$ <u>15,777,482</u>	\$ <u>771,962</u>	\$ <u>1,429,943</u>	\$ <u>364,687</u>	<u>(13,223,663)</u>	<u>12,773</u>	<u>(13,210,890)</u>
General revenues:							
Taxes:							
Property taxes					4,435,843		4,435,843
Motor vehicle taxes					272,234		272,234
Utility taxes					791,466		791,466
Revenue in lieu of taxes					23,072		23,072
State and formula grants					7,223,652		7,223,652
Other local revenue					142,544		142,544
Unrestricted investment earnings					51,587		51,587
Total general revenues					<u>12,940,398</u>	<u>-</u>	<u>12,940,398</u>
Change in net position					(283,265)	12,773	(270,492)
Net Position - beginning					(1,596,767)	(138,505)	(1,735,272)
Net Position - ending					\$ <u>(1,880,032)</u>	\$ <u>(125,732)</u>	\$ <u>(2,005,764)</u>

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

See the accompanying notes to the financial statements.

Pikeville Independent School District
Balance Sheet
Governmental Funds
June 30, 2020

	Governmental Funds					
	General	Special Revenue	Debt Service	Construction	Other Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ 841,386	\$ 25,601	\$ -	\$ 532,892	\$ 60,733	\$ 1,460,612
Receivables						
Interfund	73,528					73,528
Taxes-current	101,299					101,299
Accounts	7,064					7,064
Intergovernmental-federal		81,187				81,187
Total assets	1,023,277	106,788	-	532,892	60,733	1,723,690
LIABILITIES						
Accounts payable	56,347	16,925		69,110		142,382
Payroll taxes payable	2,930					2,930
Unearned revenue		89,863				89,863
Total liabilities	59,277	106,788	-	69,110	-	235,175
FUND BALANCE						
Restricted				463,782	60,733	524,515
Unassigned	964,000					964,000
Total fund balance	964,000	-	-	463,782	60,733	1,488,515
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,023,277	\$ 106,788	\$ -	\$ 532,892	\$ 60,733	\$ 1,723,690

See the accompanying notes to the financial statements.

Pikeville Independent School District
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
June 30, 2020

Fund balances-total governmental funds	\$	1,488,515
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.</p>		6,808,576
<p>Accounts receivable from delinquent property taxes are not recorded in the fund financial statements because they are not available for use (received within 60 days). These receivables are accrued on the statement of net position because they have been earned and are measurable</p>		651,201
<p>Costs associated with bond issues and refundings are expensed in the fund financial statements because they are a use of current financial resources but are capitalized on the statement of net position using the economic resources focus</p>		62,864
<p>Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, accrued interest payable, other accounts payable, and net pension obligations) are not due and payable in the current period and, therefore, are not reported in the funds</p>		
Accrued interest payable		(22,722)
Bonds payable		(2,785,482)
Capital lease payable		(361,162)
KSBIT payable		(20,464)
Sick leave liability		(265,239)
Net pension liability		(3,110,758)
Net OPEB liability		(4,013,746)
<p>Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds</p>		
Deferred outflows related to pensions		716,417
Deferred inflows related to pensions		(347,500)
Deferred outflows related to OPEB		595,181
Deferred inflows related to OPEB		(1,275,713)
		(1,275,713)
Net position of governmental activities	\$	<u><u>(1,880,032)</u></u>

See the accompanying notes to the financial statements.

Pikeville Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2020

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
From local sources						
Taxes						
Property	\$ 4,113,435	\$ -	\$ -	\$ -	\$ 316,195	\$ 4,429,630
Motor vehicle	272,234					272,234
Utilities	791,466					791,466
Revenue in lieu of taxes	23,072					23,072
Earnings on investments	51,587					51,587
Tuition	479,860					479,860
Other local revenue	75,340	67,204				142,544
Intergovernmental - state	7,223,652	208,604	121,303		243,384	7,796,943
Intergovernmental - federal	29,211	648,678				677,889
Total revenues	<u>13,059,857</u>	<u>924,486</u>	<u>121,303</u>	<u>-</u>	<u>559,579</u>	<u>14,665,225</u>
EXPENDITURES						
Instruction	8,195,830	680,460				8,876,290
Support services						
Student	507,715	11,405				519,120
Instructional staff	671,341	154,062				825,403
District administration	784,403					784,403
School administration	757,695					757,695
Business	246,978					246,978
Plant operation & maintenance	1,623,019	1,825				1,624,844
Student transportation	610,497	4,775				615,272
Food service operations	8,069					8,069
Community services operations		94,690				94,690
Building improvements				144,836		144,836
Debt service	23,043		477,347	14,880		515,270
Total expenditures	<u>13,428,590</u>	<u>947,217</u>	<u>477,347</u>	<u>159,716</u>	<u>-</u>	<u>15,012,870</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(368,733)	(22,731)	(356,044)	(159,716)	559,579	(347,645)
OTHER FINANCING SOURCES (USES)						
Sale of equipment	250					250
Capital lease proceeds	220,941					220,941
Bond principal proceeds				580,000		580,000
Refunded bond proceeds			905,000			905,000
Payment to escrow agents for defeasance of debt			(876,495)			(876,495)
Bond discount			(9,050)	(11,600)		(20,650)
Operating transfers in	222,990	22,731	336,589	27,272		609,582
Operating transfers (out)	(22,731)				(586,851)	(609,582)
Total other financing sources and (uses)	<u>421,450</u>	<u>22,731</u>	<u>356,044</u>	<u>595,672</u>	<u>(586,851)</u>	<u>809,046</u>
NET CHANGE IN FUND BALANCE	52,717	-	-	435,956	(27,272)	461,401
FUND BALANCE-BEGINNING	<u>911,283</u>	<u>-</u>	<u>-</u>	<u>27,826</u>	<u>88,005</u>	<u>1,027,114</u>
FUND BALANCE-ENDING	<u>\$ 964,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 463,782</u>	<u>\$ 60,733</u>	<u>\$ 1,488,515</u>

See the accompanying notes to the financial statements.

Pikeville Independent School District
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities**
Year ended June 30, 2020

Net change in fund balances-total governmental funds	\$	461,401
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.</p>		
District pension contributions less costs of benefits earned net employee contributions		(244,410)
<p>Governmental funds report district OPEB contributions as expenditures. However in the Statement of Activities, the cost of OPEB benefits earned net of employee contributions is reported as pension expense.</p>		
District OPEB contributions less costs of benefits earned net employee contributions		175,723
<p>Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.</p>		
		(164,701)
<p>Accounts receivable from delinquent property taxes are not recorded in the fund financial statements because they are not available for use (received within 60 days). These receivables are accrued on the statement of net position because they have been earned and are measurable.</p>		
		6,213
<p>The difference in the issue amount of the refunding of bond proceeds and the amount for payment to the escrow account to pay the refunded bonds is amortized over the life of the refunding issue.</p>		
		13,890
<p>The discount/premium of a sale of bond is shown as an other financing source/expenditure in the fund financial statements, in the government wide financial statements the amount is netted against the bond sold and amortized over the life of the bond.</p>		
		1,137
<p>Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.</p>		
		(427,008)
<p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p>		
Accrued interest payable		(5,150)
KSBIT payable		20,464
Noncurrent sick leave payable		(120,824)
		(120,824)
Change in net position of governmental activities	\$	<u><u>(283,265)</u></u>

See the accompanying notes to the financial statements.

Pikeville Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
From local sources				
Taxes				
Property	\$ 3,970,000	\$ 4,085,000	\$ 4,113,435	\$ 28,435
Motor vehicle	375,000	280,000	272,234	(7,766)
Utilities	885,000	825,000	791,466	(33,534)
Revenue in lieu of taxes	29,000	29,000	23,072	(5,928)
Earnings on investments	48,500	48,500	51,587	3,087
Tuition	465,000	470,000	479,860	9,860
Other local revenue	45,250	45,250	75,340	30,090
Intergovernmental - state	6,964,315	7,133,019	7,223,652	90,633
Intergovernmental - federal	50,000	50,000	29,211	(20,789)
Total revenues	<u>12,832,065</u>	<u>12,965,769</u>	<u>13,059,857</u>	<u>94,088</u>
EXPENDITURES				
Instruction	8,110,458	8,225,345	8,195,830	29,515
Support services				
Student	526,716	525,216	507,715	17,501
Instructional staff	612,872	671,277	671,341	(64)
District administration	706,505	757,345	784,403	(27,058)
School administration	848,483	848,483	757,695	90,788
Business	234,176	241,676	246,978	(5,302)
Plant operation & maintenance	1,489,821	1,594,556	1,623,019	(28,463)
Student transportation	400,769	399,554	610,497	(210,943)
Food service operations	11,765	11,765	8,069	3,696
Debt service	27,000	50,042	23,043	26,999
Total expenditures	<u>12,968,565</u>	<u>13,325,259</u>	<u>13,428,590</u>	<u>(103,331)</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	(136,500)	(359,490)	(368,733)	(9,243)
OTHER FINANCING SOURCES (USES)				
Sale of equipment	500	500	250	(250)
Capital lease proceeds			220,941	220,941
Operating transfers in		222,990	222,990	-
Operating transfers (out)	(25,000)	(25,000)	(22,731)	2,269
Total other financing sources and (uses)	<u>(24,500)</u>	<u>198,490</u>	<u>421,450</u>	<u>222,960</u>
NET CHANGE IN FUND BALANCE	(161,000)	(161,000)	52,717	213,717
FUND BALANCE-BEGINNING	<u>911,000</u>	<u>911,000</u>	<u>911,283</u>	<u>283</u>
FUND BALANCE-ENDING	<u>\$ 750,000</u>	<u>\$ 750,000</u>	<u>\$ 964,000</u>	<u>\$ 214,000</u>

See the accompanying notes to the financial statements.

Plkeville Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Special Revenue Fund
Year ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Other local revenue	\$ 33,577	\$ 137,000	\$ 67,204	\$ (69,796)
Intergovernmental - state	222,384	264,881	208,604	(56,277)
Intergovernmental - federal	657,762	1,064,882	648,678	(416,204)
Total revenues	<u>913,723</u>	<u>1,466,763</u>	<u>924,486</u>	<u>(542,277)</u>
EXPENDITURES				
Instruction	661,405	892,035	680,460	211,575
Support services				
Student	30,500	27,500	11,405	16,095
Instructional staff	145,431	496,197	154,062	342,135
Plant operations		10,000	1,825	
Student transportation	2,374	12,374	4,775	7,599
Community services operations	99,013	95,888	94,690	1,198
Total expenditures	<u>938,723</u>	<u>1,533,994</u>	<u>947,217</u>	<u>578,602</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	(25,000)	(67,231)	(22,731)	36,325
OTHER FINANCING SOURCES (USES)				
Operating transfers in	25,000	47,731	22,731	(25,000)
Total other financing sources and (uses)	<u>25,000</u>	<u>47,731</u>	<u>22,731</u>	<u>(25,000)</u>
NET CHANGE IN FUND BALANCE	-	(19,500)	-	19,500
FUND BALANCE-BEGINNING	-	-	-	-
FUND BALANCE-ENDING	<u>\$ -</u>	<u>\$ (19,500)</u>	<u>\$ -</u>	<u>\$ 19,500</u>

See the accompanying notes to the financial statements.

Pikeville Independent School District
Statement of Net Position
Proprietary Fund
June 30, 2020

		School Food Services
ASSETS		
Inventories	\$	15,751
Accounts receivable, net		60,457
Capital assets:		
Other capital assets, net of depreciation		57,738
Total assets		<u>133,946</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions		32,433
Deferred outflows related to OPEB		11,602
Total deferred outflows of resources		<u>44,035</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		<u>177,981</u>
LIABILITIES		
Interfund payable		73,528
Accounts payable		23,081
Net pension liability		140,829
Net OPEB liability		33,670
Total liabilities		<u>271,108</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions		15,732
Deferred inflows related to OPEB		16,873
Total deferred inflows of resources		<u>32,605</u>
NET POSITION		
Net investment in capital assets		57,738
Unrestricted (deficit)		(183,470)
Total net position		<u>(125,732)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$	<u><u>177,981</u></u>

See the accompanying notes to the financial statements.

Pikeville Independent School District
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
Year ended June 30, 2020

		<u>School Food Services</u>
OPERATING REVENUES		
Lunchroom sales	\$	285,573
Other revenue from local sources		6,279
Total operating revenues		<u>291,852</u>
OPERATING EXPENSES		
Depreciation		14,378
Food service operations		
Employee services		405,169
Operational expenses		402,982
Total operating expenses		<u>822,529</u>
Operating income (loss)		<u>(530,677)</u>
NONOPERATING REVENUES (EXPENSES)		
Federal grants		450,251
State grants		93,199
Total nonoperating revenues (expenses)		<u>543,450</u>
CHANGE IN NET POSITION		12,773
NET POSITION-BEGINNING		<u>(138,505)</u>
NET POSITION-ENDING	\$	<u><u>(125,732)</u></u>

See the accompanying notes to the financial statements.

Pikeville Independent School District
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2020

	<u>School Food Services</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 291,852
Payments to suppliers	(391,197)
Payments to employees	(405,169)
Net cash provided (used) by operating activities	<u>(504,514)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating grants and contributions	<u>543,450</u>
Net cash provided (used) by noncapital financing activities	<u>543,450</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	<u>-</u>
Net cash provided (used) by capital financing activities	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	38,936
CASH AND CASH EQUIVALENTS-BEGINNING	<u>(112,464)</u>
CASH AND CASH EQUIVALENTS-ENDING	<u>\$ (73,528)</u>
Reconciliation of operating income (loss) to net cash provided (used)	
by operating activities:	
Operating income (loss)	\$ (530,677)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	14,378
Changes in assets and liabilities:	
Receivables	(28,881)
Deferrals	(401)
Deferrals	8,378
Inventory	(4,032)
Pension liability	16,279
OPEB liability	(2,639)
Accounts payable	23,081
Net cash provided (used) by operating activities	<u>\$ (504,514)</u>

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the district received \$39,156 of food commodities from the U.S. Department of Agriculture.

During the year, the district recognized revenues and expenses for on-behalf payments relating to fringe benefits in the amount of \$87,967 provided by state government.

See the accompanying notes to the financial statements.

Pikeville Independent School District
Statement of Fiduciary Net Position
Fiduciary Fund
 June 30, 2020

		<u>School Activity Fund Total</u>
ASSETS		
Cash and cash equivalents	\$	<u>129,556</u>
Total assets		<u><u>129,556</u></u>
LIABILITIES		
Due to student groups		<u>129,556</u>
Total liabilities	\$	<u><u>129,556</u></u>

See the accompanying notes to the financial statements.

PIKEVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

Blended Component Unit:

Pikeville Independent Board Of Education Finance Corporation

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

Basis of Presentation

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

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

The District has the following funds:

I. Governmental Fund Types

(A) General Fund

The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is always a major fund of the District.

(B) Special Revenue (Grant) Fund

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(C) Capital Project Funds

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

SEEK Capital Outlay Fund

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

Building (FSPK) Fund

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

Construction Fund

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

(D) Debt Service Fund

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

II. Proprietary Funds (Enterprise Funds)

Food Service Fund

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

III. Fiduciary Fund Types

Agency Funds

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 "Accounting Procedures for Kentucky School Activity Funds."

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Basis of Accounting

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

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

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

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

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

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

Cash and Cash Equivalents

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

Inventories

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Prepaid Assets

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

Capital Assets

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

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

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

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

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgment, the non-current portion of capital leases, accumulated sick

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

leave, contractually required pension and OPEB contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Accumulated Unpaid Sick Leave Benefits

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

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

Fund Balances

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

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

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

Net Position

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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. All taxes collected are initially deposited in the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2020, to finance the General Fund operations were \$.74 per \$100 valuation of real property, \$.74 per \$100 valuation for business personal property and \$.793 per \$100 valuation for motor vehicles.

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

Operating and Non-Operating Revenues and Expenses

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

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

In-Kind

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

Contributions of Capital

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

Interfund Receivables/Payables

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

Interfund Transfers

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Other Postemployment Benefits (OPEB)

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

Bond and Related Premiums, Discounts, and Issuance Costs

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Estimates

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

Budgetary Process

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

The General Fund's expenditures exceeded its appropriations by \$9,243.

New Pronouncements

GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for the District's fiscal year ending June 30, 2020.

GASB issued Statement No. 95, *Postponement of the Effective dates of Certain Authoritative Guidance*, effective for the District's fiscal year ending June 30, 2020.

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

The District will adopt the following new accounting pronouncements in future years:

GASB issued Statement No. 84, *Fiduciary Activities*, effective for the District's fiscal year ending June 30, 2021.

GASB issued Statement No. 87, *Leases*, effective for the District's fiscal year ending June 30, 2022.

GASB issued Statement No. 89, *Accounting for Interest Costs Incurred before the End of a Construction Period*, effective for the District's fiscal year ending June 30, 2022.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, effective for the District’s fiscal year ending June 30, 2021.

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

GASB issued Statement No. 92, *Omnibus 2020*, effective for the District’s fiscal year ending June 30, 2022.

GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*, effective for the District’s fiscal year ending June 30, 2022.

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

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

NOTE B – CASH AND CASH EQUIVALENTS

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

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

At year end the District’s bank balances were collateralized by securities held by the pledging bank’s trust department in the District’s name and FDIC insurance. At year end, the carrying amount of the District’s cash and cash equivalents was \$1,590,168. The bank balance for the same time was \$1,850,819.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE C – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

<u>Governmental Activities</u>	<u>July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2020</u>
Land (non-depreciable) \$	454,468	-	-	454,468
Construction in progress (non-depreciable)	-	144,836	-	144,836
Land improvements	928,584	-	-	928,584
Buildings	15,433,296	-	-	15,433,296
Technology equipment	1,019,245	-	188,453	830,792
Vehicles	1,562,634	217,078	43,697	1,736,015
General equipment	560,833	-	16,049	544,784
Total at historical cost	<u>\$ 19,959,060</u>	<u>\$ 361,914</u>	<u>\$ 248,199</u>	<u>\$ 20,072,775</u>
Less: Accumulated depreciation				
Land improvements \$	669,626	31,327	-	700,953
Buildings	9,655,037	336,438	-	9,991,475
Technology equipment	967,403	51,842	188,453	830,792
Vehicles	1,287,050	81,662	43,697	1,325,015
General equipment	406,669	25,169	15,874	415,964
Total accumulated depreciation	<u>\$ 12,985,785</u>	<u>\$ 526,438</u>	<u>\$ 248,024</u>	<u>\$ 13,264,199</u>
Governmental Activities				
Capital Assets-net	<u>\$ 6,973,275</u>	<u>\$ (164,524)</u>	<u>\$ 175</u>	<u>\$ 6,808,576</u>
<u>Business-Type Activities</u>	<u>July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2020</u>
Technology equipment \$	4,692	-	-	4,692
General equipment	273,481	-	-	273,481
Total at historical cost	<u>\$ 278,173</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 278,173</u>
Less: Accumulated depreciation				
Technology equipment \$	4,692	-	-	4,692
General equipment	201,366	14,377	-	215,743
Total accumulated depreciation	<u>\$ 206,058</u>	<u>\$ 14,377</u>	<u>\$ -</u>	<u>\$ 220,435</u>
Business-Type Activities				
Capital Assets-net	<u>\$ 72,115</u>	<u>\$ (14,377)</u>	<u>\$ -</u>	<u>\$ 57,738</u>

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

NOTE D – DEBT OBLIGATIONS

Bonds

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The District, through the General Fund (including utility taxes), Building (FSPK) Fund, and the SEEK Capital Outlay Fund is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Pikeville Independent School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding. The District issued \$580,000 in new bonds during the fiscal year to fund the Pikeville Elementary School restroom renovation.

The original amount of outstanding issues, the issue dates, interest rates, maturity dates, and outstanding balances, at June 30, 2020 are summarized below:

Bond Issue	Original Amount	Maturity Date	Interest Rates	2019			2020
				Outstanding Balance	Additions	Retirements	Outstanding Balance
2017	\$ 645,000	8/1/2037	3 - 3.5%	\$ 620,000	\$ -	\$ 25,000	595,000
2006	360,000	5/1/2026	4.25%	180,000	-	20,000	160,000
2008R	890,000	9/1/2019	2.55 - 3.40%	100,000	-	100,000	-
2009	1,220,000	6/1/2029	2.0 - 4.50%	860,000	-	860,000	-
2012R	1,840,000	6/1/2024	1.15 - 3.0%	845,000	-	185,000	660,000
2019R	905,000	6/1/2024	2%		905,000	70,000	835,000
2020	\$ 580,000	2/1/2040	2.5-3.0%	-	580,000	-	580,000
				\$ 2,605,000	\$ 1,485,000	\$ 1,260,000	\$ 2,830,000
Less:	Discount			(29,401)	(20,650)	(5,533)	(44,518)
Totals				\$ 2,575,599	\$ 1,464,350	\$ 1,254,467	\$ 2,785,482

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

Defeased Bonds

In 2020, the District defeased Series 2009 School Building Revenue Bonds by depositing the proceeds of new debt into an irrevocable trust with an escrow agent for future debt service payments on \$860,000 of the 2009 Series bonds. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete the refunding is \$89,940. As a result of this advance, the District obtained a net present value savings of \$78,318.

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue. Assuming no issues are called prior to maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2020 for debt service, (principal and interest) are as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended <u>June 30th</u>	<u>Principal</u>		<u>Interest</u>		<u>Principal Total</u>	<u>Interest Total</u>
	<u>Local</u>	<u>SFCC</u>	<u>Local</u>	<u>SFCC</u>		
2021	\$ 256,642	\$ 76,358	\$ 34,850	\$ 38,887	\$ 333,000	\$ 73,737
2022	256,455	77,545	28,964	37,702	334,000	66,666
2023	265,522	79,478	23,042	35,768	345,000	58,810
2024	170,372	81,628	16,703	33,619	252,000	50,322
2025	115,603	67,397	12,137	31,273	183,000	43,410
2026-2030	402,281	349,719	22,174	126,713	752,000	148,887
2031-2035	7,041	332,959	1,520	75,797	340,000	77,317
2036-2040	6,250	284,750	468	19,607	291,000	20,075
	<u>\$ 1,480,166</u>	<u>\$ 1,349,834</u>	<u>\$ 139,858</u>	<u>\$ 399,366</u>	<u>\$ 2,830,000</u>	<u>\$ 539,224</u>

KSBIT

The District elected to take advantage of the 0% interest option repayment plan for the worker’s compensation and property and liability insurance deficit with the now defunct Kentucky School Board Insurance Trust. The repayment plan required the District to pay 25% of the worker’s compensation deficit during fiscal year 2018 with the remaining balance to be repaid over the next six years, and to pay 40% of the property and liability deficit during fiscal year 2018 with the remaining balance to be repaid over the next two years. The activity during fiscal year 2020 for the worker’s compensation and property and liability deficit are as follows:

<u>Insurance Fund</u>	2019			2020
	<u>Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding Balance</u>
Worker's Compensation	\$ 40,928	\$ -	\$ 20,464	\$ 20,464

The minimum payments are as follows:

Fiscal Year Ended June 30,	<u>Payment</u>
2021	\$ 20,464

Accumulated Sick Leave

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

	2019			2020
	<u>Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding Balance</u>
Sick Leave	\$ 144,415	\$ 120,824	\$ -	\$ 265,239

Net Pension and OPEB Liability

The net pension liability is \$3,110,758 for governmental activities and \$140,829 for business-type activities for a total of \$3,251,587 as of June 30, 2020. (See Note G for additional information) The net OPEB liability is \$4,013,746 for governmental activities and \$33,670 for business-type activities for a total of \$4,047,416 as of June 30, 2020. (See Note I for additional information)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

<u>Description</u>	<u>2019 Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>2020 Outstanding Balance</u>	<u>Amount Due in One Year</u>
Bonds, Net of Premium and Discount	\$ 2,575,599	\$ 1,464,350	\$ 1,254,467	\$ 2,785,482	\$ 333,000
Capital Lease	159,154	220,941	18,933	361,162	43,089
KSBIT	40,928	-	20,464	20,464	20,464
Sick Leave	144,415	120,824	-	265,239	-
Net Pension Liability	3,062,570	189,017	-	3,251,587	-
Net OPEB Liability	4,724,783	-	677,367	4,047,416	-
Totals	<u>\$ 10,707,449</u>	<u>\$ 1,995,132</u>	<u>\$ 1,971,231</u>	<u>\$ 10,731,350</u>	<u>\$ 396,553</u>

NOTE E – CAPITAL LEASES

The following is an analysis of the leased property under capital lease by class:

<u>KISTA Issue</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>2019</u>			<u>2020</u>
				<u>Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding Balance</u>
2017	202,648	3/1/2027	2.55%	\$ 159,154	\$ -	\$ 18,933	\$ 140,221
2020	220,941	3/1/2030	2.00%	-	220,941	-	220,941
Totals				<u>\$ 159,154</u>	<u>\$ 220,941</u>	<u>\$ 18,933</u>	<u>\$ 361,162</u>

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, 2020:

<u>Fiscal Year Ended June 30th</u>	<u>Principal Local</u>	<u>Interest Local</u>	<u>Total</u>
2021	\$ 43,089	\$ 3,576	\$ 46,665
2022	43,965	3,079	47,044
2023	41,644	2,571	44,215
2024	42,640	2,049	44,689
2025	43,570	1,513	45,083
2026-2030	146,254	6,338	152,592
	<u>\$ 361,162</u>	<u>\$ 19,126</u>	<u>\$ 380,288</u>

Total minimum lease payments	\$ 380,288
Less: Amount representing interest	<u>(19,126)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 361,162</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The assets acquired through the capital leases are as follows:

	Governmental Activities
Buses	\$ 413,699
Less accumulated depreciation	<u>(74,585)</u>
Total	<u>\$ 339,114</u>

NOTE F- COMMITMENTS UNDER NON-CAPITALIZED LEASES

The Board has entered into a renewable ten-year lease for the non-exclusive use of the W.C. Hambley Athletic Complex and Bob Amos Soccer Complex. The term begins on January 1, 2017 and ends on January 31, 2027. It shall automatically renew for one year unless either party notifies the other in writing of its intent not to renew the agreement prior to January 1st of the original term or any renewal term. The District makes payments monthly for rental and maintenance \$6,001 per month.

The minimum lease/termination payments are as follows:

Fiscal Year Ended <u>June 30,</u>	Minimum <u>Payments</u>
2021	\$52,008
2022	52,008
2023	52,008
2024	52,008
2025	52,008
2026-2027	<u>104,016</u>
Total	<u><u>\$364,056</u></u>

Rental expense for fiscal year 2020 was \$52,008.

Commitments under operating lease agreements for office equipment provided for the minimum future rental payments as of June 30, 2020 are as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2021	\$ 3,160

Expenditures for equipment under operating leases for the year ended June 30, 2020 totaled \$3,160.

NOTE G – RETIREMENT PLANS

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

Teachers Retirement System Kentucky (TRS)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New members (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than ten years. New members after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the system has been amended to change the benefit structure for members hired on or after that date.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Medical Insurance Plan

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

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

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

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

At June 30, 2020 the District did not report a liability for the District's proportionate share of the net pension liability because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of TRS net pension liability	\$	-
Commonwealth's proportionate share of the TRS net pension liability associated with the District		<u>28,485,011</u>
	\$	<u><u>28,485,011</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The net pension liability was measured as of June 30, 2019, 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, 2020, the District's proportion was 0.2088%.

Actuarial Methods and Assumptions—The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	28.1 years
Asset Valuation Method	5-year smoothed market value
Single Equivalent Interest Rate	7.5%
Municipal Bond Index Rate	3.5%
Projected Salary Increase	3.5-7.3%, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation.

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

- Municipal Bond Index Rate decreased to 3.5%

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 BB to 2025 (with a set forward of 1 year for females and 2 years for males). The most recent experience study based on the results from July 1, 2010 – June 30, 2015 adopted by the Board on September 19, 2016.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
U.S. Equity	40.0%	4.2%
International Equity	22.0%	5.2%
Fixed Income	15.0%	1.2%
Additional Categories	7.0%	3.2%
Real Estate	7.0%	3.8%
Private Equity	7.0%	6.3%
Cash	2.0%	0.9%
Total	<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 plan member contributions will be made at the current contribution rates and the employer contributions will be made at the Actuarially Determined Contribution rates for all fiscal years in the future. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the net pension liability of the Commonwealth associated with the District, calculated using the discount rate of 7.50%, as well as what the Commonwealth’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.50%	7.50%	8.50%
District's proportionate share of net pension liability	\$ 36,396,360	\$ 28,485,011	\$ 21,863,572

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

County Employees Retirement System

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

Contributions: Funding for CERS is provided by members, who contribute 5.00% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions, and by employers of members. For the year ending June 30, 2020, employers were required to contribute 24.06% of the member's salary. During the year ending June 30, 2020, the District contributed \$276,980 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

CERS-Medical Insurance Plan

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

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

At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2019. An expected total pension liability as of June 30, 2019 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, 2019. At June 30, 2020, the District's proportion was 0.046233%.

District's proportionate share of CERS net pension liability	\$	3,251,587
Commonwealth's proportionate share of the CERS net pension liability associated with the District		<u>-</u>
	\$	<u><u>3,251,587</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2020, the District recognized pension expense of \$262,663. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 83,023	\$ 13,739
Changes of assumptions	329,098	-
Net difference between projected and actual earnings on pension plan investments	62,419	114,835
Changes in proportion and differences between District contributions and proportionate share of contributions	13,341	234,658
District contributions subsequent to the measurement date	<u>260,971</u>	<u>-</u>
	\$ <u>748,850</u>	\$ <u>363,232</u>

The \$260,971 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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

	<u>Year Ended June 30,</u>
2021	\$ 120,646
2022	(7,463)
2023	7,746
2024	<u>3,719</u>
	\$ <u>124,648</u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	26 years
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25%
Phase-In Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

The following represents assumptions and changes of assumptions from the prior valuation to the valuation performed as of June 30, 2017:

- The assumed investment rate of return decreased to 6.25%.
- The assumed rate of inflation decreased to 2.30%.
- The Salary Increase changed to 3.30% to 11.55%.
- Phase-In provision added.

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 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 CERS. 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 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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Special Credit/High Yield	15.00%	2.60%
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
	<u>100.00%</u>	

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

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

	1% Decrease	Current Discount Rate	1% Increase
	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 4,066,814	\$ 3,251,587	\$ 2,572,104

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, 2020, there are no payables to CERS.

Other Retirement Plans

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

Employee contributions made to the plans during the year totaled \$271,876. The District does not contribute to these plans.

NOTE H – ACCOUNTING STANDARDS STATEMENT NO. 75

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

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

NOTE I – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

TRS – General Information about the OPEB Plans

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Retiree Medical Plan funded by the Medical Insurance Fund

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

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

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

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

At June 30, 2020, the District reported a liability of \$3,270,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the District's proportion was .111741 percent.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

District's proportionate share of TRS net OPEB liability	\$	3,270,000
Commonwealth's proportionate share of the TRS net OPEB liability associated with the District		<u>2,641,000</u>
	\$	<u><u>5,911,000</u></u>

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 792,000
Changes of assumptions	87,000	-
Net difference between projected and actual earnings on pension plan investments	14,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	40,000	111,000
District contributions subsequent to the measurement date	<u>197,915</u>	<u>-</u>
	\$ <u><u>338,915</u></u>	\$ <u><u>903,000</u></u>

The \$197,915 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the collective net OPEB liability for the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

	<u>Year Ended June 30,</u>
2021	\$ (146,000)
2022	(146,000)
2023	(139,000)
2024	(141,000)
2025	(117,000)
Thereafter	<u>(73,000)</u>
	\$ <u><u>(762,000)</u></u>

Changes of Benefit Terms - None

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Changes of Assumptions- The amortization period decreased to 22 years and the Municipal Bond Index Rate decreased to 3.5%.

Actuarial Methods and Assumptions—The total OPEB liability was determined using an actuarial valuation of the June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	22 years, closed
Asset Valuation Method	5-year smoothed value
Single Equivalent Interest Rate	8.0%, net of OPEB plan investment expense, includes price inflation
Municipal Bond Index Rate	3.5%
Investment Rate of Return	8.0%, net of OPEB plan investment expense, includes price inflation
Inflation	3.0%
Real Wage Growth	0.5%
Wage Inflation	3.5%
Salary Increase	3.5 to 7.2%, including wage inflation
Discount Rate	8.0%

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 BB to 2025 (with a set forward of 1 year for females and 2 years for males). The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Asset Class	Target Allocation Percentage	30 Year Expected Geometric Real Rate of Return
Global Equity	58.00%	5.10%
Fixed Income	9.00%	1.20%
Real Estate	6.50%	3.80%
Private Equity	8.50%	6.30%
Additional Categories	17.00%	3.20%
Cash	1.00%	0.90%
Total	100.00%	

Discount Rate: The discount rate used to measure the total OPEB liability was 8.00%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projections basis was an actuarial valuation performed as of June 30, 2018. In addition to actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.50%.
- The KEHP group retiree health care costs for members retired on or after July 1, 2010, were assumed to be paid by either the state or the retirees themselves.
- As administrative expenses, other than the administrative fee of \$7.44 per member per month paid to KEHP by TRS, were assumed to be paid in all years by the employer as they come due, they were not considered.
- Cash flows occur mid-year.

Future contributions to the MIF were based upon the contribution rates defined in statute and the projected payroll of active employees. Per KRS 161.540(1)(c).3 and 161.550(5), when the MIF achieves a sufficient prefunded status, as determined by the retirement system's actuary, the following MIF statutory contributions are to be decreased, suspended, or eliminated:

- Employee Contributions
- Employer Contributions
- State Contributions for KEHP premium subsidies payable to retirees who retire after June 30, 2010

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

- Liabilities and cash flows are net of expected retiree contributions and any implicit subsidies attributable to coverage while participating in KEHP.
- A 0% active member growth rate was assumed for the purposes of developing estimates for new entrants (membership dates beyond June 30, 2018).

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

The following table presents the net OPEB liability of the Commonwealth associated with the District, calculated using the discount rate of 8.00%, as well as what the Commonwealth’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	7.00%	8.00%	9.00%
District's proportionate share of net OPEB liability	\$ 3,874,000	\$ 3,270,000	\$ 2,765,000

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

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 2,662,000	\$ 3,270,000	\$ 4,018,000

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

At June 30, 2020, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of TRS net OPEB liability	\$	-
Commonwealth's proportionate share of the TRS net OPEB liability associated with the District		61,000
	\$	61,000

For the year ended June 30, 2020, the District recognized OPEB revenue of \$196,656 for support provided by the State.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Actuarial Methods and Assumptions—The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	30 years, closed
Asset Valuation Method	5-year smoothed value
Single Equivalent Interest Rate	7.5%
Municipal Bond Index Rate	3.5%
Investment Rate of Return	7.5%, includes price inflation
Inflation	3.0%
Real Wage Growth	0.5 %
Wage Inflation	3.5%
Salary Increase	3.5 to 7.45%, including wage inflation
Discount Rate	7.5%

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

- Projected salary increases changed to 3.5-7.45%.
- Inflation rate decreased to 3.0%.
- Wage inflation decreased to 3.5%.
- Municipal bond index rate decreased to 3.5%.

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 BB to 2025 (with a set forward of 1 year for females and 2 years for males). The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity	40.0%	4.2%
International Equity	23.0%	5.2%
Fixed Income	18.0%	1.2%
Real Estate	6.0%	3.8%
Private Equity	5.0%	6.3%
Other Additional Categories	6.0%	3.3%
Cash	2.0%	0.9%
	100.0%	

Discount Rate: The discount rate used to measure the total OPEB liability was 7.5%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projections basis was an actuarial valuation performed as of June 30, 2018. In addition to actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.5%.
- The employer will contribute the actuarially determined contribution (ADC) in accordance with the Life Insurance Trust’s funding policy determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC applies.
- As administrative expenses were assumed to be paid in all years by the employer as they come due, they were not considered.
- Active employees do not explicitly contribute to the plan.
- Cash flows occur mid-year.

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

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

CERS – General Information about the OPEB Plans

Other Pension Benefit Programs-Employees’ Health Plan

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

The unfunded medical benefit obligation of the CERS, based upon the entry age normal cost method, as of June 30, 2019 was as follows:

Total medical benefit obligation	\$	3,567,946,559
Net position available for benefits at actuarial value		<u>(2,523,248,929)</u>
Unfunded medical benefit obligation	\$	<u><u>1,044,697,630</u></u>

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

At June 30, 2020, the District reported a liability of \$777,416 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the District’s proportion was .04622100 percent.

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

District's proportionate share of net OPEB liability	\$	777,416
Commonwealth's proportionate share of the net OPEB liability associated with the District		<u>-</u>
	\$	<u><u>777,416</u></u>

For the year ended June 30, 2020, the District recognized OPEB expense of \$24,296. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 234,565
Changes of assumptions	230,045	1,538
Net difference between projected and actual earnings on pension plan investments	5,121	39,650
Changes in proportion and differences between District contributions and proportionate share of contributions	-	113,833
District contributions subsequent to the measurement date	<u>32,702</u>	<u>-</u>
	\$ <u>267,868</u>	\$ <u>389,586</u>

The \$32,701 (includes \$16,692 Implicit Subsidy) reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the collective net OPEB liability for the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

	<u>Year Ended June 30,</u>
2021	\$ (29,692)
2022	(29,692)
2023	(18,713)
2024	(39,689)
2025	(30,731)
Thereafter	<u>(5,903)</u>
	\$ <u>(154,420)</u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Changes of Benefit Terms-None

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Amortization Period	26 years, closed
Asset Valuation Method	20% of difference between the market value of assets and the expected actuarial value of assets.
Price Inflation	2.30%
Salary Increase	3.30 - 11.55%, varies by service
Investment Return	6.25%
Payroll Growth	2.00%
Mortality	RP-2000 Combined Mortality Table, projected to 2013 With Scale BB (set back 1 year females)
Healthcare Trend Rates (Pre-65)	Initial trend starting at 7.25% and gradually decreasing to an ultimate trend rate of 4.05% over period of 13 years.
Healthcare Trend Rates (Post-65)	Initial trend starting at 5.10% and gradually decreasing to an ultimate trend rate of 4.05% over period of 11 years.
Healthcare Trend Rates (Phase-In)	Board certified rate is phased into the actuarially determined rate in accordance with HB362 enacted in 2018.

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

- Amortization period decreased to 26.
- Payroll growth rate decreased to 2.00%
- Investment return rate decreased to 6.25%.
- Inflation rate decreased to 2.30%.
- Salary increase changed to 3.30 – 11.55%.
- Health care trend rates Pre-65 changed to having an initial trend rate of 7.25% decreasing to 4.05% over 13 years.
- Health care trend rates Post-65 changed to having an initial trend rate of 5.10% decreasing to 4.05% over 11 years.
- Health care trend rates phase in provision was added.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Discount rate: The discount rate used to measure the total OPEB liability was 5.68%. The rate is based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.13%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 28, 2019. Based on the stated assumptions and the projection of cash flows as of each fiscal year ended, the plan’s insurance fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on Insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement plan. However, the cost associated with the implicit subsidy will not be paid out of the plan’s trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The projection of cash flows used to determine the single discount rate assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018) that applies to CERS.

The following table presents the net OPEB liability of the District, calculated using the discount rate of 5.68%, as well as what the District’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.68%) or 1-percentage-point higher (6.68%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	4.68%	5.68%	6.68%
District's proportionate share of net OPEB liability	\$ 1,041,418	\$ 777,416	\$ 559,897

Sensitivity of the District’s proportionate share of net OPEB liability to changes in the discount rate: The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 5.68%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.68%) or 1-percentage-point higher (6.68%) than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 578,169	\$ 777,416	\$ 1,019,028

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

NOTE J – COMMITMENTS

The Pikeville Independent School District had commitments of \$15,794,534 for use in future construction projects.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE K - CONTINGENCIES

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

NOTE L - LITIGATION

The District is currently involved in pending litigation for which the expected award to the claimant if any is expected to be covered by the District’s insurance carrier.

NOTE M – INSURANCE AND RELATED ACTIVITIES

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

NOTE N – RISK MANAGEMENT

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

The District purchases unemployment insurance through the Kentucky School Districts 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 coverage in any of the past three fiscal years.

NOTE O – DEFICIT FUND AND OPERATING BALANCES

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

<u>Fund</u>		<u>Change in Net Position</u>		<u>Fund Balance</u>
		<u>Net Change in Fund Balance</u>		<u>Net Position</u>
Governmental Activities	\$	(283,265)	\$	(1,880,032)
Business-type Activities/Proprietary Fund		-		(125,732)
FSPK		(933)		-
Capital Outlay	\$	(26,339)	\$	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE P - COBRA

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

NOTE Q – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>	<u>Amount</u>
Operations	General Fund	Special Revenue Fund	KETS Matching	\$ 22,731
Operations	Building Fund	General Fund	Operating Expenditures	115,687
Operations	Capital Outlay	General Fund	Operating Expenditures	107,303
Debt Service	Building Fund	Debt Service Fund	Debt Payments	336,589
Operations	Capital Outlay	Construction	Construction Expenditures	\$ 27,272

NOTE R – ON-BEHALF PAYMENTS

For fiscal year 2020, the Commonwealth of Kentucky contributed estimated payments on behalf of the District as follows:

<u>Plan/Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System (GASB 68 &75)	\$ 2,303,376
Health Insurance	1,096,012
Life Insurance	1,779
Administrative Fee	14,652
HRA/Dental/Vision	73,242
Federal Reimbursement	(32,478)
Technology	69,017
SFCC Debt Service Payments	<u>121,303</u>
Total	\$ <u><u>3,646,903</u></u>

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

NOTE S – RESTRICTED FUNDS

The following funds had restricted fund balances.

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Capital Outlay	60,733	School Facilities Construction Commission Requirement
Construction	463,782	Construction Projects

NOTE T – SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 13, 2020, the date of the audit report.

PIKEVILLE INDEPENDENT SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 CERS and TRS
 For the year ended June 30, 2020

	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)
COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS):					
Districts' proportion of the net pension liability	0.04623%	0.05029%	0.05439%	0.052200%	0.05140%
District's proportionate share of the net pension liability	\$ 3,251,587	\$ 3,062,570	\$ 3,183,438	\$ 2,571,668	\$ 2,208,948
State's proportionate share of the net pension liability associated with the District	-	-	-	-	-
Total	<u>\$ 3,251,587</u>	<u>\$ 3,062,570</u>	<u>\$ 3,183,438</u>	<u>\$ 2,571,668</u>	<u>\$ 2,208,948</u>
District's covered-employee payroll	\$ 1,166,206	\$ 1,248,068	\$ 1,324,187	\$ 1,245,832	\$ 1,198,688
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	278.82%	245.38%	240.41%	206.42%	184.28%
Plan fiduciary net position as a percentage of the total pension liability	50.54%	53.54%	53.30%	59.00%	59.97%
KENTUCKY TEACHER'S RETIREMENT SYSTEM (TRS):					
Districts' proportion of the net pension liability	0.209%	0.213%	0.216%	0.205%	0.205%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	<u>28,485,011</u>	<u>27,859,109</u>	<u>58,301,885</u>	<u>62,328,123</u>	<u>47,600,799</u>
Total	<u>\$ 28,485,011</u>	<u>\$ 27,859,109</u>	<u>\$ 58,301,885</u>	<u>\$ 62,328,123</u>	<u>\$ 47,600,799</u>
District's covered-employee payroll	\$ 6,683,391	\$ 6,731,526	\$ 6,751,740	\$ 6,636,661	\$ 14,423,334
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.000%	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total pension liability	58.80%	59.30%	39.80%	35.22%	42.29%

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

PIKEVILLE INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS
CERS and TRS

For the year ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS):					
Contractually required contribution	\$ 260,971	\$ 238,578	\$ 228,128	\$ 247,358	\$ 212,538
Contributions in relation to the contractually required contributions	<u>260,971</u>	<u>238,578</u>	<u>228,128</u>	<u>247,358</u>	<u>212,538</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 1,151,203	\$ 1,166,206	\$ 1,248,068	\$ 1,324,187	\$ 1,245,832
District's contributions as a percentage of it's covered-employee payroll	22.67%	20.46%	18.28%	18.68%	17.06%
KENTUCKY TEACHER'S RETIREMENT SYSTEM (TRS):					
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 6,754,822	\$ 6,683,391	\$ 6,731,526	\$ 6,751,740	\$ 6,636,661
District's contributions as a percentage of it's covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

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

See the accompanying notes to the required supplementary information.

PIKEVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
For the year ended June 30, 2020

(1) CHANGES OF BENEFITS

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

(2) CHANGES OF ASSUMPTIONS

TRS

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

- o Municipal Bond Index Rate decreased to 3.5%.

CERS

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

- o The assumed investment rate of return decreased to 6.25%.
- o The assumed rate of inflation decreased to 2.30%.
- o The Salary Increase changed to 3.30% to 11.55%.
- o Phase-In provision added.

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

TRS

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

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	28.1 years
Asset Valuation Method	5-year smoothed market value
Single Equivalent Interest Rate	7.5%
Municipal Bond Index Rate	3.5%
Projected Salary Increase	3.5-7.3%, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation.

CERS

The Board of Trustees uses this actuarial valuation to certify the employer contribution rates for CERS for the fiscal year beginning July 1, 2019 and ending June 30, 2020. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule:

PIKEVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS

For the year ended June 30, 2020

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	26 years
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25%
Phase-In Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

PIKEVILLE IND SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MEDICAL AND LIFE INSURANCE PLANS - TEACHERS' RETIREMENT SYSTEM
Year ended June 30, 2020

	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
MEDICAL INSURANCE PLAN			
District's proportion of the collective net OPEB liability (asset)	0.11174%	0.21393%	0.11493%
District's proportionate share of the collective net OPEB liability (asset)	\$ 3,270,000	\$ 3,832,000	\$ 4,098,000
State's proportionate share of the collective net OPEB liability (asset) associated with the District	<u>2,641,000</u>	<u>3,303,000</u>	<u>3,348,000</u>
Total	<u>\$ 5,911,000</u>	<u>\$ 7,135,000</u>	<u>\$ 7,446,000</u>
District's covered-employee payroll	\$ 6,683,391	\$ 6,731,526	\$ 6,751,740
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	48.93%	56.93%	60.70%
Plan fiduciary net position as a percentage of the total OPEB liability	32.60%	25.50%	21.20%
LIFE INSURANCE PLAN			
District's proportion of the collective net OPEB liability (asset)	0.00000%	0.00000%	0.00000%
District's proportionate share of the collective net OPEB liability (asset)	\$ -	\$ -	\$ -
State's proportionate share of the collective net OPEB liability (asset) associated with the District	<u>61,000</u>	<u>57,000</u>	<u>45,000</u>
Total	<u>\$ 57,000</u>	<u>\$ 57,000</u>	<u>\$ 45,000</u>
District's covered-employee payroll	\$ 6,683,391	\$ 6,731,526	\$ 6,751,740
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	73.40%	75.00%	80.00%

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

See the accompanying notes to the required supplementary information.

PIKEVILLE INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS
MEDICAL AND LIFE INSURANCE PLANS
TEACHERS' RETIREMENT SYSTEM
Year ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
MEDICAL INSURANCE PLAN			
Contractually required contribution	\$ 194,571	\$ 194,259	\$ 196,851
Contributions in relation to the contractually required contribution	<u>194,571</u>	<u>194,259</u>	<u>196,851</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 6,754,822	\$ 6,683,391	\$ 6,731,526
District's contributions as a percentage of it's covered-employee payroll	2.88%	2.91%	2.92%
LIFE INSURANCE PLAN			
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 6,754,822	\$ 6,683,391	\$ 6,731,526
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	0.00%	0.00%	0.00%

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

See the accompanying notes to the required supplementary information.

PIKEVILLE INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -HEALTH INSURANCE PLAN
COUNTY EMPLOYEE RETIREMENT SYSTEM
Year ended June 30, 2020

	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
HEALTH INSURANCE PLAN			
District's proportion of the collective net OPEB liability (asset)	0.04622%	0.05028%	0.05439%
District's proportionate share of the collective net OPEB liability (asset)	\$ 777,416	\$ 892,783	\$ 1,093,365
State's proportionate share of the collective net OPEB liability (asset) associated with the District	-	-	-
Total	<u>\$ 777,416</u>	<u>\$ 892,783</u>	<u>\$ 1,093,365</u>
District's covered-employee payroll	\$ 1,166,206	\$ 1,248,068	\$ 1,324,187
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	66.66%	71.53%	82.57%
Plan fiduciary net position as a percentage of the total OPEB liability	60.44%	57.62%	13.00%

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

See the accompanying notes to the required supplementary information.

PIKEVILLE INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS - HEALTH INSURANCE PLAN COUNTY
EMPLOYEE RETIREMENT SYSTEM
Year ended June 30, 2020

HEALTH INSURANCE PLAN	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 32,701	\$ 70,501	\$ 24,614
Contributions in relation to the contractually	<u>32,701</u>	<u>70,501</u>	<u>24,614</u>
Contribution deficiency (excess)	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
District's covered-employee payroll	\$ 1,151,203	\$ 1,166,206	\$ 1,248,068
District's contributions as a percentage of it's covered-employee payroll	2.84%	6.05%	1.97%

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

See the accompanying notes to the required supplementary information.

PIKEVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-OPEB

For the year ended June 30, 2020

TRS

(1) CHANGES OF BENEFIT TERMS

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

(2) CHANGES OF ASSUMPTIONS

Medical Insurance Fund

- The amortization period decreased to 22 years
- Municipal Bond Index Rate decreased to 3.5%.

Life Insurance Fund

- Projected salary increases changed to 3.5-7.45%.
- Inflation rate decreased to 3.0%.
- Wage inflation decreased to 3.5%.
- Municipal bond index rate decreased to 3.5%.

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

Medical Insurance Fund

The actuarially determined contribution rates, as a percentage of payroll used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2020:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	22 years, closed
Asset Valuation Method	5-year smoothed value
Single Equivalent Interest Rate	8.0%, net of OPEB plan investment expense, includes price inflation
Municipal Bond Index Rate	3.5%
Investment Rate of Return	8.0%, net of OPEB plan investment expense, includes price inflation
Inflation	3.0%
Real Wage Growth	0.5%
Wage Inflation	3.5%
Salary Increase	3.5 to 7.2%, including wage inflation
Discount Rate	8.0%

PIKEVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-OPEB

For the year ended June 30, 2020

Life Insurance Fund

The actuarially determined contribution rates, as a percentage of payroll used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2020:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	30 years, closed
Asset Valuation Method	5-year smoothed value
Single Equivalent Interest Rate	7.5%
Municipal Bond Index Rate	3.5%
Investment Rate of Return	7.5%, includes price inflation
Inflation	3.0%
Real Wage Growth	0.5 %
Wage Inflation	3.5%
Salary Increase	3.5 to 7.45%, including wage inflation
Discount Rate	7.5%

CERS

Other Pension Benefit Programs-Employees' Health Plan

(1) CHANGES OF BENEFIT TERMS

There were no changes of benefit terms.

(2) CHANGES OF ASSUMPTIONS

- Amortization period decreased to 26.
- Payroll growth rate decreased to 2.00%
- Investment return rate decreased to 6.25%.
- Inflation rate decreased to 2.30%.
- Salary increase changed to 3.30 – 11.55%.
- Health care trend rates Pre-65 changed to having an initial trend rate of 7.25% decreasing to 4.05% over 13 years.
- Health care trend rates Post-65 changed to having an initial trend rate of 5.10% decreasing to 4.05% over 11 years.
- Health care trend rates phase in provision was added.

PIKEVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-OPEB

For the year ended June 30, 2020

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

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

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Amortization Period	26 years, closed
Asset Valuation Method	20% of difference between the market value of assets and the expected actuarial value of assets.
Price Inflation	2.30%
Salary Increase	3.30 - 11.55%, varies by service
Investment Return	6.25%
Payroll Growth	2.00%
Mortality	RP-2000 Combined Mortality Table, projected to 2013 With
Scale	BB (set back 1 year females)
Healthcare Trend Rates (Pre-65)	Initial trend starting at 7.25% and gradually decreasing To an ultimate trend rate of 4.05% over period of 13 years.
Healthcare Trend Rates (Post 65)	Initial trend starting at 5.10% and gradually decreasing To an ultimate trend rate of 4.05% over period of 11 years.
Healthcare Trend Rates (Phase-In)	Board certified rate is phased into the actuarially determined rate in accordance with HB362 enacted in 2018.

Pikeville Independent School District
Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2020

	Other Governmental Funds		
	FSPK	Capital Outlay	Total
Assets			
Cash and cash equivalents	\$ _____	\$ 60,733	\$ 60,733
Total assets	-	60,733	60,733
Fund Balances			
Restricted	_____	60,733	60,733
Total fund balances	\$ -	\$ 60,733	\$ 60,733

Pikeville Independent School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2020

	Other Governmental Funds		
	FSPK	Capital Outlay	Total
Revenues			
From local sources			
Taxes			
Property	\$ 316,195	\$ -	\$ 316,195
Intergovernmental - state	135,148	108,236	243,384
Total revenues	451,343	108,236	559,579
Expenditures			
Building improvements			-
Total expenditures	-	-	-
Excess (Deficit) of Revenues Over Expenditures	451,343	108,236	559,579
Other Financing Sources (Uses)			
Transfers (out)	(452,276)	(134,575)	(586,851)
Total other financing sources (uses)	(452,276)	(134,575)	(586,851)
Net Change in Fund Balances	(933)	(26,339)	(27,272)
Fund Balance Beginning	933	87,072	88,005
Fund Balance Ending	\$ -	\$ 60,733	\$ 60,733

Pikeville Independent School District
Combining Balance Sheet - School Activity Funds
 June 30, 2020

	SCHOOL ACTIVITY FUND		
	PIKEVILLE HIGH SCHOOL	PIKEVILLE ELEMENTARY	TOTAL
ASSETS			
Cash and cash equivalents	\$ <u>96,713</u>	\$ <u>32,843</u>	\$ <u>129,556</u>
Total assets	<u>96,713</u>	<u>32,843</u>	<u>129,556</u>
FUND BALANCE			
School activities	<u>96,713</u>	<u>32,843</u>	<u>129,556</u>
Total liabilities & fund balances	\$ <u>96,713</u>	\$ <u>32,843</u>	\$ <u>129,556</u>

Pikeville Independent School District
Combining Statement of Revenues, Expenses, and Changes in Fund Balance
School Activity Funds
For the year ended June 30, 2020

	SCHOOL ACTIVITY FUND		
	PIKEVILLE HIGH SCHOOL	PIKEVILLE ELEMENTARY	TOTAL
REVENUES			
Student revenues	\$ 399,508	\$ 53,748	\$ 453,256
EXPENSES			
Student activities	382,061	50,741	432,802
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	17,447	3,007	20,454
FUND BALANCE - BEGINNING	79,266	29,836	109,102
FUND BALANCE - ENDING	\$ 96,713	\$ 32,843	\$ 129,556

Pikeville Independent School District
Statement of Revenues, Expenses, and Changes in Fund Balance - Pikeville High School
For the year ended June 30, 2020

	FUND BALANCE BEGINNING	REVENUES	EXPENSES	TRANSFER	FUND BALANCE ENDING
OFFICE	\$ 1,658	\$ 2,541	\$ 411	\$ -	\$ 3,788
POSTAGE	46	-	-	-	46
LOCKER FEES	268	268	3	-	533
GENERAL	3,130	-	-	-	3,130
TEXTBOOKS	615	10,452	10,117	-	950
SCHOOL RESERVED	-	15,827	15,827	-	-
START UP	-	24,650	24,650	-	-
ATHLETIC CONTINGENCY	-	2,911	-	-	2,911
PHS HALL OF FAME	-	921	789	-	132
PROJECT PROM	-	1,300	-	-	1,300
STUDENT VENDING	1,903	3,978	2,260	-	3,621
TEACHER VENDING	374	4,716	4,105	-	985
ATHLETICS	13,897	236,823	235,483	-	15,237
CORP SPONSORSHIP	19,117	23,900	24,267	-	18,750
MOCK TRIAL	380	-	-	-	380
NEED ENERGY	1,275	-	-	-	1,275
FUTURE CITY 2016	335	50	65	-	320
ROBOTICS	515	-	-	-	515
PHS INTERACT CLUB	-	250	-	-	250
7TH GRADE ACTIVITY FUND	133	-	-	-	133
PIKEVILLE E-SPORTS	222	-	-	-	222
FCA	140	550	235	-	455
HONOR SOCIETY	1,150	1,067	1,956	-	261
HS ACADEMICS	5,311	6,830	5,849	-	6,292
JH ACADEMICS	163	-	-	-	163
JH PEP CLUB	1,906	1,675	1,129	-	2,452
PEP CLUB HS	3,102	2,345	2,737	-	2,710
STUDENT COUNCIL	106	-	51	-	55
PREPPY PANTHER	191	-	-	-	191
SPECIAL ED FOUNDATION	144	-	-	-	144
BETA CLUB	696	8,635	8,887	-	444
BAND	388	1,138	1,338	-	188
CHORUS	1,206	13,030	11,822	-	2,414
DRAMA	843	2,660	1,852	-	1,651
KYA-COOLEY	135	8,244	8,229	-	150
11TH GRADE	2,140	4,313	946	-	5,507
12TH GRADE	504	5,345	5,478	-	371
YEARBOOK	7,260	5,863	4,698	-	8,425
COUNSELOR NEEDS	127	523	626	-	24
LIBRARY	1,849	2,466	3,192	-	1,123
HELP	317	-	199	-	118
CLASS OF 2022	474	-	-	-	474
CLASS OF 2021	570	-	-	-	570
CLASS OF 2020	375	-	-	-	375
CLASS OF 2019	646	-	-	-	646
CLASS OF 2023	441	-	-	-	441
CLASS OF 2024	-	3,176	1,044	-	2,132
COMPETITIVE CHEER AC	1,007	-	-	-	1,007
COOKING TEAM	2,243	383	932	-	1,694
PANTHER FOOTBALL CA	1,098	350	958	-	490
EMPTY CHAIR	20	-	-	-	20
TEEN'S WHO CARE	846	2,328	1,926	-	1,248
TOTALS	\$ 79,266	\$ 399,508	\$ 382,061	\$ -	\$ 96,713

Pikeville Independent School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year ended June 30, 2020

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Program or Award Amount	Expenditures
US Department of Agriculture					
Passed Through State Department of Education					
* School Breakfast Program	10.553				
Fiscal Year 19		7760005 19	\$ -	\$ N/A	19,074
Fiscal Year 20		7760005 20	-	N/A	43,343
* National School Lunch Program	10.555				
Fiscal Year 19		7750002 19	-	N/A	57,038
Fiscal Year 20		7750002 20	-	N/A	122,778
* Summer Food Service Program For Children	10.559				
Fiscal Year 20		7690024 20	-	N/A	13,035
Fiscal Year 20		7740023 20	-	N/A	126,946
Child Nutrition Cluster Subtotal					<u>382,214</u>
State Administrative Grant for Nutrition	10.560				
Fiscal Year 19		7700001 19	-	N/A	380
Passed Through State Department of Agriculture					
Food Donation-Commodities	10.565				
Fiscal Year 20		510.4950	-	N/A	39,156
Total US Department of Agriculture					<u>421,750</u>
US Department of Education					
Passed Through State Department of Education					
Title I Grants to Local Educational Agencies	84.010A				
Fiscal Year 19		3100002 19	-	303,265	102,762
Fiscal Year 20		3100002 20	-	374,916	275,579
					<u>378,341</u>
Special Education Grants to States	84.027A				
Fiscal Year 18P		3810002 18	-	1,485	1,101
Fiscal Year 19		3810002 19	-	212,098	52,015
Fiscal Year 19P		3810002 19	-	5,430	1,268
Fiscal Year 20		3810002 20	-	214,091	107,738
Fiscal Year 20P		3810002 20	-	1,456	236
Special Education - Preschool Grants	84.173A				
Fiscal Year 20		3800002 20	-	8,528	4,119
Special Education Cluster Subtotal					<u>166,477</u>
Vocation Education - Basic Grants to States	84.048				
Fiscal Year 20		3710002 20	-	10,417	6,551
Rural Education	84.358B				
Fiscal Year 19		3140002 19	-	21,345	903
Fiscal Year 20		3140002 20	-	22,767	13,578
					<u>14,481</u>
Improving Teacher Quality State Grants	84.367A				
Fiscal Year 20		3230002 20	-	44,706	43,630
CARES Act Educational Stabilization Fund GEER	84.425C				
Fiscal Year 20		4000002 20	-	N/A	4,235
Title IV Part A	84.424				
Fiscal Year 18		3420002 18	-	10,000	500
Fiscal Year 19		3420002 19	-	22,031	11,532
Fiscal Year 20		3420002 20	-	28,424	21,106
					<u>33,138</u>
Total US Department of Education					<u>646,853</u>
Federal Emergency Management Association					
Passed through State Department of Education					
FEMA Covid 19	97.036				
		FP 104-009-2	-	N/A	1,825
Total Federal Emergency Management Association					<u>1,825</u>
Total Expenditure of Federal Awards					<u>\$ 1,070,428</u>

* Major program

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

PIKEVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2020

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Pikeville Independent School District under the programs of the federal government for the year ended June 30, 2020. 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 Pikeville Independent School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. For the year ended June 30, 2020, the District received food commodities totaling \$39,156.

NOTE D – INDIRECT COST RATE

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

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

To the Board of Education of the Pikeville Independent School District
Pikeville, KY
And the State Committee for School District Audits

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits, in the *Auditor Responsibilities and State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Pikeville Independent School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Pikeville Independent School District's basic financial statements, and have issued our report thereon dated November 13, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Pikeville Independent School District in a separate letter dated November 13, 2020.

Purpose of this Report

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

White & Associates, PSC

Richmond, KY

November 13, 2020

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

To the Board of Education of the Pikeville Independent School District
Pikeville, KY
And the State Committee of School District Audits

Report on Compliance for Each Major Federal Program

We have audited the Pikeville Independent School District's 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 Pikeville Independent School District's major federal programs for the year ended June 30, 2020. Pikeville Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 Pikeville Independent School 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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the audit requirements prescribed by the Kentucky State Committee for School District Audits, in the *Auditor Responsibilities and State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements. Those standards and the 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 Pikeville Independent School 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 of the Pikeville Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Pikeville Independent School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the Pikeville Independent 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 Pikeville Independent School 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 federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Pikeville Independent School 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

White & Associates, PSC

Richmond, KY

November 13, 2020

PIKEVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2020

SUMMARY OF AUDITOR’S RESULTS

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

FINDINGS - FINANCIAL STATEMENT AUDIT

No findings at the financial statement level.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

No findings at the major federal award programs level.

PIKEVILLE INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended June 30, 2020

There were no prior audit findings.

MANAGEMENT LETTER POINTS

Pikeville Independent School District
Pikeville, Kentucky

In planning and performing our audit of the financial statements of the Pikeville Independent School District for the year ended June 30, 2020, we considered the District's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

PIKEVILLE ELEMENTARY

No conditions.

PIKEVILLE HIGH SCHOOL

No conditions.

PIKEVILLE INDEPENDENT SCHOOL DISTRICT

No conditions.

All prior year conditions have been implemented and corrected. We would like to thank the Finance Officer, Ms. Denise Clark and their department for their support and assistance during our audit.

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

White & Associates, PSC

White & Associates, PSC
Richmond, Kentucky
November 13, 2020