

**PIKEVILLE INDEPENDENT
SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

For the year ended June 30, 2021

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 Pikeville Independent School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise 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 Owen County School District as of June 30, 2021, 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.

Emphasis of Matter

As described in Note A to the financial statements, the District adopted new accounting guidance, GASB 84 *Fiduciary Activities*, changing School Activity Funds from a fiduciary fund to a special revenue fund. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, 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 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 15, 2021, on our consideration of 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 Owen County 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 Pikeville Independent School District’s internal control over financial reporting and compliance.

White & Associates, PSC

Richmond, Kentucky
November 15, 2021

PIKEVILLE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2021

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, 2021. 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 \$1,444,928 at June 30, 2021, compared to \$964,000 at June 30, 2020, an increase of \$480,928.
- General Fund revenues totaled \$13.37 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 \$13.06 million in FY 2020.
- Excluding inter-fund transfers, General Fund expenditures totaled \$12.87 million. This compares to \$13.43 million in the prior year. Of these expenditures salaries and benefits totaled \$10.78 million compared to \$11.24 million in FY 2020.
- SEEK revenue decreased \$184,466 from FY 2020. The SEEK Guaranteed Base was \$3,981 in FY 2020, and was \$4,000 in FY 2021, most of the decrease in total funds received was a result of the SEEK Base Corona Virus Relief Fund with replaced \$142,708 of SEEK funding during FY21.

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>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>
Current assets	\$ 2.37	\$ 2.59	\$ 0.07	\$ 0.33	\$ 2.44	\$ 2.92
Non-current assets	6.81	6.92	0.06	0.07	6.87	6.99
Total assets	9.18	9.51	0.13	0.40	9.31	9.91
Deferred outflows	1.37	1.62	0.04	0.05	1.41	1.67
Current liabilities	0.72	0.59	0.09	0.02	0.81	0.61
Non-current liabilities	10.10	9.76	0.17	0.18	10.27	9.94
Total liabilities	10.82	10.35	0.26	0.20	11.08	10.55
Deferred inflows	1.62	1.81	0.03	0.02	1.65	1.83
Net position:						
Invested in capital assets, net of debt	4.09	4.51	0.06	0.07	4.15	4.58
Restricted	0.52	0.31		0.15	0.52	0.46
Unrestricted (deficit)	(6.49)	(5.86)	(0.18)		(6.67)	(5.86)
Total net position	\$ (1.88)	\$ (1.04)	\$ (0.12)	\$ 0.22	\$ (2.00)	\$ (0.82)

Table 2
Changes in Net Position
(in millions)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2020-2021
	2020	2021	2020	2021	2020	2021	
Revenues:							
Charges for services	\$ 0.48	\$ 0.78	\$ 0.29	\$ 0.04	\$ 0.77	\$ 0.82	6%
Operating grants and contributions	0.89	5.41	0.54	1.12	1.43	6.53	357%
Capital grants and contributions	0.36	0.40			0.36	0.40	11%
General revenues	12.94	9.44			12.94	9.44	-27%
Total revenue	14.67	16.03	0.83	1.16	15.50	17.19	11%
Expenses:							
Instruction	\$ 9.05	\$ 9.28	\$ -	\$ -	\$ 9.05	\$ 9.28	3%
Student	0.52	0.55			0.52	0.55	6%
Instructional staff	0.83	1.06			0.83	1.06	28%
District administration	0.78	0.73			0.78	0.73	-6%
School administration	0.76	0.83			0.76	0.83	9%
Business	0.24	0.27			0.24	0.27	13%
Plant operation & maintenance	1.63	1.49			1.63	1.49	-9%
Student transportation	0.40	0.44			0.40	0.44	10%
Community services operations	0.09	0.10			0.09	0.10	11%
Food Service Operations			0.81	0.81	0.81	0.81	0%
Depreciation/Amortization	0.55	0.47	0.01	0.01	0.56	0.48	-14%
Interest on long-term debt	0.10	0.10			0.10	0.10	0%
Total Expenses	\$ 14.95	\$ 15.32	\$ 0.82	\$ 0.82	\$ 15.77	\$ 16.14	2%
Change in net position	\$ (0.28)	\$ 0.71	\$ 0.01	\$ 0.34	\$ (0.27)	\$ 1.05	489%

Changes in Net Position: The District's total net position increased \$1.37 million. The District's total revenues increased from \$15.50 million to \$17.19 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 \$15.77 million to \$16.11 million. The District's expenses are predominantly related to educating and caring for students (67%). The administrative activities of the District and school level accounted for 11% of total costs. Plant Operation and Maintenance is 9% of the total costs to the District.

Governmental Activities

Revenues for the District's governmental activities increased \$1.36 million, with an increase of \$0.34 million in the District's total expenses.

Business-type activities

Revenues for the District's business-type activities increased by \$0.33, while expenses remained the same in 2021. The net position showed an increase of \$0.33 million.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported combined fund balances totaling \$1.75 million, which is an increase of \$0.26 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. Every year, KDE staff encourages all Districts to be fiscally conservative for fear that both state and federal grants will be cut or reduced. 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

REVENUE	Fund 1	Fund 2	Fund 310	Fund 320	Fund 360	Fund 400	Fund 51
Local Revenue Sources	\$ 5,970,715	\$ 101,904	\$ -	\$ 316,238	\$ -	\$ -	\$ 41,922
State Revenue Sources	7,069,322	441,637	108,236	179,480		115,245	102,554
Federal Revenue Sources	40,919	1,400,291					1,018,920
Other	102,257						
Transfers	192,608	22,729				291,482	
TOTALS	\$ 13,375,821	\$ 1,966,561	\$ 108,236	\$ 495,718	\$ -	\$ 406,727	\$ 1,163,396
EXPENDITURES	Fund 1	Fund 2	Fund 310	Fund 320	Fund 360	Fund 400	Fund 51
Instruction	\$ 7,889,651	\$ 1,304,082	\$ -	\$ -	\$ -	\$ -	\$ -
Student Support Services	525,688	19,957					
Instructional Staff Support Services	612,359	445,593					
District Admin Support	725,484						
School Admin Support	832,128						
Business Support Services	267,762						
Plant Operation & Management	1,464,220	65,560					
Student Transportation	498,866	35,314					
Food Service Operations	5,045						819,518
Day Care Operations							
Community Services		96,055					
Building Improvements					461,204		
Debt Service	50,961					406,727	
Other							
Transfers	22,729		108,236	375,854			
TOTALS	\$ 12,894,893	\$ 1,966,561	\$ 108,236	\$ 375,854	\$ 461,204	\$ 406,727	\$ 819,518
Excess / (Deficit)	480,928	-	-	119,864	(461,204)	-	343,878

General Fund Revenue/Expenditures (Fund 1)

Revenue was basically derived from State Sources (55%) with local property, motor vehicle and utility taxes making up the other 45% of total revenue.

The instruction function comprises 61% 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 11% of the expenditures, while the Student Transportation services function accounts for 3%. 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 (72%). The majority of expenditures (66%) 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 2021 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 (87%), then state and local sources (13%).

CAPITAL ASSETS

At the end of fiscal 2021, the District had \$6.99 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	
	2020	2021	2020	2021	2020	2021
Land	\$ 454,468	\$ 454,468	\$ -	\$ -	\$ 454,468	\$ 454,468
Land Improvements	227,631	209,441	-	-	227,631	209,441
Buildings	5,441,821	5,716,471	-	-	5,441,821	5,716,471
Vehicles	410,999	433,820	-	-	410,999	433,820
General Equipment	128,821	105,429	57,738	73,085	186,559	178,514
Construction in Progress	144,836	-	-	-	144,836	-
Totals	\$6,808,576	\$6,919,629	\$ 57,738	\$ 73,085	\$6,866,314	\$6,992,714

DEBT

During fiscal year 2021 the district assumed no new debt and continues to make all bond payment obligations in a timely manner.

Table 4
Outstanding Debt at Year-End

	Government Activities	
	2020	2021
General Obligation Bonds	\$ 2,785,482	\$ 2,456,799
Capital Lease Obligations	361,162	419,825
KSBIT Obligations	20,464	-
Total Obligations	\$ 3,167,108	\$ 2,876,624

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 \$0.20 million more than budget.
- Net of the contingency, expenditures were \$0.20 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.
- 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, 2021

	Primary Government		
	Governmental Activities	Business- type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,390,792	\$ 318,547	\$ 1,709,339
Receivables			
Taxes-current	198,982		198,982
Taxes-delinquent	651,868		651,868
Accounts	11,899		11,899
Intergovernmental	333,811		333,811
Inventories		5,110	5,110
Capital assets:			
Land and construction in progress	454,468		454,468
Other capital assets, net of depreciation	6,465,161	73,085	6,538,246
Total capital assets	6,919,629	73,085	6,992,714
Total assets	9,506,981	396,742	9,903,723
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	617,460	26,239	643,699
Deferred outflows related to OPEB	951,109	19,224	970,333
Deferred savings from refunding bonds	48,884		48,884
Total deferred outflows of resources	1,617,453	45,463	1,662,916
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	11,124,434	442,205	11,566,639
LIABILITIES			
Accounts payable and accrued expenses	77,788	17,206	94,994
Accrued interest payable	20,543		20,543
Unearned revenue	102,154		102,154
Long-term liabilities:			
Due within 1 year:			
Bond obligations	334,000		334,000
Capital lease obligations	55,245		55,245
Total due within 1 year	389,245	-	389,245
Due in more than 1 year:			
Bond obligations	2,122,799		2,122,799
Capital lease obligations	364,580		364,580
Sick leave	101,568		101,568
Net pension liability	3,306,578	140,513	3,447,091
Net OPEB liability	3,868,698	44,225	3,912,923
Total due in more than 1 year	9,764,223	184,738	9,948,961
Total liabilities	10,353,953	201,944	10,555,897
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	217,810	9,256	227,066
Deferred inflows related to OPEB	1,594,603	12,859	1,607,462
Total deferred inflows of resources	1,812,413	22,115	1,834,528
NET POSITION			
Net Investment in capital assets	4,511,714	73,085	4,584,799
Restricted for:			
Capital projects	183,175		183,175
Student activities	127,439		127,439
Food services		145,061	145,061
Unrestricted (deficit)	(5,864,260)		(5,864,260)
Total net position (deficit)	(1,041,932)	218,146	(823,786)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 11,124,434	\$ 442,205	\$ 11,566,639

See the accompanying notes to the financial statements.

Pikeville Independent School District
Statement of Activities
Year ended June 30, 2021

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	\$ 9,280,191	\$ 491,286	\$ 3,480,577	\$ -	\$ (5,308,328)	\$ -	\$ (5,308,328)
Support services:							
Student	545,645	285,476	192,908		(67,261)		(67,261)
Instructional staff	1,057,952		374,029		(683,923)		(683,923)
District administration	725,484		256,488		(468,996)		(468,996)
School administration	832,128		294,191		(537,937)		(537,937)
Business	267,762		94,665		(173,097)		(173,097)
Plant operation & maintenance	1,511,780	505	525,113	287,716	(698,446)		(698,446)
Student transportation	435,319		153,903		(281,416)		(281,416)
Food service operations	5,045		1,784		(3,261)		(3,261)
Community services operations	96,055		33,959		(62,096)		(62,096)
Depreciation*	467,012				(467,012)		(467,012)
Interest on long term debt	97,717			115,245	17,528		17,528
Total governmental activities	<u>15,322,090</u>	<u>777,267</u>	<u>5,407,616</u>	<u>402,961</u>	<u>(8,734,246)</u>		<u>(8,734,246)</u>
Business-type activities:							
Food service operations	806,901	39,404	1,121,474			353,977	353,977
Depreciation*	12,617					(12,617)	(12,617)
Total business-type activities	<u>819,518</u>	<u>39,404</u>	<u>1,121,474</u>	<u>-</u>	<u>-</u>	<u>341,360</u>	<u>341,360</u>
Total primary government	\$ <u>16,141,608</u>	\$ <u>816,671</u>	\$ <u>6,529,090</u>	\$ <u>402,961</u>	<u>(8,734,246)</u>	<u>341,360</u>	<u>(8,392,886)</u>
General revenues:							
Taxes:							
Property taxes					4,561,579		4,561,579
Motor vehicle taxes					327,642		327,642
Utility taxes					815,341		815,341
Revenue in lieu of taxes					27,349		27,349
State and formula grants					3,544,553		3,544,553
Other local revenue					151,635	2,518	154,153
Unrestricted investment earnings					14,691		14,691
Total general revenues					<u>9,442,790</u>	<u>2,518</u>	<u>9,445,308</u>
Change in net position					708,544	343,878	1,052,422
Net Position - beginning					(1,880,032)	(125,732)	(2,005,764)
Prior period adjustment					129,556		129,556
Restated net position - beginning					<u>(1,750,476)</u>	<u>(125,732)</u>	<u>(1,876,208)</u>
Net Position - ending					\$ <u>(1,041,932)</u>	\$ <u>218,146</u>	\$ <u>(823,786)</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, 2021

	Governmental Funds				
	General	Special Revenue	Debt Service	Other Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 1,079,431	\$ -	\$ -	\$ 311,361	\$ 1,390,792
Receivables					
Interfund	204,672				204,672
Taxes-current	198,982				198,982
Accounts	11,899				11,899
Intergovernmental-state		2,820			2,820
Intergovernmental-federal		330,991			330,991
Total assets	1,494,984	333,811	-	311,361	2,140,156
LIABILITIES					
Accounts payable	50,056	26,985		747	77,788
Interfund payable		204,672			204,672
Unearned revenue		102,154			102,154
Total liabilities	50,056	333,811	-	747	384,614
FUND BALANCE					
Restricted				310,614	310,614
Unassigned	1,444,928				1,444,928
Total fund balance	1,444,928	-	-	310,614	1,755,542
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,494,984	\$ 333,811	\$ -	\$ 311,361	\$ 2,140,156

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, 2021

Fund balances-total governmental funds	\$	1,755,542
<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>		6,919,629
<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>		651,868
<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>		48,884
<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		(20,543)
Bonds payable		(2,456,799)
Capital lease payable		(419,825)
Sick leave liability		(101,568)
Net pension liability		(3,306,578)
Net OPEB liability		(3,868,698)
<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		617,460
Deferred inflows related to pensions		(217,810)
Deferred outflows related to OPEB		951,109
Deferred inflows related to OPEB		(1,594,603)
		(1,594,603)
Net position of governmental activities	\$	<u><u>(1,041,932)</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, 2021

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
From local sources					
Taxes					
Property	\$ 4,244,675	\$ -	\$ -	\$ 316,238	\$ 4,560,913
Motor vehicle	327,642				327,642
Utilities	815,341				815,341
Revenue in lieu of taxes	27,349				27,349
Earnings on investments	14,691				14,691
Tuition	491,286				491,286
Other local revenue	49,731	101,904			151,635
Student activities				285,476	285,476
Intergovernmental - state	7,069,322	441,637	115,245	287,716	7,913,920
Intergovernmental - federal	40,919	1,400,291			1,441,210
Total revenues	<u>13,080,956</u>	<u>1,943,832</u>	<u>115,245</u>	<u>889,430</u>	<u>16,029,463</u>
EXPENDITURES					
Instruction	7,889,651	1,304,082		287,593	9,481,326
Support services					
Student	525,688	19,957			545,645
Instructional staff	612,359	445,593			1,057,952
District administration	725,484				725,484
School administration	832,128				832,128
Business	267,762				267,762
Plant operation & maintenance	1,464,220	65,560			1,529,780
Student transportation	498,866	35,314			534,180
Food service operations	5,045				5,045
Community services operations		96,055			96,055
Building improvements				461,204	461,204
Debt service	50,961		406,727		457,688
Total expenditures	<u>12,872,164</u>	<u>1,966,561</u>	<u>406,727</u>	<u>748,797</u>	<u>15,994,249</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	208,792	(22,729)	(291,482)	140,633	35,214
OTHER FINANCING SOURCES (USES)					
Sale of equipment	505				505
Capital lease proceeds	101,752				101,752
Operating transfers in	192,608	22,729	291,482		506,819
Operating transfers (out)	(22,729)			(484,090)	(506,819)
Total other financing sources and (uses)	<u>272,136</u>	<u>22,729</u>	<u>291,482</u>	<u>(484,090)</u>	<u>102,257</u>
NET CHANGE IN FUND BALANCE	480,928	-	-	(343,457)	137,471
FUND BALANCE-BEGINNING	964,000	-	-	524,515	1,488,515
Prior period adjustment				129,556	129,556
RESTATED FUND BALANCE-BEGINNING	<u>964,000</u>	<u>-</u>	<u>-</u>	<u>654,071</u>	<u>1,618,071</u>
FUND BALANCE-ENDING	<u>\$ 1,444,928</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 310,614</u>	<u>\$ 1,755,542</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, 2021

Net change in fund balances-total governmental funds	\$	137,471
<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		(165,087)
<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		182,086
<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>		
		111,053
<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>		
		666
<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>		
		(13,980)
<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>		
		(4,317)
<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>		
		376,090
<p>Bond and capital lease proceeds are recognized as revenue in current financial resources in the fund financial statement but are increase liabilities in the statement of net position.</p>		
		(101,752)
<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		2,179
KSBIT payable		20,464
Noncurrent sick leave payable		163,671
		163,671
Change in net position of governmental activities	\$	708,544

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, 2021

	<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	\$ 4,115,000	\$ 4,155,000	\$ 4,244,675	\$ 89,675
Motor vehicle	280,000	280,000	327,642	47,642
Utilities	810,000	810,000	815,341	5,341
Revenue in lieu of taxes	25,000	25,000	27,349	2,349
Earnings on investments	12,500	12,500	14,691	2,191
Tuition	475,000	475,000	491,286	16,286
Other local revenue	45,250	45,250	49,731	4,481
Intergovernmental - state	7,284,332	7,042,553	7,069,322	26,769
Intergovernmental - federal	30,000	30,000	40,919	10,919
Total revenues	<u>13,077,082</u>	<u>12,875,303</u>	<u>13,080,956</u>	<u>205,653</u>
EXPENDITURES				
Instruction	8,318,063	8,116,613	7,889,651	226,962
Support services				
Student	526,006	526,006	525,688	318
Instructional staff	645,682	632,992	612,359	20,633
District administration	738,160	753,285	725,484	27,801
School administration	786,891	788,107	832,128	(44,021)
Business	254,580	257,580	267,762	(10,182)
Plant operation & maintenance	1,522,868	1,534,868	1,464,220	70,648
Student transportation	411,567	403,916	498,866	(94,950)
Food service operations	11,765	9,265	5,045	4,220
Debt service	51,000	51,000	50,961	39
Total expenditures	<u>13,266,582</u>	<u>13,073,632</u>	<u>12,872,164</u>	<u>201,468</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	(189,500)	(198,329)	208,792	407,121
OTHER FINANCING SOURCES (USES)				
Sale of equipment	500	500	505	5
Capital lease proceeds			101,752	101,752
Operating transfers in			192,608	192,608
Operating transfers (out)	(25,000)	(25,000)	(22,729)	2,271
Total other financing sources and (uses)	<u>(24,500)</u>	<u>(24,500)</u>	<u>272,136</u>	<u>296,636</u>
NET CHANGE IN FUND BALANCE	(214,000)	(222,829)	480,928	703,757
FUND BALANCE-BEGINNING	<u>964,000</u>	<u>972,829</u>	<u>964,000</u>	<u>(8,829)</u>
FUND BALANCE-ENDING	<u>\$ 750,000</u>	<u>\$ 750,000</u>	<u>\$ 1,444,928</u>	<u>\$ 694,928</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
Special Revenue Fund
Year ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Other local revenue	\$ 50,077	\$ 66,477	\$ 101,904	\$ 35,427
Intergovernmental - state	276,802	524,140	441,637	(82,503)
Intergovernmental - federal	695,630	1,941,471	1,400,291	(541,180)
Total revenues	<u>1,022,509</u>	<u>2,532,088</u>	<u>1,943,832</u>	<u>(588,256)</u>
EXPENDITURES				
Instruction	696,955	2,022,285	1,304,082	718,203
Support services				
Student	63,500	76,595	19,957	56,638
Instructional staff	187,883	323,191	445,593	(122,402)
Plant operations				
Student transportation	2,374	2,374	35,314	(32,940)
Community services operations	96,797	96,798	96,055	743
Total expenditures	<u>1,047,509</u>	<u>2,554,817</u>	<u>1,966,561</u>	<u>588,256</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	(25,000)	(22,729)	(22,729)	-
OTHER FINANCING SOURCES (USES)				
Operating transfers in	25,000	22,729	22,729	-
Total other financing sources and (uses)	<u>25,000</u>	<u>22,729</u>	<u>22,729</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE-BEGINNING	-	-	-	-
FUND BALANCE-ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying notes to the financial statements.

Pikeville Independent School District
Statement of Net Position
Proprietary Fund
June 30, 2021

		School Food Services
ASSETS		
Cash	\$	318,547
Inventories		5,110
Capital assets:		
Other capital assets, net of depreciation		73,085
Total assets		<u>396,742</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions		26,239
Deferred outflows related to OPEB		19,224
Total deferred outflows of resources		<u>45,463</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		<u>442,205</u>
LIABILITIES		
Accounts payable		17,206
Net pension liability		140,513
Net OPEB liability		44,225
Total liabilities		<u>201,944</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions		9,256
Deferred inflows related to OPEB		12,859
Total deferred inflows of resources		<u>22,115</u>
NET POSITION		
Net investment in capital assets		73,085
Unrestricted (deficit)		145,061
Total net position		<u>218,146</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$	<u><u>442,205</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, 2021

		School Food Services
OPERATING REVENUES		
Lunchroom sales	\$	39,404
Other revenue from local sources		2,518
Total operating revenues		41,922
OPERATING EXPENSES		
Depreciation		12,617
Food service operations		
Employee services		367,716
Operational expenses		439,185
Total operating expenses		819,518
Operating income (loss)		(777,596)
NONOPERATING REVENUES (EXPENSES)		
Federal grants		1,018,920
State grants		102,554
Total nonoperating revenues (expenses)		1,121,474
CHANGE IN NET POSITION		343,878
NET POSITION-BEGINNING		(125,732)
NET POSITION-ENDING	\$	218,146

See the accompanying notes to the financial statements.

Pikeville Independent School District
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2021

		School Food Services
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$	41,922
Payments to suppliers		(375,641)
Payments to employees		(367,716)
Net cash provided (used) by operating activities		<u>(701,435)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants and contributions		<u>1,121,474</u>
Net cash provided (used) by noncapital financing activities		<u>1,121,474</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Operating grants and contributions		<u>(27,964)</u>
Net cash provided (used) by capital financing activities		<u>(27,964)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		392,075
CASH AND CASH EQUIVALENTS-BEGINNING		<u>(73,528)</u>
CASH AND CASH EQUIVALENTS-ENDING	\$	<u><u>318,547</u></u>
Reconciliation of operating income (loss) to net cash provided (used)		
by operating activities:		
Operating income (loss)	\$	(777,596)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation		12,617
Changes in assets and liabilities:		
Receivables		60,457
Outflow Deferrals		(1,428)
Inflow Deferrals		(10,490)
Inventory		10,641
Pension liability		(316)
OPEB liability		10,555
Accounts payable		(5,875)
Net cash provided (used) by operating activities	\$	<u><u>(701,435)</u></u>

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the district received \$45,365 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 \$96,523 provided by state government.

See the accompanying notes to the financial statements.

PIKEVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2021

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) Special Revenue (Student Activity) Fund

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

(D) Capital Project Funds

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

SEEK Capital Outlay Fund

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

Building (FSPK) Fund

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

Construction Fund

The Construction Fund accounts for proceeds from sale of bonds and other revenues to be used for authorized construction and/or remodeling.

(E) Debt Service Fund

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

Basis of Accounting

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from 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 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)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, 2021, 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.

New Accounting Pronouncements

GASB Statement No. 84-In January, 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for the reporting period beginning after December 15, 2019. The District previously reported the activity of the School Activity Fund as a fiduciary fund; however beginning July 1, 2020, such activity has been more appropriately reported in a special revenue fund and accordingly the newly established special revenue fund reports a restated beginning balance of \$129,556, which is equal to the restatement of net current assets and liabilities previously reported in the agency fund.

Effective in Future Years:

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

GASB Statement No. 87-In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of the governments. This Statement is effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

GASB Statement No. 91-In May, 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by users, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2021.

GASB Statement No. 92-In January, 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The Statement is effective on various dates, but no later than reporting periods beginning after June 15, 2021.

GASB Statement No. 93-In March, 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this statement is to address the accounting and financial reporting implications that result from the replacement of an IBOR. Removal of LIBOR as an appropriate benchmark is effective for reporting periods ending December 30, 2021, paragraphs regarding leases are effective for fiscal years beginning after June 15, 2021, and all other requirements are effective for reporting periods beginning after June 15, 2020.

GASB Statement No. 94-In March, 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The Statement is effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 96-In May, 2020, the GASB issued Statement No. 96, *Subscription-based information Technology Arrangements*. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government and users (governments). The Statement is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

GASB Statement No. 97-In June, 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-An Amendment of GASB Statement No. 14 and No. 84 and A Supersession of GASB Statement No. 31*. The objective of this Statement is (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The Statement is effective at various times, with some provisions effective immediately, and other provisions effective for fiscal years or reporting periods beginning after June 15, 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 \$1,709,339. The bank balance for the same time was \$2,256,471.

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

NOTE C – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2021</u>
Land-nondepreciable	\$ 454,468	\$ -	\$ -	\$ 454,468
Construction in progress-nondepreciable	144,836	461,204	606,040	-
Land improvements	928,585	-	-	928,585
Buildings	15,433,296	624,040	-	16,057,337
Technology equipment	830,791	-	-	830,791
Vehicles	1,736,015	98,861	23,618	1,811,258
General equipment	544,785	-	-	544,785
	<u>\$ 20,072,776</u>	<u>\$ 1,184,106</u>	<u>\$ 629,658</u>	<u>\$ 20,627,223</u>
Land improvements	\$ 700,954	\$ 18,190	\$ -	\$ 719,144
Buildings	9,991,475	349,391	-	10,340,865
Technology equipment	830,791	-	-	830,791
Vehicles	1,325,016	76,040	23,618	1,377,438
General equipment	415,964	23,392	-	439,356
	<u>\$ 13,264,199</u>	<u>\$ 467,013</u>	<u>\$ 23,618</u>	<u>\$ 13,707,594</u>
Capital Assets-net	<u>\$ 6,808,576</u>	<u>\$ 717,093</u>	<u>\$ 606,040</u>	<u>\$ 6,919,629</u>
	<u>July 1, 2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2021</u>
Technology equipment	\$ 4,692	\$ -	\$ -	\$ 4,692
General equipment	273,482	27,964	9,587	291,858
	<u>\$ 278,174</u>	<u>\$ 27,964</u>	<u>\$ 9,587</u>	<u>\$ 296,551</u>
Technology equipment	\$ 4,692	\$ -	\$ -	\$ 4,692
General equipment	215,743	12,617	9,587	218,774
	<u>\$ 220,436</u>	<u>\$ 12,617</u>	<u>\$ 9,587</u>	<u>\$ 223,466</u>
Capital Assets-net	<u>\$ 57,738</u>	<u>\$ 15,346</u>	<u>\$ -</u>	<u>\$ 73,085</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.

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 original amount of outstanding issues, the issue dates, interest rates, maturity dates, and outstanding balances, at June 30, 2021 are summarized below:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Bond Issue	Original Amount	Maturity Date	Interest Rates	2020			2021
				Outstanding Balance	Additions	Retirements	Outstanding Balance
2017	\$ 645,000	8/1/2037	3 - 3.5%	\$ 595,000	\$ -	\$ 25,000	570,000
2006	360,000	5/1/2026	4.25%	160,000	-	25,000	135,000
2012R	1,840,000	6/1/2024	1.15 - 3.0%	660,000	-	190,000	470,000
2019R	905,000	6/1/2024	2%	835,000	-	70,000	765,000
2020	\$ 580,000	2/1/2040	2.5-3.0%	580,000	-	23,000	557,000
				\$ 2,830,000	\$ -	\$ 333,000	\$ 2,497,000
Less:	Discount			(44,518)	-	(4,317)	(40,201)
Totals				\$ 2,785,482	\$ -	\$ 328,683	\$ 2,456,799

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

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue. Assuming no issues are called prior to maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2021 for debt service, (principal and interest) are as follows:

Fiscal Year Ended June 30th	Principal		Interest		Principal Total	Interest Total
	Local	SFCC	Local	SFCC		
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	50,323
2025	115,603	67,397	12,137	31,273	183,000	43,410
2026	120,694	69,306	9,145	29,365	190,000	38,510
2027-2031	283,143	342,857	13,420	116,655	626,000	130,075
2032-2036	7,177	343,823	1,317	64,933	351,000	66,250
2037-2040	4,558	211,442	330	12,675	216,000	13,005
	\$ 1,223,524	\$ 1,273,476	\$ 105,059	\$ 361,990	\$ 2,497,000	\$ 467,049

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 2021 for the worker’s compensation and property and liability deficit are as follows:

Insurance Fund	2020		2021	
	Outstanding Balance	Additions	Retirements	Outstanding Balance
Worker's Compensation	\$ 20,464	\$ -	\$ 20,464	\$ -

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Accumulated Sick Leave

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. The activity during fiscal year 2021 for accumulated sick leave is as follows:

		<u>2020 Outstanding Balance</u>		<u>Additions</u>		<u>Retirements</u>		<u>2021 Outstanding Balance</u>
Sick Leave	\$	265,239	\$	-	\$	163,671	\$	101,568

Net Pension and OPEB Liability

The net pension liability is \$3,306,578 for governmental activities and \$140,513 for business-type activities for a total of \$3,447,091 as of June 30, 2021. (See Note G for additional information) The net OPEB liability is \$3,868,698 for governmental activities and \$44,225 for business-type activities for a total of \$3,912,923 as of June 30, 2021. (See Note H for additional information)

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

<u>Description</u>		<u>2020 Outstanding Balance</u>		<u>Additions</u>		<u>Retirements</u>		<u>2021 Outstanding Balance</u>		<u>Amount Due in One Year</u>
Bonds, Net of Premium and Discount	\$	2,785,482	\$	-	\$	328,683	\$	2,456,799	\$	334,000
Capital Lease		361,162		101,752		43,089		419,825		55,245
KSBIT		20,464		-		20,464		-		-
Sick Leave		265,239		-		163,671		101,568		-
Net Pension Liability		3,251,587		195,504		-		3,447,091		-
Net OPEB Liability		4,047,416		-		134,493		3,912,923		-
Totals	\$	<u>10,731,350</u>	\$	<u>297,256</u>		<u>690,400</u>	\$	<u>10,338,206</u>	\$	<u>389,245</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>2020 Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>2021 Outstanding Balance</u>
2017	202,648	3/1/2027	2.55%	\$ 140,221	\$ -	\$ 19,462	\$ 120,759
2020	220,941	3/1/2030	2.00%	220,941	-	23,627	197,314
2021	108,816	3/1/2031	1.25% - 1.5%	-	101,752	-	101,752
Totals				<u>\$ 361,162</u>	<u>\$ 101,752</u>	<u>\$ 43,089</u>	<u>\$ 419,825</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, 2021:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended June 30th	Principal Local	Interest Local	Total
2022	\$ 55,245	\$ 8,213	\$ 63,458
2023	52,924	7,211	60,135
2024	52,601	6,125	58,726
2025	53,630	5,032	58,662
2026	51,355	3,917	55,272
2027-2031	154,070	6,633	160,703
	<u>\$ 419,825</u>	<u>\$ 37,131</u>	<u>\$ 456,956</u>

Total minimum lease payments \$ 456,956
 Less: Amount representing interest (37,131)

Present Value of Net Minimum
 Lease Payments \$ 419,825

The assets acquired through the capital leases are as follows:

	Governmental Activities
Buses	\$ 512,560
Less accumulated depreciation	<u>(117,603)</u>
Total	<u>\$ 394,957</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 June 30,	Minimum Payments
2022	\$ 52,008
2023	52,008
2024	52,008
2025	52,008
2026	52,008
2027	<u>52,008</u>
Total	<u>\$ 312,048</u>

Rental expense for fiscal year 2021 was \$52,008. Expenditures for equipment under operating leases for the year ended June 30, 2021 totaled \$3,160.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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)

Retirement Annuity Trust

Plan description

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

Benefits provisions

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

The final average salary is the member's five highest annual salaries except members at least age 55 with 27 or more years of service may use their three highest annual salaries. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

Other Benefits

TRS provides disability benefits for vested members at the rate of 60% of the final average salary.

Cost of living increases are 1.5% 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 effective July 1, 2015. The state, as a non-employer contributing entity, pays matching contributions in the amount of 13.105% of salaries for local school district employees hired before July 1, 2008 and 14.105% for those who joined thereafter.

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.

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

At June 30, 2021 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 net pension liability that was associated with the District follows.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

TRS

State's proportionate share of the TRS net pension liability associated with the District	\$ 29,495,139
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The net pension liability was measured as of June 30, 2020, 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 0.2081%.

Actuarial Methods and Assumptions

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

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry age
Inflation Rate	3%
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.

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 set forward of 1 year for females and 2 years for males. The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2010, to June 30, 2015, adopted by the board on September 19, 2016. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20 year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System.

Target Allocations

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

<u>Asset Class</u>	<u>Target Allocation Percentage</u>	<u>Long Term Expected Real Rate Percentage of Return</u>
U.S. Equity	40.0	4.6
International Equity	22.0	5.6
Fixed Income	15.0	---
Additional Categories	7.0	2.5
Real Estate	7.0	4.3
Private Equity	7.0	7.7
Cash	2.0	(0.5)
Total	<u>100.0</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at the Actuarially Determined Contribution (ADC) rates for all future fiscal years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the net pension liability of the Commonwealth associated with the District, calculated using the discount rate of 7.50%, 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:

TRS	1% Decrease	Current Discount Rate	1% Increase
	6.50%	7.50%	8.50%
State's proportionate share of net pension liability	\$ 39,265,251	\$ 29,495,139	\$ 23,804,784

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/>.

403(B) Tax-Sheltered Annuity Plan

TRS has, in prior years, administered a salary deferral program as permitted by section 403(b) of the Internal Revenue Code. Under this program members were able to voluntarily defer a portion of their compensation within the limits established by the applicable laws and regulations. However, TRS's Board of Trustees determined that the cost of providing the necessary services to assure continuing compliance with these laws and regulations was not economically feasible due to the limited participation in the program by TRS's members. The board decided, therefore, to discontinue offering the program as of April 30, 1997. Members who were not receiving annuities from the account as of April 30, 1997, were able to transfer their respective accounts directly in other tax-sheltered plans on a

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

tax-free basis. As of June 30, 2021, the five members who are receiving annuities will continue to receive distributions according to the terms of their respective elections.

Other Plans

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

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

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

Employee contributions made to the plans during the year totaled \$172,818. The District does not contribute to these plans.

County Employees Retirement System

Non-Hazardous

Plan description

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

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

Benefits provided

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, 2021, employers were required to contribute 24.06% of the member's salary. During the year ending June 30, 2021, the District contributed \$290,507 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 on an actuarial valuation as of that date. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2020. The District's proportion was 0.044943%.

CERS

District's proportionate share of CERS net pension liability \$ 3,447,091

For the year ended June 30, 2021, the District recognized pension expense of \$164,490 and reported deferred outflows of resources and deferred inflows of resources related to pensions as follows.

CERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 85,960	\$ -
Changes of assumptions	134,603	-
Net difference between projected and actual earnings on pension plan investments	149,420	63,161
Changes in proportion and differences between District contributions and proportionate share of contributions	-	163,905
District contributions subsequent to the measurement date	273,716	-
	\$ 643,699	\$ 227,066

The \$273,716 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, 2022.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in pension expense as follows:

	Year Ended June 30,
Year 1	\$ 26,602
Year 2	43,175
Year 3	38,497
Year 4	<u>34,643</u>
	<u>\$ 142,917</u>

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

For financial reporting, the actuarial valuation as of June 30, 2020, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2020 were based on an actuarial valuation date June 30, 2019. The total pension liability was rolled forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020, using generally accepted accounting principles. The financial reporting actuarial valuation used the following actuarial methods and assumptions:

Valuation Date	June 30, 2019
Inflation	2.30%
Payroll Growth Rate	2.0%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%

The mortality table used for active members was Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2020. The mortality table used for disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

Target Asset Allocation

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class is summarized in the table below. The current long term inflation assumption is 2.30% per annum.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	62.50%	
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Special Credit/High Yield	15.00%	3.90%
Liquidity	14.50%	
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Diversifying Strategies	23.00%	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Expected Real Return	100%	3.96%
Long-Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.26%

Discount rate

The projection of cash flows used to determine the discount rate of 6.25% 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). The discount rate determination does not use a municipal bond rate.

Actuarial Methods and Assumptions used to determine the Actuarial Determined Contributions

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2020:

Valuation Date	June 30, 2018
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	25 years, Closed
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%
Payroll Growth Rate	2.0%
Salary Increase	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

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:

CERS	1% Decrease	Current Discount Rate	1% Increase
	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 4,251,013	\$ 3,447,091	\$ 2,781,413

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, 2021, there are no payables to CERS.

NOTE H – 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

Health Insurance Trust

Plan description

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Benefits provided

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

Contributions

Contributions are made on behalf of TRS retired members toward payment of health insurance premiums. The amount of the member's contribution is based on a table approved by the TRS board. Retired members pay premiums in excess of the monthly contribution. The Commonwealth of Kentucky bears risk for excess claims expenses that exceed the premium equivalents charged for the KEHP. The member postemployment medical contribution is 3.75% of salary. The employer postemployment medical contribution is 0.75% of member salaries. Also, employers contribute 3% of members' salaries and the state contributes the net cost of health insurance premiums for new retirees after June 30, 2010, in the non-Medicare eligible group.

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

At June 30, 2021, the District reported a liability of \$2,828,000 for its proportionate share of the collective net OPEB liability (NOL). The collective net OPEB liability was measured as of June 30, 2020, 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 .112065%.

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

MIF

District's proportionate share of TRS net OPEB liability	\$	2,828,000
State's proportionate share of the TRS net OPEB liability associated with the District		<u>2,266,000</u>
	\$	<u>5,094,000</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

MIF	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,206,000
Changes of assumptions	171,000	-
Net difference between projected and actual earnings on pension plan investments	92,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	44,000	86,000
District contributions subsequent to the measurement date	191,737	-
	\$ 498,737	\$ 1,292,000

The \$191,737 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, 2022. 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.

MIF	Year Ended June 30,
Year 1	\$ (206,000)
Year 2	(199,000)
Year 3	(200,000)
Year 4	(177,000)
Year 5	(151,000)
Thereafter	(52,000)
	\$ (985,000)

Actuarial Methods and Assumptions

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Valuation Date	June 30, 2019
Single Equivalent Interest Rate	8%, net of OPEB plan investment expense, including price inflation
Municipal Bond Index Rate	2.2%
Investment Rate of Return	8.0%, net of OPEB plan investment expense, including inflation
Inflation Rate	3.0%
Real Wage Growth	0.5%
Wage Inflation	3.5%
Projected Salary Increases	3.5 - 7.2%, including wage inflation
Discount Rate	8.0%
Health Care Cost Trends	
KEHP Group	7.25% for fiscal year 2020 decreasing to an ultimate rate of 5% by fiscal year 2029
MEHP Group	5.25% for fiscal year 2019 decreasing to an ultimate rate of 5% by fiscal year 2022
Medicare Part B Premiums	6.49% for fiscal year 2020 with an ultimate rate of 5% by 2031

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB, and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2019 valuation were based on the results of the most recent actuarial experience studies for the system, which covered the five year period ending June 30, 2015. The remaining actuarial assumptions used in the June 30, 2019, valuation of the health trust were based on a review of recent plan experience done concurrently with the June 30, 2019, valuation. The health care cost trend rate assumption was updated for the June 30, 2019, valuation and was shown as an assumption change in the total OPEB liability (TOL) roll forward while the change in initial per capital claims costs were included with experience in the TOL roll forward. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20 year Municipal Bond index pushed weekly by the Board of Governors of the Federal Reserve System.

Target Allocations

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Asset Class	Target Allocation Percentage	30 Year Expected Geometric Real Rate of Return
Global Equity	58.00	5.40
Fixed Income	9.00	0.00
Real Estate	6.50	4.30
Private Equity	8.50	7.70
Additional Categories	17.00	2.50
Cash	1.00	(0.50)
Total	100.00	

Discount Rate

The discount rate used to measure the TOL as of the measurement date was 8.00%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB Statement No. 74. The projection’s basis was an actuarial valuation performed as of June 30, 2019. 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 (PMPM) paid to KEHP by TRS, were assumed to be paid in all years by the employer as they come due, they were not considered.
- Cash flows occur mid-year.
- Future contributions to the Health Insurance Trust were based upon the contribution rates defined in statute and the projected payroll of active employees. Per KRS 161.540(1)(c).3 and 161.550(5), when the health trust achieves a sufficient funded status, as determined by TRS’s actuary, the following health trust statutory contributions are to be decreased, suspended, or eliminated:
 - Employee Contributions
 - Employer Contributions
 - State Contributions for KEHP premium subsidies payable to retirees who retire after June 30, 2010

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- In developing the adjustments to the statutory contributions in future years the following was assumed:
 - Liabilities and cash flows are net of expected retiree contributions and any implicit subsidies attributable to coverage while participating in KEHP.
 - A 0% active member growth rate was assumed for the purposes of developing estimates for new entrants (membership dates beyond June 30, 2019).

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

The FNP projections are based upon the health trust’s financial status on the valuation date, the indicated set of methods and assumptions, and the requirements of GASB Statement No. 74. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing basis, reflecting the impact of future members. Therefore, the results of these tests do not necessarily indicate whether or not the health trust will actually run out of money, the financial condition of the trust, or the trust’s ability to make benefit payments in future years.

The following table presents the NOL 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:

MIF	1% Decrease	Current Discount Rate	1% Increase
	7.00%	8.00%	9.00%
District's proportionate share of net OPEB liability	\$ 3,418,000	\$ 2,828,000	\$ 2,336,000

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:

MIF	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 2,242,000	\$ 2,828,000	\$ 3,551,000

Life Insurance Trust

Plan description and benefits provided

TRS administers the Life Insurance Trust as provided by KRS 161.655 to provide life insurance benefits to retired and active members. The benefit is financed by actuarially determined contributions from the

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

207 participating employers. The benefit is \$5,000 for members who are retired for service or disability, and \$2,000 for active contribution members.

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

Contributions

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

Net OPEB Liability

At June 30, 2021, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District as follows.

LIF

State's proportionate share of the TRS net OPEB liability associated with the District	\$	69,000
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Actuarial Assumptions

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

Valuation Date	June 30, 2019
Single Equivalent Interest Rate	7.5%, net of OPEB plan expense, including price inflation
Municipal Bond Index Rate	2.2%
Investment Rate of Return	7.5%, net of OPEB plan investment expense, including inflation
Inflation Rate	3.0%
Real Wage Growth	0.5 %
Wage Inflation	3.5%
Projected Salary Increase	3.5 to 7.2%, including wage inflation
Discount Rate	7.5%

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB, and set forward of 1 year for females and 2 years for males is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

participation and rates of plan election used in the June 30, 2019, valuation were based on the results of the most recent actuarial experience studies for the system, which covered the 5 year period ending June 30, 2015. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20 year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System.

Target Allocations

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

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

Asset Class	Target Allocation Percentage	Expected Geometric Real Rate Percentage of Return
U.S. Equity	40.0	4.6
International Equity	23.0	5.6
Fixed Income	18.0	---
Real Estate	6.0	4.3
Private Equity	5.0	7.7
Other Additional Categories	6.0	2.5
Cash	2.0	(0.5)
	100.0	

Discount Rate

The discount rate used to measure the total OPEB liability (TOL) as of the measurement date was 7.5%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB Statement No. 74. The projection's basis was an actuarial valuation performed as of June 30, 2019. In addition to actuarial methods and assumptions of the June 30, 2019, actuarial valuation, the following actuarial methods and assumptions were used in the projection of the life insurance cash flows:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- Active employees do not explicitly contribute to the plan.
- Cash flows occur mid-year.

Based on these assumptions, the Life Insurance Trust's fiduciary net position FNP was not projected to be depleted. The FNP projections are based upon the Life Insurance Trust's financial status on the valuation date, the indicated set of methods and assumptions, and the requirements of GASB Statement No. 74. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing basis, reflecting the impact of future members. Therefore, the results of these tests do not necessarily indicate whether the Life Insurance Trust actually will run out of money, the financial condition of the trust, or the trust's ability to make benefit payments in future years.

Revenue and Expenses

For the year ended June 30, 2021, the District recognized OPEB revenue in the amount of \$212,822 for support provided on-behalf of the State.

CERS – General Information about the OPEB Plans

Employees' Health Plan

Plan description

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

Benefits provided

The Plan provides health insurance benefits to plan members.

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

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

At June 30, 2021, the District reported a liability of \$1,084,923 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2020, 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 .044930%.

For the year ended June 30, 2021, the District recognized OPEB expense of \$29,655. At June 30, 2021, 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)

CERS	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 181,268	\$ 181,409
Changes of assumptions	188,712	1,148
Net difference between projected and actual earnings on pension plan investments	58,199	22,138
Changes in proportion and differences between District contributions and proportionate share of contributions	-	110,767
District contributions subsequent to the measurement date	<u>43,417</u>	<u>-</u>
	<u>\$ 471,596</u>	<u>\$ 315,462</u>

The \$43,417 (includes \$26,626 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, 2022. 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.

	Year Ended June 30,
	<u> </u>
Year 1	\$ 30,281
Year 2	40,952
Year 3	20,573
Year 4	26,739
Year 5	<u>(5,828)</u>
	<u>\$ 112,717</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 and 75 requires that the liability associated with this implicit subsidy be included in the calculation of the total OPEB liability.

Changes of Benefit Terms

None

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Actuarial Methods and Assumptions to Determine the Total OPEB Liability (TOL) and the Net OPEB Liability (NOL)

The total OPEB liability, net OPEB liability, and sensitivity information for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2019. The total OPEB liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020, using the generally accepted actuarial principles.

The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2020:

Inflation	2.30%
Salary Increase	3.30 – 10.3%, varies by service
Investment Rate of Return	6.25%
Payroll Growth Rate	2.0%
Healthcare Trend Rates (Pre-65)	Initial trend starting at 6.4% at January 1, 2022, and Gradually decreasing to an ultimate trend rate of 4.05% over period of 14 years.
Healthcare Trend Rates (Post-65)	Initial trend starting at 2.9% at January 1, 2022, and Gradually decreasing to an ultimate trend rate of 4.05% over period of 14 years.
Mortality Pre-retirement	PUB-2010 General Mortality table
Mortality Post-retirement (non-disabled)	System-specific mortality table based on mortality Experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Mortality Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2019 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The anticipated savings from the repeal of the "Cadillac Tax" and the "Health Insurer Fee", which occurred in December of 2019 are reflected in the June 30, 2020 GASB 75 actuarial information. The assumed load on pre-Medicare premiums to reflect the cost of the Cadillac Tax was removed and the Medicare premiums were reduced by 11% to reflect the repeal of the Health Insurer Fee. There were no other material assumption changes.

Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2020. Gains and losses incurring in future years will be amortized over separate 20 year amortization bases. This change does not impact the calculation of the TOL and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. There were no other material plan provision changes.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Discount rate

Single discount rates of 5.34% were used to measure the TOL as of June 30, 2020. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index’s “20 Year Municipal GO AA Index” as of June 30, 2020. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan’s fiduciary net position on future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer subsidy was not included in the calculation of the KRS’ actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS’ trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic real rates of return of each major asset class are summarized in the CAFR.

The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. The future contributions are projected in accordance with the current funding policy, as most recently revised by Senate Bill 249, passed during the 2020 legislative session. If there is a pattern of legislation that has a resulting effect of employers making contributions less than the actuarially determined rate, GRS may be required to project contributions that are reflective of recent actual contribution efforts regardless of the stated funding policy (as required by paragraph 50 of GASB Statement No. 74).

The following table presents the NOL calculated using the discount rate of 5.34%, 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 (4.34%) or 1-percentage-point higher (6.34%) than the current rate.

CERS	1% Decrease	Current Discount Rate	1% Increase
	4.34%	5.34%	6.34%
District's proportionate share of net OPEB liability	\$ 1,393,807	\$ 1,084,923	\$ 831,226

Actuarial Methods and Assumptions used to determine the Actuarial Determined Contribution

The following actuarial assumptions were used in performing the actuarially determined contributions effective for fiscal year ending June 30, 2020:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Valuation Date	June 30, 2018
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry age normal
Amortization Method	Level percent of pay
Remaining Amortization Period	25 years, closed
Payroll Growth Rate	2.0%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.3%
Salary Increases	3.3 to 11.55%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates (Pre-65)	Initial trend starting at 7% at January 1, 2020, and Gradually decreasing to an ultimate trend rate of 4.05% over period of 12 years.
Healthcare Trend Rates (Post-65)	Initial trend starting at 5% at January 1, 2020, and Gradually decreasing to an ultimate trend rate of 4.05% over period of 10 years.
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

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

Health Care Trend Rate Sensitivity

The following presents the health care sensitivity rate of the District's proportionate share of the net pension liability calculated using the discount rate of 5.34%, 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 (4.34%) or 1-percentage-point higher (6.34%) than the current rate:

CERS	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 840,001	\$ 1,084,923	\$ 1,382,141

OPEB plan fiduciary net position

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE I – COMMITMENTS

The Pikeville Independent School District had commitments of \$127,439 for the Special Revenue Activity Fund for student activities.

NOTE J - 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 K - LITIGATION

The District is currently involved in three pending litigation for which the expected award to the claimant if any is expected to be covered by the District’s insurance carrier. All three of these pending litigation claims would not be considered material under the definition of exposure in excess of \$10,000.

NOTE L – INSURANCE AND RELATED ACTIVITIES

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

NOTE M – 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 N – 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>Net Change in Fund Balance</u>
Student Activity	\$ (2,117)
FSPK	\$ (461,204)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE O - 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 P – 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	\$ 22,729
Operations	Building Fund	General Fund	Operating Expenditures	84,372
Operations	Capital Outlay	General Fund	Operating Expenditures	108,236
Debt Service	Building Fund	Debt Service Fund	Debt Payments	291,482
Operations	Construction	Construction	Construction Expenditures	\$ 27,826

NOTE Q – ON-BEHALF PAYMENTS

For fiscal year 2021, 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)	\$ 2,296,758
Health Insurance	1,138,317
Life Insurance	1,744
Administrative Fee	14,112
HRA/Dental/Vision	67,725
Federal Reimbursement	(49,314)
Technology	85,818
SFCC Debt Service Payments	<u>115,245</u>
Total	\$ <u><u>3,670,405</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 R – 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
FSPK	119,864	School Facilities Construction Commission Requirement
Construction	\$ 2,578	Construction Projects

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE S - PRIOR PERIOD ADJUSTMENT

The District previously reported the School Activity Fund as a fiduciary fund. Beginning in fiscal year 2021, such activity has been more appropriately reported in a special revenue fund. Accordingly, the newly established special revenue fund reports an adjusted beginning balance of \$129,556.

NOTE T – UNCERTAINTY

The COVID-19 outbreak is disrupting business across a range of industries in the United States and financial markets have experienced a significant decline. As a result, local, regional and national economies, including that of the District, may be adversely impacted. The extent of the financial impact of COVID-19 will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact on the District's operations and finances.

NOTE U – SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 15, 2021, 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, 2021

	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)
COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS):						
Districts' proportion of the net pension liability	0.044943%	0.04623%	0.05029%	0.05439%	0.052200%	0.05140%
District's proportionate share of the net pension liability	\$ 3,447,091	\$ 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	\$ 3,447,091	\$ 3,251,587	\$ 3,062,570	\$ 3,183,438	\$ 2,571,668	\$ 2,208,948
District's covered-employee payroll	\$ 1,151,203	\$ 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	299.43%	278.82%	245.38%	240.41%	206.42%	184.28%
Plan fiduciary net position as a percentage of the total pension liability	47.81%	50.54%	53.54%	53.30%	59.00%	59.97%
KENTUCKY TEACHER'S RETIREMENT SYSTEM (TRS):						
Districts' proportion of the net pension liability	0.2081%	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	-	28,485,011	27,859,109	58,301,885	62,328,123	47,600,799
Total	\$ -	\$ 28,485,011	\$ 27,859,109	\$ 58,301,885	\$ 62,328,123	\$ 47,600,799
District's covered-employee payroll	\$ 6,754,822	\$ 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%	0.000%
Plan fiduciary net position as a percentage of the total pension liability	58.27%	58.80%	59.30%	39.80%	35.22%	42.29%

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

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

For the year ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS):						
Contractually required contribution	\$ 273,716	\$ 260,971	\$ 238,578	\$ 228,128	\$ 247,358	\$ 212,538
Contributions in relation to the contractually required contributions	<u>273,716</u>	<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>	<u>-</u>
District's covered-employee payroll	\$ 1,207,426	\$ 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%	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>	<u>-</u>
District's covered-employee payroll	\$ 6,820,138	\$ 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%	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, 2021

Teachers Retirement System (TRS)

Retirement Annuity Trust

Changes of Benefit Terms

None.

Changes of assumptions

In the 2016 valuation, rates of withdrawal, retirement, disability, mortality and rates of salary increase were adjusted to more closely reflect actual experience. In the 2016 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables projected to 2025 with projection scale BB, set forward two year for males and one year for females rather than the RP-2000 Mortality Tables projected to 2020 with projection scale AA, which was used prior to 2016.

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

Actuarial Methods and Assumptions

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

Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	27.4 years
Asset Valuation Method	5-year smoothed market value
Inflation	3%
Salary Increase	3.5-7.3%, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation.

County Employee Retirement System (CERS)

Non-Hazardous

Changes of Benefit Terms

None.

Changes of assumptions

None.

PIKEVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
For the year ended June 30, 2021

Actuarial Methods and Assumptions

Based on the June 30, 2018 actuarial valuation report, the actuarial methods and assumptions used to calculate the contribution rates are as follows.

Valuation Date	June 30, 2018
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	25 years, Closed
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%
Payroll Growth Rate	2.0%
Salary Increase	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25%

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, 2021

	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
MEDICAL INSURANCE PLAN				
District's proportion of the collective net OPEB liability (asset)	0.112065%	0.11174%	0.21393%	0.11493%
District's proportionate share of the collective net OPEB liability (asset)	\$ 2,828,000	\$ 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>2,266,000</u>	<u>2,641,000</u>	<u>3,303,000</u>	<u>3,348,000</u>
Total	<u>\$ 5,094,000</u>	<u>\$ 5,911,000</u>	<u>\$ 7,135,000</u>	<u>\$ 7,446,000</u>
District's covered-employee payroll	\$ 6,754,822	\$ 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	41.87%	48.93%	56.93%	60.70%
Plan fiduciary net position as a percentage of the total OPEB liability	39.10%	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%	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>69,000</u>	<u>61,000</u>	<u>57,000</u>	<u>45,000</u>
Total	<u>\$ 69,000</u>	<u>\$ 61,000</u>	<u>\$ 57,000</u>	<u>\$ 45,000</u>
District's covered-employee payroll	\$ 6,754,822	\$ 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%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	71.60%	73.40%	75.00%	80.00%

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

See the accompanying notes to the required supplementary information.

PIKEVILLE INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS
MEDICAL AND LIFE INSURANCE PLANS
TEACHERS' RETIREMENT SYSTEM
Year ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
MEDICAL INSURANCE PLAN				
Contractually required contribution	\$ 197,915	\$ 197,915	\$ 194,259	\$ 196,851
Contributions in relation to the contractually required contribution	<u>197,915</u>	<u>197,915</u>	<u>194,259</u>	<u>196,851</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 6,820,138	\$ 6,754,822	\$ 6,683,391	\$ 6,731,526
District's contributions as a percentage of it's covered-employee payroll	2.90%	2.93%	2.91%	2.92%
LIFE INSURANCE PLAN				
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 6,820,138	\$ 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%	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, 2021

	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
HEALTH INSURANCE PLAN				
District's proportion of the collective net OPEB liability (asset)	0.044930%	0.04622%	0.05028%	0.05439%
District's proportionate share of the collective net OPEB liability (asset)	\$ 1,084,923	\$ 777,416	\$ 892,783	\$ 1,093,365
State's proportionate share of the collective net OPEE liability (asset) associated with the District	-	-	-	-
Total	<u>\$ 1,084,923</u>	<u>\$ 777,416</u>	<u>\$ 892,783</u>	<u>\$ 1,093,365</u>
District's covered-employee payroll	\$ 1,151,203	\$ 1,166,206	\$ 1,248,068	\$ 1,324,187
District's proportionate share of the collective net OPEE liability (asset) as a percentage of its covered-employee payroll	94.24%	66.66%	71.53%	82.57%
Plan fiduciary net position as a percentage of the total OPEB liability	51.67%	60.44%	57.62%	13.00%

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

See the accompanying notes to the required supplementary information.

PIKEVILLE INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS - HEALTH INSURANCE PLAN
COUNTY EMPLOYEE RETIREMENT SYSTEM
Year ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
HEALTH INSURANCE PLAN				
Contractually required contribution	\$ 43,417	\$ 32,702	\$ 70,501	\$ 24,614
Contributions in relation to the contractually				
	<u>43,417</u>	<u>32,702</u>	<u>70,501</u>	<u>24,614</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 1,207,426	\$ 1,151,203	\$ 1,166,206	\$ 1,248,068
District's contributions as a percentage of it's covered-employee payroll	3.60%	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, 2021

Teachers Retirement System (TRS)

Health Insurance Trust

Changes of Benefit Terms

None.

Changes of Assumptions

None.

Actuarial Methods and Assumptions

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

Actuarial Cost Method	Entry age normal
Amortization Period	Level percentage of payroll
Amortization Method	21 years, closed
Asset Valuation Method	5-year smoothed market value
Inflation	3%
Real Wage Growth	0.5%
Wage Inflation	3.5%
Salary Increase	3.5 to 7.2%, including wage inflation
Discount Rate	8.0%
Health Care Cost Trends	
KEHP Group	7.25% at June 30, 2020, decreasing to an ultimate rate of 5% by June 30, 2029
MEHP Group	5.25% at June 30, 2020, decreasing to an ultimate rate of 5% by June 30, 2022
Medicare Part B Premiums	6.4% at June 30, 2020 with an ultimate rate of 5% by June 30, 2031
KEHP Group Claims	The current KEHP premium is used as the base cost and is projected Forward using only the health care trend assumption (no implicit rate subsidy is recognized).

Life Insurance Trust

Changes of Benefit Terms

None.

Changes of Assumptions

None.

PIKEVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-OPEB
For the year ended June 30, 2021

Actuarial Methods and Assumptions

The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated as of June 30, 2017 valuation date. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of the schedule.

Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll
Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3%
Real Wage Growth	0.5%
Wage Inflation	3.5%
Salary Increase	3.5 to 7.45%, including wage inflation
Discount Rate	7.5%

County Employee Retirement System (CERS)

Employees' Health Plan

Changes of Benefit Terms

None.

Changes of Assumptions

The discount rate used to calculate the total OPEB liability decreased from 5.68% to 5.34%. The assumed in future health care costs, or trend assumption, was reviewed during the June 30, 2019 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. Also, the June 30, 2020 GASB No. 75 actuarial information reflects the anticipated savings from the repeal of the "Cadillac Tax" and "Health Insurer Fee", which occurred in December of 2019. The assumed load on pre-Medicare premiums to reflect the cost of the Cadillac Tax was removed and the Medicare premiums to reflect the cost of the Cadillac Tax was removed and the Medicare premiums were reduced by 11% to reflect the repeal of the Health Insurer Fee.

Actuarial Methods and Assumptions

The actuarially determined contribution rates effective for fiscal year ending 2020 are calculated based on the June 30, 2018 valuation report. The actuarial methods and assumptions used to calculate these contribution rates are as follow.

PIKEVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-OPEB
For the year ended June 30, 2021

Valuation Date	June 30, 2018
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry age normal
Amortization Method	Level percent of pay
Remaining Amortization Period	25 years, closed
Payroll Growth Rate	2.0%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.3%
Salary Increases	3.3 to 11.55%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates (Pre-65)	Initial trend starting at 7% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over period of 12 years.
Healthcare Trend Rates (Post-65)	Initial trend starting at 5% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over period of 10 years.
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

Pikeville Independent School District
Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2021

Other Governmental Funds					
	Special Revenue Student Activity	FSPK	Capital Outlay	Construction	Total
Assets					
Cash and cash equivalents	\$ 128,186	\$ 119,864	\$ 60,733	\$ 2,578	\$ 311,361
Total assets	128,186	119,864	60,733	2,578	311,361
Liabilities					
Accounts payable	747				747
Total liabilities	747	-	-	-	747
Fund Balance					
Committed	127,439				127,439
Restricted		119,864	60,733	2,578	183,175
Total fund balance	127,439	119,864	60,733	2,578	310,614
Total Liabilities and Fund Balance	\$ 128,186	\$ 119,864	\$ 60,733	\$ 2,578	\$ 311,361

Pikeville Independent School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2021

	Other Governmental Funds				
	Special Revenue Student Activity	FSPK	Capital Outlay	Construction	Total
Revenues					
From local sources					
Taxes					
Property	\$ -	\$ 316,238	\$ -	\$ -	\$ 316,238
Student Activities	285,476				285,476
Intergovernmental - state		179,480	108,236		287,716
Total revenues	<u>285,476</u>	<u>495,718</u>	<u>108,236</u>	<u>-</u>	<u>889,430</u>
Expenditures					
Instruction	287,593				287,593
Building improvements				461,204	461,204
Total expenditures	<u>287,593</u>	<u>-</u>	<u>-</u>	<u>461,204</u>	<u>748,797</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(2,117)</u>	<u>495,718</u>	<u>108,236</u>	<u>(461,204)</u>	<u>140,633</u>
Other Financing Sources (Uses)					
Transfers (out)		(375,854)	(108,236)		(484,090)
Total other financing sources (uses)	<u>-</u>	<u>(375,854)</u>	<u>(108,236)</u>	<u>-</u>	<u>(484,090)</u>
Net Change in Fund Balances	(2,117)	119,864	-	(461,204)	(343,457)
Fund Balance Beginning	-	-	60,733	463,782	524,515
Prior Period Adjustment	129,556				129,556
Restated Fund Balance Beginning	<u>129,556</u>	<u>-</u>	<u>60,733</u>	<u>463,782</u>	<u>654,071</u>
Fund Balance Ending	<u>\$ 127,439</u>	<u>\$ 119,864</u>	<u>\$ 60,733</u>	<u>\$ 2,578</u>	<u>\$ 310,614</u>

Pikeville Independent School District
Combining Balance Sheet - School Activity Funds
 June 30, 2021

	SCHOOL ACTIVITY FUND		
	PIKEVILLE HIGH SCHOOL	PIKEVILLE ELEMENTARY	TOTAL
ASSETS			
Cash and cash equivalents	\$ <u>97,683</u>	\$ <u>30,503</u>	\$ <u>128,186</u>
Total assets	<u><u>97,683</u></u>	<u><u>30,503</u></u>	<u><u>128,186</u></u>
LIABILITIES			
Accounts payable	<u>-</u>	<u>747</u>	<u>747</u>
Total liabilities & fund balances	\$ <u>-</u>	\$ <u>747</u>	\$ <u>747</u>
FUND BALANCE			
School activities	<u>97,683</u>	<u>29,756</u>	<u>127,439</u>
Total liabilities & fund balances	<u><u>97,683</u></u>	<u><u>30,503</u></u>	<u><u>128,186</u></u>

Pikeville Independent School District
Combining Statement of Revenues, Expenses, and Changes in Fund Balance
School Activity Funds
For the year ended June 30, 2021

	SCHOOL ACTIVITY FUND		
	PIKEVILLE HIGH SCHOOL	PIKEVILLE ELEMENTARY	TOTAL
REVENUES			
Student revenues	\$ 270,206	\$ 15,270	\$ 285,476
EXPENSES			
Student activities	269,236	18,357	287,593
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	970	(3,087)	(2,117)
FUND BALANCE - BEGINNING	96,713	32,843	129,556
FUND BALANCE - ENDING	\$ 97,683	\$ 29,756	\$ 127,439

Pikeville Independent School District
Statement of Revenues, Expenses, and Changes in Fund Balance - Pikeville High School
For the year ended June 30, 2021

	FUND BALANCE BEGINNING	REVENUES	EXPENSES	TRANSFER	FUND BALANCE ENDING
OFFICE	\$ 3,788	\$ 1,290	\$ 1,972	\$ -	\$ 3,106
POSTAGE	46	-	-	-	46
LOCKER FEES	533	2	-	-	535
GENERAL	3,130	12,000	12,410	-	2,720
TEXTBOOKS	950	515	-	-	1,465
SCHOOL RESERVED	-	2,883	2,883	-	-
START UP	-	15,200	15,200	-	-
ATHLETIC CONTINGENCY	2,911	4,742	-	-	7,653
PHS HALL OF FAME	132	-	-	-	132
PROJECT PROM	1,300	5,069	6,271	-	98
STUDENT VENDING	3,621	1,077	1,927	-	2,771
TEACHER VENDING	985	516	1,140	-	361
ATHLETICS	15,237	157,984	160,407	-	12,814
CORP SPONSORSHIP	18,750	18,238	18,145	-	18,843
MOCK TRIAL	380	-	-	-	380
NEED ENERGY	1,275	-	-	-	1,275
FUTURE CITY 2016	320	-	-	-	320
ROBOTICS	515	-	-	-	515
PHS INTERACT CLUB	250	-	-	-	250
7TH GRADE ACTIVITY FUND	133	-	-	-	133
PIKEVILLE E-SPORTS	222	-	1	-	221
FCA	455	260	491	-	224
HONOR SOCIETY	261	1,396	958	-	699
HS ACADEMICS	6,292	5,749	4,643	-	7,398
JH ACADEMICS	163	-	-	-	163
JH PEP CLUB	2,452	-	-	-	2,452
PEP CLUB HS	2,710	-	575	-	2,135
STUDENT COUNCIL	55	-	-	-	55
PREPPY PANTHER	191	-	-	-	191
SPECIAL ED FOUNDATION	144	-	-	-	144
BETA CLUB	444	860	678	-	626
BAND	188	2,216	1,104	-	1,300
CHORUS	2,414	8,556	5,258	-	5,712
DRAMA	1,651	-	-	-	1,651
KYA-COOLEY	150	-	-	-	150
11TH GRADE	5,507	7,670	12,436	-	741
12TH GRADE	371	1,935	2,051	-	255
SR LUNCH	-	1,320	1,320	-	-
YEARBOOK	8,425	5,655	3,500	-	10,580
COUNSELOR NEEDS	24	144	153	-	15
LIBRARY	1,123	2,355	2,100	-	1,378
HELP	118	-	-	-	118
CLASS OF 2022	474	1,738	1,716	-	496
CLASS OF 2021	570	-	-	-	570
CLASS OF 2020	375	-	375	-	-
CLASS OF 2019	646	-	646	-	-
CLASS OF 2023	441	-	-	-	441
CLASS OF 2024	2,132	-	-	-	2,132
PANTHER BASKETBALL CAMP	-	7,617	7,617	-	-
CLASS OF 2025	-	1,889	1,627	-	262
COMPETITIVE CHEER AC	1,007	-	-	-	1,007
COOKING TEAM	1,694	-	-	-	1,694
PANTHER FOOTBALL CA	490	1,000	1,109	-	381
EMPTY CHAIR	20	-	-	-	20
TEEN'S WHO CARE	1,248	330	523	-	1,055
TOTALS	\$ 96,713	\$ 270,206	\$ 269,236	\$ -	\$ 97,683

Pikeville Independent School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2021

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					
Summer Food Service Program For Children	10.559				
Fiscal Year 20		7690024 20	\$ -	\$ N/A	26,170
Fiscal Year 21		7690024 21	-	N/A	69,869
Fiscal Year 20		7740023 20	-	N/A	255,071
Fiscal Year 21		7740023 21	-	N/A	682,902
Child Nutrition Cluster Subtotal					<u>1,034,012</u>
State Administrative Grant for Nutrition	10.560				
Fiscal Year 20		7700001 20	-	N/A	1,365
Passed Through State Department of Agriculture					
Food Donation-Commodities	10.565				
Fiscal Year 21		510.4950	-	N/A	45,365
Total US Department of Agriculture					<u>1,080,742</u>
US Department of Education					
Passed Through State Department of Education					
Title I Grants to Local Educational Agencies	84.010A				
Fiscal Year 20		3100002 20	-	374,916	99,337
Fiscal Year 21		3100002 21	-	368,613	278,387
					<u>377,724</u>
Special Education Grants to States	84.027A				
Fiscal Year 19		3810002 19	-	214,091	106,353
Fiscal Year 19P		3810002 19	-	1,456	1,220
Fiscal Year 20		3810002 20	-	216,369	39,957
Fiscal Year 20P		3810002 20	-	8,528	1,217
					<u>148,747</u>
Vocation Education - Basic Grants to States	84.048				
Fiscal Year 19		3710002 19	-	338	338
Fiscal Year 20		3710002 20	-	11,273	4,722
Fiscal Year 21		3710002 21	-	10,981	10,981
					<u>16,041</u>
Rural Education	84.358B				
Fiscal Year 20		3140002 20	-	22,767	9,189
Fiscal Year 21		3140002 21	-	22,606	12,297
					<u>21,486</u>
Improving Teacher Quality State Grants	84.367A				
Fiscal Year 20		3230002 20	-	44,706	255
Fiscal Year 21		3230002 21	-	41,135	38,853
					<u>39,108</u>
* CARES Act Educational Stabilization Fund-COVID-19	84.425D				
Fiscal Year 20		4000002 20	-	305,470	305,162
Fiscal Year 21		4000002 21	-	1,234,141	438,155
* CARES Act Educational Stabilization Fund GEER-COVID-19	84.425C				
Fiscal Year 20		4000002 20	-	52,401	48,166
					<u>791,483</u>
Title IV Part A	84.424				
Fiscal Year 19		3420002 19	-	28,424	6,653
Total US Department of Education					<u>1,401,242</u>
U.S. Department of the Treasury					
Passed through State Department of Education					
Coronavirus Relief Fund-COVID-19	21.019				
Fiscal Year 21		2100038962	-	8,865	724
Fiscal Year 21		2100038960	-	215,078	215,078
Total U.S. Department of the Treasury					<u>215,802</u>
Total Expenditure of Federal Awards					<u>\$ 2,697,786</u>

* Major program

PIKEVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2021

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, 2021. 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, 2021, the District received food commodities totaling \$45,365.

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, 2021, 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 15, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 Pikeville Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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 15, 2021.

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 15, 2021

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

To the Board of Education of the Pikeville Independent School District
Pikeville, KY

And the State Committee for School District Audits

Report on Compliance for Each Major Federal Program

We have audited 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 Pikeville Independent School District's major federal programs for the year ended June 30, 2021. 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 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 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 Pikeville Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, 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, 2021.

Report on Internal Control over Compliance

Management of 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 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 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 15, 2021

PIKEVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended June 30, 2021

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	Educational Stabilization Fund [CFDA 84.425D, 84.425C]
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, 2021

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, 2021, we considered the District's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our report dated November 15, 2021. This letter does not affect our report dated November 15, 2021, on the financial statements of the Pikeville Independent School District. The conditions observed are as follows:

PIKEVILLE ELEMENTARY

No conditions.

PIKEVILLE HIGH SCHOOL

1-21

Statement of Condition: Fund Raiser Worksheet (F-SA-2B) not being completed for all fundraising events that require one.

Recommendation for Correction: For each fundraising event, the sponsor responsible for the administration of the fundraiser will fill out the Fund Raiser Worksheet (F-SA-2B). After completion of the fundraiser, the sponsor will submit the completed Fund Raiser Worksheet to the Principal for review. After review, the principal will give the Fund Raiser Worksheet to the school treasurer to file with other financial documents.

Management Response to the Recommendation:

The recommendation above has been reviewed with the Principal and Bookkeeper, both of these individuals are new to their positions and will be mindful of this procedure in the current school year's fundraising activities.

PIKEVILLE INDEPENDENT SCHOOL DISTRICT

No conditions.

All prior year conditions have been implemented and corrected. Dr. Stephen David Trimble Superintendent is the person responsible for initiation of the corrective action plan for the above conditions which will be implemented immediately. The corrective action plan is the management response for each condition.

We would like to thank the Finance Officer and their department for their support and assistance during our audit.

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

White & Associates, PSC

White & Associates, PSC
Richmond, Kentucky
November 15, 2021