

District-wide and Fund Financial Statements
and Required Supplementary Information

2020

Fayette County School District

June 30, 2020



Strothman+Co

District-wide and Fund Financial Statements
and Required Supplementary Information

Fayette County School District

June 30, 2020

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Independent Auditors' Report

Members of the Board of Education
Fayette County School District
Lexington, Kentucky

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Fayette County School District (the "District") as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the accompanying 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.

Auditors' 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Kentucky Public School Districts' Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position and cash flows of its proprietary funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (Unaudited) on pages 4 through 10, budgetary comparison information on pages 63 through 65 and the pension and other postemployment benefits liability and contributions information on pages 66 through 75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining supplementary information on pages 76 and 77 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 supplementary information is 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 a report dated January 13, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Strothman and Company

Louisville, Kentucky
January 13, 2021

Management's Discussion and Analysis (Unaudited)

Management's Discussion and Analysis (Unaudited)

Fayette County School District

Year Ended June 30, 2020

As management of the Fayette County School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit report. This is the eighteenth year the District has prepared the annual financial report using the new financial reporting model. The reporting model is a combination of both District-Wide financial statements and fund financial statements. In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*-an amendment of GASB Statement No. 27. GASB Statement No. 68 addresses accounting and financials for pensions that are provided to employees through trusts that have defined characteristics. The District has implemented Governmental Accounting Standards Board Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which requires reporting of the District's Other Postemployment Benefits ("OPEB") liability on the face of the financial statements and more extensive note disclosure and required supplementary information about OPEB liabilities. Cost-sharing governmental employers, such as the District, are required to report a new OPEB liability, OPEB expense and OPEB-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

The Coronavirus ("COVID-19") national health emergency continues as the largest issue facing school districts throughout the country. The District started the 2021 school year providing instruction via virtual methods and plans to transition to other methods, in-person and/or hybrid, as relevant oversight agencies see fit starting in January 2021. Regional, local, and school virus rates will be monitored and will drive the decisions concerning in-person/hybrid learning for the remainder of the 2021 school year. Funding from the CARES Act and possibly FEMA are expected to cover some increased costs related to virtual and in-person instruction and staffing. The food service program continues to be impacted financially during this pandemic. The United States Department of Agriculture ("USDA") has authorized meal reimbursement under the summer feeding program for all meals served through the end of the 2021 school year, which will help recover some of the lost revenue from daily student lunch sales. Meals are prepared and provided for all students each day regardless of student attendance at school. CARES Act resources can be used to support student meal operations as well.

Management's Discussion and Analysis (Unaudited)--Continued

Fayette County School District

Year Ended June 30, 2020

FINANCIAL HIGHLIGHTS

- The ending cash balance for the District was \$125 million in 2020 and \$114 million in 2019.
- From 2019 to 2020, total revenue increased by 2.41%. Revenue from local sources increased 2.76% while revenue from the state increased by 1.52% and revenues from grant sources increased by 4.15%.

Table One:
Total Revenue Comparison Analysis (Governmental Activities)

Revenues	2020	2019	Change
Local Sources:			
Property Taxes	\$ 250,676,137	\$ 241,832,958	\$ 8,843,179
Motor Vehicle Taxes	13,405,893	14,083,760	(677,867)
Utility Taxes	22,048,097	20,754,616	1,293,481
Occupational Taxes	37,228,518	37,987,911	(759,393)
State Sources:			
SEEK Program	97,086,380	99,567,990	(2,481,610)
Other State Revenues	147,046,236	140,901,656	6,144,580
Grants	29,417,063	28,244,472	1,172,591
Earnings on Investments	1,481,039	2,263,347	(782,308)
Other Sources	8,281,532	6,764,247	1,517,285
Total Revenues	\$ 606,670,895	\$ 592,400,957	\$ 14,269,938

Management's Discussion and Analysis (Unaudited)--Continued

Fayette County School District

Year Ended June 30, 2020

Table Two
Total Expenditure Analysis (Governmental Activities)

Expenditures	2020	2019	Change
Instruction	\$ 385,842,131	\$ 372,248,900	\$ 13,593,231
Student support services	31,049,383	27,511,193	3,538,190
Instructional staff support services	26,191,561	22,238,881	3,952,680
District administrative support services	8,191,589	7,880,001	311,588
School administrative support services	29,287,511	27,935,621	1,351,890
Business support services	30,226,555	26,862,297	3,364,258
Plant operations and maintenance	48,065,726	46,956,889	1,108,837
Transportation	24,802,201	22,875,934	1,926,267
Food service	4,256,637	-	4,256,637
Community services	3,654,947	3,634,961	19,986
Interest	17,133,045	17,460,578	(327,533)
Total Expenditures	\$ 608,701,286	\$ 575,605,255	\$ 33,096,031

Among major funds, the General Fund had approximately \$518 million in revenue in FY 2020 (including on behalf) and \$507 million in revenue in FY 2019 (including on behalf), which primarily consisted of local property taxes, local occupational license taxes, utilities and motor vehicle taxes, federal programs and state funding (the SEEK Program). There were approximately \$511 million in expenditures in FY 2020 and \$483 million in expenditures in FY 2019, which also included on behalf figures in the General Fund.

Amazing Students

- Debate School of Honor national award for Henry Clay High School
- National History Day award for a student at Winburn Middle School
- Kentucky State Poetry Society awards for two at Leestown Middle
- All-state honors for six high school artists
- Scholarships from Kentucky MATHCOUNTS to four students at Tates Creek and Winburn Middle schools
- National recognition in PTA's Reflections contest to students from Stonewall, Wellington, and Sandersville elementary and Jessie Clark Middle
- Youth Journalism International award to Paul Laurence Dunbar High School
- School of Excellence award from Imagine Learning to Brenda Cowan Elementary
- Green Ribbon School District Sustainability Award to FCPS
- KDE Alternative Program of Distinction Award to The Learning Center
- Best of Fair awards in state science fair to two from Paul Laurence Dunbar High School
- Scholastic Art & Writing national medals to two students from Lafayette High and one from Edythe J. Hayes Middle
- Seventh straight state championship for debate team from Henry Clay
- State chess championships for Rosa Parks Elementary, Beaumont Middle, and Dunbar High School
- "Best Play" in Southeast by theater students from Lafayette High School

Management's Discussion and Analysis (Unaudited)--Continued

Fayette County School District

Year Ended June 30, 2020

- State title No. 23 by the speech team from SCAPA at Bluegrass
- State title in 1-meter diving for student at Henry Clay High School
- State wrestling championship for student from Lafayette High School
- First place in state dance championships for jazz team from Lafayette High
- State championship in cheerleading for Frederick Douglass High School
- State soccer championship for the boys team at Henry Clay High School
- Third straight state title for marching band from Lafayette High School

District-Wide Accolades and Staff Kudos

- State's Japanese Teacher of the Year from Lafayette High School
- FCEA's Outstanding Educator from Winburn Middle School
- Junior Achievement's Teacher of the Year from Southern Middle School
- State's Outstanding Educator of the Year for orchestra director at Leestown Middle School
- National Outstanding Chinese Teacher Award to educator at Dixie Magnet Elementary
- South's P.E. Teacher of the Year from Beaumont Middle School
- National award of merit to Family & Consumer Sciences teacher at Beaumont
- Presidential Award for science lab teacher from Cassidy Elementary
- Kentucky's School Social Worker of the Year from Leestown Middle
- State's Transportation Director of the Year

Fayette County School District

Year Ended June 30, 2020

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 financial statements are comprised of three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide Financial Statements.

The District-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business. The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving.

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 expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. The District-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, plant operations and maintenance, student transportation and operation of non-instructional services. Capital assets and related debt are also supported by taxes and intergovernmental revenues.

The District-wide financial statements can be found on pages 11 through 12 of this report.

Fund Financial Statements.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary funds include Food Services and After School Programs. All other activities of the District are included in the governmental funds.

The governmental fund financial statements can be found on pages 13 through 17 of this report. The proprietary fund financial statements can be found on pages 18 through 20 of this report.

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

The notes to the financial statements can be found on pages 23 through 62 of this report.

Management's Discussion and Analysis (Unaudited)--Continued

Fayette County School District

Year Ended June 30, 2020

DISTRICT-WIDE FINANCIAL ANALYSIS

The following is a summary of the District's Net Position:

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 149,234,268	\$ 132,562,407	\$ 6,925,791	\$ 8,427,722	\$ 156,160,059	\$ 140,990,129
Capital assets, net of depreciation	632,413,734	610,622,367	4,482,567	5,234,065	636,896,301	615,856,432
Total Assets	781,648,002	743,184,774	11,408,358	13,661,787	793,056,360	756,846,561
Deferred outflows of resources	75,715,247	61,341,683	4,524,445	3,454,096	80,239,692	64,795,779
Short-term liabilities	84,831,098	59,810,690	1,147,700	2,253,505	85,978,798	62,064,195
Other liabilities	725,432,087	717,906,278	15,113,515	12,181,232	740,545,602	730,087,510
Total Liabilities	810,263,185	777,716,968	16,261,215	14,434,737	826,524,400	792,151,705
Deferred inflows of resources	47,417,601	25,096,636	2,337,989	2,250,531	49,755,590	27,347,167
Net Position						
Net investment in capital assets	191,148,972	175,071,132	4,482,567	5,234,065	195,631,539	180,305,197
Restricted	25,769,508	25,863,113	(7,148,968)	(4,803,450)	18,620,540	21,059,663
Unrestricted	(217,236,018)	(199,221,392)			(217,236,018)	(199,221,392)
Total Net Position	\$ (317,538)	\$ 1,712,853	\$ (2,666,401)	\$ 430,615	\$ (2,983,939)	\$ 2,143,468

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment, and construction in progress) less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. 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.

This is the 18th year that the District is following GASB Statement No. 34 and comparing assets, liabilities and net position.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*. GASB Statement No. 68 addresses accounting and financials for pensions that are provided to the employees through trusts that have defined characteristics.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows/inflows of resources and expenses/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to the periods of employ services. In addition, this Statement details the recognition and disclosure requirements for employers with liabilities to a defined pension plan.

Management's Discussion and Analysis (Unaudited)--Continued

Fayette County School District

Year Ended June 30, 2020

This pronouncement was mandatory for fiscal periods beginning after June 15, 2015. The data from the Kentucky Teachers Retirement System and the County Employees Retirement System related to this implementation will have a material effect on the District's financial statements.

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

The changes in the balances and transactions of individual funds have all been examined and explained. Changes in the final budget when compared to the original were not material.

Analysis of significant variations between original and final budget amounts and between final budget amounts and actual budget results for the general fund indicate that there were no variations which would have a significant effect on future services or liquidity. The district budgeted approximately \$461 million dollars in revenue and received approximately \$464 million in general fund excluding on behalf revenue. The district also budgeted approximately \$461 million dollars in expenses and spent approximately \$401 million in general fund excluding on behalf expenses. Our financial position remains strong and we will continue to utilize trend analysis to help predict such variances in the future.

BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1 - June 30; other programs, i.e. some federal programs, operate on a different program calendar but are reflected in the District overall budget. By Kentucky statute, the budget must have a minimum 2% contingency. The District adopted a budget for 2020 with \$35 million in contingency that is approximately 6.0%. The District is the second largest in the state with approximately 40,840 students and is the second largest employer in Fayette County.

This audit is posted on the District website (www.fcps.net). Questions regarding this report should be directed to Rodney Jackson, Director of Financial Accounting and Benefit Services (859)381-4141, John White, Senior Director of Administrative Services (859)381-4165, Emmanuel Caulk, Superintendent (859) 381-4104, or by mail at 1126 Russell Cave Road, Lexington, Kentucky 40505.

District-wide Financial Statements

Statement of Net Position

Fayette County School District

June 30, 2020

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 118,113,665	\$ 6,941,756	\$ 125,055,421
Accounts and grants receivable from outside sources	22,283,532	840,357	23,123,889
Inventories	2,863,356	488,426	3,351,782
Internal balances	5,973,715	(1,344,748)	4,628,967
Capital assets net of accumulated depreciation	632,413,734	4,482,567	636,896,301
Total Assets	781,648,002	11,408,358	793,056,360
Deferred Outflows of Resources			
Debt refunding	4,763,609		4,763,609
Deferred outflows from other post-employment benefits	31,813,106	2,051,907	33,865,013
Deferred outflows from pension	39,138,532	2,472,538	41,611,070
Total Deferred Outflows of Resources	75,715,247	4,524,445	80,239,692
Liabilities			
Accounts payable and accrued liabilities due to outside sources	46,540,130	1,147,700	47,687,830
Interest payable	4,461,424		4,461,424
Deferred revenue	7,535,799		7,535,799
Accrued sick leave			
Due within one year	1,822,927		1,822,927
Due in more than one year	4,602,677		4,602,677
School building revenue bonds			
Due within one year	22,980,000		22,980,000
Due in more than one year	388,100,000		388,100,000
Unamortized Premium	16,724,764		16,724,764
Capital lease			
Due with one year	1,490,818		1,490,818
Due in more than one year	7,668,689		7,668,689
Net pension liability	156,779,162	9,819,386	166,598,548
Net other post-employment benefits liability	151,556,795	5,294,129	156,850,924
Total Liabilities	810,263,185	16,261,215	826,524,400
Deferred Inflows of Resources			
Deferred inflows from other post-employment benefits	40,814,937	1,701,861	42,516,798
Deferred inflows from pension	6,602,664	636,128	7,238,792
Total Deferred Inflows of Resources	47,417,601	2,337,989	49,755,590
Net Position			
Net investment in capital assets	191,148,972	4,482,567	195,631,539
Restricted	25,769,508	(7,148,968)	18,620,540
Unrestricted (Deficit)	(217,236,018)		(217,236,018)
Total Net Position	\$ (317,538)	\$ (2,666,401)	\$ (2,983,939)

See Accompanying Notes to Financial Statements

Statement of Activities

Fayette County School District

Year Ended June 30, 2020

	<u>Program Revenues</u>				Net (Expenses) Revenues
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Functions/Programs					
Governmental Activities					
Instruction	\$ 385,842,131	\$ 113,086	\$ 32,766,682		\$ (352,962,363)
Support services					
Student	31,049,383				(31,049,383)
Instruction staff	26,191,561				(26,191,561)
District administration	8,191,589				(8,191,589)
School administration	29,287,511				(29,287,511)
Business	30,226,555				(30,226,555)
Plant operation and maintenance	48,065,726			\$ 3,179,802	(44,885,924)
Transportation	24,802,201				(24,802,201)
Food Service	4,256,637				(4,256,637)
Community Services	3,654,947				(3,654,947)
Interest on Long Term Debt	17,133,045				(17,133,045)
Total Governmental Activities	608,701,286	113,086	32,766,682	3,179,802	(572,641,716)
Business-Type Activities					
Food service	24,495,903	2,719,937	17,090,261	1,590,574	(3,095,131)
After school program	3,036,769	2,733,923	300,961		(1,885)
Total Business-Type Activities	27,532,672	5,453,860	17,391,222	1,590,574	(3,097,016)
Total Activities	\$ 636,233,958	\$ 5,566,946	\$ 50,157,904	\$ 4,770,376	\$ (575,738,732)
			Governmental Activities	Business-Type Activities	Total
Changes in Net Position					
Net Expenses			\$ (572,641,716)	\$ (3,097,016)	\$ (575,738,732)
General Revenues					
Taxes					
Property taxes			250,676,137		250,676,137
Motor vehicle taxes			13,405,893		13,405,893
Utility taxes			22,048,097		22,048,097
Occupational license tax			37,228,518		37,228,518
State sources					
SEEK program			97,086,380		97,086,380
Other state revenues and grants			143,866,434		143,866,434
Earnings on investments			1,481,039		1,481,039
Local revenues			4,818,827		4,818,827
Total General Revenues			570,611,325		570,611,325
Change in Net Position			(2,030,391)	(3,097,016)	(5,127,407)
Net Position, Beginning of Year			1,712,853	430,615	2,143,468
Net Position End of Year			\$ (317,538)	\$ (2,666,401)	\$ (2,983,939)

See Accompanying Notes to Financial Statements

Fund Financial Statements

Balance Sheet - Governmental Funds

Fayette County School District

June 30, 2020

	General Funds	Special Revenue	Debt Service	Construction Funds	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 77,434,709		\$ 207,424	\$ 31,505,282	\$ 8,966,250	\$ 118,113,665
Accounts and grants receivable from outside sources	13,463,229	\$ 8,292,904			527,399	22,283,532
Inventory	2,863,356					2,863,356
Due from other funds	5,973,715					5,973,715
Total Assets	\$ 99,735,009	\$ 8,292,904	\$ 207,424	\$ 31,505,282	\$ 9,493,649	\$ 149,234,268
Liabilities						
Accounts payable and accrued liabilities due to outside sources	\$ 33,951,381	\$ 5,186,989		\$ 7,321,733	\$ 80,027	\$ 46,540,130
Accrued sick leave	1,822,927					1,822,927
Deferred Revenue	324,650	2,117,333			5,093,816	7,535,799
Total Liabilities	36,098,958	7,304,322		7,321,733	5,173,843	55,898,856
Fund Balances						
Restricted		988,582	\$ 207,424	24,183,549	389,953	25,769,508
Assigned	1,646,566					1,646,566
Unassigned	61,989,485				3,929,853	65,919,338
Total Fund Balances	63,636,051	988,582	207,424	24,183,549	4,319,806	93,335,412
Total Liabilities and Fund Balances	\$ 99,735,009	\$ 8,292,904	\$ 207,424	\$ 31,505,282	\$ 9,493,649	\$ 149,234,268

See Accompanying Notes to Financial Statements

Reconciliation of the Balance Sheet Governmental Funds to the District-Wide Statement of Net Position

Fayette County School District

June 30, 2020

Total fund balance per fund financial statements	\$ 93,335,412
Amounts reported for governmental activities in the statement of Net Position are different because:	
Capital assets are not reported in the fund financial statement because they are not current financial resources but they are reported in the statement of net position	632,413,733
Certain assets are not reported in the fund financial statements because they are not available to pay current period expenditures, but they are reported in the statement of net position	4,763,609
Deferred inflows of resources-OPEB are not reported in the fund financial statements	(40,814,937)
Deferred inflows of resources-Pension are not reported in the fund financial statements	(6,602,664)
Deferred outflows of resources-OPEB are not reported in the fund financial statements	31,813,106
Deferred outflows of resources-Pension are not reported in the fund financial statements	39,138,532
Long-term sick leave liability is noncurrent and not reported in the fund financial statements	(4,602,677)
Bond interest payable is a noncurrent liability and is not reported in the fund financial statements	(4,461,424)
Bonds payable are not reported in the fund financial statements because they are not due and payable from current financial resources, but they are presented in the statement of net position	(411,080,000)
Capital lease obligations are noncurrent liabilities and are not reported in the fund financial statements	(9,159,507)
Unamortized premium is a noncurrent liability and is not reported in the fund financial statements	(16,724,764)
Net pension liability is noncurrent and is excluded from the fund financial statements	(156,779,162)
Net OPEB liability is noncurrent and is excluded from the fund financial statements	(151,556,795)
	<u>\$ (317,538)</u>

Net Position of Governmental Activities

See Accompanying Notes to Financial Statements

Statement of Revenues, Expenditures and Changes in Fund Balances
 - Governmental Funds

Fayette County School District

Year Ended June 30, 2020

	General Funds	Special Revenue	Debt Service	Construction Funds	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
From local sources						
Property taxes	\$ 217,468,667				\$ 33,207,470	\$ 250,676,137
Motor vehicle taxes	12,188,604				1,217,289	13,405,893
Utility taxes	22,048,097					22,048,097
Occupational license tax	37,228,518					37,228,518
State sources						
SEEK	93,359,486				3,726,894	97,086,380
Other state revenues	130,799,468	\$ 13,066,966	\$ 3,179,802			147,046,236
Grants (principally United States government and local agencies)	360,256	28,410,232			646,575	29,417,063
Earnings on investments	1,273,615					1,481,039
Other sources	3,459,079	1,372,501	207,424	\$ 100,333	3,349,619	8,281,532
Total Revenues	518,185,790	42,849,699	3,387,226	100,333	42,147,847	606,670,895
Expenditures						
Instruction						
Support services	322,185,319	29,667,727			4,404,803	356,257,849
Student	28,044,792	3,004,020				31,048,812
Instruction staff	23,091,205	2,390,033			183,890	25,665,128
District administration	8,343,647					8,343,647
School administration	29,108,916	178,595				29,287,511
Business	28,172,725	1,652,079				29,824,804
Plant operation & maintenance	45,161,398	374,359				45,535,757

Continued

Statement of Revenues, Expenditures and Changes in Fund Balances
 - Governmental Funds--Continued

Fayette County School District

Year Ended June 30, 2020

	General Funds	Special Revenue	Debt Service	Construction Funds	Other Nonmajor Governmental Funds	Total Governmental Funds
Transportation	24,171,038				1,395,456	25,566,494
Food Service	662,627	1,656,831			1,937,179	4,256,637
Community service	596,172	3,054,482			4,293	3,654,947
Facilities acquisition/construction				46,426,699		46,426,699
Debt service	1,534,710		37,328,179			38,862,889
Total Expenditures	511,072,549	41,978,126	37,328,179	46,426,699	7,925,621	644,731,174
Revenues in Excess of (Less Than) Expenditures	7,113,241	871,573	(33,940,953)	(46,326,366)	34,222,226	(38,060,279)
Other Financing Sources (Uses)						
Proceeds from sale of assets	32,321			2,504,796		2,537,117
Proceeds from sale of bonds				25,260,000		25,260,000
Loss from Investment of bonds				3,088		3,088
Operating transfers in	1,593,792	1,500,460	34,148,377	17,636,692	4,788,138	59,667,459
Operating transfers out	(18,539,923)	(1,954,806)			(38,806,830)	(59,301,559)
Proceeds from capital leases	2,261,014					2,261,014
Total Other Financing Sources (Uses)	(14,652,796)	(454,346)	34,148,377	45,404,576	(34,018,692)	30,427,119
Net Change in Fund Balances	(7,539,555)	417,227	207,424	(921,790)	203,534	(7,633,160)
Fund Balances, Beginning of Year	71,175,606	571,355		25,105,339	4,116,272	100,968,572
Fund Balances, End of Year	\$ 63,636,051	\$ 988,582	\$ 207,424	\$ 24,183,549	\$ 4,319,806	\$ 93,335,412

See Accompanying Notes to Financial Statements

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the District-Wide Statement of Activities

Fayette County School District

Year Ended June 30, 2020

Net Change in Total Fund Balances - Governmental Funds \$ (7,633,160)

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

Capital outlays are reported as expenditures in the fund financial statements because they use current financial resources, but they are presented as capital assets in the District-wide statement of net position and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeded depreciation for the year.

(21,797,011)

Difference in Long-Term Debt

5,713,527

Gain and losses are not presented in this financial statement because they do not provide or use current financial resources but they are presented in the District-wide statement of activities

(21,038)

Differences in pension and other post-employment benefit expenses related to GASB 68 and GASB 75

21,707,291

Change in Net Position of Governmental Activities \$ (2,030,391)

See Accompanying Notes to Financial Statements

Statement of Net Position - Proprietary Funds

Fayette County School District

June 30, 2020

	Enterprise Funds		
	Food Service Fund	After School Program Fund	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 4,904,038	\$ 2,037,718	\$ 6,941,756
Accounts receivable	811,362	28,995	840,357
Inventory	488,426		488,426
Total Current Assets	6,203,826	2,066,713	8,270,539
Noncurrent Assets			
Capital assets net of accumulated depreciation	4,482,567		4,482,567
Total Assets	10,686,393	2,066,713	12,753,106
Deferred Outflows of Resources			
Deferred Outflows OPEB	1,903,059	148,848	2,051,907
Deferred Outflows Pension	2,146,459	326,079	2,472,538
Total Deferred Outflows of Resources	4,049,518	474,927	4,524,445
Liabilities			
Current Liabilities			
Accounts payable & accrued liabilities	1,128,060	19,640	1,147,700
Due to other funds	1,344,748		1,344,748
Net Pension Liability	8,496,021	1,323,365	9,819,386
Net OPEB Liability	4,853,608	440,521	5,294,129
Total Liabilities	15,822,437	1,783,526	17,605,963
Deferred Inflow of Resources			
Deferred inflows OPEB	1,564,644	137,217	1,701,861
Deferred inflows Pension	564,391	71,737	636,128
Total Deferred Inflows of Resources	2,129,035	208,954	2,337,989
Net Position			
Invested in capital assets	4,482,567		4,482,567
Restricted (Deficit)	(7,698,128)	549,160	(7,148,968)
Total Net Position	\$ (3,215,561)	\$ 549,160	\$ (2,666,401)

See Accompanying Notes to Financial Statements

Statement of Revenues, Expenses and Changes in
Net Position - Proprietary Funds

Fayette County School District

Year Ended June 30, 2020

	Enterprise Funds		
	Food Service Fund	After School Program Fund	Total
Operating Revenues			
Lunchroom sales	\$ 2,653,858		\$ 2,653,858
Other operating revenues	66,079	\$ 2,733,923	2,800,002
Total Operating Revenues	2,719,937	2,733,923	5,453,860
Operating Expenses			
Salaries wages and fringe	12,338,524	2,550,759	14,889,283
Material and supplies	11,160,897	486,010	11,646,907
Depreciation	1,000,450		1,000,450
Total Operating Expenses	24,499,871	3,036,769	27,536,640
Operating Loss	(21,779,934)	(302,846)	(22,082,780)
Non-operating Revenues			
Federal grants	15,852,151		15,852,151
Donated commodities	1,711,489		1,711,489
State grants	209,401		209,401
On behalf revenues	1,028,709	300,961	1,329,670
Loss on sale of capital assets	3,968		3,968
Total Non-operating Revenues	18,805,718	300,961	19,106,679
Transfers			
Operating transfers out	(365,898)		(365,898)
Governmental fund transfers	244,983		244,983
Change in Net Position	(3,095,131)	(1,885)	(3,097,016)
Net Position, Beginning of Year	(120,430)	551,045	430,615
Net Position, End of Year	<u>\$ (3,215,561)</u>	<u>\$ 549,160</u>	<u>\$ (2,666,401)</u>

See Accompanying Notes to Financial Statements

Statement of Cash Flows - Proprietary Funds

Fayette County School District

Year Ended June 30, 2020

	Enterprise Funds		
	Food Service Fund	After School Program	Total
Cash Flows From Operating Activities			
Cash received from:			
Lunchroom sales	\$ 1,967,111		\$ 1,967,111
Other activities	66,079	\$ 2,718,355	2,784,434
Cash paid for:			
Employees	(9,841,196)	(2,134,924)	(11,976,120)
Suppliers	(9,367,823)	(474,800)	(9,842,623)
Net Cash Provided By (Used In) Operating Activities	(17,175,829)	108,631	(17,067,198)
Cash Flows From Noncapital Financing Activities			
Cash received for operating grants	16,061,552		16,061,552
Net Increase (Decrease) in Cash and Cash Equivalent	(1,114,277)	108,631	(1,005,646)
Cash and Cash Equivalents, Beginning of Year	6,018,315	1,929,087	7,947,402
Cash and Cash Equivalents, End of Year	\$ 4,904,038	\$ 2,037,718	\$ 6,941,756
Reconciliation of Operating Loss to Net Cash Provided By (Used In) Operating Activities			
Operating loss	\$ (21,779,934)	\$ (302,846)	\$ (22,082,780)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities			
Depreciation	1,000,450		1,000,450
On-behalf revenues	1,028,709	300,961	1,329,670
Donated commodities used in operations	1,711,489		1,711,489
Change in operating assets and liabilities			
Accounts receivable	(686,747)	(15,568)	(702,315)
Inventory	(130,543)		(130,543)
Deferred outflows	(998,584)	(74,134)	(1,072,718)
Accounts payable	(1,117,015)	11,210	(1,105,805)
Due to other funds	1,329,143		1,329,143
Net Pension Liability	2,815,527	179,165	2,994,692
Net OPEB Liability	(409,364)	(16,575)	(425,939)
Deferred inflows	61,040	26,418	87,458
Net Cash Provided By (Used In) Operating Activities	\$ (17,175,829)	\$ 108,631	\$ (17,067,198)
Schedule of Non-Cash Financing Activities			
Donated commodities received from federal government	\$ 1,711,489		\$ 1,711,489
Donated capital assets	\$ 244,983		\$ 244,983

See Accompanying Notes to Financial Statements

Statement of Fiduciary Net Position

Fayette County School District

June 30, 2020

	Private Purpose Trust Funds	Agency Funds			School Activity Funds
		Marcie Thomason Fund	Dorothy Smith Fund	John Price Fund	
Assets					
Cash and cash equivalents	\$ 12,182	\$ 249,699	\$ 19,342	\$ 40,121	\$ 4,417,759
Investments	1,096,459				
Accounts receivable					139,110
Inventory					23,329
Total Assets	\$ 1,108,641	\$ 249,699	\$ 19,342	\$ 40,121	\$ 4,580,198
Liabilities					
Accounts payable					\$ 119,225
Due to student groups		\$ 249,699	\$ 19,342	\$ 40,121	4,460,973
Total Liabilities		\$ 249,699	\$ 19,342	\$ 40,121	\$ 4,580,198
Net Position Held in Trust	\$ 1,108,641				

See Accompanying Notes to Financial Statements

Statement of Changes in Fiduciary Net Position

Fayette County School District

Year Ended June 30, 2020

	Private Purpose Trust Funds
Additions	
Contributions	\$ 48,726
Losses on investments	<u>(32,936)</u>
Total Additions	15,790
Deductions	
Non-Institutional Services	<u>36,544</u>
Total Deductions	<u>36,544</u>
Change in Net Position	(20,754)
Net Position, Beginning of Year	<u>1,129,395</u>
Net Position, End of Year	<u><u>\$ 1,108,641</u></u>

See Accompanying Notes to Financial Statements

Notes to Financial Statements

Fayette County School District

June 30, 2020

Note A--Reporting Entity

The Fayette County Board of Education (the "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 Fayette County School District (the "District"). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding sources. However, the District is not a component unit of any other governmental "reporting entity". 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 and account groups relevant to the operation of the District. The financial statements presented herein do not include funds of groups and organizations which, although associated with the District, have not originated within the District itself such as booster clubs, parent-teacher associations, etc.

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

Based on the foregoing criteria, the financial statements of the Fayette County Board of Education Finance Corporation (the "Corporation") are included in the accompanying financial statements. On December 10, 1990, the Board authorized the establishment of the Corporation (a nonprofit, non-stock, public and charitable corporation organized under the School Bond Act and Kentucky Revised Statutes ("KRS") 273 and KRS Section 58.180) as an agency of the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

Note B--Summary of Significant Accounting Policies

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

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

Continued

Fayette County School District

June 30, 2020

Note B--Summary of Significant Accounting Policies--Continued

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

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

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in total fund balances. 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:

Governmental Fund Types

- (1) 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 a major fund of the District.
- (2) The Special Revenue Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. Project accounting is employed to maintain integrity for the various sources of funds. This is a major fund of the District.
- (3) The Debt Service Funds are 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.

Continued

Fayette County School District

June 30, 2020

Note B--Summary of Significant Accounting Policies--Continued

- (4) District Activity Funds, Fund 22-District activity funds are used to support co-curricular activities, and are not raised and expended by student groups. District activity funds accounted for in the district bank account are not subject to the Redbook and may be expended with more flexibility than school activity funds but must meet the "educational purpose" standard for all district expenditures.
- (5) The Construction Fund accounts for funds from two sources. First, funds generated by sales of bond issues are used for various construction and renovation projects at educational facilities. Second, proceeds from the sale of properties and equipment owned by the District are to be used at the discretion of the Board for construction projects in future years. This is a major fund of the District.
- (6) The Facility Support Program (Building Fund) of Kentucky Fund accounts for funds generated by the building tax levy and also participates in the Kentucky School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. This is a nonmajor fund of the District. In reporting these funds, there is a requirement for fiscal years ending in an odd number for the remaining fund balance if any to be restricted. In fiscal years ending with an even number, the fund balance is to be classified as unrestricted.
- (7) 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 identified in the District's facility plan. This is a nonmajor fund of the District. In reporting these funds, there is a requirement for fiscal years ending in an odd number for the remaining fund balance if any to be restricted. In fiscal years ending with an even number, the fund balance is to be classified as unrestricted.
- (8) Permanent Funds include the Anthony Dey Fund, Lexington Industrial School Fund and the N. Isabel Schmidt Fund. Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal may be used for purposes that support the District.

Proprietary Fund Types (Enterprise Funds)

- (1) The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture ("USDA"). Amounts have been recorded for in-kind contribution of commodities from the USDA. This is a major fund of the District.
- (2) The After School Program Fund is used to support the after school programs at the individual schools, which have their own program. These funds are used to support the resources needed to actively manage this program.

Continued

Fayette County School District

June 30, 2020

Note B--Summary of Significant Accounting Policies--Continued

The District applies all Governmental Accounting Standards Boards ("GASB") pronouncements to proprietary funds.

Fiduciary Fund Types (Agency and Private Purpose Funds)

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

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

Revenues--Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, occupational 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. Occupational tax revenues are not susceptible to accrual because generally they are not measurable until received in cash. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when 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, revenue from non-exchange transactions must also be available before it can be recognized.

When both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

Continued

Fayette County School District

June 30, 2020

Note B--Summary of Significant Accounting Policies--Continued

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 deferred revenue.

Donated Commodities--The fair value of donated commodities received during the year is reported in the proprietary fund statement of revenues, expenses, and changes in net position as an expense and as donated commodities revenue (nonoperating revenue).

Expenses/Expenditures--On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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.

Budgetary Process--The District prepares its budgets on the modified accrual basis of accounting, which is the same basis as used to prepare the statement of revenues, expenditures and changes in fund balances – governmental funds.

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments 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 budget for the Special Revenue Fund consists of the sum of each active grant's budget. Large variances between budgeted and actual activity can occur because grants with little activity during the year will have their entire budget rolled up into the combined budget for all grants.

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

Inventories--On the District-wide financial statements inventories are stated at the lower of cost or market and are expensed when used. The Food Service Fund inventories use the specific identification method and the general fund inventories use the first-in, first-out method.

The Food Service Fund's inventories consist of food and supplies valued at cost, and U. S. Government commodities whose value is determined by the U. S. Department of Agriculture.

Continued

Fayette County School District

June 30, 2020

Note B--Summary of Significant Accounting Policies--Continued

In the governmental funds balance sheet, inventories in the General Fund are equally offset by a reserve which indicates they do not constitute "available spendable resources" even though they are a component of total assets.

Property and Other Taxes--Property taxes are levied each October on the assessed value listed as of the prior January 1, for all real and personal property in Fayette 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 into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2020 were \$0.81 per \$100 valuation for real property and \$0.76 per \$100 valuation for business personal property. Motor vehicle tax was \$0.592 per \$100 valuation of motor vehicles.

The following is the District's property tax calendar:

<u>Date</u>	<u>Event</u>
January 1, year of levy	Assessment date
October 1, year of levy	Taxes levied
November 30, year of levy	2% discount allowed
December 31, year of levy	1% discount allowed
January 31, following year	Gross amount due
February 1, following year	Delinquent date, 1 1/2% interest added per month
April 1, following year	10% penalty added

The District levies a 3.0% utility tax on all businesses and households within Fayette County.

In addition, the District levies an occupational license tax of 0.5% on salaries, wages, commissions and other compensation to individuals for services performed or rendered within the County, and on the net profits of all businesses, professions or occupations from activities conducted within the County.

Investments--The Private Purpose Trust Funds record investments at their quoted market prices in the statement of fiduciary net assets. All realized gains and losses in fair value are recorded in the statement of changes in fiduciary net position.

The Permanent Funds record investments at their quoted market prices in the governmental funds balance sheet. All realized gains and losses in fair value are recorded in the governmental funds statement of revenue, expenditures and changes in fund balances.

Continued

Fayette County School District

June 30, 2020

Note B--Summary of Significant Accounting Policies--Continued

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

All capital assets are recorded at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000 with the exception of hand held technology purchases for which the threshold is \$500. This threshold was implemented on July 1, 2013. Improvements are capitalized while the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Depreciation is computed in the District-wide statement of activities and in the proprietary funds statement of revenues, expense and changes in net position, using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
General equipment	7-15 years

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

Accrued Liabilities and Long-Term Obligations--All payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

Continued

Fayette County School District

June 30, 2020

Note B--Summary of Significant Accounting Policies--Continued

Payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, capital leases, compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. School building revenue 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.

Fund Balance Reserves Under GASB Statement No. 54, fund balance is separated into five categories, as follows:

- Nonspendable Permanently nonspendable by decree of the donor, such as an endowment, or items which may not be used for another purpose, such as amounts used to prepay future expenses or already-purchased inventory on hand

- Restricted Legally restricted under federal or state law, bond authority, or grantor contract

- Committed Commitments passed by the Board

- Assigned Funds assigned to management priority including issued encumbrances

- Unassigned Funds available for future operations

Encumbrances are reported as an assignment of fund balance and are not reported as expenditures until incurred. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end, and outstanding encumbrances at year-end are appropriated in the next year. A reservation of fund balance equal to outstanding encumbrances at year-end is provided for at June 30, 2020 in the governmental funds balance sheet.

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

Operating Revenues and Expenses--Operating revenues are those revenues that are generated directly from the primary activity of the Proprietary Funds. For the District, those revenues are primarily charges for meals provided at the various schools.

Continued

Fayette County School District

June 30, 2020

Note B--Summary of Significant Accounting Policies--Continued

Estimates--The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Pensions--For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Kentucky Teachers Retirement System and the County Employees Retirement System and additions to/deductions from these pensions' fiduciary net position have been determined on the same basis as they are reported by those 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.

Postemployment Benefits Other than Pensions ("OPEB")--For purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Kentucky Teachers Retirement System and the County Employees Retirement System and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the respective Systems. For this purpose, the Systems recognize benefit payments 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.

Note C--Cash and Cash Equivalents

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may be lost. The District's cash deposits are covered by Federal Depository Insurance up to \$250,000 per financial institution, with the remainder covered by collateral agreements and collateral held at the Bank of New York Mellon in the District's name.

Fayette County School District

June 30, 2020

Note D--Investments

During the year, the District invested excess cash into short-term repurchase agreements, collateralized by U.S. Government securities. These investments are either insured or securities are held by the pledging financial institution's trust department in the District's name.

Statutes authorize the District to invest in the following:

- (1) Obligations of the United States Government and of its agencies and instrumentalities, repurchase agreements and specially approved AAA rated corporate bonds;
- (2) Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and municipalities;
- (3) Any savings and loan associations insured by an agency of the United States Government up to the amount insured;
- (4) Interest bearing deposits in national and state banks chartered in Kentucky and insured by an agency of the United States Government up to the amount so insured, and in larger amounts providing such bank shall pledge as security obligations having a current quoted market value at least equal to any uninsured deposits.

Investments on the statement of fiduciary net position for agency funds consist of certificates of deposit by various schools' activity funds at several financial institutions located in Fayette County, Kentucky, having various rates of interest and maturity dates greater than ninety days. Such investments are stated at cost, which approximates their market value. These investments are covered by depositor insurance or by collateral held by the financial institutions in the District's name.

Financial instruments which potentially subject the District to concentrations of credit risk consist principally of temporary cash investments, taxes receivable and receivables from federal and state governments.

As of June 30, 2020, the District had the following investments:

<u>Fund Type</u>	<u>Investment Type</u>	<u>Fair Value</u>	<u>Moody's Rating</u>	<u>Weighted Average Maturity in Years</u>
Fiduciary-Private Purpose Trust	Mutual Funds	<u>\$ 1,096,459</u>	A	N/A

Continued

Fayette County School District

June 30, 2020

Note D--Investments--Continued

GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, require the District to address the following risks related to its investments:

Credit Risk--Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. More specifically, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments held by the District are insured or collateralized with securities held by the District or by the financial institution in the District's name.

Interest Rate Risk--interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or approaching maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Concentration of Credit Risk--The District's investment policy places no limit on the amount the District may invest in any one issuer.

Fair Value Measurement--The District's investments are measured and reported at fair value and classified according to the following hierarchy:

- Level 1 – Investments reflect prices quoted in active markets.
- Level 2 – Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 – Investments reflect prices based upon unobservable sources.

Investments by Fair Value Level:

		<u>Fair Value</u>	<u>Quoted Prices in Markets for Identical Assets - Level 1</u>
Fiduciary-Private Purpose Trust	Mutual Funds	\$ 1,096,459	\$ 1,096,459

Fayette County School District

June 30, 2020

Note E--Receivables

The District recognizes revenues as receivable when they are measurable and receipt is certain. Concentration of credit risk with respect to the receivables from federal and state governments is limited due to the historical stability of those institutions. While the District receives revenues from many different sources throughout the year, the accounts and grants receivable from outside sources may be grouped into the following categories:

	Governmental Activities/ Governmental Funds	Business-Type Activities/ Proprietary Funds	Total
Accounts and grants receivable from outside sources			
Accounts receivable	\$ 2,013,064	\$ 840,357	\$ 2,853,421
Taxes receivable	11,977,564		11,977,564
Grants receivable	8,292,904		8,292,904
	<u>\$ 22,283,532</u>	<u>\$ 840,357</u>	<u>\$ 23,123,889</u>

Federal and state grants to be used or expended as specified by the grantor are recognized as revenue and recorded as receivables when qualifying expenditures are incurred.

Note F--Interfund Receivables and Payables

Each fund is a separate fiscal and accounting entity, and thus interfund transactions are recorded in each fund affected by a transaction. Interfund receivables and payables for the District arise generally from two types of transactions: 1) all funds are initially received into the General Fund, thus a payable and receivable are established in the appropriate funds; and 2) payments are made in some instances from a fund that does not have the legal liability for the expenditure, thus a payable from the fund having the legal liability is established at such time. All interfund receivables and payables have been eliminated on the District-wide statement of net position. The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Special Revenue	KETS Match	\$ 773,547
Operating	General	Construction	Construction	17,636,692
Operating	Capital Outlay	Debt Service	Debt Service	2,395,184
Operating	Activity Fund	District Activity Fund	GASB 84	4,788,138
Operating	Building Fund	Debt Service	Debt Service	31,623,508
Operating	Special Revenue	General Fund	Indirect Costs	1,593,792
Operating	Special Revenue	Special Revenue	FFF transfer	726,913
Operating	General	Debt Service	Debt Service	129,684

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2020

Note G--Capital Assets

Capital Asset activity for the year ended June 30, 2020 consisted of the following:

	Balance July 1, 2019	Additions	Disposals	Balance June 30, 2020
<u>Governmental Activities</u>				
Land	\$ 20,528,445			\$ 20,528,445
Buildings and improvements	856,979,453	\$ 32,746,600		889,726,053
Technology equipment	15,216,545	416,928	\$ (1,499,319)	14,134,154
Vehicles	26,089,738	2,486,897	(66,833)	28,509,802
General equipment	5,123,056	86,394	(69,414)	5,140,036
Construction in progress	17,027,747	28,153,366	(15,670,250)	29,510,863
	940,964,984	63,890,185	(17,305,816)	987,549,353
Less accumulated depreciation	(330,342,617)	(26,422,924)	1,629,922	(355,135,619)
Total Governmental Activities Capital Assets, Net	\$ 610,622,367	\$ 37,467,261	\$ (15,675,894)	\$ 632,413,734
<u>Business-Type Activities</u>				
Food service equipment	\$ 13,270,488	\$ 230,431	\$ (36,370)	\$ 13,464,549
Technology equipment	199,590	14,552	(14,278)	199,864
Vehicles	113,480			113,480
	13,583,558	244,983	(50,648)	13,777,893
Less accumulated depreciation	(8,349,492)	(1,000,450)	54,616	(9,295,326)
Total Business-Type Activities Capital Assets, Net	\$ 5,234,066	\$ (755,467)	\$ 3,968	\$ 4,482,567

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2020

Note G--Capital Assets--Continued

Depreciation expense for the year ended June 30, 2020 for governmental activities by function is listed below:

<u>Function</u>	<u>Amount</u>
Instructional	\$ 25,056,764
Student Support Services	1,887
District administration	201,231
Plant operations and maintenance	154,179
Student transportation	1,008,863
	<u>\$ 26,422,924</u>

Note H--Capital Lease Obligations

The following is a schedule by years of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2020:

<u>Year Ending June 30</u>	<u>Amount</u>
2021	\$ 1,720,522
2022	1,698,501
2023	1,284,166
2024	1,286,075
2025	1,106,746
2026 and thereafter	<u>3,033,125</u>
Total minimum lease payments	10,129,135
Less amount representing interest	<u>969,628</u>
Present value of net minimum lease payments	9,159,507
Capital lease obligations, due within one year	<u>1,490,818</u>
Capital Lease Obligations, Due After One Year	<u><u>\$ 7,668,689</u></u>

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2020

Note H--Capital Lease Obligations--Continued

The following is an analysis of the assets under capital lease obligations:

<u>Class of Property</u>	<u>Net Book Value as of June 30, 2020</u>
Buses	<u>\$ 8,673,670</u>

Note I--School Building Revenue Bonds

The various issues of school building revenue bonds are as follows:

<u>Issue Date</u>	<u>Original Proceeds</u>	<u>Interest Rates</u>	<u>Balance June 30, 2020</u>
2010A	13,440,000	1.000% - 3.500%	\$ 2,245,000
2011A	52,175,000	2.500% - 5.000%	33,525,000
2011B	16,590,000	2.000% - 2.375%	10,205,000
2012A	42,310,000	3.000% - 4.000%	33,440,000
2012B	56,730,000	2.000% - 3.250%	37,880,000
2013A	49,270,000	2.000% - 5.000%	48,060,000
2014A	30,260,000	2.000% - 5.000%	20,325,000
2014B	13,935,000	2.000% - 4.750%	13,810,000
2015A	30,230,000	5.000%	24,200,000
2015B	35,615,000	4.000%	33,915,000
2015D	101,665,000	3.000% - 5.000%	100,420,000
2018A	30,870,000	4.000%	29,245,000
2019	25,260,000	3.000% - 5.000%	<u>23,810,000</u>
		School Building Revenue Bonds	411,080,000
		Unamortized Bond Premium	16,724,764
		Less unamortized deferred losses	<u>(4,763,609)</u>
			<u>\$ 423,041,155</u>

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2020

Note I--School Building Revenue Bonds--Continued

The District, through the General Fund (including utility taxes and the SEEK Capital Outlay Fund), is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the 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 school building revenue bonds are collateralized primarily by the educational facilities constructed by the District with bond proceeds.

In connection with the school building revenue bonds issued after May 1, 1996, the District entered into "participation agreements" with the Kentucky School Facilities Construction Commission (the "Commission"). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The Commission will remit a stated amount of bond principal and interest payments annually, subject to biennial approval by the Kentucky General Assembly.

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

	<u>Principal</u>	<u>Interest</u>	<u>Commission Participation</u>	<u>District's Portion</u>
2021	\$ 22,980,000	\$ 16,804,318	\$ 3,098,065	\$ 36,686,253
2022	24,300,000	15,887,194	3,098,066	37,089,128
2023	25,240,000	14,941,394	3,098,065	37,083,329
2024	25,190,000	13,948,075	3,098,066	36,040,009
2025	26,250,000	12,885,800	3,098,066	36,037,734
2026-2028	77,775,000	32,121,450	6,564,976	103,331,474
2029-2032	101,415,000	28,181,638	6,541,772	123,054,866
2033-2036	85,200,000	10,521,516	3,792,998	91,928,518
2037-2040	22,730,000	1,364,350	799,921	23,294,429
	<u>\$ 411,080,000</u>	<u>\$ 146,655,735</u>	<u>\$ 33,189,995</u>	<u>\$ 524,545,740</u>

During the year ended June 30 2020, the District made principal payments of \$20,195,134.

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2020

Note I--School Building Revenue Bonds--Continued

For fiscal year 2020, in addition to bond issue series 2019, on June 22, 2020 School Building Revenue Bond Series 2020A was approved by the Board, was sold July 15, 2020 and was delivered July 29, 2020 in the amount of \$71,455,000 for the new construction of Tates Creek High School.

Note J--Accrued Sick Leave

In accordance with generally accepted governmental accounting principles, the District has recorded accrued sick leave as a liability in the District-wide statement of net position since the majority of these liabilities are not expected to be liquidated with expendable available financial resources. Accrued sick leave, which has no maximum accumulation, is payable upon retirement at 30% of the value of accumulated sick leave.

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

Note K--Long-Term Liabilities

A summary of the changes in long-term liabilities during the fiscal year ended June 30, 2020 is as follows:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Amounts Due Within One Year
Governmental Activities					
School building revenue bonds	\$ 406,015,134	\$ 25,260,000	\$ 20,195,134	\$ 411,080,000	\$ 22,980,000
Capital lease obligations	8,217,974	2,261,014	1,319,481	9,159,507	1,490,818
Accrued sick leave	8,748,725	1,547,849	3,870,970	6,425,604	1,822,927
	<u>\$ 422,981,833</u>	<u>\$ 29,068,863</u>	<u>\$ 25,385,585</u>	<u>\$ 426,665,111</u>	<u>\$ 26,293,745</u>

Note L--On-Behalf Payments

For the year ended June 30, 2020, total payments of \$133,814,597 were made for life insurance, health insurance, Kentucky Teachers Retirement System ("KTRS") matching, and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expenditure/expense accounts on the statement of activities and on the statement of revenues, expenditures, and changes in fund balances. These revenues and expenditures are not budgeted by the District.

Fayette County School District

June 30, 2020

Note M--Contingencies

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

In addition, the District operates in a heavily regulated environment. The operations of the District are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress or the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

Note N--Litigation

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the financial statements as a result of the cases presently in progress.

Note O--Risk Management

The District is exposed to various forms of loss of assets associated with perils such as injuries to employees, fire, personal liability, theft, vehicular accidents, errors and omissions, and fiduciary responsibility. Each of these risk areas is addressed through the purchase of insurance, and settled claims resulting from these risks having not exceeded commercial insurance coverage in any of the past three fiscal years. The District has purchased certain coverage which is retrospectively rated, including workers' compensation insurance.

Continued

Fayette County School District

June 30, 2020

Note O--Risk Management--Continued

Starting in 1979, the Fayette County Board of Education participated in Kentucky School Boards Insurance Trust ("KSBIT"), a Kentucky School Boards Association ("KSBA") program. KSBIT was created in 1978 to provide insurance to Kentucky school districts through self-insured pools that provided workers compensation, property, and liability coverage. The organization stopped offering insurance coverage in 2013 as the program had incurred an estimated \$60 million deficit on 116,000 claims and over \$400 million in claims expenses. All of Kentucky's public school districts and other education related entities that participated in KSBIT are responsible for eliminating the deficit. The Kentucky Department of Insurance ("DOI") has taken over the KSBIT insurance programs and has placed them into rehabilitation to collect money owed by former participants. An assessment plan and collection methodology was processed through Franklin Circuit Court with some modifications being made by the judge and there is additional litigation that could impact the final amount owed by all members. The rehabilitator has invoiced all former members for workers' compensation liabilities dating to 1990 and liability insurance liabilities dating back to 2008.

Fayette County's workers' compensation assessment is \$2,537,694 and its property and liability assessment is \$583,416. The District took a three-year pay back on the property and liability assessment and a seven-year pay back on the workers' compensation assessment as there are no financing costs associated with these options. The payback plan required 40% down on property and liability and 25% down on workers' compensation with the balance being paid in equal payments over 6 remaining years. The property and liability payback concluded in August 2016:

- Year 1 - \$867,789 (8/31/2014)
- Year 2 - \$492,237 (8/31/2015)
- Year 3 - \$492,237 (8/31/2016)
- Year 4 - \$317,212 (8/31/2017)
- Year 5 - \$317,212 (8/31/2018)
- Year 6 - \$317,212 (8/31/2019)
- Year 7 - \$317,212 (8/31/2020)

A settlement was reached between the Kentucky League of Cities and schools participating in the KSBIT program. On December 14, 2016, Fayette County Public Schools received a one-time payment of \$63,416. Court orders and other information are available at www.ksbit-wc.com. The district will budget for these payments annually and pay the remaining balance on or before August 31st of each year.

Fayette County School District

June 30, 2020

Note P--Retirement Plans

Classified Employees--Classified employees (substantially all full-time District employees other than certified employees) are covered by the County Employees Retirement Systems ("CERS"), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. CERS provides retirement, death and disability benefits to Plan members and beneficiaries. Cost of living adjustments are provided at the discretion of the State Legislature.

Under the provisions of the Kentucky Revised Statute Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions.

Plan members are required to contribute 5% of their annual covered compensation and the District is required to contribute at an actuarially determined rate. All new members hired after August 31, 2008 are required to contribute 6% at an actuarially determined rate. The current rate for employer match is 24.06% of the employee's total covered compensation. The contribution requirements of Plan members and the District are established and may be amended by the Kentucky Retirement System's Board of Trustees. The District's contributions to CERS for the years ended June 30, 2020, 2019, and 2018 were \$15,222,566, \$13,123,471 and \$10,790,078 respectively, equal to the required contribution for that year.

The Kentucky Retirement System issues a publicly available financial report that includes financial statements and 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.

Certified Employees--Certified employees are covered by the Kentucky Teachers' Retirement System ("TRS"), a cost-sharing multiple-employer defined benefit plan. TRS provides retirement, death and disability benefits to Plan members. Cost of living increases are 1.5% annually. Any benefit amendments must be authorized by the State Legislature.

Plan members are required to contribute 12.855% of their annual covered compensation. The Commonwealth of Kentucky provides matching contributions as required by Kentucky Revised Statutes 165.540 and 161.550. The payments made by the Commonwealth of Kentucky on behalf of the District's certified employees, amounting to \$130,328,193, are reflected in the accompanying financial statements as both revenues and expenses/expenditures. The Commonwealth of Kentucky requires payments for federally funded employees to be made by such federal funds; for the fiscal year ended June 30, 2020, this funding amounted to approximately \$2,203,490.

TRS issues a publicly available financial report that includes financial statements and required supplementary information on the Plan. That report may be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601.

Retirement Plan--The District makes available 401(k) and 403(b) defined contribution pension plans for all employees. Employees are allowed to contribute to the Plans up to the Internal Revenue Code maximum allowable amount. The District does not contribute to the Plans.

Fayette County School District

June 30, 2020

Note Q--Deferred Compensation

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 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 show these assets and liabilities on its financial statements.

Note R--Post-Employment Health Care Benefits

Retired District employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advanced-funded on an actuarially determined basis through the CERS and the TRS plans.

Note S--Commitments

As of June 30, 2020, the District had outstanding commitments for construction of approximately \$98,781,000.

Note T--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 U--Leases

The District has a piece of equipment under an operating lease, which expires June 30, 2022. Rent expense for the year ended June 30, 2020 was \$498,748.

Note V--Pension Plans

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

Continued

Fayette County School District

June 30, 2020

Note V--Pension Plans--Continued

General Information about the County Employees Retirement System Non-Hazardous ("CERS")

Plan description--Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided--CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Continued

Fayette County School District

June 30, 2020

Note V--Pension Plans--Continued

Contributions--Required contributions by the employee are based on the tier:

	<u>Required Contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

General Information About the Teachers' Retirement System of the State of Kentucky ("TRS")

Plan description--Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the 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 <https://trs.KY.gov/employers/information/gasb-65-67/>.

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

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

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Employees with an account established prior to July 1, 2002 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. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Employees hired on or after July 1, 2008, will receive monthly benefits equal to the average of their top three salary years multiplied by a sliding scale rate from 1.7% up to 2.5% based on years of service up to 30 years, Beyond 30 years of service, the rate increases to 3.0% Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2020

Note V--Pension Plans--Continued

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

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.

The Commonwealth, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative 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.

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2020

Note V--Pension Plans--Continued

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

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

District's proportionate share of the CERS net pension liability	\$ 166,598,548
Commonwealth's proportionate share of the TRS net pension liability associated with the District	<u>1,025,857,579</u>
	<u><u>\$ 1,192,456,127</u></u>

The net pension liability for each plan was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS 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, 2019, the District's proportion was 2.369% percent.

For the year ended June 30, 2020, the District recognized pension expense of \$17,734,122 related to CERS and \$107,246,025 related to TRS, of which \$77,201,469 was recognized on the fund financial statements as it represented amounts paid on the District's behalf during the year. The District also recognized revenue of \$107,246,025 (TRS Sched B) for TRS support provided by the Commonwealth.

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2020

Note V--Pension Plans--Continued

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 4,253,761	\$ 703,921
Changes of assumptions	16,861,664	
Net difference between projected and actual earnings on pension plan investments	3,198,038	5,883,677
Changes in proportion and differences between District contributions and proportionate share of contributions	5,097,693	651,194
District contributions subsequent to the measurement date	<u>12,199,914</u>	
Total	<u>\$ 41,611,070</u>	<u>\$ 7,238,792</u>

\$12,199,914 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30:</u>	
2020	\$ 13,324,247
2121	6,242,264
2022	2,415,316
2023	190,537

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

	<u>CERS</u>	<u>KTRS</u>
Inflation	2.30%	3.00%
Projected salary increases	3.3 - 11.55%	3.50-7.30%
Investment rate of return, net of investment expense and inflation	6.25%	7.50%

Continued

Fayette County School District

June 30, 2020

Note V--Pension Plans--Continued

For CERS, 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 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.

For TRS, Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025 with a setback of 2 years for males and 1 year for females.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2010 through 2015, is outlined in a report dated August 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	18.75%	4.30%
International Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Core Bonds	13.50%	1.35%
Cash	1.00%	20.00%
Real Estate	5.00%	4.85%
Cash	3.00%	2.97%
Real Return	15.00%	4.10%
Total	<u>100.0%</u>	

Continued

Fayette County School District

June 30, 2020

Note V--Pension Plans--Continued

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	40.00%	4.20%
International Equity	22.00%	5.20%
Fixed Income	15.00%	1.20%
Additional Categories *	8.00%	3.30%
Real Estate	6.00%	3.80%
Private Equity	7.00%	6.30%
Cash	2.00%	0.90%
Total	<u>100%</u>	

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

For TRS, the discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. 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 employees until the 2038 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2035 and a municipal bond index rate of 3.50% was applied to all periods of projected benefit payments after 2035. The Single Equivalent Interest Rate ("SEIR") that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2020

Note V--Pension Plans--Continued

Sensitivity of CERS and TRS proportionate share of net pension liability to changes in the discount rate-- The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 208,367,530	\$ 166,598,548	\$ 131,784,506
TRs	6.50%	7.50%	8.50%
District's proportionate share of net pension liability	\$ -	\$ -	\$ -

*Pension plan fiduciary net position--*Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of both CERS and TRS.

Note W--Other Post-Employment Benefits ("OPEB")

General Information about the OPEB Plans

*Plan description--*Teaching-certified employees of the Kentucky School District are provided OPEBs through the Teachers' Retirement System of the State of Kentucky ("TRS")—a cost-sharing multiple-employer defined benefit OPEB 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 <https://trs.ky.gov/financial-reports-information>.

The State reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the TRS Medical Insurance and Life Insurance Plans. The following information is about the TRS plans:

Continued

Fayette County School District

June 30, 2020

Note W--Other Post-Employment Benefits ("OPEB")--Continued

TRS Medical Insurance Plan

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

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

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

The CERS Non-hazardous Insurance Fund is a cost-sharing multiple-employer defined benefit Other Postemployment Benefits ("OPEB") plan for members that cover all regular full-time members employed in non-hazardous duty positions of any State department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

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

At June 30, 2020, the District reported a liability of \$156,850,924 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the collective 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, 2019, the District's proportion was 2.368%.

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2020

Note W--Other Post-Employment Benefits ("OPEB")--Continued

The amount recognized by the District as its proportionate share of the OPEB liability is as follows:

District's proportionate share of the CERS OPEB liability	\$ 39,833,924
District's proportionate share of the TRS OPEB liability	<u>117,017,000</u>
	<u>\$ 156,850,924</u>

For the year ended June 30, 2020, the District recognized OPEB expense of \$1,379,809. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 262,381	\$ 12,018,817
Changes of assumptions	12,284,228	78,821
Net difference between projected and actual earnings on pension plan investments	3,111,000	30,354,628
Change in proportion and differences between District contributions and proportionate share of contributions	5,624,221	64,532
District contributions subsequent to the measurement date	<u>12,583,183</u>	
Total	<u>\$ 33,865,013</u>	<u>\$ 42,516,798</u>

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2020

Note W--Other Post-Employment Benefits ("OPEB")--Continued

Of the total amount reported as deferred outflows of resources related to OPEB, \$12,583,183 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year Ending June 30:	
2020	\$ (3,851,114)
2021	(3,851,114)
2022	(3,035,595)
2023	(4,162,912)
2024	(3,924,259)
Thereafter	(2,409,974)

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

	CERS	TRS
Inflation	2.30%	3.00%
Projected Salary increases	3.3 - 11.55%	3.5 - 7.2%
Investment rate of return	6.25%	8.00%
Real Wage Growth	2.00%	0.50%
Wage Inflation		3.50%
Healthcare trend rates		
Under 65	7.25% at 1/1/19 decreasing to an ultimate rate of 4.05% by FY 2031	7.5% for FY 2019 to an ultimate rate of 5.00% by FY 2024
Ages 65 and Older	5.10% at 1/1/19 decreasing to an ultimate rate of 4.05% by FY 2029	5.5% for FY 2019 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B Premiums		2.63% for FY 2019 with an ultimate rate of 5.00% by 2031
Municipal Bond Index Rate	3.13%	3.50%
Discount Rate	5.68%	8.00%
Single Equivalent Interest Rate		7.5%, net of OPEB plan investment expense, including inflation.

Continued

Fayette County School District

June 30, 2020

Note W--Other Post-Employment Benefits ("OPEB")--Continued

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

CERS mortality rates for active members were based on the RP-2000 Combined Mortality Table projected to 2013 with projection scale BB (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the RP-2000 Combined Mortality Table projected with Scale BB to 2013 set back for one year for females was used. 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.

The long-term expected rate of return on OPEB 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 OPEB plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.00%	5.10%
Fixed Income	9.00%	1.20%
Real Estate	6.50%	3.80%
Private Equity	8.50%	6.30%
Additional Categories	17.00%	3.20%
Cash	1.00%	0.90%
Total	<u>100.00%</u>	

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2020

Note W--Other Post-Employment Benefits (“OPEB”)--Continued

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

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

Discount rate--For CERS, the discount rate used to measure the total OPEB liability was 5.69%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

Continued

Fayette County School District

June 30, 2020

Note W--Other Post-Employment Benefits ("OPEB")--Continued

Sensitivity of CERS and TRS proportionate share of net OPEB liability to changes in the discount rate—The following table presents the District's proportionate share of the collective net OPEB liability, calculated using the discount rates selected by each pension system, 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 or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	4.68%	5.68%	6.68%
District's proportionate share of net OPEB liability	\$ 53,361,071	\$ 39,833,924	\$ 28,688,071
TRR	6.50%	7.50%	8.50%
District's proportionate share of net OPEB liability	\$ 101,414,733	\$ 117,017,000	\$ 132,619,267

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
CERS	6.25%	7.25%	8.25%
District's proportionate share of net OPEB liability	\$ 34,339,590	\$ 39,833,924	\$ 45,328,258
TRR	6.50%	7.50%	8.50%
District's proportionate share of net OPEB liability	\$ 101,414,733	\$ 117,017,000	\$ 132,619,267

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

Continued

Fayette County School District

June 30, 2020

Note W--Other Post-Employment Benefits ("OPEB")--Continued

TRS Life Insurance Plan

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

Benefit provided--The TRS Life Insurance Plan provides a life insurance benefit of \$5,000 payable for members who retire based on service or disability. Active members may receive a \$2,000 lump sum payable. The benefit is payable to the member's estate or to a party designated by the member.

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

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

State's proportionate share of the KTRS net OPEB liability	\$ 2,195,000
District's proportionate share of the KTRS OPEB liability	<u>-</u>
	<u>\$ 2,195,000</u>

For the year ended June 30, 2020, the District recognized revenue of \$341,000 for support provided by the State. At June 30, 2020, the District did not have any deferred outflows of resources or deferred inflows of resources related to the collective net OPEB liability for life insurance benefits.

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2020

Note W--Other Post-Employment Benefits ("OPEB")--Continued

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

Investment Rate of Return	6.25%, net of OPEB Plan Investment Expense, including inflation
Projected Salary Increases	3.3 - 11.55%, including inflation
Inflation Rate	2.30%
Wage Inflation	2.00%
Municipal Bond Index Rate	3.13%
Discount Rate	5.68%
Single Equivalent Interest Rate	6.25%, net of OPEB Plan Investment Expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2013 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 remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

The long-term expected rate of return on OPEB 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 OPEB 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.

Continued

Fayette County School District

June 30, 2020

Note W--Other Post-Employment Benefits (“OPEB”)--Continued

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	40.00%	4.30%
International Equity	23.00%	5.20%
Fixed Income	18.00%	1.20%
Real Estate	6.00%	3.80%
Private Equity	5.00%	6.30%
Other Additional Categories**	6.00%	3.20%
Cash (LIBOR)	2.00%	0.90%
Total	<u>100.0%</u>	

** Modeled as 50% High Yield and 50% Bank Loans.

Discount rate--The discount rate used to measure the State’s total OPEB liability for life insurance was 8.0%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

Fayette County School District

June 30, 2020

Note X--Recent GASB Pronouncements

The GASB has issued several reporting standards that will become effective for fiscal year 2021 and later years' financial statements.

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments.

Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB statements.

Statement No. 87, *Leases*, the objective of which is to better meet the information needs financial statement users by improving accounting and financial reporting for leases by governments.

Statement No. 89, *Accounting for Interest Incurred before the End of a Construction Period*, this Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources management focus. Thus, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

Statement No. 90, *Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61*, the primary objective of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

Statement No. 91, *Conduit Debt Obligations*, the primary 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 issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

The District is currently evaluating the impact that will result from adopting these GASB standards and is therefore unable to disclose the impact that adopting these standards will have on the District's financial position and the results of its operations when the standards are adopted.

Note Y--Subsequent Events

In preparing these financial statements, management of the District has evaluated events and transactions for potential recognition or disclosure through January 13, 2021, the date the financial statements were available to be issued.

Fayette County School District

June 30, 2020

Note Z--Impact of COVID-19

In March 2020, the World Health Organization declared the spread of Coronavirus ("COVID-19") as a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the District, COVID-19 may impact various parts of operations and financial results for the fiscal year ending June 20, 2021. Management believes that the District is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing. The District moved to virtual instruction in March 2020 through the end of the school year. In response to COVID-19, government assistance was allocated to the District. Federal CARES Act funding totaling \$13,923,706 was awarded to the District through the Kentucky Department of Education and the Child Care Council, of which \$1,742,080 was expended and recognized as grant revenue in fiscal year ended June 30, 2020. A portion of the funds are to be allocated to eligible private schools as well. The remaining awarded funds are available to draw in the fiscal year ending June 30, 2021 for eligible expenditures. These funds are approved for expenditures that are necessary to maintain the operation and continuity of services in local education agencies and continuing to employ existing staff of the local educational agency.

Required Supplementary Information

Budgetary Comparison Information

Statement of Revenues and Expenditures - Budget and Actual
General Fund

Fayette County School District

June 30, 2020

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
From local sources				
Property taxes	\$ 214,861,332	\$ 214,861,332	\$ 217,468,667	\$ 2,607,335
Motor vehicle taxes	12,535,645	12,535,645	12,188,604	(347,041)
Utility taxes	21,000,000	21,000,000	22,048,097	1,048,097
Occupational license tax	38,000,000	38,000,000	37,228,518	(771,482)
Earnings on investments	1,750,000	1,750,000	1,273,615	(476,385)
Other sources	4,369,786	-	3,819,335	3,819,335
State sources				
SEEK	91,500,000	91,500,000	93,359,486	1,859,486
Other state revenues	125,304,063	69,507,557	130,799,468	61,291,911
Total Revenues	509,320,826	449,154,534	518,185,790	69,031,256
Expenditures				
Instruction	327,817,413	324,668,320	322,185,319	2,483,001
Support services				
Student	27,392,631	28,237,226	28,044,792	192,434
Instruction staff	25,264,479	26,849,661	23,091,205	3,758,456
District administration	8,959,327	8,836,194	8,343,647	492,547
School administration	29,793,752	30,010,526	29,108,916	901,610
Business	30,482,890	30,454,622	28,172,725	2,281,897
Plant operation & maintenance	49,277,624	50,974,098	45,161,398	5,812,700
Student transportation	25,760,830	26,736,755	24,171,038	2,565,717
Food Service	-	-	662,627	(662,627)
Community service	612,923	642,870	596,172	46,698
Debt service	1,534,710	1,534,710	1,534,710	-
Total Expenditures	526,896,579	528,944,982	511,072,549	17,872,433
Revenues in Excess of (Less Than) Expenditures	(17,575,753)	(79,790,448)	7,113,241	86,903,689
Other Financing Sources (Uses)				
Proceeds from sale of capital assets			32,321	32,321
Operating transfer in	1,817,912	1,817,912	1,593,792	(224,120)
Operating transfers out	(20,418,000)	(20,821,500)	(18,539,923)	2,281,577
Capital Lease Proceeds	-	1,964,029	2,261,014	296,985
Contingency	(35,000,000)	(35,000,000)		35,000,000
Total Other Financing Sources (Uses)	(53,600,088)	(52,039,559)	(14,652,796)	37,386,763
Revenues in Excess of (Less Than) Expenditures	(71,175,841)	(131,830,007)	(7,539,555)	\$ 124,290,452
Fund Balance, July 1, 2019	(52,000,000)	(112,569,816)	71,175,606	
Fund Balance, June 30, 2020	\$ (123,175,841)	\$ (244,399,823)	\$ 63,636,051	

See Accompanying Independent Auditors' Report

Statement of Revenues and Expenditures-Budget and Actual
Special Revenue Fund

Fayette County School District

June 30, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Favorable (Unfavorable)
Revenues				
State sources-Other state revenue	\$ 15,158,286	\$ 13,930,664	\$ 13,066,966	\$ (863,698)
Governmental grants	21,446,845	41,739,230	28,410,232	(13,328,998)
Other sources	496,402	919,867	1,372,501	452,634
Total Revenues	37,101,533	56,589,761	42,849,699	(13,740,062)
Expenditures				
Instruction	26,171,298	32,679,257	29,667,727	3,011,530
Support services				
Student	2,865,960	3,095,059	3,004,020	91,039
Instruction staff	2,553,451	3,205,447	2,390,033	815,414
District administration		3,800,000		3,800,000
School administration	381,969	179,059	178,595	464
Business	427,549	3,866,164	1,652,079	2,214,085
Plant operation & maintenance	102,567	117,042	374,359	(257,317)
Student transportation		2,675,000		2,675,000
Food Service		1,649,206	1,656,831	(7,625)
Community service activities	2,703,268	3,190,002	3,054,482	135,520
Total Expenditures	35,206,062	54,456,236	41,978,126	12,478,110
Revenues in Excess of (Less Than) Expenditures	1,895,471	2,133,525	871,573	(1,261,952)
Other Financing Sources (Uses)				
Operating transfers in	-	1,298,730	1,500,460	201,730
Operating transfer out	(1,895,471)	(2,573,704)	(1,954,806)	618,898
Total Other Financing Sources (Uses)	(1,895,471)	(1,274,974)	(454,346)	820,628
Revenues in Excess of (Less Than) Expenditures	-	858,551	417,227	\$ (441,324)
Fund Balance, July 1, 2019	-	-	571,355	
Fund Balance, June 30, 2020	\$ -	\$ 858,551	\$ 988,582	

See Accompanying Independent Auditors' Report

Schedule of Revenues and Expenditures – Budget and Actual

Fayette County School District

Year Ended June 30, 2020

Explanation of Significant Budget Variances

General Fund

The Commonwealth of Kentucky pays certain employee benefit expenses, including health insurance and the employer match for the Kentucky Teachers Retirement Systems, on-behalf of its districts. Districts have the option to budget these expenses for financial statement presentation. For the 2019-2020 fiscal years, these expenses were budgeted and totaled \$125 million. On the expenditure side, beyond the effects of on-behalf payments, expenditures that increased included Instruction, Student Support, School Administration Support, Business Support Services, Plant Operations, Student Transportation and Community Services.

Special Revenue Fund

Most budget variances in this fund occur as a result of the difficulties in preparing an annual budget for grants that may cover periods of twenty-four months or longer, where the budget may have been recognized in one year and expenditures continue into future years. This is most noticeable in governmental grants revenues and instruction expenditures. In these categories, the District had multiple-year grants that were significantly reduced for current year funding. For these grants, the District continues to spend the existing grant, which was budgeted in the annual budget in a previous year, with no or a reduced budget to compare to in the current year. The District utilizes month to date project reports to review and analyze the true effect of the Special Revenue Fund related to the multi-year grant project effect.

See Accompanying Independent Auditors' Report

Schedule of the District's Proportionate Share of the Net Pension Liability
 - County Employees Retirement System Non-Hazardous

Fayette County School District

Years Ended June 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's Proportion (Percentage) of Net Pension Liability	2.37%	2.26%	2.23%	2.33%	2.39%	2.52%
District's Proportion (Amount) of Net Pension Liability	\$ 166,598,548	\$ 137,771,830	\$ 130,354,035	\$ 115,180,974	\$ 102,690,080	\$ 81,724,304
District's Covered-Employer payroll	\$ 61,254,308	\$ 61,078,268	\$ 57,370,409	\$ 54,180,981	\$ 56,036,975	\$ 79,796,735
District's Proportionate Share (Amount) of the Net Pension Liability As a Percentage of District's Covered-Employer Payroll	271.98%	225.57%	227.21%	212.59%	183.25%	102.42%

**Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See Accompanying Independent Auditors' Report

Schedule of the Contributions
 - County Employees Retirement System Non-Hazardous

Fayette County School District

Years Ended June 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 9,691,632	\$ 8,118,518	\$ 7,564,024	\$ 6,646,241	\$ 6,802,888	\$ 6,671,804
Contributions in relation to the actuarially determined contribution	<u>\$ 9,691,632</u>	<u>8,118,518</u>	<u>7,564,024</u>	<u>6,646,241</u>	<u>6,802,888</u>	<u>6,671,804</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 61,254,308	\$ 61,078,268	\$ 57,370,409	\$ 54,180,981	\$ 56,036,975	\$ 79,796,735
Contributions as a percentage covered- employee payroll	15.8220%	13.2920%	13.1845%	12.2667%	12.1400%	8.3610%

** Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See Accompanying Independent Auditors' Report

Schedule of the District's Proportionate Share of the Net Pension Liability
 - Kentucky Teachers Retirement System

Fayette County School District

Years Ended June 30

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commonwealth's proportion of the net pension liability associated with the District	7.6858%	7.5726%	7.3505%	7.1970%	7.0862%	7.0004%
Commonwealth's proportionate share of the net pension liability associated with the District	1,025,857,579	991,563,128	1,983,376,595	2,123,121,587	1,648,984,314	1,438,529,901
Total	<u>\$ 1,025,857,579</u>	<u>\$ 991,563,128</u>	<u>\$ 1,983,376,595</u>	<u>\$ 2,123,121,587</u>	<u>\$ 1,648,984,314</u>	<u>\$ 1,438,529,901</u>
District's covered-employee payroll	\$ 257,622,151	\$ 245,685,825	\$ 243,479,128	\$ 233,911,879	\$ 225,602,190	\$ 217,587,702

**Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See Accompanying Independent Auditors' Report

Schedule of District Contributions
 - Kentucky Teachers Retirement System

Fayette County School District

Years Ended June 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 77,201,469	\$ 71,846,318	\$ 70,468,176	\$ 34,934,106	\$ 34,103,241	\$ 6,305,145
Contributions in relation to the contractually required contribution	<u>77,201,469</u>	<u>71,846,318</u>	<u>70,468,176</u>	<u>34,934,106</u>	<u>34,103,241</u>	<u>6,305,145</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Districts' covered payroll	\$ 257,622,151	\$ 245,685,825	\$ 243,479,128	\$ 233,638,752	\$ 225,602,190	\$ 217,587,702
Contributions as a percentage of covered-employee payroll	29.9669%	29.2432%	28.9422%	14.9522%	15.1165%	2.8977%

**Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See Accompanying Independent Auditors' Report

Schedule of the District's Proportionate Share of the Net OPEB Liability
 - County Employees Retirement System Non-Hazardous

Fayette County School District

Years Ended June 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's Proportion (Percentage) of Net OPEB Liability	2.368%	2.262%	2.227%	N/A
District's Proportion (Amount) of Net OPEB Liability	\$ 39,833,924	\$ 40,162,603	\$ 44,770,619	\$ 32,271,102
District's Covered-Employer payroll	\$ 61,254,308	\$ 61,078,268	\$ 57,370,409	\$ 54,180,981
District's Proportionate Share (Amount) of the Net Pension Liability As a Percentage of District's Covered-Employer Payroll	65.03%	65.76%	78.04%	59.56%

**Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See Accompanying Independent Auditors' Report

Schedule of the Contributions - OPEB
 - County Employees Retirement System Non-Hazardous

Fayette County School District

Years Ended June 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 4,684,231	\$ 5,168,083	\$ 5,101,778	\$ 6,646,241
Contributions in relation to the actuarially determined contribution	<u>\$ 4,684,231</u>	<u>5,168,083</u>	<u>5,101,778</u>	<u>6,646,241</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 61,254,308	\$ 61,078,268	\$ 57,370,409	\$ 54,180,981
Contributions as a percentage covered- employee payroll	7.6472%	8.4614%	8.8927%	12.2667%

** Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See Accompanying Independent Auditors' Report

Schedule of the District's Proportionate Share of the Collective Net OPEB Liability
 - Kentucky Teachers Retirement System - Medical Insurance

Fayette County School District

Years Ended June 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	3.998%	3.894%	3.865%
District's proportionate share of the net OPEB liability	\$ 117,017,000	\$ 135,114,000	\$ 137,820,000
Commonwealth's proportion of the net OPEB liability associated with the District	3.229%	3.356%	3.157%
Commonwealth's proportionate share of the net OPEB liability associated with the District	<u>94,499,000</u>	<u>116,441,000</u>	<u>112,579,000</u>
Total	\$ <u>211,516,000</u>	\$ <u>251,555,000</u>	\$ <u>250,399,000</u>
District's covered-employee payroll	\$ 257,622,151	\$ 245,685,825	\$ 243,479,128
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	45.4219%	54.9946%	56.6044%

**Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See Accompanying Independent Auditors' Report

Schedule of the Contributions - OPEB
 - Kentucky Teachers Retirement System

Fayette County School District

Years Ended June 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 6,961,825	\$ 6,936,623	\$ 6,621,930
Contributions in relation to the actuarially determined contribution	<u>6,961,825</u>	<u>6,936,623</u>	<u>6,621,930</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 257,622,151	\$ 245,685,825	\$ 243,479,128
Contributions as a percentage covered- employee payroll	2.7023%	2.8234%	2.7197%

** Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See Accompanying Independent Auditors' Report

Fayette County School District

Year Ended June 30, 2020

Changes of Benefit Terms

2020	None
2019	None
2018	None
2017	None
2016	None

Changed of Assumptions

2020	Pension and OPEB - the salary increase assumption changed from was changed from 3.05% to 3.30% - 10.30% OPEB - single discount rate changed from 5.85% to 5.68%
2019	Pension and OPEB - the salary increases assumption was changed from 2.00% to 3.05% OPEB, the single discount rate changed from 5.84% to 5.85%
2018	Pension and OPEB - the assumed investment return was changed from 7.50% to 6.25%; the price inflation assumption was changed from 3.25% to 2.40%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service; and the payroll growth assumption (applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%. OPEB - the single discount rate changed from 6.89 to 5.84%.
2017	None
2016	Pension -the assumed investment rate of return was decreased from 7.75% to 7.50%; the assumed rate of inflation was reduced from 3.50% to 3.25%; the assumed rate of wage inflation was reduced from 1.00% to 0.75%; payroll growth assumption was reduced from 4.50% to 4.00%; and the assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.

Fayette County School District

Year Ended June 30, 2020

Pension:

Changes of Benefit Terms

2020	None
2019	None
2018	None
2017	None
2016	None

Changes of Assumptions

2020	The municipal bond index rate decreased from 3.89% to 3.50%
2019	The municipal bond index rate increased from 3.56% to 3.89% The discount rate increased from 4.49% to 7.5%
2018	The municipal bond index rate increased from 3.01% to 3.56% The discount rate increased from 4.20% to 4.49%
2017	The municipal bond index rate decreased from 3.82% to 3.01% The discount rate decreased from 4.88% to 4.20%
2016	The municipal bond index rate decreased from 4.35% to 3.82%

Medical Insurance Plan

Changes of Benefit Terms

2020	None
2019	None
2018	With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the State will only finance, via its KEHP "shared responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010

Changes of Assumptions

2020	The municipal bond index rate decreased from 3.89% to 3.50% Health Care Cost Trends for Under Age 65 decreased from 7.75% to 7.50% Health Care Cost Trends for Ages 65 and Older decreased from 5.75% to 5.50% Health Care Cost Trends for Medicare Part B Premiums increased from 0.00% to 2.63%
2019	The municipal bond index rate increased from 3.56% to 3.89% Health Care Costs Trends for Medicare Part B Premiums decreased from 1.02% to 0.00%
2018	None

Life Insurance Plan

Changes of Benefit Terms

2020	None
2019	None
2018	None

Changes of Assumptions

2020	The municipal bond index rate decreased from 3.89% to 3.50%
2019	The municipal bond index rate increased from 3.56% to 3.89%
2018	None

Combining Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds

Fayette County School District

June 30, 2020

	Building Fund	SEEK Capital Outlay Fund	School Activity Fund	District Activity Fund	Lexington Industrial School Fund	Total Nonmajor Governmental Funds
Assets						
Cash and cash equivalents	\$ 2,881,252	\$ 1,331,710	\$ 4,374,109	\$ 378,752	\$ 427	\$ 8,966,250
Interfund Receivables	106,417		416,776	4,788,138		4,788,138
Accounts receivable-taxes				4,206		527,399
Total Assets	\$ 2,987,669	\$ 1,331,710	\$ 4,790,885	\$ 5,171,096	\$ 427	\$ 14,281,787
Liabilities						
Accounts Payable			\$ 2,747	\$ 77,280		\$ 80,027
Interfund Payables			4,788,138	5,093,816		4,788,138
Deferred Revenue						5,093,816
Total Liabilities			4,790,885	5,171,096		9,961,981
Fund Balances						
Restricted	\$ 2,987,669	1,331,710	(3,929,853)		427	389,953
Unassigned			3,929,853			3,929,853
Total Fund Balances	2,987,669	1,331,710			427	4,319,806
Total Liabilities and Fund Balances	\$ 2,987,669	\$ 1,331,710	\$ 4,790,885	\$ 5,171,096	\$ 427	\$ 14,281,787

See Accompanying Independent Auditors' Report

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Governmental Funds

Fayette County School District

June 30, 2020

	Permanent Funds							Total Nonmajor Governmental Funds
	Building Fund	SEEK Capital Outlay Fund	School Activity Fund	District Activity Fund	Anthony Dey Fund	Lexington Industrial School Fund	N.Isabel Schmidt Fund	
Revenues								
Local sources								
Property taxes	\$ 33,207,470							\$ 33,207,470
Motor vehicle taxes	1,217,289							1,217,289
State Sources		\$ 3,726,894						3,726,894
SEEK program			\$ 646,575					646,575
Earnings on investments			6,640,600	\$ (3,295,701)		\$ 4,720		3,349,619
Other sources								
Total Revenues	<u>34,424,759</u>	<u>3,726,894</u>	<u>7,287,175</u>	<u>(3,295,701)</u>		<u>4,720</u>		<u>42,147,847</u>
Expenditures								
Instruction			2,964,282	1,440,521				4,404,803
Support services								
Instruction staff			131,974	51,916				183,890
Student Transportation			1,395,456					1,395,456
Non-Instruction			1,937,179			4,293		1,937,179
Community service activities								4,293
Total Expenditures			<u>6,428,891</u>	<u>1,492,437</u>		<u>4,293</u>		<u>7,925,621</u>
Revenue in Excess of (Less Than) Expenditures	<u>34,424,759</u>	<u>3,726,894</u>	<u>858,284</u>	<u>(4,788,138)</u>		<u>427</u>		<u>34,222,226</u>
Other Financing Sources (Uses)								
Operating transfers in /out	<u>(31,623,509)</u>	<u>(2,395,184)</u>	<u>(4,788,137)</u>	<u>4,788,138</u>				<u>(34,018,692)</u>
Net Change in Fund Balances	<u>2,801,250</u>	<u>1,331,710</u>	<u>(3,929,853)</u>			<u>427</u>		<u>203,534</u>
Fund Balances								
Beginning of Year	<u>186,419</u>		<u>3,929,853</u>					<u>4,116,272</u>
Fund Balance End of Year	<u>\$ 2,987,669</u>	<u>\$ 1,331,710</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>427</u>	<u>\$ -</u>	<u>\$ 4,319,806</u>

See Accompanying Independent Auditors' Report.