

DATED JUNE 29, 2020

**NEW ISSUE**  
**Electronic Bidding via Parity®**  
**Bank Interest Deduction Eligible**  
**BOOK-ENTRY-ONLY SYSTEM**

**RATING**  
**Moody's: " "**

*In the opinion of Bond Counsel, under existing law (i) interest on the Bonds will be excludable from gross income of the holders thereof for purposes of federal taxation and (ii) interest on the Bonds will not be a specific item of tax preference for purposes of the federal alternative minimum tax, all subject to the qualifications described herein under the heading "Tax Exemption." The Bonds and interest thereon are exempt from income taxation and ad valorem taxation by the Commonwealth of Kentucky and political subdivisions thereof (see "Tax Exemption" herein).*

**\$975,000\***  
**PIKE COUNTY SCHOOL DISTRICT FINANCE CORPORATION**  
**SCHOOL BUILDING REFUNDING REVENUE BONDS,**  
**SERIES OF 2020**

**Dated: July 29, 2020**

**Due: as shown below**

Interest on the Bonds is payable each October 1 and April 1, beginning October 1, 2020. The Bonds will mature as to principal on October 1, 2020, and each October 1 thereafter as shown below. The Bonds are being issued in Book-Entry-Only Form and will be available for purchase in principal amounts of \$5,000 and integral multiples thereof.

Maturing Oct. 1	Amount*	Interest Rate	Reoffering Yield	CUSIP	Maturing Amount*	Interest Rate	Reoffering Yield	CUSIP
2020	\$20,000	%	%		2025	\$110,000	%	%
2021	\$100,000	%	%		2026	\$110,000	%	%
2022	\$105,000	%	%		2027	\$115,000	%	%
2023	\$105,000	%	%		2028	\$115,000	%	%
2024	\$105,000	%	%		2029	\$90,000	%	%

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

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

The Bonds constitute a limited indebtedness of the Pike County School District Finance Corporation and are payable from and secured by a pledge of the gross income and revenues derived by leasing the Project (as hereinafter defined) on an annual renewable basis to the Pike County Board of Education.

The Pike County (Kentucky) School District Finance Corporation will until July 8, 2020 at 11:30 A.M., E.D.S.T., receive competitive bids for the Bonds at the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Road, Carriage House, Frankfort, Kentucky 40601.

**\*As set forth in the "Official Terms and Conditions of Bond Sale," the principal amount of Bonds sold to the successful bidder is subject to a Permitted Adjustment by increasing or decreasing the amount not to exceed \$100,000.**

**PURCHASER'S OPTION:** The Purchaser of the Bonds, within 24 hours of the sale, may specify to the Financial Advisor that any Bonds may be combined immediately succeeding sequential maturities into a Term Bond(s), bearing a single rate of interest, with the maturities set forth above (or as may be adjusted as provided herein) being subject to mandatory redemption in such maturities for such Term Bond(s).

The Bonds will be delivered utilizing the BOOK-ENTRY-ONLY-SYSTEM administered by The Depository Trust Company.

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

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sales of these Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the laws of any such jurisdiction.



**PIKE COUNTY, KENTUCKY  
BOARD OF EDUCATION**

Ireland Blankenship, Chairman  
Dwayne Abshire, Member  
Shane Hurley, Member  
Nee Jackson, Member  
Stephanie Lowe, Member

Reed Adkins, Superintendent  
Tina Adkins, Secretary

**PIKE COUNTY SCHOOL DISTRICT  
FINANCE CORPORATION**

Ireland Blankenship, President  
Dwayne Abshire, Member  
Shane Hurley, Member  
Nee Jackson, Member  
Stephanie Lowe, Member

Tina Adkins, Secretary  
Nancy Ratliff, Treasurer

**BOND COUNSEL**

Stephoe & Johnson PLLC  
Louisville, Kentucky

**FINANCIAL ADVISOR**

RSA Advisors, LLC  
Lexington, Kentucky

**PAYING AGENT AND REGISTRAR**

US Bank, National Association  
Louisville, Kentucky

**BOOK-ENTRY-ONLY-SYSTEM**

## REGARDING USE OF THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Pike County School District Finance Corporation School Building Refunding Revenue Bonds, Series of 2020, identified on the cover page hereof. No person has been authorized by the Corporation or the Board to give any information or to make any representation other than that contained in the Official Statement, and if given or made such other information or representation must not be relied upon as having been given or authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

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

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

The Official Statement includes the front cover page immediately preceding this page and all Appendices hereto.

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**OFFICIAL STATEMENT  
Relating to the Issuance of**

**\$975,000\***

**PIKE COUNTY SCHOOL DISTRICT FINANCE CORPORATION  
SCHOOL BUILDING REFUNDING REVENUE BONDS,  
SERIES OF 2020**

*\*Subject to Permitted Adjustment*

**INTRODUCTION**

The purpose of this Official Statement, which includes the cover page and Appendices hereto, is to set forth certain information pertaining to the Pike County School District Finance Corporation (the "Corporation") School Building Refunding Revenue Bonds, Series of 2020 (the "Bonds").

The Bonds are being issued to (i) pay the accrued interest and refund on a current basis on August 10, 2020 the outstanding Pike County School District Finance Corporation School Building Revenue Bonds, Series of 2009, dated October 1, 2009 (the "2009 Bonds") maturing October 1, 2021 and thereafter (the "Refunded Bonds"); and (ii) pay the cost of the Bond issuance expenses (see "Plan of Refunding" herein). The Board has determined that the plan of refunding the Refunded Bonds will result in considerable interest cost savings to the Pike County School District (the "District") and is in the best interest of the District. The 2009 Bonds maturing on October 1, 2020 will not be defeased and will remain payable under the terms of the prior lease (the "Remaining Bonds").

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds will be secured by a lien and a pledge of the rental income derived by the Corporation from leasing the Projects (as hereinafter defined) to the Pike County Board of Education (the "Board") on a year to year basis (see "Security" herein).

All financial and other information presented in this Official Statement has been provided by the Pike County Board of Education from its records, except for information expressly attributed to other sources. The presentation of financial and other information is not intended, unless specifically stated, to indicate future or continuing trends in the financial position or other affairs of the Board. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future.

This Official Statement should be considered in its entirety, and no one subject discussed should be considered more or less important than any other by reason of its location in the text. Reference should be made to laws, reports or other documents referred to in this Official Statement for more complete information regarding their contents.

Copies of the Bond Resolution authorizing the issuance of the Bonds, the Participation Agreement, and the Lease Agreement, dated July 29, 2020, may be obtained at the office of Steptoe & Johnson PLLC, Bond Counsel, 700 N. Hurstbourne Parkway, Suite 115, Louisville, Kentucky 40222.

**BOOK-ENTRY-ONLY-SYSTEM**

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

The following information about the Book-Entry only system applicable to the Bonds has been supplied by DTC. Neither the Corporation nor the Paying Agent and Registrar makes any representations, warranties or guarantees with respect to its accuracy or completeness.

DTC will act as securities depository for the Bonds. The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

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

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

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

Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation or the Paying Agent and Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC or its nominee, the Paying Agent and Registrar or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Paying Agent and Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice the Corporation or the Paying Agent and Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered. The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

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

## **THE CORPORATION**

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

Any bonds, notes or other indebtedness issued or contracted by the Corporation shall, prior to the issuance or incurrence thereon, be specifically approved by the Board. The members of the Board of Directors of the Corporation are the members of the Board. Their terms expire when they cease to hold the office and any successor members of the Board are automatically members of the Corporation upon assuming their public offices.

## **KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION**

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

The Commission will enter into a Participation Agreement with the Board whereunder the Commission, will agree to continue to pay approximately 100% of the debt service of the Refunding through October 1, 2029; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the biennial budget period of the Commonwealth, with the first such biennial budget period terminating on June 30, 2021.

The General Assembly of the Commonwealth adopted the State's Budget for the biennium ending June 30, 2020. Inter alia, the Budget provides \$129,504,400 in FY 2018-19 and \$128,672,400 in FY 2019-20 to pay debt service on existing and future bond issues; \$58,000,000 of the Commission's previous Offers of Assistance made during the last biennium; and authorizes \$58,000,000 in additional Offers of Assistance for the current biennium to be funded in the Budget for the biennium ending June 30, 2022.

The 1986, 1988, 1990, 1992, 1994, 1996, 1998, 2000, 2003, 2005, 2006, 2008, 2010, 2012, 2014, 2016, 2018 and 2020 Regular Sessions of the Kentucky General Assembly appropriated funds to be used for debt service of participating school districts. The appropriations for each biennium are shown in the following table:

<u>Biennium</u>	<u>Appropriation</u>
1986-88	\$18,223,200
1988-90	14,050,700
1990-92	13,542,800
1992-94	3,075,300
1994-96	2,800,000
1996-98	4,996,000
1998-00	12,141,500
2000-02	8,100,000
2002-04	9,500,000
2004-06	14,000,000
2006-08	9,000,000
2008-10	10,968,000
2010-12	12,656,200
2012-14	8,469,200
2014-16	8,764,000
2016-18	23,019,400
2018-20	7,608,000
2020-21	<u>2,946,900</u>
Total	\$183,861,200

### COMMONWEALTH BUDGET FOR PERIOD ENDING JUNE 30, 2021

The Kentucky General Assembly, during its Regular Session, adopted a budget for the fiscal year ending June 30, 2021 which was approved and signed by the Governor. Such budget is effective beginning July 1, 2020.

### OUTSTANDING BONDS

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

<b>Bond Series</b>	<b>Original Principal</b>	<b>Current Principal Outstanding</b>	<b>Principal Assigned to Board</b>	<b>Principal Assigned to Commission</b>	<b>Approximate Interest Rate Range</b>	<b>Final Maturity</b>
2009-REF	\$10,695,000	\$1,250,000	\$2,630,357	\$8,064,643	3.200%	2020
2009	\$1,735,000	\$1,010,000	\$0	\$1,735,000	3.900% - 4.125%	2029
2010-REF	\$6,400,000	\$1,675,000	\$6,400,000	\$0	3.000% - 3.100%	2022
2011-QSCB	\$11,000,000	\$11,000,000	\$1,573,077	\$9,426,923	4.620%	2030
2011	\$29,670,000	\$21,800,000	\$29,670,000	\$0	3.000% - 4.000%	2031
2012-REF	\$18,720,000	\$7,985,000	\$18,720,000	\$0	2.250% - 3.000%	2024
2013-REF	\$3,880,000	\$1,435,000	\$0	\$3,880,000	2.000%	2023
2014	\$8,350,000	\$7,470,000	\$5,284,526	\$3,065,474	3.000% - 4.000%	2034
2015	\$3,650,000	\$3,535,000	\$3,650,000	\$0	3.000% - 3.700%	2035
2015B	\$7,505,000	\$7,305,000	\$7,505,000	\$0	3.000% - 3.625%	2035
2016-REF	\$11,690,000	\$9,890,000	\$4,326,690	\$7,363,310	2.000% - 3.000%	2027
2016	\$20,835,000	\$20,615,000	\$19,616,751	\$1,218,249	2.000% - 3.000%	2036
2016B	\$19,400,000	\$16,310,000	\$0	\$19,400,000	2.000% - 3.000%	2036
2018	\$3,530,000	\$3,450,000	\$2,594,796	\$935,204	3.000% - 3.500%	2038
2018B	\$1,940,000	\$1,815,000	\$1,940,000	\$0	2.000% - 3.375%	2031
<b>TOTALS:</b>	<b>\$159,000,000</b>	<b>\$116,545,000</b>	<b>\$103,911,197</b>	<b>\$55,088,803</b>		



## AUTHORITY

The Board of Directors of the Corporation has adopted a Bond Resolution which authorized among other things:

- i) the issuance of approximately \$975,000 of Bonds subject to a permitted adjustment of \$100,000;
- ii) the advertisement for the public sale of the Bonds;
- iii) the Official Terms and Conditions for the sale of the Bonds to the successful bidder; and,
- iv) the President and Secretary of the Corporation to execute certain documents relative to the sale and delivery of the Bonds.

## THE BONDS

### General

The Bonds will be dated July 29, 2020, will bear interest from that date as described herein, payable semi-annually on October 1 and April 1 of each year, commencing October 1, 2020, and will mature as to principal on October 1, 2020, and each October 1 thereafter in the years and in the principal amounts as set forth on the cover page of this Official Statement.

### Registration, Payment and Transfer

The Bonds are to be issued in fully-registered form (both principal and interest). U.S. Bank, National Association, Louisville, Kentucky, the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to Cede & Co., as the nominee of The Depository Trust Company. Please see Book-Entry-Only-System. Interest on the Bonds will be paid at rates to be established upon the basis of competitive bidding as hereinafter set forth, such interest to be payable on October 1 and April 1 of each year, beginning October 1, 2020 (Record Date is 15th day of month preceding interest due date).

### Redemption

The Bonds maturing on or after October 1, 2029, are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after October 1, 2028, in any order of maturities (less than all of a single maturity to be selected by lot), in whole or in part, upon notice of such prior redemption being given by the Paying Agent in accordance with DTC requirements not less than thirty (30) days prior to the date of redemption, upon terms of the face amount, plus accrued interest, but without redemption premium.

Redemption Date	Redemption Price
October 1, 2028 and thereafter	100%

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

## **SECURITY**

### **General**

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds are payable as to both principal and interest solely from the income and revenues derived from the leasing of the Project financed from the Bond proceeds from the Corporation to the Board. The Bonds are secured by a pledge of revenue on and from the Project; provided, however, said lien and pledge are on parity with the liens and pledges securing the Corporation's outstanding School Building Revenue Bonds issued to improve the building in which the Project is located.

### **The Lease; Pledge of Rental Revenues**

The Board has leased the school Project securing the Bonds for an initial period from July 29, 2020, through June 30, 2021 with the option in the Board to renew said Lease from year to year for one year at a time, at annual rentals, sufficient in each year to enable the Corporation to pay, solely from the rental due under the Lease, the principal and interest on all of the Bonds as same become due. The Lease provides further that so long as the Board exercises its annual renewal options, its rentals will be payable according to the terms and provisions of the Lease until October 1, 2029, the final maturity date of the Bonds. Under the lease, the Corporation has pledged the rental revenue to the payment of the Bonds.

## **STATE INTERCEPT**

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

## **COMMISSION'S PARTICIPATION**

The Commission has determined that the Board is eligible for an average annual participation equal to approximately \$105,883 from the Commission's appropriation by the Kentucky General Assembly which will be used to meet a portion of the debt service of the Bonds. The plan for financing the Project will require the Commission to pay one hundred percent (100%) of the debt service of the Bonds.

The Participation Agreement to be entered into with the Board will be limited to the biennial budget period of the Commonwealth of Kentucky, with the first such biennial period terminating on June 30, 2020. The right is reserved in the Commission to terminate the commitment to pay the agreed participation every two years thereafter. The obligation of the Commission to make payments of the agreed participation shall be automatically renewed each two years thereafter unless the Commission gives notice to the Board of its intention not to participate not less than sixty days prior to the end of the biennium. However, the Commission has expressed its intention to continue to pay the agreed participation in successive biennial budget periods until the Bonds are retired, but the Commission is not required to do so.

## **VERIFICATION OF MATHEMATICAL ACCURACY**

AMTEC, will verify from the information provided to them the mathematical accuracy as of the date of the closing of the Bonds of (1) the computations contained in the provided schedules to determine that the anticipated receipts from the securities and cash deposits listed in the Financial Advisor's schedules, to be held in escrow, will be sufficient to pay, when due, the principal, interest and call premium payment requirements, if any, of the Prior Bonds, and (2) the computations of yield on both the securities and the Bonds contained in the provided schedules used by Bond Counsel in its determination that the interest on the Bonds is not includable in gross income for federal income tax purposes. AMTEC will express no opinion on the assumptions provided to them, nor as to the exemption from taxation of the interest on the Bonds.

## **THE PLAN OF REFUNDING**

A sufficient amount of the proceeds of the Bonds at the time of delivery will be deposited into the Bond Fund for the Refunded Bonds. The Bond Fund deposit is intended to be sufficient to (i) pay the accrued interest and refund at or in advance of maturity all of the Pike County School District Finance Corporation School Building Revenue Bonds, Series of 2009, dated October 1, 2009, maturing October 1, 2021 and thereafter (the "Refunded Bonds") on August 10, 2020; and (ii) pay the cost of the Bond issuance expenses (see "Plan of Refunding" herein). The Board has determined that the plan of refunding the Refunded Bonds will result in considerable interest cost savings to the Pike County School District (the "District") and is in the best interest of the District. The 2009 Bonds maturing on October 1, 2020 will not be defeased and will remain payable under the terms of the prior lease (the "Remaining Bonds").

Any investments purchased for the Bond Fund shall be limited to (i) direct Obligations of or Obligations guaranteed by the United States government, or (ii) Obligations of agencies or corporations of the United States as permitted under KRS 66.480(1)(b) and (c) or (iii) Certificates of Deposit of FDIC banks fully collateralized by direct Obligations of or Obligations guaranteed by the United States.

The Plan of Refunding the Bonds of the Prior Issue as set out in the Preliminary Official Statement is tentative as to what Bonds of the Prior Issue shall be refunded and will not be finalized until the sale of the Refunding Bonds.

## **PURPOSE OF THE PRIOR BONDS**

The Refunded Bonds were issued by the Corporation for the purpose of providing funds to finance improvements to Dorton Elementary School (the "Project").

**ESTIMATED BOND DEBT SERVICE**

The following table shows by fiscal year the current bond payments of the Board. The plan of financing provides for the Board to meet 0% of the debt service of the Bonds.

<b>Fiscal Year Ending June 30</b>	<b>Current Local Bond Payments</b>	<b>Series 2020 School Building Ref Rev Bonds 100% SFCC</b>			<b>Total Local Bond Payments</b>
		<b>Principal Portion</b>	<b>Interest Portion</b>	<b>Total Payment</b>	
2020	\$6,729,374				\$6,729,374
2021	\$6,724,985	\$20,000	\$10,242	\$30,242	\$6,724,985
2022	\$6,725,825	\$100,000	\$14,465	\$114,465	\$6,725,825
2023	\$6,729,575	\$105,000	\$13,030	\$118,030	\$6,729,575
2024	\$6,728,415	\$105,000	\$11,560	\$116,560	\$6,728,415
2025	\$6,727,618	\$105,000	\$10,090	\$115,090	\$6,727,618
2026	\$6,727,166	\$110,000	\$8,585	\$118,585	\$6,727,166
2027	\$6,725,008	\$110,000	\$6,935	\$116,935	\$6,725,008
2028	\$6,729,726	\$115,000	\$5,078	\$120,078	\$6,729,726
2029	\$6,725,307	\$115,000	\$2,950	\$117,950	\$6,725,307
2030	\$6,730,282	\$90,000	\$900	\$90,900	\$6,730,282
2031	\$6,746,973				\$6,746,973
2032	\$6,760,186				\$6,760,186
2033	\$4,731,163				\$4,731,163
2034	\$4,730,837				\$4,730,837
2035	\$4,254,483				\$4,254,483
2036	\$3,849,438				\$3,849,438
2037	\$476,467				\$476,467
2038	\$478,791				\$478,791
<b>TOTALS:</b>	<b>\$106,031,618</b>	<b>\$975,000</b>	<b>\$83,835</b>	<b>\$1,058,835</b>	<b>\$106,031,618</b>

Notes: Numbers are rounded to the nearest \$1.00.

**ESTIMATED USE OF BOND PROCEEDS**

The table below shows the estimated sources of funds and uses of proceeds of the Bonds, other than any portions thereof representing accrued interest:

<b>Sources:</b>	
Par Amount of Bonds	<u>\$975,000.00</u>
Total Sources	\$975,000.00
<b>Uses:</b>	
Deposit to Escrow Fund	\$945,675.00
Underwriter's Discount (1%)	9,750.00
Cost of Issuance	<u>19,575.00</u>
Total Uses	\$975,000.00

## DISTRICT STUDENT POPULATION

Selected school census and average daily attendance for the Pike County School District is as follows:

<u>Year</u>	<u>Average Daily Attendance</u>	<u>Year</u>	<u>Average Daily Attendance</u>
2000-01	9,557.6	2010-11	8,683.7
2001-02	9,206.3	2011-12	8,723.6
2002-03	9,082.6	2012-13	8,710.9
2003-04	9,024.9	2013-14	8,436.8
2004-05	8,961.3	2014-15	8,248.0
2005-06	8,860.3	2015-16	7,968.4
2006-07	8,792.7	2016-17	7,790.8
2007-08	8,767.7	2017-18	7,593.2
2008-09	8,745.5	2018-19	7,419.1
2009-10	8,605.6	2019-20	7,228.0

## STATE SUPPORT

***Support Education Excellence in Kentucky (SEEK).*** In determining the cost of the program to Support Education Excellence in Kentucky (SEEK), the statewide guaranteed base funding level is computed by dividing the amount appropriated by the prior year's statewide average daily attendance. The SEEK fund is a guaranteed amount of money per pupil in each school district of Kentucky. The current SEEK allotment is \$3,866 per pupil. The \$100 capital outlay allotment per each average daily attendance is included within the guaranteed amounts. Each district's base funding from the SEEK program is adjusted for the number of at-risk students, the number and types of exceptional children in the district, and cost of transporting students from and to school in the district.

***Capital Outlay Allotment.*** The per pupil capital outlay allotment for each district from the public school fund and from local sources shall be kept in a separate account and may be used by the district only for capital outlay projects approved by the State Department of Education. These funds shall be used for the following capital outlay purposes:

- a. For direct payment of construction costs.
- b. For debt service on voted and funding bonds.
- c. For payment or lease-rental agreements under which the board will eventually acquire ownership of the school plant.
- d. For retirement of any deficit resulting from over-expenditure for capital construction, if such deficit resulted from certain declared emergencies.
- e. As a reserve fund for the above named purposes, to be carried forward in ensuing budgets.

The allotment for each school board of education in the Commonwealth for fiscal year 1978-79 was \$1,800 per classroom unit. The 1979 Session of the Kentucky General Assembly approved increases in this allotment in 1979-80 to \$1,900 per classroom unit. This rate remained unchanged in 1980-81. The 1981 Session of the Kentucky General Assembly decreased the allotment per classroom to \$1,800 and this allotment rate did not change from the 1981-82 rate, until the 1990-91 school year. Beginning with 1990-91, the Capital Outlay allotment for each district is based on \$100 per average daily attendance.

The following table shows the computation of the capital outlay allotment for the Pike County School District for certain preceding school years.

<u>Year</u>	<u>Capital Outlay Allotment</u>	<u>Year</u>	<u>Capital Outlay Allotment</u>
2000-01	955,760.0	2010-11	868,366.0
2001-02	920,630.0	2011-12	872,361.0
2002-03	908,260.0	2012-13	871,089.0
2003-04	902,490.0	2013-14	843,676.0
2004-05	896,130.0	2014-15	824,803.0
2005-06	886,030.0	2015-16	796,838.0
2006-07	879,270.0	2016-17	779,080.0
2007-08	876,770.0	2017-18	759,320.0
2008-09	874,550.0	2018-19	741,910.0
2009-10	860,556.0	2019-20	722,800.0

If the school district has no capital outlay needs, upon approval from the State, the funds can be used for school plant maintenance, repair, insurance on buildings, replacement of equipment, purchase of school buses and purchase of modern technological equipment for educational purposes. If any district has a special levy for capital outlay or debt service that is equal to the capital outlay allotment or a proportionate fraction thereof, and spends the proceeds of the levy for eligible purposes, the State may authorize the district to use all or a proportionate fraction of its capital outlay allotment for current expenses (school districts which use capital outlay allotments to meet current expenses are not eligible to participate in the School Facilities Construction Commission funds).

**Facilities Support Program of Kentucky.** School districts may be eligible to participate in the Facilities Support Program of Kentucky (FSPK), subject to the following requirements:

- 1) The district must have unmet needs as set forth and approved by the State Department of Education in a School Facilities Plan;
- 2) The district must commit to establish an equivalent tax rate of at least 5 cents, in addition to the 30 cents minimum current equivalent tax rate; and,
- 3) The new revenues generated by the 5 cent addition, must be placed in a restricted account for school building construction bonding.

### **LOCAL SUPPORT**

**Homestead Exemption.** Section 170 of the Kentucky Constitution was amended at the General Election held November 2, 1971, to exempt from property taxes \$6,500 of value of single unit residential property of taxpayers 65 years of age or older. The 1972 General Assembly amended KRS Chapter 132 to permit counties and school districts to adjust their local tax revenues lost through the application of this Homestead Exemption. The "Single Unit" qualification has been enlarged to subsequent sessions of the General Assembly to provide that such exemption shall apply to such property maintained as the permanent resident of the owner and the dollar amount has been construed to mean \$6,500 in terms of the purchasing power of the dollar in 1972. Every two years thereafter, if the cost of living index of the U.S. Department of Labor has changed as much as 1%, the maximum exemption shall be adjusted accordingly. Under the cost of living formula, the maximum was increased to \$39,300 effective January 1, 2019.

**Limitation on Taxation.** The 1979 Special Session of the Kentucky General Assembly enacted House Bill 44 which provides that no school district may levy a general tax rate, voted general tax rate, or voted building tax rate which would generate revenues that exceeds the previous years revenues by four percent (4%).

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

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

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

***Local Thirty Cents Minimum.*** Effective for school years beginning after June 30, 1990, the board of education of each school district shall levy a minimum equivalent tax rate of thirty cents (\$.30) for general school purposes. If a board fails to comply, its members shall be subject to removal from office for willful neglect of duty.

***Additional 15% Not Subject to Recall.*** Effective with the school year beginning July 1, 1990, each school district may levy an equivalent tax rate which will produce up to 15% of those revenues guaranteed by the SEEK program. Effective with the 1990-91 school year, the State will equalize the revenue generated by this levy at one hundred fifty percent (150%) of the statewide average per pupil equalized assessment. For 1993-94 and thereafter, this level is set at \$225,000. The additional 15% rate levy is not subject to the public hearing or recall provisions.

***Assessment Valuation.*** No later than July 1, 1994, all real property located in the state and subject to local taxation shall be assessed at one hundred percent (100%) of fair cash value.

***Special Voted and Other Local Taxes.*** Any district may, in addition to other taxes for school purposes, levy not less than four cents nor more than twenty cents on each one hundred dollars (\$100) valuation of property subject to local taxation, to provide a special fund for the purchase of sites for school buildings and the erection, major alteration, enlargement, and complete equipping of school buildings. In addition, districts may levy taxes on tangible and intangible property and on utilities, except generally any amounts of revenues generated above that provided for by House Bill 44 is subject to voter recall.

**Local Tax Rates, Property Assessments and Revenue Collections**

Tax Year	Combined Equivalent Rate	Total Property Assessment	Property Revenue Collections
2000-01	61.6	2,111,351,792	13,005,927
2001-02	58.8	2,179,939,667	12,818,045
2002-03	63.5	2,365,104,836	15,018,416
2003-04	63.5	2,324,613,512	14,761,296
2004-05	62.6	2,386,080,839	14,936,866
2005-06	65.4	2,768,469,847	18,105,793
2006-07	61.9	2,823,549,957	17,477,774
2007-08	65.3	3,184,068,383	20,791,967
2008-09	64	3,093,031,721	19,795,403
2009-10	64	3,277,141,741	20,973,707
2010-11	62.3	2,811,665,736	17,516,678
2011-12	71.9	2,971,074,472	21,362,025
2012-13	70.9	3,171,217,085	22,483,929
2013-14	69.6	3,134,069,107	21,813,121
2014-15	70.6	2,939,534,912	20,753,116
2015-16	77.4	3,112,866,335	24,093,585
2016-17	66.4	2,820,804,740	18,730,143
2017-18	86.4	2,310,244,583	19,960,513
2018-19	91.5	2,213,891,833	20,257,110
2019-20	98.7	2,257,636,068	22,282,868

**OVERLAPPING BOND INDEBTEDNESS**

The following table shows any other overlapping bond indebtedness of the Pike County School District or other issuing agency within the County as reported by the State Local Debt Officer for the period ending June 30, 2020.

Issuer	Original Principal Amount	Amount of Bonds Redeemed	Current Principal Outstanding
County of Pike			
General Obligation	22,518,187	9,350,000	13,168,187
Building Revenue	650,000	330,566	319,434
Loan to Faith-Based Community Group Revenue	725,000	333,870	391,130
Hospital Revenue	540,000	245,145	294,855
Justice Center Revenue	30,925,000	11,725,000	19,200,000
Refinancing Revenue	7,345,000	6,940,000	405,000
Vehicles Revenue	1,829,015	954,586	874,429



City of Pikeville			
General Obligation	15,090,000	3,475,000	11,615,000
Water & Sewer Revenue	27,900,527	2,372,865	25,527,662
Educational Development Revenue	2,500,000	0	2,500,000
Improvement Project Refunding	90,000,000	18,930,000	71,070,000
Special Districts			
Mountain Water District	12,623,000	3,829,800	8,793,200
Pike County Library District	11,035,000	10,665,000	370,000
Totals:	223,680,729	69,151,832	154,528,897

Source: 2020 Kentucky Local Debt Report.

### SEEK ALLOTMENT

The Board has reported the following information as to the SEEK allotment to the District, and as provided by the State Department of Education.

SEEK	Base Funding	Local Tax Effort	Total State & Local Funding
2000-01	36,051,966	13,005,927	49,057,893
2001-02	35,447,113	12,818,045	48,265,158
2002-03	35,318,696	15,018,416	50,337,112
2003-04	36,250,391	14,761,296	51,011,687
2004-05	36,977,506	14,936,866	51,914,372
2005-06	37,139,872	18,105,793	55,245,665
2006-07	37,294,623	17,477,774	54,772,397
2007-08	39,292,821	20,791,967	60,084,788
2008-09	40,694,446	19,795,403	60,489,849
2009-10	35,948,592	20,973,707	56,922,299
2010-11	37,558,683	17,516,678	55,075,361
2011-12	40,337,503	21,362,025	61,699,528
2012-13	39,656,571	22,483,929	62,140,500
2013-14	38,482,403	21,813,121	60,295,524
2014-15	39,353,491	20,753,116	60,106,607
2015-16	37,469,070	24,093,585	61,562,655
2016-17	38,024,307	18,730,143	56,754,450
2017-18	39,318,057	19,960,513	59,278,570
2018-19	39,331,333	20,257,110	59,588,443
2019-20	37,690,563	22,282,868	59,973,431

- (1) Support Education Excellence in Kentucky (SEEK) replaces the minimum foundation program and power equalization funding. Capital Outlay is now computed at \$100 per average daily attendance (ADA). Capital Outlay is included in the SEEK base funding.
- (2) The Board established a current equivalent tax rate (CETR) of \$0.9150 for FY 2018-19. The equivalent tax rate" is defined as the rate which results when the income from all taxes levied by the district for school purposes is divided by the total assessed value of property plus the assessment for motor vehicles certified by the Commonwealth of Kentucky Revenue Cabinet.

## State Budgeting Process

- i) Each district board of education is required to prepare a general school budget on forms prescribed and furnished by the Kentucky Board of Education, showing the amount of money needed for current expenses, debt service, capital outlay, and other necessary expenses of the school during the succeeding fiscal year and the estimated amount that will be received from all sources.
- ii) By September 15 of each year, after the district receives its tax assessment data from the Department of Revenue and the State Department of Education, 3 copies of the budget are forwarded to the State Department for approval or disapproval.
- iii) The State Department of Education has adopted a policy of disapproving a school budget if it is financially unsound or fails to provide for:
  - a) payment of maturing principal and interest on any outstanding voted school improvement bonds of the district or payment of rental in connection with any outstanding school building revenue bonds issued for the benefit of the school district; or
  - b) fails to comply with the law.

## COVID-19

The recent outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was first detected in China and has since spread to other countries, including the United States and the Commonwealth of Kentucky, has been declared a Pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. On March 13, 2020, President Donald Trump declared a national emergency to unlock federal funds to help states and local governments fight the pandemic.

While the collection of property taxes, which are a significant source of building fund revenue for the payment of principal and interest due on the bonds (see "LOCAL SUPPORT" herein) may be impacted by the COVID-19 emergency, the District does not expect the impact to be significant unless the economic hardship is long term. In addition, the Commonwealth of Kentucky revenues are also likely to be impacted by a long-term economic hardship caused by declining collections of sales taxes, wage taxes, income taxes, property taxes and other revenue sources. The impact of those declining revenue collections on state education funds (see "STATE SUPPORT" herein) is unknown. Although the potential impact of the virus on the Commonwealth and the Board of Education's future ability to make payments under the Lease cannot be predicted at this time, the continued spread of the outbreak could have a material adverse effect on the Board of Education and ultimately, the Corporation.

On March 24, 2020 the Governor of Kentucky signed Senate Bill 177 which provides relief to Kentucky School Districts in light of the Coronavirus emergency. Among other things, it removes the limits on the number of days that a district can utilize an approved Non-Traditional Instruction program ("NTI"). Senate Bill 177 also authorizes Kentucky Superintendents to use their school year 2018-2019 attendance data on their Superintendent's Annual Attendance Report. The report determines a district's average daily attendance used in calculating Support Education Excellence in Kentucky ("SEEK") funds. On April 2, 2020, the Governor of Kentucky has recommended that all schools remain closed until at least May 1, 2020, and all 172 Kentucky school districts are utilizing KDE's Non-Traditional Instruction (NTI) Program. For more information on the Kentucky Department of Education's response to COVID 19, please see their website at <https://education.ky.gov/comm/Pages/COVID-19-Updates.aspx>.

## **POTENTIAL LEGISLATION**

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

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

## **CONTINUING DISCLOSURE; EXEMPTION**

As a result of the principal amount of Bonds being offered not exceeding \$1,000,000 Bond Counsel has advised the Corporation and the Board that they are exempt from application of the Rule 15c2-12c2-12(b)(5) of the Securities and Exchange Commission with respect to the Bonds.

The Board and Corporation have been timely in making required filings under the terms of the Continuing Disclosure Agreement for the past five years.

Financial information regarding the Board may be obtained from Superintendent, Pike County Board of Education, 316 S. Mayo Tr., Pikeville KY 41501, Telephone 606-433-9200.

## **TAX EXEMPTION; BANK QUALIFIED**

Bond Counsel is of the opinion that:

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

(B) The interest income from the Bonds is excludable from the gross income of the recipient thereof for Federal income tax purposes under existing law and will not be a specific item of tax preference for purposes of calculating the Federal alternative minimum income tax.

(C) As a result of designations and certifications by the Board and the Corporation, indicating the issuance of less than \$10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2020, the Bonds are "qualified tax-exempt obligations" within the meaning of the Internal Revenue Code of 1986, as amended.

The Corporation will provide the purchaser the customary no-litigation certificate, and the final approving Legal Opinions of Steptoe & Johnson PLLC, Bond Counsel and Special Tax Counsel, Louisville, Kentucky approving the legality of the Bonds. These opinions will accompany the Bonds when delivered, without expense to the purchaser.

## **Original Issue Premium**

Certain of the Bonds are being initially offered and sold to the public at a premium ("Acquisition Premium" from the amounts payable at maturity thereon. "Acquisition Premium" is the excess of the cost of a bond over the stated redemption price of such bond at maturity or, for bonds that have one or more earlier call dates, the amount payable at the next earliest call date. The Bonds that bear an interest rate that is higher than the yield (as shown on the cover page hereof), are being initially offered and sold to the public at an Acquisition Premium (the "Premium Bonds"). For federal income tax purposes, the amount of Acquisition Premium on each bond the interest on which is excludable from gross income for federal income tax purposes ("tax-exempt bonds") must be amortized and will reduce the bondholder's adjusted basis in that bond. However, no amount of amortized Acquisition Premium on tax-exempt bonds may be deducted in determining bondholder's taxable income for federal income tax purposes. The amount of any Acquisition Premium paid on the Premium Bonds, or on any of the Bonds, that must be amortized during any period will be based on the "constant yield" method, using the original bondholder's basis in such bonds and compounding semiannually. This amount is amortized ratably over that semiannual period on a daily basis.

Holders of any Bonds, including any Premium Bonds, purchased at an Acquisition Premium should consult their own tax advisors as to the actual effect of such Acquisition Premium with respect to their own tax situation and as to the treatment of Acquisition Premium for state tax purposes.

## **Original Issue Discount**

Certain of the Bonds (the "Discount Bonds") are being initially offered and sold to the public at a discount ("OID") from the amounts payable at maturity thereon. OID is the excess of the stated redemption price of a bond at maturity (the face amount) over the "issue price" of such bond. The issue price is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of bonds of the same maturity are sold pursuant to that initial offering. For federal income tax purposes, OID on each bond will accrue over the term of the bond. The amount accrued will be based on a single rate of interest, compounded semiannually (the "yield to maturity") and, during each semi-annual period, the amount will accrue ratably on a daily basis. The OID accrued during the period that an initial purchaser of a Discount Bond at its issue price owns it is added to the purchaser's tax basis for purposes of determining gain or loss at the maturity, redemption, sale or other disposition of that Discount Bond. In practical effect, accrued OID is treated as stated interest, that is, as excludable from gross income for federal income tax purposes.

In addition, original issue discount that accrues in each year to an owner of a Discount Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed above. Consequently, owners of any Discount Bond should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability, additional distribution requirements or other collateral federal income tax consequences although the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

Holders of Discount Bonds should consult their own tax advisors as to the treatment of OID and the tax consequences of the purchase of such Discount Bonds other than at the issue price during the initial public offering and as to the treatment of OID for state tax purposes.

## **ABSENCE OF MATERIAL LITIGATION**

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

## **APPROVAL OF LEGALITY**

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving legal opinion of Steptoe & Johnson PLLC, Bond Counsel. The form of the approving legal opinion of Bond Counsel will appear on each printed Bond.

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

Bond Counsel has reviewed the information contained in the Official Statement describing the Bonds and the provisions of the Bond Resolution and related proceedings authorizing the Bonds, but Bond Counsel has not reviewed any of the financial data, computations, tabulations, balance sheets, financial projections, and general information concerning the Corporation or District, and expresses no opinion thereon, assumes no responsibility for same and has not undertaken independently to verify any information contained herein.

## **BOND RATING**

As noted on the cover page of this Official Statement, Moody's Investors Service has given the Bonds the indicated rating. Such rating reflects only the respective views of such organization. Explanations of the significance of the rating may be obtained from the rating agency. There can be no assurance that such rating will be maintained for any given period of time or will not be revised or withdrawn entirely by the rating agency, if in their judgement circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

## **FINANCIAL ADVISOR**

Prospective bidders are advised that RSA Advisors, LLC ("RSA") has been employed as Financial Advisor in connection with the issuance of the Bonds. RSA's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery thereof. Bidders may submit a bid for the purchase of the Bonds at the time of the advertised public sale, either individually or as a member of a syndicate organized to submit a bid for the purchase of the Bonds.

## **APPROVAL OF OFFICIAL STATEMENT**

The Corporation has approved and caused this "Official Statement" to be executed and delivered by its President. In making this "Official Statement" the Corporation relied upon information furnished to it by the Board of Education of the Pike County School District and does not assume any responsibility as to the accuracy or completeness of any of the information in this Official Statement except as to copies of documents denominated "Official Terms and Conditions" and "Bid Form." The financial information supplied by the Board of Education is represented by the Board of Education to be correct. The Corporation deems this preliminary Official Statement to be final for purposes of Securities Exchange Commission Rule 15c2-12(b)(1) as qualified by the cover hereof.

No dealer, broker, salesman, or other person has been authorized by the Corporation, the Pike County Board of Education or the Financial Advisor to give any information or representations, other than those contained in this Official Statement, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Except when otherwise indicated, the information set forth herein has been obtained from the Kentucky Department of Education and the Pike County School District and is believed to be reliable; however, such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Financial Advisor or by Counsel. The delivery of this Official Statement at any time does not imply that information herein is correct as of any time subsequent to the date hereof.



**APPENDIX A**

**Pike County School District Finance Corporation  
School Building Refunding Revenue Bonds  
Series of 2020**

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**Demographic and Economic Data**

## **PIKE COUNTY, KENTUCKY**

Pike County, located at the easternmost tip of Kentucky in the Eastern Kentucky Coal Field Region, covers 787 square miles of land area. Pike County is both Kentucky's largest county and the nation's largest underground bituminous coal-producing county. The county had a 2019 estimated population of 57,463.

Pikeville, the county seat and a "Hall of Fame" Kentucky Certified City, is located along the Levisa Fork of the Big Sandy River. The city had a 2019 estimated population of 6,687. Pikeville is located 144 miles southeast of Lexington, Kentucky; 193 miles southeast of Cincinnati, Ohio; and 181 miles northeast of Knoxville, Tennessee.

Elkhorn City, 23 miles southeast of Pikeville on the Kentucky-Virginia border, had a 2019 estimated population of 894 persons.

### **The Economic Framework**

Pike County has a labor force of 21,147 people, with an unemployment rate of 5.7%. The total number of people employed in 2019 averaged 29,451. The top 5 jobs by occupation are as follows: office and administrative support - 4,167 (14.15%); sales - 4,015 (13.63%); executive managers and administrators - 2,428 (8.24%); education training/library - 1,811 (6.15%); and construction and extraction - 1,768 (6.0%).

### **Transportation**

U.S. Highways 23, 119, and 460, and Kentucky 80 are "AAA"-rated trucking highways serving Pikeville. The Mountain Parkway, a multi-lane highway, is located 49 miles northwest of Pikeville. Fourteen trucking companies provide interstate and/or intrastate service to Pike County. CSX Transportation provides main line rail service to Pike County. The nearest commercial airport is located at Huntington, West Virginia, 114 miles distant. The Pikeville Regional Airport maintains both 3,600-foot and 5,000-foot paved runways.

### **Power and Fuel**

Kentucky Power Company provides electric power throughout Pike County. Natural gas service is provided to Pikeville by the City of Pikeville. Columbia Gas of Kentucky, Inc. also provides gas service to Pike County. In addition, seven privately owned gas companies provide natural gas service at wholesale rates to Pike County.

### **Wood Resources**

Pike County's abundance of raw timber resources make it a natural location for manufacturers of wood products; however, most of Kentucky's timber production is sold out-of-state. By targeting the secondary wood industry, Pike County and Kentucky can reap the benefits of greater employment in the manufacture of high value-added wood products such as furniture and hardwood flooring.

### **Education**

The Pikeville Independent School System and the Pike County School System provide primary and secondary education in Pike County. One private elementary school also operates in Pike County. Pikeville College is a local four-year, independent college affiliated with the Presbyterian Church. Prestonsburg Community College operates a branch campus in Pikeville. Five other institutions of high learning are located within 70 miles of Pikeville. Thirteen vocational education centers in Pike County provide training for all ages. Specialized on-site industrial training is available to new and existing industries.



## LOCAL GOVERNMENT

### Structure

Pikeville is governed by a mayor, four commissioners and a full-time city manager. The mayor is elected to a four-year term, while the commissioners each serve two-year terms. Elkhorn City is governed by a mayor and six council members. The mayor is elected to a four-year term, while the council members each serve two-year terms. Pike County is governed by a county judge/executive and six magistrates. Each county official serves a four-year term.

### Planning and Zoning

Joint agency - Pikeville-Pike County-Elkhorn City Joint Planning Commission  
Participating cities - Pikeville and Elkhorn City  
Zoning enforced - Pikeville corporate limits  
Subdivision regulations enforced - All areas of Pike County  
Mandatory state codes enforced - Kentucky Plumbing Code, National Electric code, Kentucky Boiler Regulations and Standards, Kentucky Building Code (modeled after BOCA code)

### Local Fees and Licenses

The City of Pikeville levies a two percent occupational license tax on wages, salaries, and commissions of individuals. The City of Pikeville also levies an annual business license fee on most businesses.

Elkhorn City levies a one percent occupational license tax on wages, salaries, and commissions of individuals. The city also levies a business license fee on businesses, occupations, and professions in the city. These fees range from \$25 to \$150 annually for most businesses. Elkhorn City also levies a \$50 per year loading and unloading fee.

### Property Taxes

The Kentucky Constitution requires the state to tax all classes of taxable property, and state statutes allow local jurisdictions to tax only a few classes. All locally taxed property is subject to county taxes and school district taxes (either a county school district or an independent school district). Property located inside of city limits may also be subject to city property taxes.

Special local taxing jurisdictions (fire protection districts, watershed districts, and sanitation districts) levy taxes within their operating areas (usually a small portion of community or county).

Property assessments in Kentucky are at 100% fair cash value. Accounts receivable are taxed at 85% of face value.

## LABOR MARKET STATISTICS

The Pike County Labor Market Area includes Pike County and the adjoining Kentucky counties of Floyd, Knott, Letcher, and Martin.

### Population

<u>Area</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Labor Market Area	195,609	N/A	N/A
Pike County	58,862	58,402	57,463
Pikeville	6,699	6,638	6,687
Elkhorn City	908	901	894

*Source: Kentucky Cabinet for Economic Development, University of Louisville*

## Population Projections

<u>Area</u>	<u>2025</u>	<u>2030</u>	<u>2035</u>
Pike County	56,810	53,994	51,085

*Source: Kentucky State Data Center, University of Louisville*

## EDUCATION

### Public Schools

	<u>Pikeville</u> <u>Independent</u>	<u>Pike</u> <u>County</u>
Total Enrollment (2018-2019)	1,175	7,974
Pupil-Teacher Ratio (2018-2019)	15.0-1	15.0-1

The Pike County School District is the third largest school system in Kentucky. Thirty-two schools located throughout the school district provide a community-based educational program and promote parental involvement in all programs.

The Pike County School System provides a wide variety of educational programs for its students. Vocational programs are available in all eight high schools and three vocational centers. Special education students are served by sixty-one different programs. Headstart programs are available for all qualifying four-year olds. The kindergarten program serves all five-year olds on a "full day-everyday basis".

### Vocational Training

Vocational training is available at both the state vocational-technical schools and the area vocational education centers. The state vocational-technical schools are post-secondary institutions. The area vocational education centers are designed to supplement the curriculum of high school students. Both the state vocational-technical schools and the area vocational education centers offer evening courses to enable working adults to upgrade current job skills.

Arrangements can be made to provide training in the specific production skills required by an industrial plant. Instruction may be conducted either in the vocational school or in the industrial plant, depending upon the desired arrangement and the availability of special equipment.

### Bluegrass State Skills Corporation

The Bluegrass State Skills Corporation, an independent public corporation created and funded by the Kentucky General Assembly, provides programs of skills training to meet the needs of business and industry from entry level to advanced training, and from upgrading present employees to retraining experienced workers.

The Bluegrass State Skills corporation is the primary source for skills training assistance for a new or existing company. The Corporation works in partnership with other employment and job training resources and programs, as well as Kentucky's economic development activities, to package a program customized to meet the specific needs of a company.

<u>Vocational School</u>	<u>Location</u>	<u>Enrollment (2017-2018)</u>
Millard ATC	Millard, KY	195
Floyd County ATC (Garth)	Martin, KY	264
Belfry ATC	Belfry, KY	546
Martin County ATC	Inez, KY	398
Knott County ATC	Hindman, KY	400
Letcher County ATC	Whitesburg, KY	569
Breathitt County ATC	Jackson, KY	411
Morgan County ATC	West Liberty, KY	669
Leslie County ATC	Hyden, KY	388

### Colleges and Universities

<u>Name</u>	<u>Location</u>	<u>Enrollment (Fall 2018)</u>
University of Pikeville	Pikeville, KY	2,336
Alice Lloyd College	Pippa Passes, KY	598
Frontier School of Midwifery and Family Nursing	Hyden, KY	2,004

### FINANCIAL INSTITUTIONS

<u>Institution</u>	<u>Assets</u>	<u>Deposits</u>
Community Trust Bank, Inc.	\$4,179,535,000	\$3,320,469,000

Source: *McFadden American Financial Directory, July - December 2019 Edition.*

### EXISTING INDUSTRY

<u>Firm</u>	<u>Product</u>	<u>Total Employed</u>
<i>Ashcamp:</i> Mother Nature Spring Water, Inc.	Bottled Water	6
<i>Dorton:</i> NJN Machine Tool Company	Machine shop; precision machining	10
<i>Elkhorn City:</i> Mountain Aggregate	Crushed limestone	6
<i>Kimper:</i> Kellogg-Pikeville Plant	Convenience foods: breakfast & snack bars	350
May Brothers Lumber Company, Inc.	Sawmill; hardwood & softwood lumber	22
<i>Meta:</i> Mineral Labs, Inc.	Coal & Mineral testing laboratory	13

**Pikeville:**

Appalachian News-Express	Newspaper publishing & offset printing	47
Appalachian States Analytical LLC	Environmental testing laboratory, analyze drinking water, wastewater, etc.	38
Birch Communications	Headquarters, telephone wireline & LD service, internet service provider	4
Coca Cola Bottling of Pikeville	Sales and distribution	87
Community Trust Bancorp Inc.	Headquarters	142
EQT Production Company	Regional headquarters	170
Johnson Industries, Inc.	Mining machinery & equipment, conveyor tail pieces, personnel carriers & laser systems	26
SGS Mineral Services	Coal Lab	8
Silver Liner LLC	Tanker truck manufacturing company	30
Tri State Laboratory Services	Analytical testing facility	10
UPS	Small package distribution	38
Wright Block & Precast, LLC	Manufacturer of concrete blocks	9
Wright Machine & Fabrication, Inc.	CNC machine shop-nut and bolts	5

**Zebulon:**

Zebulon Machine Shop	Machine shop: general, lathe & mill Machining, welding drilling, boring & Cutting	7
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*Source: Kentucky Cabinet for Economic Development (1/1/2020).*

**APPENDIX B**

**Pike County School District Finance Corporation  
School Building Refunding Revenue Bonds  
Series of 2020**

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**Audited Financial Statement ending June 30, 2019**

PIKE COUNTY BOARD OF EDUCATION  
PIKEVILLE, KENTUCKY

FINANCIAL STATEMENTS  
SUPPLEMENTAL INFORMATION AND  
INDEPENDENT AUDITORS REPORT

YEAR ENDED JUNE 30, 2019

**Wallen, Puckett, & Anderson, PSC**

CERTIFIED PUBLIC ACCOUNTANTS  
POST OFFICE BOX 1349  
PIKEVILLE, KENTUCKY 41502

PIKE COUNTY BOARD OF EDUCATION  
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**INDEPENDENT AUDITOR'S REPORT**

Kentucky State Committee for Board of Education Audits  
Members of the Board of  
Pike County Board Of Education  
Pikeville, Kentucky

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Pike County Board Of Education, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Pike County Board Of Education's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Pike County Board Of Education, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4–8 and 51–53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

The combining and individual nonmajor fund financial statements, fiduciary funds financial statements, the statement of receipts, disbursements, and due to student groups and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the fiduciary funds financial statements, the statement of receipts, disbursements, and due to student groups and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2019, on our consideration of the Pike County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pike County Board Of Education's internal control over financial reporting and compliance.

WALLEN, PUCKETT, AND ANDERSON, P. S. C.

*Wallen, Puckett and Anderson, PSC*

Certified Public Accountants  
Pikeville, Kentucky

November 15, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**PIKE COUNTY SCHOOL SYSTEM – PIKEVILLE, KENTUCKY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2019**

As management of the Pike County School System (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, 2019. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- The beginning cash and investment balance from all funds for the District was \$15,200,685, of which \$4,886,836 was in the Reserved for Construction Fund.
- The General Fund (Fund 1) had \$83,290,035.20 in revenue, which consisted of a beginning balance of \$3,302,934.84, the state program (SEEK) funding, property, unmined minerals, utilities, and motor vehicle taxes. There was a carry-forward on the balance sheet of \$200,000 for Sick leave and \$200,000 reserve for worker’s compensation that are not reflected in the overall revenues. There were \$77,891,744.88 in General Fund expenditures, consisting primarily of salary and benefits, as well as expenditures for utilities, insurances, new vehicles/buses, computers, instructional supplies, maintenance and transportation supplies, general supplies, contract and professional services, and other items as determined by necessity. Both revenues and expenses include state on-behalf payments for insurances, retirement and technology of \$19,291,272.01. In FY18, the year-end Unreserved Fund 1 Balance was \$2,661,159.74. For FY19, the year-end Unreserved Fund 1 Balance is \$4,072,732.50, an increase of \$1,411,572.76. The increase is attributed to a 13% increase in tax collection participation (number of tax tickets actually paid of overall number issued), the payment of School Food Service indirect cost and major district initiatives to decrease overall expenditures.
- The Special Revenue Fund (Fund 2) was used to receipt and expend local, state and federal grant awards.
- The District Activity Fund (Fund 21) was used to receipt and expend non-student generated funds from the schools. Schools send up non-student generated funds on a monthly basis that are expended on items such as athletics, instruction, building & grounds, etc. Any unused funds are carried over to the next year and reallocated to the schools.
- The Capital Outlay Fund (Fund 310) and the Building Fund (Fund 320) were first used to meet obligations on prior bond issues. Funds are transferred from these funds to the district Debt Service fund (Fund 400). Bonds are issued as the district renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. On bond issues that existed as of July 1, 2018, the district’s total principal debt decreased by \$7,404,901.17 during the current fiscal year, which includes payments by both the district and SFCC. As allowed by law, funds available beyond bond obligations were used for capital improvement projects such as roofs and HVAC systems and for property insurance, KISTA payments, bus purchases and other on-going construction projects. The school district initiated one bond sale in FY19 for \$1,940,000 for a new HVAC system at Phelps High and a new Chiller at Pike Central High School.
- The School Food Service Fund (Fund 51) was used to receipt and expend funds associated with the school feeding programs. Both revenues and expenditures include state on-behalf payments of \$937,846.84. On June 30, 2019, the Food Service program had Restricted Net-Assets of (\$2,542,077), which includes pension liabilities of (\$4,726,754) and an operating balance of \$2,184,677. This a decrease of \$993,674 over the prior year Restricted-Net Position. The decrease was due to the purchase of new equipment, and changes in pension liabilities. Note: For the 18-19 school year, the Board continued the Community Eligibility Option (CEO) program. This program requires free breakfast and lunch for all students, regardless of income.

## OVERVIEW OF FINANCIAL STATEMENTS

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

**Government-wide financial statements:** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

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

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

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

The government-wide financial statements can be found on pages 10-11 of this report.

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

The basic governmental fund financial statements can be found on pages 10-19 of this report.

**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-50 of this report.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of this District, assets exceeded liabilities by \$535,476 as of June 30, 2019.

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. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

**Net Position for the period ending June 30, 2019**

The current year's financial statements as a result of implementing GASB 34 reflect the following.

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Current Assets	\$ 19,222,273	\$ 19,480,286
Noncurrent Assets	<u>184,692,236</u>	<u>185,548,513</u>
Total Assets	<u>\$ 203,914,509</u>	<u>\$ 205,028,799</u>
Deferred Outflows of Resources	<u>\$ 8,431,554</u>	<u>\$ 11,421,733</u>
Current Liabilities	\$ 16,182,366	\$ 14,557,712
Noncurrent Liabilities	<u>187,521,323</u>	<u>195,929,806</u>
Total Liabilities	<u>\$ 203,703,689</u>	<u>\$ 210,487,518</u>
Deferred Inflows of Resources	<u>\$ 8,106,898</u>	<u>\$ 5,346,014</u>
Net Position		
Invested in Capital Assets, Net of Related Debt	\$ 58,740,939	\$ 54,434,021
Restricted	2,042,555	5,621,848
Unassigned	<u>(60,248,018)</u>	<u>(59,438,869)</u>
Total Net Position	<u>\$ 535,476</u>	<u>\$ 617,000</u>

**Comments on Budget Comparisons**

- The District's total revenues for the fiscal year ended June 30, 2019, including beginning balances and on-behalf payments for all funds, except construction and debt service, were \$112,947,126.
- General fund budgeted revenues compared to actual revenue varied slightly from line item to line item with major variances in tax revenues. The ending actual balance, excluding on-behalf payments, was \$2,926,749.86 more than budgeted or approximately 4.8 percentage points. The majority of this increase was due to the unexpected and unbudgeted increase in the payment of tax tickets.
- General fund budget expenditures compared to actual expenditures, exclusive of budgeted contingency and on-behalf, varied from line item to line item with the ending actual balance being \$721,540.46 less than budgeted, or approximately 1.2%. Part of the reason for this variance was the district's continued effort to reduce payroll expenses through attrition and constant review of non-payroll expenses.

The following table presents a summary of revenue and expense, for all funds except Construction and Debt Service, for the fiscal year ended June 30, 2019 and 2018.

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<b>Revenues</b>		
Beginning Balance	\$ 2,163,201.00	\$ 356,423.00
Local revenue sources	21,935,451.00	20,837,612.00
State revenue sources	61,308,689.00	64,064,319.00
Federal Revenue	15,845,340.00	13,818,500.00
Other Sources	<u>1,286,351.00</u>	<u>1,405,090.00</u>
<b>Total Revenues</b>	<b><u>\$ 102,539,032.00</u></b>	<b><u>\$ 100,481,944.00</u></b>
<b>Expenses</b>		
Instruction	\$ 53,086,027.00	\$ 52,527,560.00
Student Support Services	4,885,163.00	4,401,057.00
Instructional Support	4,784,300.00	4,957,698.00
District Administration	2,472,526.00	2,654,695.00
School Administration	5,248,420.00	4,976,162.00
Business Support	1,441,086.00	1,412,464.00
Plant Operations	11,355,049.00	11,270,717.00
Student Transportation	5,534,280.00	5,462,905.00
Food Service Operations	7,674,331.00	6,694,836.00
Community Support	1,854,997.00	1,763,136.00
Construction/Land	173,314.00	168,120.00
Debt Service	177,124.00	175,846.00
Other/Fund Transfers	<u>634,929.00</u>	<u>811,305.00</u>
<b>Total Expenses</b>	<b><u>\$ 99,321,546.00</u></b>	<b><u>\$ 97,276,501.00</u></b>
<b>Revenue in Excess of Expense</b>	<b><u>\$ 3,217,486.00</u></b>	<b><u>\$ 3,205,443.00</u></b>

## BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency across major funds. The district adopted a budget with \$1,350,000 in contingency, which was slightly above the required amount.

## FY20 CONCERNS

In FY20, the biggest concern of the district will be the instability of the collection of tax related revenues, which are impacted by the economy and the continual decline of the coal and natural gas industries in the area. The number of businesses closing and/or filing bankruptcy has a negative effect on both General Property Taxes and Unmined Mineral Taxes, as well as the loss of students due to families leaving the area to look for employment. Additionally, due to the increase in taxpayer burden, the Board did not pass the Compensating Tax Rate for 19-20, which reduces the district's potential tax revenue. In addition, the district faces the continual underfunding of the state SEEK program and full-day Kindergarten, the continual loss of students and fluctuating fuel and energy costs. Other major concerns for the 2019-2020

budget include the continual increase in CERS rates for classified staff (12% per year), the KSBIT assessment on prior Worker's Comp coverage, an aging bus fleet, aging facilities and overcrowding at a major school. Lastly, the political environment during a Governor Election year leaves the District concerned for the future funding of education in Kentucky.

The district will continue its participation in the Community Eligibility Option. This option allows free breakfast and lunch for all students. With the increase in food costs, the School Food Service program must be diligent to remain financially viable.

Questions regarding this report should be directed to the **Superintendent** at (606) 433-9200 or to **Nancy S. Ratliff**, Director of Finance/Treasurer at (606) 433-9230 or by mail at 316 South Mayo Trail Pikeville, KY 41501.



## BASIC FINANCIAL STATEMENTS

**PIKE COUNTY BOARD OF EDUCATION**  
**STATEMENT OF NET POSITION**  
June 30, 2019

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	\$ 9,325,822	\$ 2,053,489	\$ 11,379,311
Accounts Receivable	4,828,624	21,186	4,849,810
Inventory	0	136,684	136,684
Due From Other Funds	2,856,468	0	2,856,468
Total Current Assets	<u>\$ 17,010,914</u>	<u>\$ 2,211,359</u>	<u>\$ 19,222,273</u>
<b>Non – Current Assets</b>			
Capital Assets, Net	\$ 161,857,249	\$ 214,593	\$ 162,071,842
Construction in Progress	22,620,394	0	22,620,394
Total Non – Current Assets	<u>\$ 184,477,643</u>	<u>\$ 214,593</u>	<u>\$ 184,692,236</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 201,488,557</u></u>	<u><u>\$ 2,425,952</u></u>	<u><u>\$ 203,914,509</u></u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred Outflow from Pensions	\$ 5,472,340	\$ 666,308	\$ 6,138,648
Deferred Outflow from OPEB	2,073,580	219,326	2,292,906
Total Deferred Outflows of Resources	<u>\$ 7,545,920</u>	<u>\$ 885,634</u>	<u>\$ 8,431,554</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 854,367	\$ 26,682	\$ 881,049
Summer Payrolls	4,038,848	0	4,038,848
Interest Payable	614,472	0	614,472
Due to Other Funds	2,856,468	0	2,856,468
Other Liabilities	26,560	0	26,560
<b>Long-term Liabilities</b>			
Capital Leases due within 1 year	153,195	0	153,195
KSBIT payable due within 1 year	71,774	0	71,774
Sick Leave due within 1 year	350,000	0	350,000
Bond Payments due within 1 year	7,190,000	0	7,190,000
Bond Payments due in more than 1 year	117,840,000	0	117,840,000
KSBIT due in more than 1 year	71,774	0	71,774
Capital Leases due in more than 1 year	768,102	0	768,102
Sick Leave payable in more than 1 year	4,335,858	0	4,335,858
Pension Liabilities	30,944,433	3,767,198	34,711,631
OPEB Liabilities	28,695,764	1,098,194	29,793,958
Total Liabilities	<u>\$ 198,811,615</u>	<u>\$ 4,892,074</u>	<u>\$ 203,703,689</u>
<b>Deferred Inflows of Resources</b>			
Deferred Inflows From Pensions	\$ 2,542,580	\$ 527,374	\$ 3,069,954
Deferred Inflows From OPEB	4,240,016	219,622	4,459,638
Unearned Revenue	577,306	0	577,306
Total Deferred Inflows of Resources	<u>\$ 7,359,902</u>	<u>\$ 746,996</u>	<u>\$ 8,106,898</u>
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt	\$ 58,526,346	\$ 214,593	\$ 58,740,939
<b>Restricted</b>			
Food Service	0	(2,542,077)	(2,542,077)
Other	146,679	0	146,679
Future Construction	1,478,967	0	1,478,967
Debt Service	1,633,428	0	1,633,428
<b>Committed</b>			
Site Based Carryover	109,445	0	109,445
Sick-leave	350,000	0	350,000
Worker's Compensation	750,000	0	750,000
<b>Assigned</b>			
Purchase Obligations	116,113	0	116,113
Unassigned	(60,248,018)	0	(60,248,018)
<b>NET POSITION</b>	<u><u>\$ 2,862,960</u></u>	<u><u>\$ (2,327,484)</u></u>	<u><u>\$ 535,476</u></u>

See independent auditor's report and accompanying notes to the financial statement.

**PIKE COUNTY BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Expenses	Operating Grants & Contributions	Capital Grants & Contribution	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
Instruction	\$ 59,348,333	\$ 14,255	\$ 7,984,764	\$ 0	\$ (51,349,314)	\$ 0	\$ (51,349,314)
<b>Support Services</b>							
Student	4,885,163	0	183,876	0	(4,701,287)	0	(4,701,287)
Instruction Staff	7,310,095	0	1,545,899	0	(5,764,196)	0	(5,764,196)
District Administrative	2,472,526	0	0	0	(2,472,526)	0	(2,472,526)
School Administrative	5,248,420	0	0	0	(5,248,420)	0	(5,248,420)
Business	1,441,086	0	196,192	0	(1,244,894)	0	(1,244,894)
Plant Operation and Maint.	11,030,098	0	41,015	0	(10,989,083)	0	(10,989,083)
Student Transportation	5,534,280	0	96,680	0	(5,437,600)	0	(5,437,600)
Central Office	0	0	0	0	0	0	0
Community Service Activities	1,854,997	0	1,638,879	0	(216,118)	0	(216,118)
Facilities Acquisition and Construction	0	0	0	0	0	0	0
Interest on Long Term Debt	4,167,898	0	0	0	(4,167,898)	0	(4,167,898)
Bond Issuance Cost	0	0	0	0	0	0	0
Bond Discounts (Premiums)	0	0	0	0	0	0	0
<b>Total Government Activities</b>	<b>\$ 103,292,896</b>	<b>\$ 14,255</b>	<b>\$ 11,687,305</b>	<b>\$ 0</b>	<b>\$ (91,591,336)</b>	<b>\$ 0</b>	<b>\$ (91,591,336)</b>
<b>Business Type Activities:</b>							
Food Service	\$ 7,674,331	\$ 406,663	\$ 6,604,907	\$ 0	0	(662,761)	(662,761)
<b>Total Business Type Activities</b>	<b>\$ 7,674,331</b>	<b>\$ 406,663</b>	<b>\$ 6,604,907</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (662,761)</b>	<b>\$ (662,761)</b>
<b>Total Primary Government</b>	<b>\$ 110,967,227</b>	<b>\$ 420,918</b>	<b>\$ 18,292,212</b>	<b>\$ 0</b>	<b>\$ (91,591,336)</b>	<b>\$ (662,761)</b>	<b>\$ (92,254,097)</b>
<b>General Revenues</b>							
Taxes					\$ 22,154,571	\$ 0	\$ 22,154,571
Investment Earnings					251,539	66,871	318,410
State and Formula Grants					68,085,280	0	68,085,280
Gains on Sales of Fixed Assets					40,458	0	40,458
Other Local					1,573,854	0	1,573,854
Operating Transfer					455,328	(455,328)	0
SFCC Principal Payment					0	0	0
<b>Total</b>					<b>\$ 92,561,030</b>	<b>\$ (388,457)</b>	<b>\$ 92,172,573</b>
Change in Net Position					969,694	(1,051,218)	(81,524)
Net Position – Beginning					1,893,266	(1,276,266)	617,000
Prior Period Adjustment					0	0	0
Net Position - Ending					<b>\$ 2,862,960</b>	<b>\$ (2,327,484)</b>	<b>\$ 535,476</b>

See independent auditor's report and accompanying notes to the financial statement.

**PIKE COUNTY BOARD OF EDUCATION**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2019**

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Fund</u>
<b>ASSETS AND RESOURCES</b>						
Cash and Cash Equivalents	\$ 5,923,808	\$ 0	\$ 1,610,777	\$ 1,633,428	\$ 157,809	\$ 9,325,822
Investments	0	0	0	0	0	0
Accounts Receivable	1,131,715	3,696,909	0	0	0	4,828,624
Due From Other Funds	2,856,468	0	0	0	0	2,856,468
Total Assets and Resources	<u>\$ 9,911,991</u>	<u>\$ 3,696,909</u>	<u>\$ 1,610,777</u>	<u>\$ 1,633,428</u>	<u>\$ 157,809</u>	<u>\$ 17,010,914</u>
<b>LIABILITIES AND FUND BALANCE</b>						
<b>Liabilities</b>						
Accounts Payable	\$ 448,292	\$ 263,135	\$ 131,810	\$ 0	\$ 11,130	\$ 854,367
Summer Payrolls	4,038,848	0	0	0	0	4,038,848
Due to Other Funds	0	2,856,468	0	0	0	2,856,468
Other Liabilities	26,560	0	0	0	0	26,560
Total Liabilities	<u>\$ 4,513,700</u>	<u>\$ 3,119,603</u>	<u>\$ 131,810</u>	<u>\$ 0</u>	<u>\$ 11,130</u>	<u>\$ 7,776,243</u>
<b>Deferred Inflows of Resources</b>						
Deferred Revenue	\$ 0	\$ 577,306	\$ 0	\$ 0	\$ 0	\$ 577,306
Total Deferred Inflows of Resources	<u>\$ 0</u>	<u>\$ 577,306</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 577,306</u>
<b>Fund Balance</b>						
<b>Restricted:</b>						
Other	\$ 0	\$ 0	\$ 0	\$ 0	\$ 146,679	\$ 146,679
Future Construction	0	0	1,478,967	0	0	1,478,967
Debt Service	0	0	0	1,633,428	0	1,633,428
<b>Committed:</b>						
Site Based Carryforward	109,445	0	0	0	0	109,445
Sick-leave	350,000	0	0	0	0	350,000
Worker's Compensation	750,000	0	0	0	0	750,000
<b>Assigned:</b>						
Purchase Obligations	116,113	0	0	0	0	116,113
Unassigned	4,072,733	0	0	0	0	4,072,733
Total Fund Balance	<u>\$ 5,398,291</u>	<u>\$ 0</u>	<u>\$ 1,478,967</u>	<u>\$ 1,633,428</u>	<u>\$ 146,679</u>	<u>\$ 8,657,365</u>
Total Liabilities and Fund Balance	<u>\$ 9,911,991</u>	<u>\$ 3,696,909</u>	<u>\$ 1,610,777</u>	<u>\$ 1,633,428</u>	<u>\$ 157,809</u>	<u>\$ 17,010,914</u>

See independent auditor's report and accompanying notes to the financial statement.

**PIKE COUNTY BOARD OF EDUCATION  
RECONCILIATION OF THE BALANCE SHEET- GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2019**

Fund balance per fund financial statements	\$	8,657,365
Amounts reported for governmental activities in the statement of Net Positions are different because:		
Capital assets and construction in progress are not reported in this funds financial statement because they are not current financial resources, but they are reported in the statement of Net Positions.		184,477,643
Deferred outflows of resources 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		7,545,920
Deferred inflows of resources are not reported in the fund financial statement because they are not due and payable, but they are presented in the statement of net position		(6,782,596)
Certain liabilities (such as bonds payable, compensated absences, KSBIT liability) are not reported in this funds financial statement because they are not due and payable, but they are presented in the statement of Net Positions.		
Sick Leave		(4,685,858)
Capital Leases payable		(921,297)
Accrued Interest on Bonds		(614,472)
KISBIT		(143,548)
Pension Liability		(30,944,433)
OPEB Liabilities		(28,695,764)
Bonds		(125,030,000)
Other		
Net Position for Governmental Activities	\$	<u>2,862,960</u>

See independent auditor's report and accompanying notes to the financial statement.

**PIKE COUNTY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	General Fund	Special Revenue	Construction Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Fund
<b>REVENUES</b>						
From Local Sources						
Taxes						
Property	\$ 13,266,469	\$ 0	\$ 0	\$ 0	\$ 2,213,892	\$ 15,480,361
Motor Vehicles	2,496,419	0	0	0	0	2,496,419
Utilities	3,696,025	0	0	0	0	3,696,025
Other	481,766	0	0	0	0	481,766
Earnings on Investments	198,580	0	52,959	0	0	251,539
Other Local Revenues	695,809	641,104	0	0	251,196	1,588,109
Intergovernmental- State	58,091,825	2,232,618	0	4,507,884	4,715,579	69,547,906
Intergovernmental-Federal	195,109	10,029,570	0	0	0	10,224,679
<b>Total Revenues</b>	<b>\$ 79,122,002</b>	<b>\$ 12,903,292</b>	<b>\$ 52,959</b>	<b>\$ 4,507,884</b>	<b>\$ 7,180,667</b>	<b>\$ 103,766,804</b>
<b>EXPENDITURES</b>						
Instruction	\$ 43,265,939	\$ 9,686,047	\$ 0	\$ 0	\$ 134,041	\$ 53,086,027
Support Services						
Student	4,678,835	206,328	0	0	0	4,885,163
Instruction Staff	3,740,835	1,029,140	0	0	14,325	4,784,300
District Administrative	2,472,526	0	0	0	0	2,472,526
School Administrative	5,231,451	0	0	0	16,969	5,248,420
Business	1,168,105	272,981	0	0	0	1,441,086
Plant Operation and Maint.	11,265,965	13,370	0	0	75,714	11,355,049
Student Transportation	5,437,600	96,680	0	0	0	5,534,280
Food Service	0	0	0	0	0	0
Community Services	124,248	1,730,749	0	0	0	1,854,997
Facilities Acquisitions and Construction	173,314	0	5,272,507	0	0	5,445,821
Purchase Professional Services	0	0	0	0	0	0
Site Improvement	0	0	0	0	0	0
Building Improvements	0	0	0	0	0	0
Debt Service						
Principal	153,195	0	0	6,950,000	0	7,103,195
Interest	23,929	0	0	4,152,169	0	4,176,098
Bond Issuance Costs	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>\$ 77,735,942</b>	<b>\$ 13,035,295</b>	<b>\$ 5,272,507</b>	<b>\$ 11,102,169</b>	<b>\$ 241,049</b>	<b>\$ 107,386,962</b>
Excess (Deficit) of Revenues over Expenditures	\$ 1,386,060	\$ (132,003)	\$ (5,219,548)	\$ (6,594,285)	\$ 6,939,618	\$ (3,620,158)
<b>Other Financing Sources (Uses)</b>						
Proceeds from Sales of Bonds	\$ 0	\$ 0	\$ 1,940,000	\$ 0	\$ 0	\$ 1,940,000
Premium on Bond Issuance	0	0	0	0	0	0
Bond Discounts	0	0	0	0	0	0
Proceeds from Capital Leases	0	0	0	0	0	0
KISBIT Payments	0	0	0	0	0	0
Proceeds from Sales of Fixed Assets	50,785	0	0	0	0	50,785
Operating Transfer, In	814,313	155,802	0	6,594,285	0	7,564,400
Operating Transfer, Out	(155,802)	(23,799)	0	0	(6,929,471)	(7,109,072)
<b>Total Other Financing Sources</b>	<b>\$ 709,296</b>	<b>\$ 132,003</b>	<b>\$ 1,940,000</b>	<b>\$ 6,594,285</b>	<b>\$ (6,929,471)</b>	<b>\$ 2,446,113</b>
<b>Net Change in Fund Balance</b>	<b>\$ 2,095,356</b>	<b>\$ 0</b>	<b>\$ (3,279,548)</b>	<b>\$ 0</b>	<b>\$ 10,147</b>	<b>\$ (1,174,045)</b>
Fund Balance - Beginning	3,302,935	0	4,758,515	1,633,428	136,532	9,831,410
<b>Fund Balance - Ending</b>	<b>\$ 5,398,291</b>	<b>\$ 0</b>	<b>\$ 1,478,967</b>	<b>\$ 1,633,428</b>	<b>\$ 146,679</b>	<b>\$ 8,657,365</b>

See independent auditor's report and accompanying notes to the financial statement.

**PIKE COUNTY BOARD OF EDUCATION  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

Net change in total fund balances per fund financial statements \$ (1,174,045)

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

Capital outlays are reported as expenditures in this funds financial statement because they use current financial resources, but they are presented as assets in the statement of position and depreciated over their estimated economic lives. 5,760,444

The cost of capital assets is allocated over their useful lives and reported as depreciation expense. (6,559,177)

Bond proceeds are reported as financing source in governmental funds end thus contributes to the change in fund balance. In the statement of Net Positions, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of Net Positions. (1,940,000)

Bond payments are recognized as expenditures of current financial resources in the fund financial statements but are reductions of liabilities in the statement of financial position 6,950,000

Capital lease payments are recognized as expenditures of current financial resources in the fund financial statements but are reductions of liabilities in the statement of financial position 153,195

Interest Payable 8,200

Estimated claims that are not mature are not reported in this statement. The KSBIT liability is recorded in the statement of activities. 71,774

In the statement of activities certain operating expenses such as compensated absences are measured by the amounts earned during the year. In the governmental fund, however, expenditures for these items are measured by the amount of financial resources used. These accrued expenses paid exceeded the amounts earned.

Accrued Sick Leave 225,098

Pension Expense (2,434,411)

Other Post Employment Benefits (OPEB) (91,384)

Other

Change in net Position of governmental activities \$ 969,694

See independent auditor's report and accompanying notes to the financial statement.

**PIKE COUNTY BOARD OF EDUCATION**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**June 30, 2019**

	Food Service
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 2,053,489
Accounts Receivable	21,186
Inventory	136,684
Total Current Assets	\$ 2,211,359
Capital Assets-net of depreciation	214,593
Total Assets	\$ 2,425,952
Deferred Outflows of Resources	
Deferred outflows from Pension	\$ 666,308
Deferred outflows from OPEB	219,326
	\$ 885,634
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	\$ 26,682
OPEB Liability - Long-Term	1,098,194
Pension Liability - Long Term	3,767,198
Total Current Liabilities	\$ 4,892,074
Deferred Inflows of Resources	
Deferred inflows from pension	\$ 527,374
Deferred inflows from OPEB	219,622
	\$ 746,996
Net Position	
Investment in Capital Asset, Net of Debt	\$ 214,593
Restricted	(2,542,077)
Unrestricted	0
Total Net Position	\$ (2,327,484)

See independent auditor's report and accompanying notes to the financial statement.



PIKE COUNTY BOARD OF EDUCATION

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN NET POSITION PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	Food Service
OPERATING REVENUES:	
Lunchroom Sales	\$ 405,339
Other Operating Revenues	1,324
	<u>\$ 406,663</u>
OPERATING EXPENSES:	
Salaries and Wages	\$ 3,361,793
Contract Services	38,962
Materials and Supplies	3,687,231
Expendable Equipment	491,458
Depreciation	57,544
Other Operating Expenses	37,343
	<u>\$ 7,674,331</u>
TOTAL OPERATING EXPENSES	<u>\$ 7,674,331</u>
Operating Income (Loss)	<u>\$ (7,267,668)</u>
NON-OPERATING REVENUES (EXPENSES)	
Federal Grants	\$ 5,308,705
State Grants	46,399
On Behalf of Payments	937,847
Donated Commodities	311,956
Interest Income	66,871
Interest Expense	0
Loss on Disposal of Assets	0
	<u>\$ 6,671,778</u>
NON-OPERATING REVENUES (EXPENSES)	<u>\$ 6,671,778</u>
Net Income (Loss) Before Operating Transfers	\$ (595,890)
Operating Transfers	(455,328)
	<u>\$ (1,051,218)</u>
Increase in net position	\$ (1,051,218)
Net Position - Beginning	(1,276,266)
Restatement of Beginning Net Position	0
Net Position - Ending	<u>\$ (2,327,484)</u>

See independent auditor's report and accompanying notes to the financial statement.

**PIKE COUNTY BOARD OF EDUCATION  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	Food Service
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from:	
Lunchroom Sales	\$ 477,467
Other Activities	1,324
Cash Paid to/for:	
Employees	(2,785,799)
Contract Service	(38,962)
Supplies	(2,455,051)
Expendable Equipment	(491,458)
Other	(37,343)
Net Cash Provided (Used) by Operating Activities	\$ (5,329,822)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Receipt of Interest Income	\$ 66,871
Net Cash Provided (Used) by Investing Activities	\$ 66,871
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Transfers to other funds	(455,328)
Net Cash (Used) by Capital and Related Financing Activities	\$ (455,328)
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES</b>	
Operational Grants	\$ 5,355,104
Net Cash Provided(Used) by Financing Activities	\$ 5,355,104
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (363,175)
Cash and Cash Equivalents - Beginning	2,416,664
Cash and Cash Equivalents - Ending	\$ 2,053,489
Reconciliation of Operating Income (Loss)	
To Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ (7,267,668)
Adjustments to Reconcile Operating Income to Net Cash	
Operating Activities:	
Depreciation	57,544
On Behalf of Payments	937,847
Commodities Used	311,956
Change in Assets and Liabilities:	
(Increase) Decrease	
Accounts Receivable	72,128
Inventory	(144)
Deferred outflows	351,446
Increase (Decrease) in:	
Accounts Payable	(17,479)
Deferred inflows	251,239
OPEB liability	(152,467)
Pension liability	125,776
Net Cash provided (Used) by Operating Activities	\$ (5,329,822)
Schedule of Non Cash Transactions:	
On Behalf of Payments	\$ 937,847
Donated Commodities Received From Federal Government	311,956

See independent auditor's report and accompanying notes to the financial statement.

**PIKE COUNTY BOARD OF EDUCATION**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**June 30, 2019**

	<u>Activity Funds</u>
<b>ASSETS</b>	
Cash and Equivalents	\$ 1,032,669
Accounts Receivable	1,574
<b>TOTAL ASSETS</b>	<b>\$ 1,034,243</b>
 <b>LIABILITIES</b>	
Accounts Payable	\$ 29,575
Due to Student Groups	1,004,668
<b>Total Liabilities</b>	<b>\$ 1,034,243</b>
 <b>NET POSITION</b>	 <b>\$ 0</b>

See independent auditor's report and accompanying notes to the financial statement.

PIKE BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 1 – REPORTING ENTITY**

The Pike County Board of Education (Board), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Pike County Board of Education (District). The Board receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

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

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

Based on the foregoing criteria, the financial statements of the following organization is included in the accompanying financial statements.

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF PRESENTATION**

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

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

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

PIKE BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF PRESENTATION (Continued)**

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

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

a. Governmental Fund Types

The **General Fund** is the primary operating fund of the Board. It accounts for and reports all financial resources not accounted for and reported in another fund. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use.

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

The **District Activity Fund** was used to receipt and expend non-student generated funds from the schools. Schools send non-student generated funds on a monthly basis that are then expended on items such as athletics, instruction, building & grounds, etc. Any unused funds are carried over to the next year and reallocated to the schools.

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

1. 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.
2. The **Facility Support Program (FSPK) Fund** accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable, funds may be used for projects identified in the district's facility plan.
3. The **Technology Fund** accounts for Kentucky Education Technology System allocation and local district matching funds restricted for the purchase of technology consistent with the District's approved technology plan.
4. The **Construction Fund** includes Capital Projects Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

PIKE BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued).**

**BASIS OF PRESENTATION (Continued)**

b. Proprietary Fund Type

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with U.S. Department of Agriculture (USDA). \$311,956 has been recorded for in-kind contribution of commodities from the USDA, but commodities are identified in the Schedule of Federal Financial Assistance included in this report. The measurement focus is upon the determination of net income. This is a major fund of the District.

c. Fiduciary Fund Type

The Activity Fund consists of Agency Funds and accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with Uniform Program of Accounting for School Activity Funds.

d. Debt Service Fund

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

**BASIS OF ACCOUNTING**

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

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource is required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

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

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

PIKE BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF ACCOUNTING**

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

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

**Deferred Outflow of Resources** - A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. The Board's deferred outflows for the government wide financials include the board's current year retirement contributions for pension expenses that will impact future reporting periods.

**Deferred Inflow of Resources** - A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. Deferred inflows for the government wide financials include the proportionate share of the Board's net difference between projected and actual investment earnings and the differences between the employer contributions and proportionate share of contributions.

**Restricted Resources**- Restricted resources should be applied first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available. If an expense is incurred for purposes for which committed, assigned and unassigned fund balances are all available, the fund balances should be reduced in the following order; committed, assigned and then unassigned.

**PROPERTY TAXES**

**Property Tax Revenues** – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2019 to finance the General Fund operations were \$.88.7 per: \$100 valuation for real property, \$.88.7 per \$100 valuation for business personal property and \$.553 per \$100 valuation for motor vehicles.

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

PIKE BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2019

**NOTE 2 – 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 government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

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

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

Description	Governmental Activities Estimated Lives
Buildings and Improvements	25-50 years
Land Improvements	20 years
Technology Equipment	5 years
Vehicles	5-10 years
Audio-Visual Equipment	15 years
Food Service Equipment	12 years
Furniture and Equipment	20 years
Rolling Stock	15 years
Other	10 years

**INTERFUND BALANCES**

On fund financial statements, receivables and payables resulting from short-term inter-fund loans are classified as “inter-fund receivables/payables”. These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the residual amounts due between government and business-type activities, which are presented as internal balances. Inter-fund receivables/payables as of June 30, 2019 are as follows:

From	To	Purpose	Amount
Special Revenue	General Fund	Operations	\$ 2,856,468.



PIKE BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BUDGETARY PROCESS**

**Budgetary Basis of Accounting:** The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

**Inventory –** Supplies and materials are charged to expenditures when purchased.

**Inventory proprietary -** Inventories are stated at lower of cost or market.

**Encumbrances –** Encumbrances are reported as an assignment of the fund balance. They are not reported as disbursements until paid. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrance at year-end are re-appropriated in the next year. An assignment of fund balance equal to outstanding encumbrances, at year-end is provided for at June 30, 2019. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

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

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

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

PIKE BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Balance Reserves** – The District has elected to adopt GASB statement 54 for financial statement reporting. The following lists the terminology used to describe components of the fund balances:

Non-spendable	Permanently non-spendable by the decree of the donor or items which may not be used for another purpose.
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-encumbrances.
Unassigned	Funds available for future operations.

**Operating Revenues and Expenses** – Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Board of Education, those revenues are primarily charges for meals provided by the various schools.

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

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

**Deferred Revenue** – Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and accordingly, when such funds are received they are recorded as deferred revenue until earned. Property tax and other governmental fund financial resource increments (i.e. bond issue proceeds) are recognized in the accounting period in which they become susceptible to accrual: that is when they become both measurable and available to finance expenditures of the fiscal period.

**NOTE 3 – NET POSITION**

Net position is classified into four categories according to external donor restrictions or availability of assets for satisfaction of Board obligations. The Board's net position is classified as follows:

**Invested in capital assets, net of related debt** - This represents the Board's total investment in capital assets, net of accumulated depreciation and reduced by the balances of any outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested capital assets, net of related debt.

**Restricted net position, expendable** - This includes resources in which the Board is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties including grantors, donors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

PIKE BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2019

**NOTE 3 – NET POSITION (Continued)**

**Restricted net position, nonexpendable** - This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to the principal. The Board does not have any restricted nonexpendable assets at June 30, 2019.

**Unrestricted net position** - This represents resources derived from other than capital assets or restricted net position. These resources are used for transactions relating to the general operation of the Board, and may be used at the discretion of the Board to meet current expenses for any lawful purpose.

**NOTE 4 – RESTRICTED NET POSITION:**

For the district-wide Statement of Net Position, net position is reported as restricted when constraints placed on its use are either externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In other funds, any negative fund balances would be unassigned.

**NOTE 5 – ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances and disclosures of contingent assets and liabilities at the date of the general purpose financial statement, and the reported amount of revenues and expenditures during the reporting period. Actual results could differ from estimates.

**Note 6 - 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 Activites / Proprietary	Total
Accounts and Grants Receivable from outside sources			
Accounts Receivable	\$ 1,131,715	\$ 21,186	\$ 1,152,901
Grants Receivabe	3,696,909	0	3,696,909
	<u>\$ 4,828,624</u>	<u>\$ 21,186</u>	<u>\$ 4,849,810</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.

PIKE BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2019

**NOTE 7 – CASH AND CASH EQUIVALENTS**

At year-end, the carrying amount of the Board’s cash and cash equivalents was \$12,412,133. Of the total cash balance, \$530,039 was covered by Federal Depository Insurance with the remainder covered by collateral held by the pledging bank’s trust departments in the Board’s name.

General Fund, cash and cash equivalents at June 30, 2019 consist of the following:

	<u>Bank Balance</u>
Community Trust Bank	\$ 12,673,147
US Bank	30,039
Barclay	1,633,428
Total Bank Balance	\$ 14,336,614
	<u>Book Balance</u>
Breakdown per financial Statements:	
Governmental Funds	\$ 9,325,822
Fiduciary Funds	1,032,822
Proprietary Funds	2,053,489
Total Book Balance	\$ 12,412,133
The securities pledged as collateral are:	
FHLB Letter of Credit-Community Trust Bank	\$ 18,234,537
Other Securities	0
FDIC	530,039
Total securities pledged	\$ 18,764,576

**NOTE 8 – DEPOSITS AND INVESTMENTS**

*Interest rate risk* - In accordance with the District’s investment policy, interest rate risk is limited by investing in public funds with the highest rate of return with the maximum of security of principal.

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

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

*Custodial credit risk* - deposits. For deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned. The District maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation. As allowed by law the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30 2019, the District’s deposits are entirely insured and/or collateralized with securities held by the financial institutions on the District’s behalf and the FDIC insurance.

PIKE BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 9 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

<b><u>Governmental Activities</u></b>	Balance	Additions	Deductions	Balance
	July 1, 2018			June 30, 2019
Land	\$ 9,001,549	\$ 639,969	\$ 0	\$ 9,641,518
Total Non Depreciable	\$ 9,001,549	\$ 639,969	\$ 0	\$ 9,641,518
Land improvements	\$ 17,202,580	\$ 0	\$ 0	\$ 17,202,580
Buildings	180,778,721	32,187,547	0	212,966,268
Technology equipment	10,371,525	719,185	208,892	10,881,818
Vehicles	16,221,520	53,727	15,062	16,260,185
General equipment	3,408,623	54,275	3,755	3,459,143
Infrastructure	89,638	0	0	89,638
Construction in progress	50,504,325	5,268,585	33,152,516	22,620,394
Total Depreciable	\$ 278,576,932	\$ 38,283,319	\$ 33,380,225	\$ 283,480,026
Total at historical cost	\$ 287,578,481	\$ 38,923,288	\$ 33,380,225	\$ 293,121,544
Less: Accumulated depreciation				
Land improvements	\$ 8,277,609	\$ 462,275	\$ 0	\$ 8,739,884
Buildings	69,717,331	4,615,369	0	74,332,700
Technology equipment	8,254,062	471,888	197,688	8,528,262
Vehicles	12,918,457	874,190	15,063	13,777,584
General equipment	3,089,453	130,974	4,630	3,215,797
Infrastructure	45,193	4,481	0	49,674
Total accumulated depreciation	\$ 102,302,105	\$ 6,559,177	\$ 217,381	\$ 108,643,901
Governmental Activities				
Capital Assets-net	\$ 185,276,376			\$ 184,477,643
<b><u>Business-Type Activities</u></b>	Balance	Additions	Deductions	Balance
	July 1, 2018			June 30, 2019
Technology equipment	\$ 101,708	\$ 0	\$ 4,136	\$ 97,572
Vehicles	62,506	0	0	62,506
General equipment	2,380,332	0	48,818	2,331,514
Total at historical cost	\$ 2,544,546	\$ 0	\$ 52,954	\$ 2,491,592
Less: Accumulated depreciation				
Technology equipment	85,631	\$ 2,787	\$ 4,136	84,282
Vehicles	40,125	12,501	0	52,626
General equipment	2,146,653	42,256	48,818	2,140,091
Total accumulated depreciation	\$ 2,272,409	\$ 57,544	\$ 52,954	\$ 2,276,999
Business-Type Activities				
Capital Assets-net	\$ 272,137			\$ 214,593

Depreciation expense was allocated to governmental functions.

PIKE BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2019

**NOTE 10 – BONDED DEBT AND LEASE OBLIGATIONS**

On August 16, 2018 the district approved School Building Revenue bonds-series 2018, in the amount of \$1,940,000. The proceeds of this issue are to be used to finance HVAC work for Phelps High School and chiller installation for Pike Central High School. The issue carries interest at 1.90%-3.375% and matures September 1,2018. Principal payments are to be made in September of each year and interest payments will be made in March and September of each year. The amounts are included in the schedule of bond payments.

The amounts shown in the accompanying financial statements as lease obligations represents the Board's future obligations to make lease payments relating to the bonds issued aggregating \$125,030,000. The School Building Revenue Bonds are collateralized primarily by the education facilities constructed. Management has indicated that the District is in compliance with all significant limitations and restrictions as of June 30,2019.

The original amount of the issues, issue dates and interest rates are shown below:

Issue Date	Proceeds	Rates	Balance June 30, 2019
November 1, 2006	\$ 5,460,000	3.500% - 3.800%	\$ 515,000
June 1, 2009	10,695,000	1.000% - 3.200%	2,405,000
October 1, 2009	1,735,000	1.200% - 4.125%	1,095,000
October 4, 2010	6,400,000	0.700% - 3.100%	2,430,000
November 1, 2011	29,670,000	2.000% - 4.000%	22,855,000
November 1, 2011	11,000,000	4.620%	11,000,000
June 1, 2012	18,720,000	2.000% - 3.000%	9,280,000
May 1, 2013	3,880,000	1.000% - 2.000%	1,795,000
June 1, 2014	8,350,000	2.000% - 4.000%	7,625,000
June 1,2015	3,650,000	2.000% - 4.000%	3,560,000
September 1,2015	7,505,000	0.600% - 3.700%	7,355,000
February 1,2016	11,690,000	0.750% - 2.500%	10,625,000
February 1,2016	20,885,000	0.750% - 3.150%	20,675,000
March 29, 2016	500,000	5.750% -	500,000
August 1, 2016	19,400,000	1.000% - 3.000%	17,885,000
March 1, 2018	3,530,000	3.600% -	3,490,000
September 1,2018	1,940,000	1.900% - 3.375%	1,940,000
			<u>\$ 125,030,000</u>

The Board, through the General Fund, including utility taxes and the SEEK Capital Outlay Fund, is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Pike County Fiscal Court to construct school facilities. The Board has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The Board, through the General Fund, is also obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Pike County Fiscal Court to purchase the buses under lease at any time by retiring the bonds then outstanding.

The district has also entered into "participation agreement" with the School Facility Construction Commission. The Kentucky General Assembly for the purpose of assisting local Board of Educations in meeting school construction needs created the commission. The table below sets forth the amount to be paid by the district each year until maturity of all bond issues.

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**NOTE 10 – BONDED DEBT AND LEASE OBLIGATIONS (Concluded)**

The bonds may be called prior to maturity at dated and redemption premiums specified in each issue.

	Beginning Balance	Additions	Payments	Ending Balance
Bonds	\$ 130,040,000	\$ 1,940,000	\$ 6,950,000	\$ 125,030,000
Sick Leave	4,910,956	34,138	259,236	4,685,858
Capital Leases	1,074,492	0	153,195	921,297
Judgements	215,322	0	71,774	143,548
Total	<u>\$ 136,240,770</u>	<u>\$ 1,974,138</u>	<u>\$ 7,434,205</u>	<u>\$ 130,780,703</u>

Assuming the issues are not called prior to scheduled maturity, the minimum obligations of the funds at June 30, 2019 for debt service, (principal and interest) are as follows:

	Pike County Board			KY Construction Commission				
	Local Principal Total	Local Interest Total	Sinking Fund	KSFCC Principal Total	KSFCC Interest Total	Sinking Fund	Federal Rebate	
2019 - 2020	\$ 4,016,647	\$ 2,645,254	\$ 67,473	\$ 3,173,353	\$ 887,936	\$ 387,428	\$ 508,200	\$ 11,686,291
2020 - 2021	4,125,970	2,534,601	64,413	2,824,030	816,254	390,488	508,200	11,263,956
2021 - 2022	4,227,982	2,431,842	66,001	2,232,018	758,301	388,900	508,200	10,613,244
2022 - 2023	4,344,189	2,317,993	67,393	2,285,811	709,501	387,508	508,200	10,620,595
2023 - 2024	4,473,771	2,190,956	63,688	2,256,229	647,526	391,213	508,200	10,531,583
2024 - 2025	4,608,801	2,053,980	64,836	2,026,199	573,493	390,065	508,200	10,225,574
2025 - 2026	4,769,361	1,892,069	65,736	2,055,639	497,348	389,165	508,200	10,177,518
2026 - 2027	4,940,719	1,717,853	66,436	2,124,281	430,733	388,465	508,200	10,176,687
2027 - 2028	5,121,083	1,541,779	66,864	1,863,917	378,165	388,037	508,200	9,868,045
2028 - 2029	5,310,852	1,347,438	67,017	1,404,148	334,836	387,884	508,200	9,360,375
2029 - 2030	5,526,632	1,142,074	61,575	1,408,368	297,239	393,326	508,200	9,337,414
2030 - 2031	5,756,828	926,551	63,593	1,353,172	259,630	391,308	254,100	9,005,182
2031 - 2032	6,047,170	713,017	0	1,387,830	222,783	0	0	8,370,800
2032 - 2033	4,182,108	549,055	0	1,427,892	183,435	0	0	6,342,490
2033 - 2034	4,321,199	409,638	0	1,468,801	141,039	0	0	6,340,677
2034 - 2035	3,989,725	264,758	0	1,330,275	97,345	0	0	5,682,103
2035 - 2036	3,715,387	134,051	0	1,369,613	58,124	0	0	5,277,175
2036 - 2037	444,711	31,756	0	1,090,289	19,744	0	0	1,586,500
2037 - 2038	462,600	16,191	0	62,400	2,184	0	0	543,375
	<u>\$ 80,385,735</u>	<u>\$ 24,860,856</u>	<u>\$ 785,025</u>	<u>\$ 33,144,265</u>	<u>\$ 7,315,616</u>	<u>\$ 4,673,787</u>	<u>\$ 5,844,300</u>	<u>\$ 157,009,584</u>

PIKE BOARD OF EDUCATION  
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**NOTE 11 – LEASE COMMITMENTS**

Commitments under operating lease agreements for equipment provide the minimum future rental payments as of June 30, 2019 as follows:

	Principal	Interest	Total
June 30, 2020	\$ 153,195	\$ 20,864	\$ 174,059
June 30, 2021	159,578	17,801	177,379
June 30, 2022	159,578	14,609	174,187
June 30, 2023	163,833	11,019	174,852
June 30, 2024	140,429	7,128	147,557
Thereafter	144,684	3,617	148,301
Total	<u>\$ 921,297</u>	<u>\$ 75,038</u>	<u>\$ 996,335</u>

**NOTE 12 – ACCUMULATED UNPAID SICK LEAVE BENEFITS**

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the sick leave payable account in the general fund. The non-current portion of the liability is not recorded.

At June 30, 2019, this amount totaled \$4,485,858 of which \$350,000 is committed in the current year fund balance of the General Fund.

**NOTE 13 - WORKER'S COMPENSATION INSURANCE LIABILITY**

In order to satisfy the outstanding claims and deficits of the Kentucky School Board Insurance Trust (KSBIT), a non-profit, self-insured pool, the District entered into an agreement to pay \$574,195 to settle all claims. The District has elected to pay 25% by August 31, 2014, and to pay the balance in equal installments for 6 years. This amount is interest free and is to be paid upon the following remaining schedule:

8/30/2020	\$ 71,774
8/30/2021	71,774
8/30/2022	0
8/30/2023	0
8/29/2024	0
Total	<u>\$ 143,548</u>



PIKE BOARD OF EDUCATION  
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**NOTE 14 – GASB 68 AND 71**

In March 2009, the Governmental Accounting Standards Board (GASB) approved Statement No. 68, Accounting and Financial Reporting for Pensions. Statement 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. In November 2013, the GASB approved Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of the statement were adopted by the District for the fiscal year beginning July 1, 2014.

**NOTE 15 – RETIREMENT PLANS**

	2019	2018	2017	2016	2015	2014	2013
Total Payroll	\$ 57,047,286	\$ 56,424,855	\$ 55,835,533	\$ 54,017,948	\$ 53,846,133	\$ 54,615,508	\$ 53,952,393
KTRS Total Payroll	37,105,911	36,809,662	38,195,439	34,181,498	39,104,554	39,719,440	39,154,705
KTRS Contribution - Employee Portion	4,769,967	4,731,682	4,909,951	5,012,018	4,731,997	4,508,198	4,250,166
KTRS Contribution - District Portion	1,610,155	1,495,235	1,557,017	1,567,395	1,308,933	1,065,247	910,472
KTRS Contribution - Commonwealth of Kentucky (on behalf of Payments)	10,417,762	11,103,259	5,819,247	5,863,960	6,133,500	4,733,237	4,986,637
KTRS Contribution - District Federal Employees	610,743	480,450	505,378	488,764	502,839	523,154	558,573
CERS Total Payroll	19,941,375	19,615,193	17,640,094	19,050,950	17,811,339	17,855,475	16,778,226
Contributions Requirement for CERS	3,770,154	3,492,697	3,136,162	3,269,302	3,238,427	3,507,180	3,493,671
CERS Contribution - Employee Portion	751,654	759,539	692,392	772,067	741,068	758,674	730,880
CERS Contribution - District Portion	3,018,500	2,733,158	2,443,771	2,497,234	2,497,359	2,748,507	2,762,791
KTRS Total Payroll--PLUS--CERS Total Payroll	57,047,286	56,424,855	55,835,533	53,232,449	56,915,893	57,574,916	55,932,931
KTRS Contribution - Employee Portion--PLUS-- CERS Contribution - Employee Portion	5,521,621	5,491,221	5,602,343	5,784,085	5,473,065	5,266,872	4,981,046
KTRS Contribution - District Portion--PLUS-- CERS Contribution - District Portion	4,628,655	4,228,393	4,000,787	4,064,629	3,806,292	3,813,754	3,673,263

**NOTE 16 – RETIREMENT PLAN**

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

*Plan description* - Teaching-certified employees of the District are provided pensions through the Teachers' Retirement System of the State of Kentucky (TRS) - a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public 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>.

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

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

PIKE BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 16 - RETIREMENT PLAN (Continued)**  
**Teachers' Retirement System of the State of Kentucky (KTRS) (Continued)**

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

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

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

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

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions of the amount 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. University employers contribute 15.865% of salaries of members. For local school district and regional cooperative members whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

#### **Medical Insurance Plan**

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

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

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

PIKE BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 16 - RETIREMENT PLAN (Continued)**  
**Teachers' Retirement System of the State of Kentucky (KTRS) (Continued)**

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

At June 30, 2019, the Pike County Board of Education did not report a liability for its proportionate share of the net pension liability because the State of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

State's proportionate share of the net pension liability associated with the District	<u>\$143,777,280</u>
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The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2018, the District's proportion was 1.0980 percent. For the year ended June 30, 2019, the District recognized pension expense of \$10,417,762 and Revenue of \$10,417,762 for support provided by the state. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

*Actuarial assumptions* - The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.50%, net of pension plan investment expense, including inflation.
Projected salary increases	3.50 – 7.30%, including inflation
Inflation rate	3.00%
Municipal Bond Index Rate	
Prior Measurement Date	3.56%
Measurement Date	3.89%
Year FNP is projected to Deplete	2040
Single Equivalent Interest Rate	
Prior Measurement Date	4.49%
Measurement Date	7.50%
Post-Retirement Benefit Increases	1.50% Annually

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 using scale BB (set forward two years for males and one year for females) is used for death after service retirement and beneficiaries. The last experience study was prepared as of June 30, 2015, submitted to and adopted by the Board on September 19, 2016.

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

PIKE BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2019

**NOTE 16 - RETIREMENT PLAN (Continued)**

**Teachers' Retirement System of the State of Kentucky (KTRS)(Concluded)**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	40.0%	4.2%
International Equity	22.0%	5.2%
Fixed Income	15.0%	1.2%
Additional Categories	8.0%	3.3%
Real Estate	6.0%	3.8%
Private Equity	7.0%	6.3%
Cash	2.0%	0.9%
Total	<u>100.0%</u>	

*\* Includes Hedge Funds, High Yield and Non-U.S. Developed Bonds.*

*Discount rate* - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. It was 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 members until the 2040 plan year and as a result, the Municipal Bond Index Rate was used in the determination of the Single Equivalent Interest Rate (SEIR). There was a change in the Municipal Bond Index Rate from the Prior Measurement Date to the Measurement Date, so as required under GASB 68, the SEIR at the Measurement Date of 7.50% was calculated using the Municipal Bond Index Rate as of the Measurement Date (3.89%). This change in the discount rate is considered a change in actuarial assumptions under GASB 68.

The following table presents the District's proportionate share of the net pension liability of the System, calculated using the discount rate of 4.49%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (8.50%) or 1-percentage-point higher (6.50%) than the current rate (\$ thousands):

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
System's net pension liability	184,296,686	143,777,280	109,685,615

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

June 30, 2017 is the actuarial valuation date upon which the TPL is based. An expected TPL is determined as of June 30, 2018 using standard roll forward techniques. The procedure used to determine the TPL as of June 30, 2018 is shown on page 5 of the GASB 67 report for KTRS submitted on November 6, 2018

Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense, they are labeled deferred inflows. If they will increase pension expense, they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average expected remaining service life of the active and inactive Plan members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five year period.

PIKE BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2019

**NOTE 16 - RETIREMENT PLAN (Continued)**

**KENTUCKY RETIREMENT SYSTEM  
 County Employees Retirement System (CERS)**

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

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

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

*Contributions:* Funding for CERS is provided by members who contribute 5% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions and by employers of members who contribute 17.06% of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2018 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2018. At June 30, 2018, the District's proportion was .569949%.

For the year ended June 30, 2019, the District recognized pension expense of \$5,554,220. At June 30, 2019, the District reported deferred outflows of resources for District contributions subsequent to the measurement date and deferred inflows of resources related to pensions from the net difference between projected and actual earnings on pension plan investments in the amount of:

Deferred Outflows of Resources for:

Difference Between Expected & Actual Experience	\$ 1,132,196
Related to pensions from the net difference between projected and actual earnings on pension plan investments	1,614,116
Changes of Assumptions	<u>3,392,336</u>
	<u>\$ 6,138,648</u>

Deferred Inflows of Resources for:

Liability Experience	\$ 508,105
Assumption Changes	0
Investment Experience	2,030,328
Changes in Proportion & Differences Between Employer Contributions & Proportionate Share of Contributions	<u>531,521</u>
	<u>\$ 3,069,954</u>

PIKE BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2019

**NOTE 16 - RETIREMENT PLAN (Continued)**

**KENTUCKY RETIREMENT SYSTEM**

**County Employees Retirement System (CERS) (Continued)**

District contributions subsequent to the measurement date of \$2,045,460 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to CERS will be recognized in pension expense as follows:

Year	Amount
2019	\$ 2,446,498
2020	1,239,639
2021	(431,738)
2022	(186,304)
2023	0
	\$ 3,068,095

*Actuarial Methods and Assumptions:* The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2016. The financial reporting actuarial valuation as of June 30, 2017, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Experience Study	July 1, 2008- June 30, 2013
Actuarial Cost Method	Entry Age Normal Cost
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	27 years
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.00%, average, including inflation
Investment Rate of Return	7.50%, net of pension plan investment expense, including inflation

The rates of mortality for the period after service retirement are according to the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females) for all healthy retired members and beneficiaries. The RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. These assumptions are used to measure the probabilities of each benefit payment being made after retirement. These assumptions contain margin for mortality improvements.

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

PIKE BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 16 - RETIREMENT PLAN (Continued)**

**KENTUCKY RETIREMENT SYSTEM**

**County Employees Retirement System (CERS)(Continued)**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity*	17.50%	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	17.50%	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	3.63%
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	5.00%
Cash	2.00%	1.50%
Total	100.00%	

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

The Schedule of Deferred Inflows and Outflows, and Pension Expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2017, is based on the June 30, 2017, actuarial valuation for the first year of implementation. As a result, there are no differences between expected and actual experience or changes in assumptions subject to amortization. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period.

PIKE BOARD OF EDUCATION  
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**NOTE 16 - RETIREMENT PLAN (Continued)**

**KENTUCKY RETIREMENT SYSTEM  
 County Employees Retirement System (CERS)(Continued)**

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

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
District's proportionate share of the net pension liability	\$43,698,349	\$34,711,631	\$27,182,336

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

*Payables to the pension plan:* At June 30, 2018 the District had payables to CERS in the amount of \$0 for June's covered payroll with contributions required to be paid in July.

**NOTE 17 – OTHER POST EMPLOYMENT BENEFIT PLANS**

**Teachers Retirement System OPEB Plan**

**General Information about the OPEB Plan**

*Plan description* – Teaching-certified employees of the 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:

**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.



PIKE BOARD OF EDUCATION  
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JUNE 30, 2019

**NOTE 17 – OTHER POST EMPLOYMENT BENEFIT PLANS (Continued)**

**Teachers Retirement System OPEB Plan (Continued)**

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

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

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

At June 30, 2019, the District reported a liability of \$19,765,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2018, 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, 2018, the District’s proportion was 0.569656 percent, which was a decrease of .044314 from its proportion measured as of June 30, 2017 (0.61397 percent).

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

District’s proportionate share of the net OPEB liability	\$ 19,765,000
State’s proportionate share of the net OPEB	
Medical Insurance	17,034,000
Life Insurance	292,000
Total liability associated with the District	<u>\$ 37,091,000</u>

PIKE BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 17 – OTHER POST EMPLOYMENT BENEFIT PLANS (Continued)**

**Teachers Retirement System OPEB Plan (Continued)**

For the year ended June 30, 2018, the District recognized OPEB expense of \$2,589,000 and revenue of \$1,164,000 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 1,012,000
Changes of assumptions	272,000	0
Net difference between projected and actual earnings on pension plan investments	0	80,000
Changes in proportion and differences between District contributions and proportionate share of contributions	0	1,344,000
District contributions subsequent to the measurement date	0	0
<b>Total</b>	<b>\$ 272,000</b>	<b>\$ 2,436,000</b>

Of the total amount reported as deferred outflows of resources related to OPEB, \$0 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expensed as follows:

Year ended June 30:	
2020	\$ 413,000
2021	413,000
2022	413,000
2023	377,000
2024	383,000
Thereafter	165,000
	<u>\$ 2,164,000</u>

*Actuarial assumptions* – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry age
Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.30%, including inflation
Inflation rate	3.00%
Municipal Bond Index Rate	3.89%
Discount Rate	7.50%
Single Equivalent Interest Rate	7.50%

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, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

PIKE BOARD OF EDUCATION  
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**NOTE 17 – OTHER POST EMPLOYMENT BENEFIT PLANS (Continued)**

**Teachers Retirement System OPEB Plan (Continued)**

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.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	40.0%	4.2%
International Equity	22.0%	5.2%
Fixed Income	15.0%	1.2%
Additional Categories	8.0%	3.3%
Real Estate	6.0%	3.8%
Private Equity	7.0%	6.3%
Cash (LIBOR)	2.0%	0.9%
Total	100.0%	

*Discount rate* - The discount rate used to measure the total OPEB 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 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.

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Systems' net OPEB liability	\$ 22,995,310	\$ 19,765,000	\$ 16,789,406

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

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB Liability	\$ 16,260,257	\$ 19,765,000	\$ 23,741,340

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

PIKE BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 17 – OTHER POST EMPLOYMENT BENEFIT PLANS (Continued)**

**Note County Employee Retirement System OPEB Plan**

**General Information about the OPEB Plan**

*Plan description* – Classified employees of the District are provided OPEBs through the County Employees Retirement System (CERS)—a cost-sharing, multiple-employer defined benefit OPEB plan administered by the Kentucky General Assembly. CERS issues a publicly available financial report that can be obtained at <https://kyret.ky.gov>.

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 CERS Medical Insurance and Life Insurance Plans. The following information is about the CERS plans:

**Medical Insurance Plan**

*Plan description* – Under the provisions of Kentucky Revised Statute Section 61.701, the KRS Board administers the Kentucky Retirement Systems Insurance Fund. The statutes provide for a single insurance fund to provide group hospital and medical benefits to retirees drawing a benefit from the three pension funds administered by KRS: (1) KERS; (2) CERS; and (3) SPRS. The assets of the Insurance Fund are also segregated by plan.

*Benefits provided* – The Kentucky Retirement Systems' Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS, and SPRS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after, July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statute 16.652, 61.692 and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

*Contributions:* Funding for CERS is provided by members who contribute 5% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions and by employers of members who contribute 17.06% of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

PIKE BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 17 – OTHER POST EMPLOYMENT BENEFIT PLANS (Continued)**

**Note County Employee Retirement System OPEB Plan (Continued)**

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

At June 30, 2019, the Kentucky School District reported a liability of \$3,000,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2017, 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, 2017, the District's proportion was 1.86 percent, which was an increase of .0001 from its proportion measured as of June 30, 2016 (1.85 percent).

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

District's proportionate share of the net OPEB liability	\$10,118,958
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For the year ended June 30, 2018, the District recognized OPEB expense of \$1,290,944. At June 30, 2019, 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>
Liability Experience	\$ 0	\$ 1,179,230
Changes of assumptions	2,020,906	23,379
Investment Experience	0	696,998
Changes in proportion and differences between District contributions and proportionate share of contributions	0	124,031
District contributions subsequent to the measurement date	0	0
<b>Total</b>	<u><u>\$ 2,020,906</u></u>	<u><u>\$ 2,023,638</u></u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$0 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, 2019. 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:

<b>Year ended June 30:</b>	
2018	\$ 11,636
2019	11,636
2020	11,636
2021	147,005
2022	(112,244)
Thereafter	(72,403)
	<u>\$ (2,734)</u>

PIKE BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2019

**NOTE 17 – OTHER POST EMPLOYMENT BENEFIT PLANS (Continued)**

**Note County Employee Retirement System OPEB Plan (Continued)**

*Actuarial assumptions* – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2016
Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	27 Years, Closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is
Inflation	3.25%
Salary Increases	4.00% , Average
Investment Rate of Return	7.50%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
Post - 65	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

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

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.

PIKE BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
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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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity*		
Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity		
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed		
Global Credit	2.00%	3.75%
High Yield	7.00%	5.50%
Emerging Market Debt	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	<u>100.00%</u>	

**Discount Rate** - The projection of cash flows used to determine the discount rate of 5.83% for KERS Non-hazardous, 5.97% for KERS Hazardous, 5.85% for CERS Non-hazardous, and 5.97% for CERS Hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.56%, as reported in Fidelity Index's "20 -Year Municipal GO AA Index" as of June 30, 2017. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.85%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.85%) or 1-percentage-point higher (6.85%) than the current rate:

	1% Decrease (4.85%)	Current Discount Rate (5.85%)	1% Increase (6.85%)
Systems' net OPEB liability	\$ 13,142,905	\$ 10,118,958	\$ 7,543,109

PIKE BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2019

*NOTE 17 – OTHER POST EMPLOYMENT BENEFIT PLANS (Continued)*

*Note County Employee Retirement System OPEB Plan (Continued)*

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

	1% Decrease	Current Trend Rate	1% Increase
Systems' net OPEB liability	\$ 7,533,665	\$ 10,118,958	\$ 13,166,275

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

**NOTE 18 - CONTINGENCIES**

The Board receives funding from federal, state, 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 Board for its disbursements. The amount of such future refunds and un-reimbursed disbursements, if any, is not expected to be significant. Continuation of the Board grant programs is predicated upon the grantor’s satisfaction that the funds provided are being spent as intended and the grantor’s intent to continue their programs.

**NOTE 19 –RISK MANAGEMENT/INSURANCE**

The District is exposed to various forms of loss of assets associated with the risks of fire, personal, liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased a builders’ risk policy and flood insurance through commercial insurance. The District is self-insured for Worker’s Compensation, property, general liability, auto liability, school board liability and crime. However, the District purchases commercial insurance for additional coverage for these areas of self-insurance.

**NOTE 20 - LITIGATION**

The Board is subject to legal actions in various stages of litigation, the outcome of which is not determinable at this time. The Administration and Board Attorney do not anticipate any of the current cases to result in any significant losses or have any material effect on the financial statements, therefore no liability has been recorded.

**NOTE 21 - DEFICITS**

The following funds have operations that resulted in a current year deficit of expenditures over revenue resulting in corresponding reduction of fund balance:

Construction Fund	\$3,279,547
Food Service	1,051,218



PIKE BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 22 - COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with the requirements may put the Board of Education at risk for a substantial loss contingency. The District notifies the Department of Insurance (DEI) when an employee is no longer employed. DEI send the employee the COBRA requirements.

**NOTE 23- TRANSFER OF FUNDS**

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	1	2	Matching	\$ 155,802
Operating	2	1	Indirect Costs	23,799
Operating	310	1	Capital Outlay	335,186
Operating	51	1	Indirect Costs	455,328
Debt Service	320	400	Bond Payment	6,187,558
Operating	310	400	Construction	406,727
				<u>\$ 7,564,400</u>

**NOTE 24 - ON BEHALF OF PAYMENTS**

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

Health Insurance	\$ 8,878,258
Life Insurance	15,606
Administrative Fees	128,874
Health Reimbursement Account	604,081
Federal Reimbursement	(821,832)
KTRS	11,302,402
Technology	121,729
Debt Service	4,507,884
Total On-Behalf Payments	<u>\$ 24,737,002</u>
General Fund	19,291,272
Debt Service	4,507,884
Food Service	937,846
Total On-Behalf Payments	<u>\$ 24,737,002</u>

**NOTE 25 – SUBSEQUENT EVENTS**

Subsequent events were considered through November 15, 2019, which represents the date of our report.

PIKE BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 26 - Future Accounting Pronouncements**

The GASB has issued several reporting standards that will become effective for fiscal 2019 and later years' financial statements.

- Statement No. 83, Certain Asset Retirement Obligations, addresses accounting and financial reporting for certain asset retirement obligations.
- Statement No. 84, Fiduciary Activities, establishes criteria for identifying fiduciary activities of all state and local governments.
- Statement No. 87, Leases, the objective of which is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.
- Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements, the objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements
- Statement No. 89 Accounting for Interest Cost Incurred before the End of a Construction Period, the objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

REQUIRED SUPPLEMENTAL INFORMATION

**PIKE COUNTY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	GENERAL FUND			VARIANCE
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)
<b>REVENUES:</b>				
From Local Sources				
Taxation	\$ 17,200,000	\$ 17,360,000	\$ 19,940,680	\$ 2,580,680
Other Local Sources	433,200	446,200	695,809	249,609
Earnings on Investments	30,000	75,000	198,580	123,580
State Sources	54,989,511	54,029,420	58,091,825	4,062,405
Federal Sources	200,000	200,000	195,108	(4,892)
<b>TOTAL REVENUES</b>	<b>\$ 72,852,711</b>	<b>\$ 72,110,620</b>	<b>\$ 79,122,002</b>	<b>\$ 7,011,382</b>
<b>EXPENDITURES:</b>				
Instruction	\$ 44,500,226	\$ 45,178,398	\$ 43,265,939	\$ 1,912,459
Support Services:				
Student	3,283,091	3,319,685	4,678,835	(1,359,150)
Instructional Staff	2,702,856	2,637,870	3,740,835	(1,102,965)
District Administration	2,950,015	3,103,175	2,472,526	630,649
School Administration	3,544,278	3,605,576	5,231,451	(1,625,875)
Business	1,172,595	1,111,626	1,168,105	(56,479)
Plant Operations & Maintenance	10,041,317	10,351,523	11,265,965	(914,442)
Student Transportation	5,446,123	4,649,776	5,437,600	(787,824)
Community Service	3,850	3,850	124,248	(120,398)
Site Acquisition & Constr.	166,545	168,410	173,314	(4,904)
Debt Service				
Principal	153,194	153,195	153,195	0
Interest	23,929	23,929	23,929	0
Contingency	1,600,000	1,350,000	0	1,350,000
<b>TOTAL EXPENDITURES</b>	<b>\$ 75,588,019</b>	<b>\$ 75,657,013</b>	<b>\$ 77,735,942</b>	<b>\$ (2,078,929)</b>
Excess (Deficit) of Revenues over Expenditures	\$ (2,735,308)	\$ (3,546,393)	\$ 1,386,060	\$ 4,932,453
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from Capital Leases	\$ 0	\$ 0	\$ 0	\$ 0
KISBIT Payments	0	0	0	0
Proceeds from Sale of Fixed Assets	0	50,000	50,785	785
Operating Transfers In	875,308	823,459	814,313	9,146
Operating Transfers Out	(140,000)	(140,000)	(155,802)	(15,802)
	<b>\$ 735,308</b>	<b>\$ 733,459</b>	<b>\$ 709,296</b>	<b>\$ (5,871)</b>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing (Uses)	\$ (2,000,000)	\$ (2,812,934)	\$ 2,095,356	\$ 4,926,582
Fund Balance - Beginning	2,000,000	2,902,934	3,302,935	400,001
Fund Balance - Ending	<b>\$ 0</b>	<b>\$ 90,000</b>	<b>\$ 5,398,291</b>	<b>\$ 5,326,583</b>

See independent auditor's report and accompanying notes to the financial statement.

**PIKE COUNTY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	SPECIAL REVENUE			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
<b>REVENUES:</b>				
Local Sources	\$ 574,760	\$ 737,435	\$ 641,104	\$ (96,331)
Earnings on Investments	0	0	0	0
State Sources	2,244,556	2,388,442	2,232,618	(155,824)
Federal Sources	7,946,230	9,386,390	10,029,570	643,180
<b>TOTAL REVENUES</b>	<b>\$ 10,765,546</b>	<b>\$ 12,512,267</b>	<b>\$ 12,903,292</b>	<b>\$ 391,025</b>
<b>EXPENDITURES:</b>				
Instruction	\$ 7,488,758	\$ 9,167,531	\$ 9,686,047	\$ (518,516)
Support Services:				
Student	205,319	239,693	206,328	33,365
Instructional Staff	1,019,430	1,037,458	1,029,140	8,318
District Administration	0	0	0	0
School Administration	0	0	0	0
Business	193,010	211,364	272,981	(61,617)
Plant Operations & Maintenance	26,629	1,000	13,370	(12,370)
Student Transportation	96,680	96,680	96,680	0
Central Office	0	0	0	0
Food Service Operations	0	0	0	0
Other	0	0	0	0
Community Service	1,854,758	1,892,746	1,730,749	161,997
Facilities Acquisition & Construction	0	0	0	0
Contingency	0	0	0	0
<b>TOTAL EXPENDITURES</b>	<b>\$ 10,884,584</b>	<b>\$ 12,646,472</b>	<b>\$ 13,035,295</b>	<b>\$ (388,823)</b>
Excess (Deficit) of Revenues over Expenditures	\$ (119,038)	\$ (134,205)	\$ (132,003)	\$ 2,202
<b>OTHER FINANCING SOURCES (USES):</b>				
Bonds Proceeds	\$ 0	\$ 0	\$ 0	\$ 0
Proceeds from Sale of Fixed Assets	0	0	0	0
Operating Transfers In	140,000	140,000	155,802	15,802
Operating Transfers Out	(20,962)	(22,805)	(23,799)	(994)
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	<b>\$ 119,038</b>	<b>\$ 117,195</b>	<b>\$ 132,003</b>	<b>\$ 14,808</b>
Net Change in Fund Balance	\$ 0	\$ (17,010)	\$ 0	\$ 17,010
Fund Balance - Beginning	0	0	0	0
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (17,010)</u>	<u>\$ 0</u>	<u>\$ 17,010</u>

See independent auditor's report and accompanying notes to the financial statement.

**PIKE COUNTY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	CONSTRUCTION FUND			VARIANCE
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)
<b>REVENUES:</b>				
From Local Sources				
Taxation	\$ 0	\$ 0	\$ 0	\$ 0
Motor Vehicle	0	0	0	0
Utilities	0	0	0	0
Other	0	0	0	0
Tuition & Fees	0	0	0	0
Earnings on Investments	0	0	52,959	52,959
Other Local Revenues	0	0	0	0
Intergovernmental-State	0	0	0	0
Intergovernmental – Indirect Federal	0	0	0	0
Intergovernmental – Direct Federal	0	0	0	0
<b>TOTAL REVENUES</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 52,959</b>	<b>\$ 52,959</b>
<b>EXPENDITURES:</b>				
Instruction	\$ 0	\$ 0	\$ 0	\$ 0
Support Services:				
Student	0	0	0	0
Instructional Staff	0	0	0	0
District Administration	0	0	0	0
School Administration	0	0	0	0
Business	0	0	0	0
Plant Operations & Maintenance	0	0	0	0
Student Transportation	0	0	0	0
Central Office	0	0	0	0
Food Service Operations	0	0	0	0
Other	0	0	0	0
Community Service	0	0	0	0
Facilities Acquisition & Construction	0	0	0	0
Building Improvements	0	0	5,063,420	(5,063,420)
Site Improvements	0	172,200	209,087	(36,887)
Bond Issuance Costs	0	0	0	0
<b>TOTAL EXPENDITURES</b>	<b>\$ 0</b>	<b>\$ 172,200</b>	<b>\$ 5,272,507</b>	<b>\$ (5,100,307)</b>
Excess (Deficit) of Revenues over Expenditures	\$ 0	\$ (172,200)	\$ (5,219,548)	\$ (5,047,348)
<b>OTHER FINANCING SOURCES (USES):</b>				
Bonds Proceeds	\$ 0	\$ 0	\$ 1,940,000	\$ 1,940,000
Premium on Bond Issuance	0	0	0	0
Operating Transfers In	0	0	0	0
Operating Transfers Out	0	0	0	0
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,940,000</b>	<b>\$ 1,940,000</b>
Net Change in Fund Balance	\$ 0	\$ (172,200)	\$ (3,279,548)	\$ (3,107,348)
Fund Balance - Beginning	0	0	4,758,515	4,758,515
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (172,200)</u>	<u>\$ 1,478,967</u>	<u>\$ 1,651,167</u>

See independent auditor's report and accompanying notes to the financial statement.

**PIKE COUNTY BOARD OF EDUCATION  
KENTUCKY TEACHERS RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30, 2019**

Last Ten Fiscal Years \*\*

2018-19      2017-18      2016-17      2015-16      2014-15

**Schedule of the District's Proportionate Share of the Net Pension Liability**

District's proportion of the net pension liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net pension liability	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Commonwealth's proportion of the net pension liability associated with the District	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
Commonwealth's proportionate share of the net pension liability associated with the District	\$ 143,777,280	\$ 312,509,016	\$ 353,664,994	\$ 283,538,388	\$ 260,475,099
Total	<u>\$ 143,777,280</u>	<u>\$ 312,509,016</u>	<u>\$ 353,664,994</u>	<u>\$ 283,538,388</u>	<u>\$ 260,475,099</u>
District's covered-employee payroll	\$ 37,105,911	\$ 36,809,662	\$ 38,195,439	\$ 34,181,498	\$ 39,104,554
District's proportionate share of the net pension liability	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Commonwealth's proportionate share of the net pension liability as a percentage of District's covered-employee payroll	25.8079%	11.7788%	10.7999%	12.0553%	15.0128%
Plan fiduciary net position as a percentage of the total pension liability	35.2200%	35.2200%	35.2200%	42.4900%	45.5907%

**Schedule of District Contributions**

	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13
Contractually required contribution	\$ 1,610,155	\$ 1,495,235	\$ 1,557,017	\$ 1,567,395	\$ 1,811,772	\$ 1,588,401	\$ 1,469,045
Contributions in relation to the contractually required contribution	1,610,155	1,495,235	1,557,017	1,567,395	1,811,772	1,588,401	1,469,045
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered payroll	\$ 37,105,911	\$ 36,809,662	\$ 38,195,439	\$ 34,181,498	\$ 39,104,554	\$ 39,719,440	\$ 39,154,705
Contributions as a percentage of covered-employee payroll	4.3393%	4.0621%	4.0764%	4.5855%	4.6331%	3.9991%	3.7519%

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

**PIKE COUNTY BOARD OF EDUCATION**  
**County Employees Retirement System Non-Hazardous**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Last Ten Fiscal Years \*\*

	<u>2018-2019</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
<b>Schedule of the District's Proportionate Share of the Net Pension Liability</b>					
District's proportion of the net pension liability	0.56995%	0.57442%	0.59071%	0.61359%	0.62367%
District's proportionate share of the net pension liability	34,711,631	33,623,037	29,084,219	26,381,351	20,234,000
District's covered-employee payroll	19,941,375	19,615,193	17,640,094	19,050,950	17,811,339
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.06839%	171.41324%	164.87565%	138.47788%	113.60179%
Plan fiduciary net position as a percentage of the total pension liability	59.07100%	59.07100%	59.07100%	61.35900%	62.36680%

	<u>2018-2019</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>
Contractually required contribution	\$ 3,730,476	\$ 3,492,697	\$ 2,443,771	\$ 2,497,324	\$ 2,497,359	\$ 2,748,507	\$ 2,762,791
Contributions in relation to the contractually required contribution	3,730,476	3,492,697	2,443,771	2,497,324	2,497,359	2,748,507	2,762,791
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered payroll	19,941,375	19,615,193	17,640,094	19,050,950	17,811,339	17,855,475	16,778,226
Contributions as a percentage of covered-employee payroll	18.7072%	17.8061%	13.8535%	13.1087%	14.0212%	15.3931%	16.4665%

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

See independent auditor's report and accompanying notes to the financial statement.



**PIKE COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE**  
**NET OPEB LIABILITY - MEDICAL INSURANCE PLAN**  
**Teachers' Retirement System Kentucky**  
**Last 10 Fiscal Years\***  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the collective net OPEB liability (asset)	0.61398%	0.61398%	0.613962%
District's proportionate share of the collective net OPEB liability (asset)	\$ 21,893,000	\$ 21,893,000	21,675,000
State's proportionate share of the collective net OPEB liability (asset) associated with the District	<u>17,884,000</u>	<u>17,884,000</u>	<u>17,706,000</u>
Total	<u>\$ 39,777,000</u>	<u>\$ 39,777,000</u>	<u>\$ 39,381,000</u>
District's covered-employee payroll	36,809,662	36,809,662	38,195,439
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	59.476%	59.476%	56.748%
Plan fiduciary net position as a percentage of the total OPEB liability	0.372%	0.372%	0.481%

\* The amounts presented for each fiscal year were determined as of June 30.

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

**PIKE COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS - MEDICAL INSURANCE PLAN**  
**Teachers' Retirement System Kentucky**  
 Last 10 Fiscal Years\*  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>2019</b>	<b>2018</b>
Contractually required contribution	1,051,925	1,051,925
Contributions in relation to the		
Contractually required contribution	1,051,025	1,051,025
Contribution deficiency (excess)	2,102,950	2,102,950
District's covered-employee payroll	\$ 36,809,662	\$ 38,195,439
Contributions as a percentage of covered- employee payroll	2.86%	2.75%

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

PIKE COUNTY BOARD OF EDUCATION  
Notes to Required Supplementary Information - Kentucky Teachers Retirement System  
For the Year Ended June 30, 2019

*Changes of benefit terms* – 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.

*Methods and assumptions used in the actuarially determined contributions* – The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2017:

Valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	30 years, Open
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Discount rate	8.00%
Health care cost trends	
Under 65	7.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2023
Ages 65 and older	5.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2020
Medicare Part B premiums	1.02% for FY 2017 with an ultimate rate of 5.00% by 2029
Under age 65 claims	the current premium charged by KEHP is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized).

**Life Insurance Plan**

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

*Benefits provided* – TRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. TRS provides a life insurance benefit of two thousand dollars payable for its active contributing members. The life insurance benefit is payable upon the death of the member 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 annual payroll of members is contributed by the state.

PIKE COUNTY BOARD OF EDUCATION  
Notes to Required Supplementary Information - Kentucky Teachers Retirement System  
For the Year Ended June 30, 2019

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

At June 30, 2018, the Kentucky School District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	\$	19,765,000
State's proportionate share of the net OPEB liability associated with the District		
Medical Insurance		17,034,000
Life Insurance		292,000
Total liability associated with the District	<u>\$</u>	<u>37,091,000</u>

For the year ended June 30, 2019, the District recognized OPEB expense of \$1,889,229 and revenue of \$874,493 for support provided by the State. At June 30, 2019, 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	\$ 0	\$ 1,012,000
Changes of assumptions	272,000	0
Net difference between projected and actual earnings on pension plan investments	0	80,000
Changes in proportion and differences between District contributions and proportionate share of contributions	0	1,344,000
District contributions subsequent to the measurement date	0	0
Total	<u>\$ 272,000</u>	<u>\$ 2,436,000</u>

Year ended June 30:		
	\$	
2020		413,000.00
2021		413,000.00
2022		413,000.00
2023		377,000.00
2024		383,000.00
There After		165,000.00
	<u>\$</u>	<u>2,164,000.00</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$0 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, 2018. 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 shown:

PIKE COUNTY BOARD OF EDUCATION  
Notes to Required Supplementary Information - Kentucky Teachers Retirement System  
For the Year Ended June 30, 2019

*Actuarial assumptions* – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	6/30/2017
Actuarial Assumptions:	
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll
Amortization Period	23 years, closed
Asset Valuation Method	Five-year smoothed value
Investment Rate of Return	8.00%, net of OPEB plan investment expense, including inflation.
Projected Salary Increases	3.50 - 7.20%, including wage inflation
Inflation Rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Municipal Bond Index Rate	3.89%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including price inflation
Health Care Cost Trends	
Under Age 65	7.75% for fiscal year 2018 decreasing to an ultimate rate of 5.00% by fiscal year 2024
Ages 65 and Older	5.75% fiscal year 2018 decreasing to an ultimate rate of 5.00% by fiscal year 2021
Medicare Part B Premiums	0.00% for fiscal year 2018 with an ultimate rate of 5.00% by 2030

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, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 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.

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>30 Year Expected Geometric Real Rate of Return</u>
Global Equity	58.0%	4.6%
Fixed Income	9.0%	1.2%
Real Estate	5.5%	3.8%
Private Equity	6.5%	6.3%
Additional Categories	20.0%	3.3%
Cash	1.0%	0.9%
Total	<u>100.0%</u>	

PIKE COUNTY BOARD OF EDUCATION  
Notes to Required Supplementary Information - Kentucky Teachers Retirement System  
For the Year Ended June 30, 2019

*Discount rate* - The discount rate used to measure the total OPEB liability for life insurance was 8.00%. 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.

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

	<u>1% Decrease Rate (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase Rate (9.00%)</u>
Systems' net pension liability	\$ 22,995,310	\$ 19,765	\$ 16,789,406

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

**PIKE COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE**  
**NET OPEB LIABILITY - MEDICAL INSURANCE PLAN**  
**County Employees Retirement Plan**  
**Last 10 Fiscal Years\***

	<u>2019</u>	<u>2018</u>	
District's proportion of the collective net OPEB liability (asset)	0.569928%	0.574428%	#####
District's proportionate share of the collective net OPEB liability (asset)	\$ 10,118,958	\$ 11,547,968	
Total	<u>\$ 10,118,958</u>	<u>\$ 11,547,968</u>	
District's covered-employee payroll	19,941,375	19,615,193	
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	50.744%	58.873%	
Plan fiduciary net position as a percentage of the total OPEB liability	0.570%	0.574%	

\* The amounts presented for each fiscal year were determined as of June 30.

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

**PIKE COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS - MEDICAL INSURANCE PLAN**  
**County Employees Retirement Plan**  
Last 10 Fiscal Years\*

	2019	2018
Contractually required contribution	\$ 663,929	\$ 661,534
Contributions in relation to the		
Contractually required contribution	(663,929)	(661,534)
Contribution deficiency (excess)	\$ 0	\$ 0
District's covered-employee payroll	\$ 19,941,375	\$ 19,615,193
Contributions as a percentage of covered- employee payroll	3.33%	3.37%

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become*



PIKE COUNTY BOARD OF EDUCATION  
Notes to the Required Supplementary Information  
for the Year Ended June 30, 2019

Kentucky Retirement System – County Employee OPEB Plan

*Changes of benefit terms* - None

*Methods and assumptions used in the actuarially determined contributions*

For financial reporting the actuarial valuation as of June 30, 2018, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2018, were based on an actuarial valuation date of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018, using generally accepted actuarial principles. There have been no changes in actuarial assumptions since June 30, 2017 (other than the blended discount rate used to calculate the total OPEB liability). However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018, is determined using these updated benefit provisions.

Inflation	2.30%
Payroll Growth Rate	0.0% for KERS non-hazardous, and 2.0% for CERS nonhazardous and hazardous
Salary Increase	3.05%, average
Investment Rate of Return	6.25%
Pre – 65	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

*Plan description* – Classified employees of the District are provided OPEBs through the County Employees Retirement System (CERS)—a cost-sharing, multiple-employer defined benefit OPEB plan administered by the Kentucky General Assembly. CERS issues a publicly available financial report that can be obtained at <https://kyret.ky.gov>.

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 CERS Medical Insurance and Life Insurance Plans. The following information is about the CERS plans:

**Medical Insurance Plan**

*Plan description* – Under the provisions of Kentucky Revised Statute Section 61.701, the KRS Board administers the Kentucky Retirement Systems Insurance Fund. The statutes provide for a single insurance fund to provide group hospital and medical benefits to retirees drawing a benefit from the three pension funds administered by KRS: (1) KERS; (2) CERS; and (3) SPRS. The assets of the Insurance Fund are also segregated by plan.

*Benefits provided* – The Kentucky Retirement Systems' Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS, and SPRS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per

PIKE COUNTY BOARD OF EDUCATION  
Notes to the Required Supplementary Information  
for the Year Ended June 30, 2019

Kentucky Retirement System – County Employee OPEB Plan

month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after, July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statute 16.652, 61.692 and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

*Contributions:* Funding for CERS is provided by members who contribute 5% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions and by employers of members who contribute 17.06% of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

At June 30, 2019, the Kentucky School District reported a liability of \$10,118,958 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, 2018, 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, 2018, the District's proportion was .569928 percent, which was a decrease of .0045 percent from its proportion measured as of June 30, 2018 (.574428 percent).

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

District's proportionate share of the net OPEB liability	\$10,118,958
--	--------------

For the year ended June 30, 2019, the District recognized OPEB expense of \$1,290,944. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability Experience	\$ 0	\$ 1,179,230
Changes of assumptions	2,020,906	23,379
Investment Experience	0	696,998
Changes in proportion and differences between District contributions and proportionate share of contributions	0	124,031
District contributions subsequent to the measurement date	0	0
<b>Total</b>	<b>\$ 2,020,906</b>	<b>\$ 2,023,638</b>

PIKE COUNTY BOARD OF EDUCATION  
Notes to the Required Supplementary Information  
for the Year Ended June 30, 2019

Kentucky Retirement System – County Employee OPEB Plan

Of the total amount reported as deferred outflows of resources related to OPEB, \$0 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year Ended June 30:	
2018	\$ 11,636
2019	11,636
2020	11,636
2021	147,005
2022	(112,244)
thereafter	(72,403)
	\$ (2,734)

*Actuarial assumptions* – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.30%
Payroll Growth Rate	2.00%
Projected salary increases	3.05% Average
Investment rate of return	6.25%
Healthcare cost trend rates	
Under 65	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Ages 65 and Older	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

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

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.

PIKE COUNTY BOARD OF EDUCATION  
Notes to the Required Supplementary Information  
for the Year Ended June 30, 2019

Kentucky Retirement System – County Employee OPEB Plan

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:

Asset Class	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity*		
Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity		
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed		
Global Credit	2.00%	3.75%
High Yield	7.00%	5.50%
Emerging Market Debt	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return*	10.00%	7.00%
Cash	2.00%	1.50%
Total	<u>100.00%</u>	

**Discount Rate** - The projection of cash flows used to determine the discount rate of 5.83% for KERS Non-hazardous, 5.87% for KERS Hazardous, 5.84% for CERS Non-hazardous, and 5.96% for CERS Hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.56%, as reported in Fidelity Index's "20 -Year Municipal GO AA Index" as of June 30, 2017. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

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

	<u>1% Decrease (4.85%)</u>	<u>Current Discount Rate (5.85%)</u>	<u>1% Increase (6.85%)</u>
Systems' net OPEB liability	\$ 13,142,905	\$ 10,118,958	\$ 7,543,109

*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

PIKE COUNTY BOARD OF EDUCATION  
Notes to the Required Supplementary Information  
for the Year Ended June 30, 2019

Kentucky Retirement System – County Employee OPEB Plan

healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Systems' net OPEB liability	\$ 7,533,665	\$ 10,118,958	\$ 13,166,275

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

COMBINING FINANCIAL STATEMENTS  
AND OTHER SUPPLEMENTARY INFORMATION

**PIKE COUNTY BOARD OF EDUCATION  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2019**

	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>District Activity</u>	<u>Total Non- Major Governmental Funds</u>
<b><u>ASSETS AND RESOURCES</u></b>				
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 157,809	\$ 157,809
Investments	0	0	0	0
Accounts Receivable	0	0	0	0
Due From Other Funds	0	0	0	0
Total Assets	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 157,809</u>	<u>\$ 157,809</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>				
Liabilities				
Accounts Payable	\$ 0	\$ 0	\$ 11,130	\$ 11,130
Summer Payrolls	0	0	0	0
Other Liabilities	0	0	0	0
Other Liabilities	0	0	0	0
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,130</u>	<u>\$ 11,130</u>
Deferred Revenue	\$ 0	\$ 0	\$ 0	\$ 0
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Fund Balances				
Restricted:				
Other	\$ 0	\$ 0	\$ 146,679	\$ 146,679
Future Construction	0	0	0	0
Debt Service	0	0	0	0
Committed:				
Site Based Carryforward	0	0	0	0
Sick-leave	0	0	0	0
Worker's Compensation	0	0	0	0
Assigned:				
Purchase Obligations	0	0	0	0
Unassigned	0	0	0	0
Total Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 146,679</u>	<u>\$ 146,679</u>
Total Liabilities and Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 157,809</u>	<u>\$ 157,809</u>

See independent auditor's report and accompanying notes to the financial statement.

**PIKE COUNTY BOARD OF EDUCATION**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Capital Outlay Fund	Building Fund	District Activity	Total Non-Major Governmental Funds
<b>REVENUES</b>				
From Local Sources				
Taxes				
Property	\$ 0	\$ 2,213,892	\$ 0	\$ 2,213,892
Motor Vehicles	0	0	0	0
Utilities	0	0	0	0
Other	0	0	0	0
Earnings on Investments	0	0	0	0
Other Local Revenues	0	0	251,196	251,196
Intergovernmental- State	741,913	3,973,666	0	4,715,579
Intergovernmental-Indirect Federal	0	0	0	0
<b>Total Revenues</b>	<b>\$ 741,913</b>	<b>\$ 6,187,558</b>	<b>\$ 251,196</b>	<b>\$ 7,180,667</b>
<b>EXPENDITURES</b>				
Instruction	\$ 0	\$ 0	\$ 134,041	\$ 134,041
Support Services				
Student	0	0	0	0
Instruction Staff	0	0	14,325	14,325
District Administrative	0	0	0	0
School Administrative	0	0	16,969	16,969
Business	0	0	0	0
Plant Operation and Maint.	0	0	75,714	75,714
Student Transportation	0	0	0	0
Food Service	0	0	0	0
Community Services	0	0	0	0
Facilities Acquisitions and Construction	0	0	0	0
Purchase Professional Services	0	0	0	0
Site Improvement	0	0	0	0
Building Improvements	0	0	0	0
Debt Service				
Principal	0	0	0	0
Interest	0	0	0	0
Bond Issuance Costs	0	0	0	0
<b>Total Expenditures</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 241,049</b>	<b>\$ 241,049</b>
<b>Excess (Deficit) of Revenues over Expenditures</b>	<b>\$ 741,913</b>	<b>\$ 6,187,558</b>	<b>\$ 10,147</b>	<b>\$ 6,939,618</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sales of Bonds	\$ 0	\$ 0	\$ 0	\$ 0
Premium on Bond Issuance	0	0	0	0
Bond Discounts	0	0	0	0
Proceeds from Capital Leases	0	0	0	0
Proceeds from Sales of Fixed Assets	0	0	0	0
Operating Transfer, In	0	0	0	0
Operating Transfer, Out	(741,913)	(6,187,558)	0	(6,929,471)
<b>Total Other Financing Sources</b>	<b>\$ (741,913)</b>	<b>\$ (6,187,558)</b>	<b>\$ 0</b>	<b>\$ (6,929,471)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 10,147</b>	<b>\$ 10,147</b>
Fund Balance - Beginning	0	0	136,532	136,532
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 146,679</u>	<u>\$ 146,679</u>

See independent auditor's report and accompanying notes to the financial statement.



**PIKE COUNTY BOARD OF EDUCATION  
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS  
 SCHOOL ACTIVITY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019**

SCHOOLS	Cash Balance July 1, 2018	Receipts	Disburse- ments	Cash Balance June 30, 2019	Accounts Receivable	Accounts Payable	Due to Students June 30, 2019
<b>HIGH SCHOOLS</b>							
Belfry	\$ 148,213	\$ 447,665	\$ 436,998	\$ 158,880	\$ 0	\$ 12,126	\$ 146,754
East Ridge	53,646	226,690	192,790	87,546	0	0	87,546
Phelps	56,511	187,341	186,943	56,910	0	1,283	55,627
Pike Central	57,687	375,753	387,137	46,303	1,509	1,275	46,537
Shelby Valley	99,431	405,343	372,089	132,685	0	0	132,685
<b>MIDDLE SCHOOLS</b>							
Belfry Middle	31,374	172,851	172,634	31,592	0	12,548	19,044
<b>ELEMENTARY SCHOOLS</b>							
Belfry Elementary	97,956	107,457	154,859	50,554	0	0	50,554
Bevins	42,962	55,181	52,590	45,553	0	0	45,553
Dorton	71,644	129,463	135,043	66,065	0	0	66,065
Elkhorn City	65,569	163,976	159,393	70,152	0	0	70,152
Feds Creek	7,006	84,334	72,757	18,583	0	0	18,583
Johns Creek	39,274	238,434	228,647	49,061	0	556	48,505
Kimper	26,581	36,521	33,294	29,808	0	0	29,808
Millard	43,124	231,962	237,570	37,516	0	991	36,525
Mullins	58,366	297,099	323,562	31,903	0	433	31,470
Phelps	24,981	91,828	97,010	19,799	0	105	19,694
Valley	73,796	17,486	1,261	90,021	65	258	89,828
<b>DAY TREATMENT CENTERS</b>							
Pike County Day Treatment	9,345	3,938	3,545	9,738	0	0	9,738
<b>TOTALS</b>	<u>\$ 1,007,466</u>	<u>\$ 3,273,323</u>	<u>\$ 3,248,121</u>	<u>\$ 1,032,669</u>	<u>\$ 1,574</u>	<u>\$ 29,575</u>	<u>\$ 1,004,668</u>

**PIKE COUNTY BOARD OF EDUCATION  
BELFRY HIGH SCHOOL  
ACTIVITY FUNDS  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2019**

Fund	Cash Balance July 1, 2018	Receipts	Disburse- ments	Transfers	Cash Balance June 30, 2019	Accounts Receivable	Accounts Payable	Due to Students June 30, 2019
GENERAL	\$ 1,612	\$ 1,678	\$ 3,305	\$ 2,216	\$ 2,201	\$ 0	\$ 3,283	\$ (1,082)
ACADEMIC	45	3,390	3,048	0	387	0	0	387
TENNIS	66	99	2,720	2,555	0	0	0	0
SPIRIT TEAM	189	0	0	0	189	0	0	189
GOLF TEAM	272	1,843	891	0	1,224	0	0	1,224
NANCY SCOTT	400	500	400	0	500	0	0	500
DEBBIE HUNTER	500	500	500	0	500	0	0	500
PHOTOGRAPHY	0	2,500	0	0	2,500	0	0	2,500
HARVEST BAZAAR	0	0	0	0	0	0	0	0
CHARITABLE GAMING	1	0	0	0	1	0	0	1
FACULTY	3,434	9,165	8,053	0	4,546	0	0	4,546
JAG	0	0	40	40	0	0	0	0
VARSITY COURT	0	0	317	317	0	0	0	0
BAND II	2,268	839	3,244	136	(0)	0	0	(0)
HOMECOMING	0	0	733	733	0	0	0	0
HONOR SOCIETY	756	1,150	1,328	0	578	0	0	578
WRESTLING	0	1,530	5,044	3,613	100	0	0	100
STLP	1,214	1,278	1,856	0	636	0	0	636
YGA-KYA	0	6,810	8,818	2,008	0	0	0	0
MU ALPHA THETA	185	368	298	0	255	0	0	255
RUSH RUNYON SCHOLARSHIP	0	605	0	0	605	0	0	605
PERSEVERE SCHOLARSHIP	0	1,000	0	0	1,000	0	0	1,000
LASTING OPP NEW GO	0	0	0	1,000	1,000	0	0	1,000
STUDENT COMMUNITY	0	1,000	0	0	1,000	0	0	1,000
DIGITAL MEDIA	150	0	178	28	0	0	0	0
STORES	8,388	40,752	23,942	(14,022)	11,176	0	0	11,176

PIKE COUNTY BOARD OF EDUCATION  
 BELFRY HIGH SCHOOL  
 ACTIVITY FUNDS  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2019

Fund	Cash Balance July 1, 2018	Receipts	Disburse- ments	Transfers	Cash Balance June 30, 2019	Accounts Receivable	Accounts Payable	Due to Students June 30, 2019
ROBOTICS	6,705	10,564	8,429	0	8,840	0	0	8,840
PIRATE PANTRY	425	0	105	0	320	0	0	320
DR MARY JOHNSON SCHOLARSHIP	5,000	5,000	5,000	0	5,000	0	0	5,000
CHARLES JOHNSON GR.	0	0	0	0	0	0	0	0
HOSA	1,713	3,868	4,093	0	1,488	0	0	1,488
FOOTBALL	28,313	87,427	88,104	(4,252)	23,384	0	4,200	19,184
YOUTH FOOTBALL	613	7,195	7,798	0	10	0	0	10
FOOTBALL II	43,773	0	0	0	43,773	0	0	43,773
BOYS BASKETBALL	0	47,320	45,582	(1,730)	7	0	0	7
YOUTH BASKETBALL	30	0	0	0	30	0	0	30
DISTRICT BASKETBALL	1	0	0	0	1	0	0	1
GIRLS BASKETBALL	0	21,682	23,402	1,730	10	0	0	10
BASEBALL	9	19,957	20,560	595	0	0	0	0
60TH DISTRICT BASEBALL	0	0	0	0	0	0	0	0
BOYS CHEERLEADERS	8,820	30,578	35,624	4,957	8,730	0	4,643	4,087
LEAD OUR NEXT GEN	1,000	2,000	1,000	(1,000)	1,000	0	0	1,000
SOFTBALL	0	12,092	14,033	1,941	0	0	0	0
VOLLEYBALL	12	6,626	5,704	0	934	0	0	934
ART HONOR SOCIETY	529	917	710	0	737	0	0	737
SPECIAL NEEDS	1,114	2,456	2,661	0	909	0	0	909
SPECIAL NEEDS II	0	5,370	5,469	589	490	0	0	490
BOYS & GIRLS SOCCER	4,888	9,794	10,339	0	4,343	0	0	4,343
JR CLASS	0	9,600	7,639	(1,961)	0	0	0	0
JROTC	0	287	1,839	1,551	0	0	0	0
SADD	692	779	837	0	634	0	0	634
YALSA	580	317	349	51	599	0	0	599
SPEECH & DRAMA	1,315	1,341	252	0	2,404	0	0	2,404
MARQUEE	0	0	0	0	0	0	0	0
FBLA	0	1,078	2,043	964	0	0	0	0
YOUTH SERVICE CENTER	3,893	0	0	0	3,893	0	0	3,893

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See independent auditor's report and accompanying notes to the financial statement.

**PIKE COUNTY BOARD OF EDUCATION  
BELFRY HIGH SCHOOL  
ACTIVITY FUNDS  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2019**

Fund	Cash Balance July 1, 2018	Receipts	Disburse- ments	Transfers	Cash Balance June 30, 2019	Accounts Receivable	Accounts Payable	Due to Students June 30, 2019
CHILDREN INC.	598	13,091	12,436	(589)	664	0	0	664
ANNUAL	4,866	23,488	19,268	(278)	8,808	0	0	8,808
VARNEY SCHOLARSHIP	0	0	0	0	0	0	0	0
CHOIR	0	2,165	3,737	1,573	0	0	0	0
TRACK	0	525	1,164	639	0	0	0	0
SOUTHS SCHOLARSHIP	0	0	0	0	0	0	0	0
BAND	0	3,032	2,084	(948)	0	0	0	0
EASTERN KY LEVEL UP	1,450	0	1,068	0	382	0	0	382
SCHOOL NEWSPAPER	170	55	175	0	50	0	0	50
HOBY	165	845	1,410	400	0	0	0	0
INSTRUCTIONAL FEE	1,580	19,141	11,301	(5,669)	3,751	0	0	3,751
JV CHEERLEADERS	134	259	0	0	393	0	0	393
JAMES WILLIS STUL	3,545	500	1,000	0	3,045	0	0	3,045
FCA	320	0	0	0	320	0	0	320
SENIOR CLASS	3,421	0	2,205	745	1,961	0	0	1,961
FOOTBALL III	0	0	0	0	0	0	0	0
CHEER KAPOS	1,252	5,537	1,318	(4,957)	514	0	0	514
EASTERN KY STRONG	1,807	12,406	11,353	0	2,860	0	0	2,860
SPANISH	0	1,736	1,536	0	200	0	0	200
DAF INSTRUCTION	0	0	7,200	7,200	0	0	0	0
CHEER NATIONALS	0	0	0	0	0	0	0	0
HONORS MUSIC	0	2,856	3,455	(177)	(776)	0	0	(776)
DAF BUILDING/GRO	0	775	1	0	774	0	0	774
<b>TOTAL</b>	<b>\$ 148,213</b>	<b>\$ 447,665</b>	<b>\$ 436,998</b>	<b>\$ 0</b>	<b>\$ 158,880</b>	<b>\$ 0</b>	<b>\$ 12,126</b>	<b>\$ 146,754</b>

**PIKE COUNTY BOARD OF EDUCATION**  
**EAST RIDGE HIGH SCHOOL**  
**ACTIVITY FUNDS**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Fund	Cash Balance July 1, 2018	Receipts	Disburse- ments	Transfers	Cash Balance June 30, 2019	Accounts Receivable	Accounts Payable	Due to Students June 30, 2019
GENERAL	\$ 1,859	\$ 5,897	1,691	\$ (1,976)	\$ 4,089	\$ 0	\$ 0	\$ 4,089
LIBRARY	27	17	0	0	44	0	0	44
AP EXAMS	5	3,385	0	(3,275)	115	0	0	115
SCHOLARSHIPS	2,480	27,169	8,750	0	20,899	0	0	20,899
PARKING	995	690	0	0	1,685	0	0	1,685
TEXTBOOKS	5,018	0	0	0	5,018	0	0	5,018
SCIENCE DEPT	1	330	265	0	66	0	0	66
STUDENT ACTIVITY	39	0	0	0	39	0	0	39
ROBOTICS CLUB	0	0	0	0	0	0	0	0
WARRIOR WAREHOUSE	2,962	9,956	9,016	(4)	3,898	0	0	3,898
FMD	402	3,318	2,874	(518)	328	0	0	328
ACADEMIC TEAM	0	946	2,051	1,105	0	0	0	0
ATHLETICS	1,892	15,342	9,041	(575)	7,619	0	0	7,619
DISTRICT BASKETBALL	0	19,400	13,174	(6,226)	0	0	0	0
REST. BOY'S BSKTBALL BOOSTERS	0	3,359	160	(3,199)	0	0	0	0
BOYS BASKETBALL	0	6,729	17,100	10,371	0	0	0	0
REST BOYS BSKT BOOSTERS	0	5,330	2,365	(2,965)	(0)	0	0	(0)
GIRLS BASKETBALL	0	7,087	9,074	2,504	517	0	0	517
REST FB BOOSTERS CO	0	7,163	2,542	(4,621)	0	0	0	0
RESTRICTED FB BOOSTERS	0	4,430	688	(3,742)	0	0	0	0
FOOTBALL	0	10,321	23,572	13,251	0	0	0	0
ER MIDDLE SCHOOL FB	0	2,040	1,950	(90)	0	0	0	0
SOFTBALL	0	2,799	3,567	769	0	0	0	0

**PIKE COUNTY BOARD OF EDUCATION  
EAST RIDGE HIGH SCHOOL  
ACTIVITY FUNDS  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2019**

Fund	Cash Balance July 1, 2018	Receipts	Disburse- ments	Transfers	Cash Balance June 30, 2019	Accounts Receivable	Accounts Payable	Due to Students June 30, 2019
ERMS BASEBALL BO CON					0	0	0	0
BASEBALL	0	2,479	3,248	769	0	0	0	0
ER MS BASEBALL	323	1,872	1,490	0	705	0	0	705
ER MS BASEBALL BO	268	0	0	0	268	0	0	268
ER MS BASEBALL BO	586	0	0	0	586	0	0	586
VOLLEYBALL	0	3,432	3,432	0	0	0	0	0
DISTRICT VB TOUR	0	1,734	702	0	1,032	0	0	1,032
15TH ALL A VOLLEYBALL TOUR	979	0	0	0	979	0	0	979
CHEERLEADERS	0	0	0	0	0	0	0	0
GOLF	0	0	460	460	0	0	0	0
CROSS COUNTRY	0	2,966	2,377	0	589	0	0	589
TRACK BOYS	79	4,261	3,329	618	1,629	0	0	1,629
CULTURE CLUB	3,009	7,501	8,772	413	2,151	0	0	2,151
TRACK GIRLS	617	0	0	(618)	(1)	0	0	(1)
DANCE TEAM	0	391	0	0	391	0	0	391
DUAL CREDIT	54	315	0	0	369	0	0	369
TEACHERS LOUNGE	189	2,586	2,376	0	399	0	0	399
BAND	0	8,980	8,677	13	316	0	0	316
CHOIR	13	0	0	(13)	0	0	0	0
JROTC VENDING	5,389	5,417	2,538	0	8,268	0	0	8,268
JROTC DRILL TEAM	2,842	6,694	6,599	540	3,477	0	0	3,477
STUDENT VENDING	3,253	2,189	0	0	5,442	0	0	5,442
DRAMA	36	0	0	0	36	0	0	36

PIKE COUNTY BOARD OF EDUCATION  
 EAST RIDGE HIGH SCHOOL  
 ACTIVITY FUNDS  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2019

Fund	Cash Balance July 1, 2018	Receipts	Disburse- ments	Transfers	Cash Balance June 30, 2019	Accounts Receivable	Accounts Payable	Due to Students June 30, 2019
ANNUAL/YEARBOOK	7,862	5,351	6,865	0	6,349	0	0	6,349
PICTURES	1,299	0	0	(1,000)	299	0	0	299
BETA CLUB	183	0	0	0	183	0	0	183
NATIONAL HONOR SOC.	50	964	996	(17)	1	0	0	1
CHILDREN INC.	566	5,486	4,185	(1,867)	0	0	0	0
NANCY RATLIFF SCHOLARSHIP	2,232	2,100	2,000	0	2,332	0	0	2,332
GUIDANCE COUNSELOR	489	1,587	1,413	0	663	0	0	663
ATHLETIC SIGN ADVER	0	7,300	595	(6,705)	0	0	0	0
PROM	4,505	9,160	10,657	0	3,008	0	0	3,008
HOMECOMING ACTIVITIES	1,489	1,253	260	0	2,482	0	0	2,482
SENIORS	764	2,766	3,132	348	746	0	0	746
STUDENT ENRICHMENT	479	4,125	4,460	0	144	0	0	144
DAF INSTRUCTION	0	0	6,085	6,085	0	0	0	0
GIFTED AND TALENTED	53	0	0	0	53	0	0	53
RST. BOY'S BSKTBALL CON.	0	0	0	0	0	0	0	0
DAF BUILDING/GRO	0	0	166	166	0	0	0	0
FBLA	358	71	94	0	335	0	0	335
	<u>\$ 53,646</u>	<u>\$ 226,690</u>	<u>\$ 192,790</u>	<u>\$ 0</u>	<u>\$ 87,546</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 87,546</u>

**PIKE COUNTY BOARD OF EDUCATION  
 PHELPS HIGH SCHOOL  
 ACTIVITY FUNDS  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2019**

Fund	Cash Balance July 1, 2018	Receipts	Disburse- ments	Transfers	Cash Balance June 30, 2019	Accounts Receivable	Accounts Payable	Due to Students June 30, 2019
GENERAL	\$ 7,964	\$ 9,504	\$ 3,454	\$ 233	\$ 14,247	\$ 0	\$ 1,020	\$ 13,227
PHARMACY TECH CLASSES	0	430	0	0	430	0	0	430
TRACK/CROSS COUNTRY	0	2,241	2,147	450	544	0	0	544
60TH DISTRICT BASKETBALL	0	11,865	8,407	(3,458)	0	0	0	0
60TH DISTRICT CONCESSION	0	3,960	110	(3,850)	0	0	0	0
DISTRICT PROGRAM/T-SHIRT	0	3,389	1,256	(2,134)	0	0	0	0
COLA MACHINES	502	3,868	2,526	(1,581)	263	0	263	0
SR. CLASS	70	761	1,002	0	(171)	0	0	(171)
VOLLEYBALL	770	6,312	6,270	817	1,629	0	0	1,629
JR. HIGH VOLLEYBALL	179	5,620	7,671	2,672	800	0	0	800
FRYSC	20	163	0	0	183	0	0	183
JKG	0	922	854	0	68	0	0	68
LOCKERS	0	810	0	(810)	0	0	0	0
CHEER	177	8,029	7,384	0	822	0	0	822
WRESTLING	208	0	0	0	208	0	0	208
JH BASEBALL	1,940	2,205	3,824	1,270	1,591	0	0	1,591
CONCESSION JH BASEBALL	0	1,270	0	(1,270)	0	0	0	0
VAR BOYS BASKETBALL	464	14,089	11,430	5,652	8,775	0	0	8,775
FOOTBALL	1,216	17,596	12,440	1,357	7,729	0	0	7,729
PHELPS LL BASEBALL	4,522	918	3,876	0	1,564	0	0	1,564
BASEBALL	97	6,202	5,382	841	1,758	0	0	1,758
BASEBALL CONCESSIONS	0	1,261	0	(1,261)	0	0	0	0
VAR GIRLS BASKETBALL	576	6,595	11,935	5,313	550	0	0	550
SOFTBALL	1,817	3,775	5,579	253	265	0	0	265



PIKE COUNTY BOARD OF EDUCATION  
 PHELPS HIGH SCHOOL  
 ACTIVITY FUNDS  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2019

Fund	Cash Balance July 1, 2018	Receipts	Disburse- ments	Transfers	Cash Balance June 30, 2019	Accounts Receivable	Accounts Payable	Due to Students June 30, 2019
JH FOOTBALL	517	1,374	2,185	755	460	0	0	460
JH BOYS BASKETBALL	6,361	4,477	10,181	637	1,294	0	0	1,294
CONCESSIONS GIRLS BASKETBALL	0	2,428	575	(1,852)	0	0	0	0
BOYS VARSITY CONCESSIONS	0	3,154	815	(2,339)	0	0	0	0
Varsity Academic Team	112	0	0	0	112	0	0	112
JR High Academic Team	75	106	180	0	1	0	0	1
PROM	101	6,065	6,146	0	20	0	0	20
CHILDREN INC	12,881	16,774	28,419	0	1,236	0	0	1,236
CONCESSIONS JH BOYS BASKETBALL	0	2,234	1,069	(1,165)	0	0	0	0
JH GIRLS BASKETBALL	1,579	656	1,183	(72)	980	0	0	980
NH SOCIETY	0	580	385	0	195	0	0	195
JROTC	1,584	152	1,359	350	726	0	0	726
FBLA	209	297	442	0	64	0	0	64
SCHOOL STORE	0	5,693	3,932	(1,761)	0	0	0	0
LIBRARY FUND	0	28	0	(28)	0	0	0	0
PEPSI VENDING MACH	483	4,711	4,831	(362)	0	0	0	0
TEACHER VENDING (POP)	827	3,526	2,664	(199)	1,490	0	0	1,490
CONCESSIONS JH GIRLS BASKETBALL	0	341	293	(48)	0	0	0	0
SOFTBALL CONCESSIONS	0	1,384	458	(926)	0	0	0	0
VOLLEYBALL CONCESSIONS	0	2,280	0	(2,280)	0	0	0	0
JH VOLLEYBALL CONCESSIONS	0	2,162	503	(1,659)	0	0	0	0
TEACHERS VENDING/SN	4,711	1,027	3,927	199	2,010	0	0	2,010
VENDING STORE	0	1,596	960	(636)	0	0	0	0

**PIKE COUNTY BOARD OF EDUCATION  
 PHELPS HIGH SCHOOL  
 ACTIVITY FUNDS  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2019**

Fund	Cash Balance July 1, 2018	Receipts	Disburse- ments	Transfers	Cash Balance June 30, 2019	Accounts Receivable	Accounts Payable	Due to Students June 30, 2019
AP ENVIROMENTAL SC	504	0	0	(504)	0	0	0	0
YEARBOOK	0	15	0	(15)	0	0	0	0
4-H CLUB	106	0	104	0	2	0	0	2
JR HIGH FOOTBALL CONCESSIONS	0	759	116	(643)	0	0	0	0
JR HIGH CHEER	325	579	862	0	42	0	0	42
BAND	3,240	6,513	8,062	0	1,691	0	0	1,691
GRAPHICS ACCOUNT	175	0	0	0	175	0	0	175
DANCE	66	475	480	0	61	0	0	61
FMD UNIT	0	1,025	605	0	420	0	0	420
GENERAL SPORTS FUND	858	837	3,310	4,516	2,901	0	0	2,901
JUNIOR HIGH ACTIVITIES	417	675	580	0	512	0	0	512
SPELLING TEAM	402	0	0	0	402	0	0	402
FOOTBALL CONCESSIONS	0	2,847	0	(3,019)	(172)	0	0	(172)
STLP	0	240	0	0	240	0	0	240
BETA CLUB	285	547	211	0	621	0	0	621
DAF ATHLETICS	0	0	368	368	0	0	0	0
DAF LIBRARY	0	0	28	28	0	0	0	0
DAF BUILDING/GROUNDS	171	1	6,161	6,161	172	0	0	172
<b>TOTAL</b>	<b>\$ 56,511</b>	<b>\$ 187,341</b>	<b>\$ 186,943</b>	<b>\$ 0</b>	<b>\$ 56,910</b>	<b>\$ 0</b>	<b>\$ 1,283</b>	<b>\$ 55,627</b>

**PIKE COUNTY BOARD OF EDUCATION  
PIKE COUNTY CENTRAL HIGH SCHOOL  
ACTIVITY FUNDS**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2019**

Fund	Cash Balance July 1, 2018	Receipts	Disburse- ments	Transfers	Cash Balance June 30, 2019	Accounts Receivable	Accounts Payable	Due to Students June 30, 2019
GENERAL FUND	\$ 1,119	\$ 483	\$ 1,369	\$ (156)	\$ 77	\$ 0	\$ 0	\$ 77
PARKING PERMITS	0	730	0	(730)	0	0	0	0
STUDENT FEES	0	3,395	(120)	(3,515)	0	0	0	0
MEMORIAL	227	0	0	0	227	0	0	227
AP CLASSES	1,053	100	225	0	928	0	0	928
HALL OF FAME	1,018	0	0	(968)	50	0	0	50
SCHOOL PICTURES	0	983	0	(983)	0	0	0	0
STAFF VENDING	3,645	4,131	3,370	(50)	4,356	0	74	4,282
ATHLETICS	455	33,562	33,551	(62)	405	0	402	3
BOYS VAR CHEERLEADERS	4,242	18,016	16,375	0	5,883	0	0	5,883
BASEBALL	0	21,396	16,812	0	4,584	0	379	4,205
BASEBALL CONCESSIONS	0	3,284	1,565	0	1,719	0	0	1,719
BOYS BASKETBALL	4,475	10,205	20,588	5,751	(157)	0	0	(157)
BOYS BB CONCESSIONS	2,878	4,845	2,033	(5,691)	(1)	0	0	(1)
FOOTBALL	0	16,727	17,201	1,935	1,461	0	0	1,461
FOOTBALL CONCESSIONS	0	4,757	2,823	(1,935)	(1)	0	0	(1)
GIRL'S BASKETBALL	2,145	12,720	24,825	2,046	(7,915)	0	0	(7,915)
GIRL'S BASK CONCESSIONS	200	3,047	1,201	(2,046)	1	0	0	1
SOFTBALL	0	7,200	13,536	4,827	(1,509)	1,509	0	0
SOFTBALL CONCESSIONS	0	2,209	0	(2,209)	(0)	0	0	(0)
VOLLEYBALL	603	7,563	7,622	1,260	1,804	0	0	1,804
VOLLEYBALL CONCESSIONS	1,260	3,085	509	(1,260)	2,576	0	0	2,576
60TH DIST VOLLEYBALL	9	0	0	0	9	0	0	9
60TH DIST BASEBALL	0	0	0	0	0	0	0	0
WRESTLING	411	1,580	1,613	0	378	0	0	378
WRESTLING CONCESSIONS	199	0	0	0	199	0	0	199

**PIKE COUNTY BOARD OF EDUCATION  
PIKE COUNTY CENTRAL HIGH SCHOOL  
ACTIVITY FUNDS  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2019**

Fund	Cash Balance July 1, 2018	Receipts	Disburse- ments	Transfers	Cash Balance June 30, 2019	Accounts Receivable	Accounts Payable	Due to Students June 30, 2019
BOY'S TRACK	0	2,538	2,058	0	480	0	0	480
GIRL'S TRACK	0	0	62	62	0	0	0	0
GOLF	471	1,817	2,260	0	28	0	0	28
SOCCER	0	0	0	0	0	0	0	0
SOCCER CONCESSIONS	0	0	0	0	0	0	0	0
BASS FISHING	2,451	6,026	7,695	(180)	602	0	0	602
TENNIS	1,356	0	405	0	951	0	0	951
15TH REGIONAL BASKETBALL	0	19,350	19,350	0	0	0	0	0
T-SHIRTS	226	0	0	(226)	1	0	0	1
ROBOTICS	504	0	431	0	73	0	0	73
ACADEMIC	2,205	1,288	1,510	0	1,983	0	0	1,983
FBLA	545	0	0	0	545	0	0	545
CULINARY SKILLS	53	0	0	0	53	0	0	53
ENTREPEURSHIP	0	0	0	0	0	0	0	0
FCCLA	444	0	135	0	309	0	0	309
PEP CLUB	574	65	531	0	108	0	0	108
PROJECT PROM	253	6,960	7,003	0	210	0	0	210
STUDENT ACTIVITIES	296	9,491	9,131	0	656	0	420	236
SCIENCE CLUB	18	30,624	30,642	0	0	0	0	0
STUDENT COUNCIL	63	824	525	0	362	0	0	362
SPANISH CLUB	18	0	0	(18)	0	0	0	0
CENTRAL HOPE	277	0	0	(277)	0	0	0	0
FCA	314	612	485	0	441	0	0	441
FEA	533	0	0	0	533	0	0	533
NHS	1,668	2,310	2,020	0	1,958	0	0	1,958
ART	746	263	343	0	666	0	0	666
CLASS OF 2017	33	0	0	(33)	0	0	0	0

**PIKE COUNTY BOARD OF EDUCATION  
PIKE COUNTY CENTRAL HIGH SCHOOL**

**ACTIVITY FUNDS**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2019**

Fund	Cash Balance July 1, 2018	Receipts	Disburse- ments	Transfers	Cash Balance June 30, 2019	Accounts Receivable	Accounts Payable	Due to Students June 30, 2019
CLASS OF 2018	137	0	0	(137)	0	0	0	0
CLASS OF 2019	0	6,709	6,523	120	306	0	0	306
PROM	1,840	13,400	10,221	(120)	4,899	0	0	4,899
BAND	6,407	51,547	48,065	(2,570)	7,319	0	0	7,319
BAND CONCESSIONS	0	0	0	0	0	0	0	0
BAND TRIP	0	29,055	30,685	1,630	(0)	0	0	(0)
CHORUS	404	7,406	9,115	940	(365)	0	0	(365)
DANCE TEAM	653	4,364	3,705	50	1,362	0	0	1,362
COLOR GUARD	117	392	267	0	242	0	0	242
JR. ROTC	537	1,967	1,361	0	1,143	0	0	1,143
HOSA	51	2,960	2,899	0	112	0	0	112
MEDICAID NURSE	10	1,856	1,806	0	60	0	0	60
JOURNALISM	83	0	0	0	83	0	0	83
YEARBOOK	2,419	2,366	3,959	0	826	0	0	826
SPEECH	865	0	0	(865)	0	0	0	0
LIBRARY	408	165	200	0	373	0	0	373
HVPA	49	0	0	0	49	0	0	49
EXPLORER'S	736	1,286	1,870	120	272	0	0	272
HISTORY CLUB	1,449	2,568	2,453	0	1,564	0	0	1,564
KEY CLUB	403	1,414	1,667	180	330	0	0	330
NATIONAL HISTORY DAY	567	0	0	0	567	0	0	567
CHILDREN INC	3,004	6,111	7,430	(120)	1,565	0	0	1,565
DAF INSTRUCTION	0	0	62	62	(0)	0	0	0
DAF ATHLETICS	0	0	4,298	4,298	0	0	0	0
DAF PROFESSIONAL	0	0	22	22	0	0	0	0
DAF PRINCIPAL	561	1	845	845	562	0	0	562
	<u>\$ 57,687</u>	<u>\$ 375,753</u>	<u>\$ 387,137</u>	<u>\$ 0</u>	<u>\$ 46,303</u>	<u>\$ 1,509</u>	<u>\$ 1,275</u>	<u>\$ 46,537</u>

**PIKE COUNTY BOARD OF EDUCATION  
SHELBY VALLEY HIGH SCHOOL  
ACTIVITY FUNDS  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2019**

Fund	Cash Balance July 1, 2018	Receipts	Disburse- ments	Transfers	Cash Balance June 30, 2019	Accounts Receivable	Accounts Payable	Due to Students June 30, 2019
DAF INSTRUCTION	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
DAF LIBRARY	0	0	0	0	0	0	0	0
DAF PRINCIPALS OFFICE	0	0	2,002	2,002	0	0	0	0
DAF BUILDING/GROUNDS	0	0	13,436	13,436	0	0	0	0
YOUTH SERVICE	5	0	0	(5)	0	0	0	0
ACADEMIC TEAM	0	9,755	10,502	746	(1)	0	0	(1)
ALUMNI ASSOCIATION	70	25,000	0	0	25,070	0	0	25,070
BAND BOOSTERS	2,130	21,809	18,358	60	5,641	0	0	5,641
ATHLETICS	191	49,450	10,488	(28,039)	11,114	0	0	11,114
BAND	0	0	0	0	0	0	0	0
BLUE CREW	147	0	0	(147)	0	0	0	0
BASS FISHING	200	0	0	(200)	0	0	0	0
BASEBALL	0	200	7,578	7,378	0	0	0	0
BASEBALL BOOSTERS	226	4,850	4,247	0	829	0	0	829
BASKETBALL-GIRLS	0	700	7,554	6,854	0	0	0	0
GIRLS BASKETBALL BOOSTERS	971	12,973	13,345	0	599	0	0	599
BETA CLUB	345	728	733	0	340	0	0	340
BOYS BASKETBALL	0	300	6,880	6,580	0	0	0	0
CHEERLEADING	0	18,623	18,003	300	920	0	0	920
CHOIR	1,401	4,435	4,124	0	1,712	0	0	1,712
CATS	2,777	1,824	1,854	1,156	3,903	0	0	3,903
CHILDREN, INC.	671	7,735	7,892	(110)	404	0	0	404
CONCESSIONS	8,276	21,940	5,769	(24,446)	1	0	0	1
GAME CONCESSIONS	490	8,656	5,037	(4,108)	1	0	0	1
CROSS COUNTRY	0	125	929	804	0	0	0	0

**PIKE COUNTY BOARD OF EDUCATION**  
**SHELBY VALLEY HIGH SCHOOL**  
**ACTIVITY FUNDS**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Fund	Cash Balance July 1, 2018	Receipts	Disburse- ments	Transfers	Cash Balance June 30, 2019	Accounts Receivable	Accounts Payable	Due to Students June 30, 2019
CULINARY SKILLS	0	575	939	1,022	658	0	0	658
DANCE TEAM	40	5,302	8,376	3,534	500	0	0	500
DUAL CREDIT	3,336	0	0	(3,336)	0	0	0	0
DISTRICT TOURNAMENT	4,123	2,835	2,333	(4,625)	0	0	0	0
REGIONAL TOURNAMENT	2,389	0	0	(2,389)	0	0	0	0
FBLA	1,765	549	416	0	1,898	0	0	1,898
FCCLA	37	3,752	7,283	3,494	0	0	0	0
FCA	584	840	969	0	455	0	0	455
ALL "A" TOURNAMENT	0	3,077	2,130	(947)	0	0	0	0
FILM CLASS	762	0	0	0	762	0	0	762
FOOTBALL	0	800	19,868	19,068	0	0	0	0
SV MIDDLE FOOTBALL	0	7,431	3,624	0	3,807	0	0	3,807
FRESHMAN CLASS	368	670	361	(368)	309	0	0	309
LIBRARY	1	709	709	1,299	1,300	0	0	1,300
LOCKER RENTAL	2,931	1,060	0	0	3,991	0	0	3,991
GENERAL	14,303	22,730	26,005	1,668	12,696	0	0	12,696
GOLF	0	1,340	2,810	1,897	427	0	0	427
HELP DESK	1,033	0	0	(1,033)	0	0	0	0
JROTC	2,727	6,011	6,887	0	1,851	0	0	1,851
YEARBOOK	2,817	5,010	5,907	(20)	1,900	0	0	1,900
TEACHERS LOUNGE	1,219	3,544	2,401	(300)	2,062	0	0	2,062
JUNIOR CLASS	2,689	5,750	3,423	(373)	4,643	0	0	4,643
NATIONAL HONOR SOCIETY	2,799	4,940	5,668	0	2,071	0	0	2,071
PARKING PERMITS	1,265	1,500	0	(2,002)	763	0	0	763
PICTURE ORDERS	1,626	2,754	1,085	0	3,295	0	0	3,295

**PIKE COUNTY BOARD OF EDUCATION  
SHELBY VALLEY HIGH SCHOOL  
ACTIVITY FUNDS  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2019**

Fund	Cash Balance July 1, 2018	Receipts	Disburse- ments	Transfers	Cash Balance June 30, 2019	Accounts Receivable	Accounts Payable	Due to Students June 30, 2019
PROJECT PROM	3,543	4,703	4,032	(25)	4,189	0	0	4,189
PRINCIPALS ADVISOR	1,000	0	0	(1,000)	0	0	0	0
SCIENCE FAIR	202	0	0	0	202	0	0	202
SENIOR CLASS	46	48,366	51,100	2,688	0	0	0	0
SOCCER-BOYS	0	100	3,444	3,344	0	0	0	0
SOCCER-GIRLS	0	100	2,700	2,600	0	0	0	0
TENNIS	2	971	877		96	0	0	96
SV YOUTH SOCCER	175	0	0	(175)	0	0	0	0
SOFTBALL	0	200	4,823	4,623	0	0	0	0
SOPHOMORE CLASS	2,315	2,530	1,532	(1,947)	1,366	0	0	1,366
SOFTBALL BOOSTERS	9,007	4,869	4,779	0	9,097	0	0	9,097
TEXTBOOK RENTAL	7,811	5,912	0	(12,740)	983	0	0	983
VOLLEYBALL BOOSTERS	1,613	1,953	1,475	0	2,091	0	0	2,091
PROM	8,000	17,484	18,300	(25)	7,159	0	0	7,159
TRACK	0	2,185	3,342	1,157	0	0	0	0
WEIGHT ROOM	92	0	37	(55)	0	0	0	0
WILDCAT DEN	901	0	0	0	901	0	0	901
VOLLEYBALL	0	100	2,813	2,713	0	0	0	0
VENDING MACHINES	0	35,549	28,279		7,270	0	0	7,270
SV MIDDLE BASEBALL	0	2,350	1,459	0	891	0	0	891
SV MIDDLE SOFTBALL	0	2,889	2,525	0	364	0	0	364
KY DEMOCRATS	10	0	0	(8)	2	0	0	2
BAND CHOIR	0	4,800	647		4,153	0	0	4,153
<b>TOTAL</b>	<b>\$ 99,431</b>	<b>\$ 405,343</b>	<b>\$ 372,089</b>	<b>\$ 0</b>	<b>\$ 132,685</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 132,685</b>



**PIKE COUNTY BOARD OF EDUCATION  
BOARD MEMBERS AND OTHER OFFICERS OF THE BOARD  
JUNE 30, 2019**

<u>NAME</u>	<u>Title</u>	<u>ADDRESS</u>
Ireland Blankenship	Chairman	Virgie, KY
Nee Jackson	Vice-Chairman	Forest Hills, KY
Justin Maynard		Pikeville, KY
Dwayne Abshire		Phyllis, KY
Shane Hurley		Phelps, KY
Kenneth R. Adkins	Superintendent	
Freddie Bowling	Assistant Superintendent	

FEDERAL FINANCIAL ASSISTANCE

**Wallen, Puckett, & Anderson, psc**  
CERTIFIED PUBLIC ACCOUNTANTS

106 Fourth Street • Post Office Box 1349 • Pikeville, Kentucky 41502

J. Don Wallen, CPA  
L. Kevin Puckett, CPA  
James K. Anderson, CPA  
Johnny C. Cornett, CPA  
Johnny K. White, CPA

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

Kentucky State Committee for Board of Education Audits  
Members of the Pike County Board Of Education  
Pikeville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, Appendix I to the Independent auditor, contract-general audit requirements, and Appendix II to the Independent Auditor's contract-state audit requirement, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Pike County Board Of Education, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Pike County Board Of Education's basic financial statements, and have issued our report thereon dated November 15, 2019.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

WALLEN, PUCKETT, AND ANDERSON, P. S. C.

*Wallen, Puckett and Anderson, PSC*

Certified Public Accountants  
Pikeville, Kentucky

November 15, 2019

**Wallen, Puckett, & Anderson, psc**  
CERTIFIED PUBLIC ACCOUNTANTS

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

Kentucky State Committee for Board of Education Audits  
Members of the Pike County Board of Education  
Pikeville, Kentucky

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

We have audited the Pike County Board of Education's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Pike County Board of Education's major federal programs for the year ended June 30, 2019. Pike County Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, the Pike County Board of Education, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

## Report on Internal Control over Compliance

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

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

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

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

WALLEN, PUCKETT, AND ANDERSON, P. S. C.

*Wallen, Puckett and Anderson, PSC*

Certified Public Accountants  
Pikeville, Kentucky

November 15, 2019

**PIKE COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor				
<u>Pass-Through Agency</u>	Federal	Pass-	Amount of	Total
Program Title	CFDA	Through	Award	Expenditures
	Number	Grantor		
		Number		
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Passed Through State Department of Education:				
Title I Part A Cluster				
Title I	84.010	3100002	\$ 7,159,251	\$ 3,912,230
Title I - School Improvement Part A-Educational Recovery Staff	84.010	3100202		
Total Title I Part A Cluster			<u>\$ 7,159,251</u>	<u>\$ 3,912,230</u>
Special Education Cluster				
IDEA-B	84.027	3810002	\$ 1,730,454	\$ 1,391,859
IDEA-Preschool	84.173	3800002	46,184	46,184
Total Special Education Cluster			<u>\$ 1,776,638</u>	<u>\$ 1,438,043</u>
Title I – Homeless Children & Youth	84.196	3990002	59,785	20,027
Title I – Homeless Children & Youth	84.196	3990002	70,000	56,923
			<u>\$ 129,785</u>	<u>\$ 76,950</u>
Vocational Education Basic	84.048	4621232	\$ 171,819	\$ 87,258
Title IV-Rural/Low Income	84.358B	3140002	299,247	155,911
Title IV-Part A	84.424A	3140002	71,639	\$ 20,466
Improving Teacher Quality	84.367	3230002		
Race to the Top - District	84.416A	436C	75,000	75,000
Total from State Department of Education			<u>\$ 9,683,379</u>	<u>\$ 5,765,858</u>
<u>Passed Through Berea College</u>				
Gaining Early Awareness and Readiness for Undergraduate Programs (GE	84.334A	379D	\$ 160,155	\$ 124,868
Gaining Early Awareness and Readiness for Undergraduate Programs (GE	84.334A	379DR	0	296,296
Gaining Early Awareness and Readiness for Undergraduate Programs (GE	84.334A	379E	246,003	67,770
Gaining Early Awareness and Readiness for Undergraduate Programs (GE	84.334A	379ER	0	862,416
Total pass-through Berea College			<u>\$ 406,158</u>	<u>\$ 1,351,350</u>
<u>Passed Through Department of Juvenile Justice</u>				
Title I- Neglected and Delinquent Children - Day Treatment	84.013	313D	\$ 15,050	\$ 10,128
Title I- Neglected and Delinquent Children - Day Treatment	84.013	313E	18,000	12,996
Total pass-through Department of Juvenile Justice			<u>\$ 33,050</u>	<u>\$ 23,124</u>

See accompanying notes to schedule of expenditures of federal awards.

**PIKE COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor				
<u>Pass-Through Agency</u>	Federal	Pass-	Amount of	Total
Program Title	CFDA	Through	Award	Expenditures
	Number	Grantor		
		Number		
<u>Passed Through Cabinet for Families</u>				
Adult Education-Basic - Recruitment / Retention	84.002	365D	\$ 57,417	\$ 735
Adult Education-Basic - Recruitment / Retention	84.002			
Adult Education-Basic	84.002	373D	143,745	659
Total pass-through from Cabinet for Families			<u>\$ 201,162</u>	<u>\$ 1,394</u>
Total US Department of Education			<u>\$ 10,323,749</u>	<u>\$ 7,141,726</u>
<u>US DEPARTMENT OF DEFENSE</u>				
MJROTC	12.000	504C	\$ 300,000	\$ 20,345
MJROTC	12.000	504D	300,000	191,490
Total MJROTC			<u>\$ 600,000</u>	<u>\$ 211,835</u>
Total U. S. Department of Defense			<u>\$ 600,000</u>	<u>\$ 211,835</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
<u>Passed Through Big Sandy Community Action Program</u>				
Head Start	93.600	04CH0712	\$ 2,518,235	\$ 879,446
Head Start	93.600	04CH0712	2,581,373	1,797,880
Total Head Start			<u>\$ 5,099,608</u>	<u>\$ 2,677,326</u>
Total U. S. Department of Health and Human Services			<u>\$ 5,099,608</u>	<u>\$ 2,677,326</u>
<u>APPALACHIAN REGIONAL COMMISSION (ARC)</u>				
<u>Passed Through Morehead State University</u>				
KY Appalachian Higher Education	23.011	6882	\$	\$
KY Appalachian Higher Education	23.011	6883		
Total Appalachian Regional Commission			<u>\$ 0</u>	<u>\$ 0</u>
<u>U.S. DEPARTMENT OF COMMERCE</u>				
PRIDE – Environmental Education	11.420	270B	\$	\$
Total U.S. Department of Commerce			<u>\$ 0</u>	<u>\$ 0</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Child Nutrition Clusters				
<u>Passed Through State Department of Agriculture</u>				
Food Donation	10.553		\$ 311,956	\$ 311,956
<u>Passed Through State Department of Education</u>				
School Breakfast Program	10.553	7760005	1,812,751	1,812,751
National School Lunch	10.555	7750002	3,506,119	3,506,119
National Summer	10.559	7740023	55,944	55,944
National Summer	10.559	7690024	5,843	5,843
National Summer	10.559	7840027		
Total Child Nutrition Clusters			<u>\$ 5,692,613</u>	<u>\$ 5,692,613</u>
Total U.S. Department of Agriculture			<u>\$ 5,692,613</u>	<u>\$ 5,692,613</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 21,715,970</u>	<u>\$ 15,723,500</u>

See accompanying notes to schedule of expenditures of federal awards.



**PIKE COUNTY BOARD OF EDUCATION  
NOTES TO THE SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS  
JUNE 30, 2019**

**NOTE A—BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Pike County Board of Education under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Pike County Board of Education, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Pike County Board of Education.

**NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) The Pike County Board of Education has elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

**NOTE C – FOOD DISTRIBUTION**

Non-monetary assistance is reported in the schedule at the fair value of the commodities disbursed totaling \$311,956.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PIKE COUNTY BOARD OF EDUCATION  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Pike County Board of Education were prepared in accordance with GAAP.
2. No significant deficiencies disclosed during the audit of the financial statements. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of Pike County Board of Education were disclosed during the audit.
4. No significant deficiency in internal control over major federal award programs disclosed during the audit. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award programs for Pike County Board of Education expresses an unmodified opinion on all major federal programs.
6. No Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this Schedule.
7. The programs tested as major programs were:

Name	CFDA #
Department of Education – Title I	84.010
Department of Education – IDEA	84.027/84.173

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Pike County Board of Education was determined to be a low-risk auditee.

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings related to federal awards.

SECTION III – FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings or questioned costs related to the major federal programs which are required to be reported in accordance with 2 CFR Section 200.516(a) of the Uniform Guidance.

**PIKE COUNTY BOARD OF EDUCATION  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018**

There were no findings in the prior year.

## MANAGEMENT LETTER AND MANAGEMENT POINTS

**Wallen, Puckett, & Anderson, PSC**  
CERTIFIED PUBLIC ACCOUNTANTS

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FAX 606-432-8466

MANAGEMENT LETTER

Members of the Board of Education and Management  
Pike County Board of Education  
Pikeville, Kentucky

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pike County Board of Education (the "District") as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiency in internal control that we considered to be material. However, we did identify certain immaterial items and those items are described on the accompanying schedule.

The District's written responses to the comments identified during our audit have not been subjected to the audit procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, the members of the Finance Committee and of the Board, others within the District, and the Kentucky Department of Education, and is not intended to be and should not be used by anyone other than these specified parties. We appreciate the opportunity to serve the District and are available at your convenience to answer questions or assist in the implementation of these suggestions.

WALLEN, PUCKETT, AND ANDERSON, P. S. C.

*Wallen, Puckett and Anderson, PSC*

Certified Public Accountants  
Pikeville, Kentucky

November 15, 2019

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**PIKE COUNTY BOARD OF EDUCATION  
MANAGEMENT LETTER POINTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**BELFRY MIDDLE SCHOOL**  
**2019-01**

According to the Red Book, a purchase order should be prepared and approved by the sponsor/principal before payment is obligated. One of the twenty-five expenditures tested did not have a purchase order. Also, two voided checks could not be found. The Bookkeeper should retain the voided checks after voiding them.

**Management Response:**

The CFO and auditor agree that the one incident is not an indication of a pattern of omission. Only a reminder to always prepare a purchase order and to retain all voided checks.

**BELFRY ELEMENTARY SCHOOL**  
**2019-02**

Two of the twenty-five items tested resulted in an invoice not being present. The Redbook requires all invoices to be retained.

**Management Response:**

The CFO has impressed upon the principal and treasurer the requirement and necessity of retaining all invoices.

**JOHNS CREEK ELEMENTARY SCHOOL**  
**2019-03**

Form FSA-15B (listing of Accounts Payable and Accounts Receivable) was prepared for the fiscal year. However, accounts payable totaling \$556 was omitted from the form.

**Management Response:**

The CFO has instructed treasurer to take more care in completing, FSA-15B, for the year end reports.

**PIKE CENTRAL HIGH SCHOOL**  
**2019-04**

There were two items of twenty-five items tested that resulted in an invoice not being present. The Red Book requires an invoice be attached to standard invoice prior to payment.

**Management Response:**

The CFO instructed the treasurer to always check the preparation, approval and dating of the standard invoices prior to payment.

**KIMPER ELEMENTARY SCHOOL**  
**2019-05**

Purchase orders are not being prepared for all payments. The Red Book requires purchase orders are to be prepared for all disbursements of school funds.

**Management Response:**

The CFO has instructed the school treasurer that purchase orders are to be completed for all disbursements of school funds.

**PIKE COUNTY BOARD OF EDUCATION  
MANAGEMENT LETTER POINTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**MILLARD ELEMENTARY SCHOOL**  
**2019-06**

Form FSA-15B (listing of Accounts Payable and Accounts Receivable) was prepared for the fiscal year. However, accounts payable totaling \$991 was omitted from the form.

**Management Response:**

The CFO has instructed treasurer to prepare form FSA-15b for each fiscal year, take more care in completing, FSA-15B, for the year end reports.

**MILLARD ELEMENTARY SCHOOL**  
**2019-07**

Of twenty-five items tested there was one instance of a purchase order not being approved by the principal and one instance of difference in purchase order amount and the amount paid.

**Management Response:**

The CFO has instructed treasurer on the importance of correctly preparing and approving purchase orders for all expenditures and to be sure differences amounts on purchase orders and checks written is explained.

**PHELPS HIGH SCHOOL**  
**2019-08**

Form FSA-15B (listing of Accounts Payable and Accounts Receivable) was prepared for the fiscal year. However, accounts payable totaling \$1020 was omitted from the form.

**Management Response:**

The CFO has instructed treasurer to take more care in completing, FSA-15B, for the year end reports.



**PIKE COUNTY BOARD OF EDUCATION  
MANAGEMENT LETTER POINTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**PRIOR YEAR COMMENTS**

**DORTON ELEMENTARY SCHOOL**  
2018-01

According to the Redbook, a standard invoice should be prepared and approved by the sponsor/principal before payment is obligated. One of the twenty-five expenditures tested did not have a standard invoice, and one item did not have a purchase order dated.

The deficiency has been corrected in the current year. No repeat findings for 2019 were noted.

**NORTHPOINT ACADEMY**  
2018-02

According to the Redbook, Individual Activity Account Budget worksheets are due to the principal by April 15. The principal's Combining Budget and the Individual Activity Worksheets are due to the Finance Officer by May 15. These were not prepared for the 2017-2018 year. This is a repeat finding.

This finding has been corrected and no findings were noted for the current year.

**MILLARD ELEMENTARY SCHOOL**  
2018-03

Two of the twenty-five items tested resulted in purchase orders not being approved by the principal prior to payment. The Redbook requires all purchase orders to be approved by the principal prior to payment.

There was one instance of a repeat finding on this deficiency in the current year.

**FEDS CREEK ELEMENTARY**  
2018-04

Form FSA-15B (listing of accounts payable and accounts receivable) was not prepared for the fiscal year ended June 30, 2018, as required by the Red Book.

This deficiency was corrected and no findings were noted during the current year.

**PIKE COUNTY CENTRAL HIGH SCHOOL**  
2018-05

There were two instances of twenty-five items tested that resulted in a check being issued before the date the standard invoice was approved. The Red Book requires the standard invoices be completed and approved prior to payment.

This deficiency was corrected.

**PIKE COUNTY BOARD OF EDUCATION  
MANAGEMENT LETTER POINTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**PRIOR YEAR COMMENTS**

**KIMPER ELEMENTARY  
2018-06**

Purchase orders are not being prepared for payments made to game officials. The Red Book requires purchase orders are to be prepared for all disbursements of school funds.

This school has a repeat of this finding during the current year.

**ELKHORN CITY ELEMENTARY  
2018-07**

Form FSA-15B (listing of accounts payable and accounts receivable) was not prepared for the fiscal year ended June 30, 2018, as required by the Red Book.

This deficiency was corrected.

**APPENDIX C**

**Pike County School District Finance Corporation  
School Building Refunding Revenue Bonds  
Series of 2020**

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**Official Terms and Conditions of Bond Sale**

**OFFICIAL TERMS AND CONDITIONS OF BOND SALE**

**\$975,000\***

**Pike County School District Finance Corporation  
School Building Refunding Revenue Bonds, Series of 2020  
Dated as of July 29, 2020**

**SALE: July 8, 2020 AT 11:30 A.M., E.D.S.T.**

As published on PARITY®, a nationally recognized electronic bidding system, the Pike County School District Finance Corporation (the "Corporation") will until 11:30 A.M., E.D.S.T., on July 8, 2020 receive at the office of the Kentucky School Facilities Construction Commission, 700 Louisville Road, Carriage House, Frankfort, Kentucky, 40601, competitive bids for the purchase of \$975,000 principal amount of Pike County School District Finance Corporation School Building Refunding Revenue Bonds, Series of 2020 (the "Refunding Bonds"), dated and bearing interest from July 29, 2020, payable on October 1, 2020, and semi-annually thereafter on April 1 and October 1 of each year, in denominations in multiples of \$5,000 within the same maturity, maturing on October 1 in each of the years as follows:

<u>MATURITY</u>	<u>PRINCIPAL AMOUNT*</u>
2020	\$20,000
2021	100,000
2022	105,000
2023	105,000
2024	105,000
2025	110,000
2026	110,000
2027	115,000
2028	115,000
2029	90,000

\* Subject to Permitted Adjustment as described herein.

**REDEMPTION PROVISIONS**

The Bonds maturing on or after October 1, 2029 are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after October 1, 2028, in any order of maturities (less than all of a single maturity to be selected by lot), in whole or in part, upon notice of such prior redemption being given by the Paying Agent in accordance with DTC requirements not less than thirty (30) days prior to the date of redemption, upon terms of the face amount, plus accrued interest, but without redemption premium.

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

The Refunding Bonds are to be issued in fully registered form (both principal and interest). U.S. Bank National Association, Louisville, Kentucky, the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to each Registered Owner of record as of the 15th day of the month preceding the due date which shall be Cede & Co., as the Nominee of The Depository Trust Company ("DTC"). Please see "Book-Entry-Only-System" below.

## **PIKE COUNTY SCHOOL DISTRICT FINANCE CORPORATION**

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

### **AUTHORITY AND PURPOSE**

The Refunding Bonds are being issued under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Sections 162.120 through 162.300, 162.385, and Section 58.180 of the Kentucky Revised Statutes, within the meaning of the decision of the Court of Appeals of Kentucky (Supreme Court) in the case of *Hemlepp v. Aronberg*, 369 S.W.2d 121, for the purpose of providing funds to retire the outstanding Pike County School District Finance Corporation School Building Revenue Bonds, Series of 2009, dated October 1, 2009 maturing October 1, 2021 and thereafter (the "Refunded Bonds") prior to their stated maturities on August 10, 2020.

### **SCHOOL FACILITIES CONSTRUCTION COMMISSION**

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

The Commission will enter into a Participation Agreement with the Board whereunder the Commission, will agree to continue to pay approximately 100% of the debt service of the Refunding Bonds through October 1, 2029; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the biennial budget period of the Commonwealth, with the first such biennial budget period terminating on June 30, 2021.

The General Assembly of the Commonwealth adopted the State's Budget for the fiscal year ending June 30, 2021. Inter alia, the Budget provides \$124,836,200 in FY 2020-21 to pay debt service on existing and future bond issues; \$58,000,000 of the Commission's previous Offers of Assistance made during the last biennium; and authorizes \$58,000,000 in additional Offers of Assistance for the current biennium to be funded in the Budget for the biennium ending June 30, 2022.

### **PROCEEDS TO RETIRE CERTAIN BONDS OF PRIOR ISSUE**

The Refunded Bonds were issued under the authority of Sections 162.120 through 162.300 and 162.385 of the Kentucky Revised Statutes for the purpose of providing funds to finance improvements to Dorton Elementary School (the "Project"). Under the terms of the Resolution authorizing the Refunded Bonds, the Refunded Bonds are payable from the income and revenues of the Project financed from the proceeds thereof. The Refunded Bonds are secured by a lien upon and a pledge of revenues from the rental of the Project to the Board under a Contract, Lease and Option, dated October 1, 2009 (the "Prior Lease").

The total principal amount of the Refunded Bonds currently outstanding is \$1,010,000, scheduled to mature on October 1 in each of the years 2020 through 2029. The proceeds of the Refunding Bonds will be used to pay accruing interest on and retire on August 10, 2020 the Refunded Bonds maturing October 1, 2021 and thereafter. The Refunded Bonds constitute the only outstanding bonded indebtedness payable from or secured by the school Project financed from the proceeds thereof.

The 2020 Bond Resolution adopted by the Corporation's Board of Directors authorizes the payment and retirement of the Refunded Bonds including principal and accruing interest prior to their stated maturities through the deposit of the required amount of proceeds of the Refunding Bonds in the Bond and Interest Redemption Fund established for the Refunded Bonds or in a special Escrow Fund for application to the retirement of the Refunded Bonds.

The 2020 Bond Resolution expressly provides that upon delivery of the Refunding Bonds and the deposit of sufficient funds in accordance with the preceding paragraph neither the lien upon nor the pledge of the revenues from the rental of the Project under the Prior Lease shall constitute the security and source of payment for any of the Refunded Bonds and the Registered Owners of such Refunded Bonds shall be paid from and secured by the monies deposited in the Bond and Interest Redemption Fund established for the Refunded Bonds or in Escrow Fund for the retirement thereof upon the delivery of the Refunding Bonds.

### **SECURITY FOR REFUNDING BONDS**

The Refunding Bonds will constitute a limited indebtedness of the Corporation and will be payable as to both principal and interest solely from the income and revenues of the school Project financed from the proceeds of the Refunded Bonds. The Refunding Bonds are secured by a lien upon and a pledge of the revenues derived from the rental of the school Project to the Board under a Lease Agreement dated July 29, 2020 (the "2020 Lease").

Under the 2020 Lease the Board has leased the school property securing the Refunding Bonds in accordance with the provisions of KRS 162.140 for an initial period from July 29, 2020 through June 30, 2021, with the option in the Board to renew said 2020 Lease from year to year for one year at a time, at annual rentals, sufficient in each year to enable the Corporation to pay, solely from the rentals due under the 2020 Lease, the principal and interest on all of the Refunding Bonds as same become due.

The 2020 Lease provides that the Prior Lease will be canceled effective upon the deposit of sufficient funds to provide for the retirement of the Refunded Bonds. The 2020 Lease provides further that so long as the Board exercises its annual renewal options, its rentals will be payable according to the terms and provisions of the 2020 Lease until October 1, 2029, the final maturity date of the Refunding Bonds, and such annual rentals shall be deposited as received in the Bond Fund for the Refunding Bonds and used and applied for the payment of all maturing principal of and interest on the Refunding Bonds.

Under the terms of the 2020 Lease, and any renewal thereof, the Board has agreed so long as the Bonds remain outstanding, and in conformance with the intent and purpose of Section 157.627(5) of the Act and KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the 2020 Lease, and unless sufficient funds have been transmitted to the Paying Agent, or will be so transmitted, for paying said rentals when due, the Board has granted under the terms of the 2020 Lease and Participation Agreement to the Corporation and the Commission the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

### **BIDDING CONDITIONS AND RESTRICTIONS**

(A) The terms and conditions of the sale of the Refunding Bonds are as follows:

(1) Bids must be made on Official Bid Form, contained in Information for Bidders available from the undersigned or RSA Advisors, LLC, Lexington, Kentucky, or by visiting [www.rsamuni.com](http://www.rsamuni.com) submitted manually, by facsimile or electronically via PARITY®.

(2) Electronic bids for the Bonds must be submitted through PARITY® and no other provider of electronic bidding services will be accepted. Subscription to the PARITY® Competitive Bidding System is required in order to submit an electronic bid. The Corporation will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in PARITY®

conflict with the terms of the Official Terms and Conditions of Sale of Bonds, this Official Terms and Conditions of Sale of Bonds shall prevail. Electronic bids made through the facilities of PARITY® shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the Corporation. The Corporation shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by PARITY®. The use of PARITY® facilities are at the sole risk of the prospective bidders. For further information regarding PARITY®, potential bidders may contact PARITY®, telephone (212) 404-8102. Notwithstanding the foregoing non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

(3) The bid shall be not less than \$965,250 (99% of par) plus accrued interest. Interest rates shall be in multiples of 1/8 or 1/20 of 1% or both. Only one interest rate shall be permitted per Bond, and all Bonds of the same maturity shall bear the same rate. Interest rates must be on an ascending scale, in that the interest rate stipulated in any year may not be less than that stipulated for any preceding maturity. There is no limit on the number of different interest rates.

(4) The determination of the best purchase bid for said Refunding Bonds shall be made on the basis of all bids submitted for exactly \$975,000 principal amount of Refunding Bonds offered for sale under the terms and conditions herein specified; provided, however, the Corporation reserves the right to increase or decrease the total principal amount of Refunding Bonds sold to such best bidder, in the amount of not exceeding \$100,000, with such increase or decrease to be made in any maturity, and the total amount of Refunding Bonds awarded to such best bidder will be a minimum of \$875,000 or a maximum of \$1,075,000. In the event of any such adjustment, no rebidding or recalculation of a submitted bid will be required or permitted. The price at which such adjusted principal amount of Bonds will be sold will be at the same price per \$5,000 of Refunding Bonds as the price per \$5,000 for the \$975,000 of Refunding Bonds bid.

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

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

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

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

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

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

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

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

(d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is July 8, 2020.

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

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

(7) The successful purchaser shall be required (without further advice from the Corporation) to wire transfer an amount equal to 2% of the principal amount of Refunding Bonds actually awarded to the Paying Agent U.S. Bank National Association, Louisville, Kentucky, Attn: Mr. Charles Lush (502-562-6436) by the close of business on the day following the award as a good faith deposit said amount will be applied (without interest) to the purchase price upon delivery and will be forfeited if the purchaser fails to take delivery.

(8) All Refunding Bonds of the same maturity shall bear the same and a single interest rate from the date thereof to maturity.

(9) The right to reject bids for any reason deemed acceptable by the Corporation, and the right to waive any possible informalities or irregularities in any bid, which in the sole judgment of the Corporation shall be minor or immaterial, is expressly reserved.

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

(B) The Bonds will be delivered utilizing the DTC Book-Entry-Only-System.

(C) Said Bonds are offered for sale on the basis of the principal of said Bonds not being subject to Kentucky ad valorem taxation and on the basis of the interest on said Bonds not being subject to Federal or Kentucky income taxation on the date of their delivery to the successful bidder. See TAX EXEMPTION below.

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

(E) If, prior to the delivery of the Bonds, any event should occur which alters the tax exempt status of the Bonds, or of the interest thereon, the purchaser shall have the privilege of avoiding the purchase contract by giving immediate written notice to the Corporation, whereupon the good faith check of the purchaser will be returned to the purchaser, and all respective obligations of the parties will be terminated.



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

### STATE SUPPORT OF EDUCATION

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

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

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

KRS 157.420 establishes a formula which results in the allocation of funds for capital expenditures in school districts at \$100 per ADA pupil which is included in the SEEK allotment (\$4,000) for the current biennium which is required to be segregated into a Capital Outlay Allotment Fund which may be used only for (1) direct payment of construction costs; (2) debt service on voted and funding bonds; (3) lease rental payments in support of bond issues; (4) reduction of deficits resulting from over expenditures for emergency capital construction; and (5) a reserve for each of the categories enumerated in 1 through 4 above.

KRS 157.440(1) requires that effective for fiscal years beginning July 1, 1990 each school district shall levy a minimum equivalent tax rate of \$.30 for general school purposes. The equivalent tax rate is defined as the rate which results when the income collected during the prior year from all taxes levied by the district (including utilities gross receipts license and special voted) for school purposes is divided by the total assessed value of property, plus the assessment for motor vehicles certified by the Revenue Cabinet of the Commonwealth. Any school district board of education which fails to comply with the minimum equivalent tax rate levy shall be subject to removal from office.

KRS 157.440(2) provides that for fiscal years beginning July 1, 1990 each school district may levy an equivalent tax rate which will produce up to 15% of those revenues guaranteed by the SEEK program. Any increase beyond the 4% annual limitation imposed by KRS 132.017 is not subject to the recall provisions of that Section. Revenue generated by the 15% levy is to be equalized at 150% of the state-wide average per pupil equalized assessment.

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

KRS 157.620(1) also provides that in order to be eligible for participation from the Kentucky School Facilities Construction Commission for debt service on bond issues the district must levy a tax which will produce revenues equivalent to \$.05 per \$100 of the total assessed value of all property in the district (including tangible and intangible property and motor vehicles) in addition to the minimum \$.30 levy required by KRS 160.470(12). A district having a special voted tax which is equal to or higher than the required \$.05 tax, must commit and segregate for capital purposes at least an amount equal to the required \$.05 tax. Those districts which levy the additional \$.05 tax are also eligible for participation in the

Kentucky Facilities Support ("KFS") program for which funds are appropriated separately from SEEK funds and are distributed to districts in accordance with a formula taking into account outstanding debt and funds available for payment from both local and state sources under KRS 157.440(1)(b).

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

### **BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2020**

The Kentucky General Assembly, during its Regular Session, adopted a budget for the biennium ending June 30, 2021 which was approved and signed by the Governor. Such budget is effective beginning July 1, 2020.

### **POTENTIAL LEGISLATION**

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

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

### **CONTINUING DISCLOSURE**

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

Financial information regarding the Board may be obtained from Superintendent, Pike County Board of Education, 316 South Mayo Trail, Pikeville, Kentucky 41502 (606) 433-9200.

### **TAX EXEMPTION; BANK QUALIFIED**

Bond Counsel advises as follows:

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

(B) The interest income from the Refunding Bonds is excludable from the gross income of the recipient thereof for Federal income tax purposes under existing law and interest on the Bonds will not be a specific item of tax preference for purposes of calculating the Federal alternative minimum tax.

(C) As a result of certifications by the Board and the Corporation, indicating the issuance of less than \$10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2020, the Refunding Bonds may be treated by financial institutions as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.

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

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

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

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

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

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

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

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

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

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

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

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

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

**PIKE COUNTY SCHOOL DISTRICT  
FINANCE CORPORATION**

By /s/ Tina Adkins  
Secretary

**APPENDIX D**

**Pike County School District Finance Corporation  
School Building Refunding Revenue Bonds  
Series of 2020**

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**Official Bid Form**

**OFFICIAL BID FORM  
(Bond Purchase Agreement)**

The Pike County School District Finance Corporation ("Corporation"), will until 11:30 A.M., E.D.S.T., on July 8, 2020, receive in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Road, Carriage House, Frankfort, Kentucky, 40601, (telephone 502-564-5582; Fax 888-979-6152) competitive bids for its \$975,000 School Building Refunding Revenue Bonds, Series of 2020, dated as of July 29, 2020; maturing October 1, 2020 through 2029 ("Bonds").

We hereby bid for said \$975,000\* principal amount of Bonds, the total sum of \$\_\_\_\_\_ (not less than \$965,250) plus accrued interest from July 8, 2020 payable October 1, 2020 and semiannually thereafter (rates on ascending scale in multiples of 1/8 or 1/20 of 1%; number of interest rates unlimited) and maturing as to principal on October 1 in each of the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>
2020	\$20,000	_____ %
2021	100,000	_____ %
2022	105,000	_____ %
2023	105,000	_____ %
2024	105,000	_____ %
2025	110,000	_____ %
2026	110,000	_____ %
2027	115,000	_____ %
2028	115,000	_____ %
2029	90,000	_____ %

\* Subject to Permitted Adjustment up to \$100,000

We understand this bid may be accepted for as much as \$1,075,000 of Bonds or as little as \$875,000 of Bonds, at the same price per \$5,000 Bond, with the variation in such amount occurring in any maturity or all maturities, which will be determined by the Secretary of the Corporation at the time of acceptance of the best bid.

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

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

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

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

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

- (a) *Holding Period* means, with respect to a Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the successful purchaser has sold at least 10% of such Maturity to the Public at prices that are no higher than the Initial Offering Price for such Maturity.
- (b) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.
- (c) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.
- (d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is July 8, 2020.
- (e) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

Electronic bids for the Bonds must be submitted through PARITY® and no other provider of electronic bidding services will be accepted. Subscription to the PARITY® Competitive Bidding System is required in order to submit an electronic bid. The Corporation will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in PARITY® conflict with the terms of the Official Terms and Conditions of Sale of Bonds, this Official Terms and Conditions of Sale of Bonds shall prevail. Electronic bids made through the facilities of PARITY® shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the Corporation. The Corporation shall not be responsible for any

malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by PARITY®. The use of PARITY® facilities are at the sole risk of the prospective bidders. For further information regarding PARITY®, potential bidders may contact PARITY®, telephone (212) 404-8102.

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

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

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

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

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

If we are the successful bidder, we agree to accept and make payment for the Bonds in Federal Funds on or about July 29, 2020 and upon acceptance by the Issuer's Municipal Advisor this Official Bid Form shall become the Bond Purchase Agreement.

Respectfully submitted,

\_\_\_\_\_ Bidder

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

\_\_\_\_\_ Address

Total interest cost from July 29, 2020 to final maturity \$ \_\_\_\_\_

Plus discount or less any premium \$ \_\_\_\_\_

Net interest cost (Total interest cost plus discount or less any premium) \$ \_\_\_\_\_

Average interest rate or cost (ie NIC) \_\_\_\_\_ %

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

Accepted by RSA Advisors, LLC, as Agent for the Pike County School District Finance Corporation for \$ \_\_\_\_\_ amount of Bonds at a price of \$ \_\_\_\_\_ as follows:

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>
2020	_____,000	_____%	2025	_____,000	_____%
2021	_____,000	_____%	2026	_____,000	_____%
2022	_____,000	_____%	2027	_____,000	_____%
2023	_____,000	_____%	2028	_____,000	_____%
2024	_____,000	_____%	2029	_____,000	_____%

Dated: July 8, 2020

\_\_\_\_\_  
 RSA Advisors, LLC, Municipal Advisor and  
 Agent for Pike County School District Finance Corporation