

DATED JUNE 29, 2021

**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).*

**\$855,000\***  
**PIKE COUNTY SCHOOL DISTRICT FINANCE CORPORATION**  
**SCHOOL BUILDING REVENUE BONDS,**  
**SERIES OF 2021**

**Dated with Delivery: July 28, 2021**

**Due: as shown below**

Interest on the Bonds is payable each February 1 and August 1, beginning February 1, 2022. The Bonds will mature as to principal on August 1, 2022 and thereafter as shown below. The Bonds are being issued in Book-Entry-Only Form and will be available for purchase in principal amounts of \$1,000 and integral multiples thereof.

Maturing		Interest	Reoffering	Maturing		Interest	Reoffering		
August 1	Amount*	Rate	Yield	CUSIP	August 1	Amount*	Rate	Yield	CUSIP
2022	\$80,000	%	%		2027	\$85,000	%	%	
2023	\$80,000	%	%		2028	\$85,000	%	%	
2024	\$85,000	%	%		2029	\$90,000	%	%	
2025	\$85,000	%	%		2030	\$90,000	%	%	
2026	\$85,000	%	%		2031	\$90,000	%	%	

The Bonds are subject to redemption prior to their stated maturity.

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 7, 2021, at 11:00 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, 229 West Main Street, Suite 102, 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 \$85,000.**

**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  
BOARD OF EDUCATION**

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

Reed Adkins, Secretary  
Tina Adkins, Treasurer

**BOND COUNSEL**

Steptoe & 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 Revenue Bonds, Series of 2021, 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**

**\$855,000\***

**PIKE COUNTY SCHOOL DISTRICT FINANCE CORPORATION  
SCHOOL BUILDING REVENUE BONDS,  
SERIES OF 2021**

*\*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 Revenue Bonds, Series of 2021 (the "Bonds").

The Bonds are being issued to finance a roof replacement at Pike Central High School (the "Project").

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 28, 2021, 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 162.290 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; NO PARTICIPATION IN THIS ISSUE**

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 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.

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

## BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2022

The Kentucky General Assembly is required by the Kentucky Constitution to adopt measures providing for the state's revenues and appropriations for each fiscal year. The Governor is required by law to submit a biennial State Budget (the "State Budget") to the General Assembly during the legislative session held in each even numbered year. State Budgets have generally been adopted by the General Assembly during those legislative sessions, which end in mid-April, to be effective upon the Governor's signature for appropriations commencing for a two-year period beginning the following July 1.

In the absence of a legislatively enacted budget, the Supreme Court has ruled the Governor has no authority to spend money from the state treasury except where there is a statutory, constitutional or federal mandate and the Commonwealth may be prevented from expending funds for certain state governmental functions, including the ability to pay principal of, premium, if any, and interest, when due, on obligations that are subject to appropriation.

Due to the unforeseen nature on the economy of the Commonwealth caused by the COVID-19 pandemic, in its 2020 regular session, the General Assembly adopted only a one-year budget for the biennial period ending June 30, 2021 which was approved and signed by the Governor. The biennial budget was reviewed and supplemented during the General Assembly's 2021 regular session. Such budget became effective beginning July 1, 2020. The Office of the State Budget Director makes available on its website monthly updates to the General Fund receipts and other Funds of the commonwealth. When published, the updates can be found at [www.osbd.ky.gov](http://www.osbd.ky.gov)

### 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>
2010-REF	\$6,400,000	\$885,000	\$6,400,000	\$0	3.100%	2022
2011-QSCB	\$11,000,000	\$11,000,000	\$1,573,077	\$9,426,923	4.620%	2030
2011	\$29,670,000	\$20,720,000	\$29,670,000	\$0	3.000%	2021
2012-REF	\$18,720,000	\$6,605,000	\$18,720,000	\$0	2.375% - 3.000%	2024
2013-REF	\$3,880,000	\$1,070,000	\$0	\$3,880,000	2.000%	2023
2014	\$8,350,000	\$7,310,000	\$5,284,526	\$3,065,474	3.000% - 4.000%	2034
2015	\$3,650,000	\$3,500,000	\$3,650,000	\$0	3.000% - 3.700%	2035
2015B	\$7,505,000	\$7,250,000	\$7,505,000	\$0	3.000% - 3.625%	2035
2016-REF	\$11,690,000	\$9,155,000	\$4,326,690	\$7,363,310	2.000% - 3.000%	2027
2016	\$20,835,000	\$20,560,000	\$19,616,751	\$1,218,249	2.000% - 3.000%	2036
2016B	\$19,400,000	\$15,500,000	\$0	\$19,400,000	2.000% - 3.000%	2036
2018	\$3,530,000	\$3,410,000	\$2,594,796	\$935,204	3.000% - 3.500%	2038
2018B	\$1,940,000	\$1,690,000	\$1,940,000	\$0	2.000% - 3.375%	2031
2020-REF	\$930,000	\$915,000	\$0	\$930,000	2.000%	2029
2020-REF (Taxable)	\$21,500,000	\$21,500,000	\$21,500,000	\$0	1.750% - 1.850%	2031
<b>TOTALS:</b>	<b>\$169,000,000</b>	<b>\$131,070,000</b>	<b>\$122,780,840</b>	<b>\$46,219,160</b>		



## AUTHORITY

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

- i) the issuance of approximately \$855,000 of Bonds subject to a permitted adjustment of \$85,000;
- 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 28, 2021, will bear interest from that date as described herein, payable semi-annually on February 1 and August 1 of each year, commencing February 1, 2022, and will mature as to principal on August 1, 2022 and 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). US Bank, National Association, Louisville, Kentucky, has been designated as the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to Cede & Co. Principal and interest will be payable through the Book-Entry-Only-System administered by The Depository Trust Company: Please see "BOOK-ENTRY-ONLY-SYSTEM" below. Interest on the Bonds will be paid at rates to be established upon the basis of competitive bidding as hereinafter set forth, such interest to be payable on February 1 and August 1 of each year, beginning February 1, 2022 (Record Date is the 15th day of month preceding interest due date).

### Redemption

The Bonds maturing on or after August 1, 2030 are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after August 1, 2029, 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
August 1, 2029 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 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.

## 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 15, 2021, through June 30, 2022 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 August 1, 2031, 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, so long as the Bonds remain outstanding and in conformance with the intent and purpose of KRS 157.627(5) and KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the Lease, and unless sufficient funds have been transmitted to the Paying Agent, or will be so transmitted, for paying said rentals when due, the Board has granted under the terms of the Lease and Participation Agreement to the Corporation and the Commission the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

## THE PROJECT

After payment of the Bond issuance costs, the Board plans to deposit the net Bond proceeds to finance a roof replacement at Pike Central High School (the "Project").

The Board has reported construction bids have been let for the Project and approval of the Kentucky Department of Education, Buildings and Grounds, to award the construction contract is expected prior to the sale and delivery of the Bonds.

Contractors for the Project are required to furnish to the Board a one hundred percent completion bond to assure their performance of the construction contract.

**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 100% of the debt service of the Bonds.

<b>Fiscal Year Ending June 30</b>	<b>Current Local Bond Payments</b>	<b>- Series 2021 School Building Rev Bonds 100% Local -</b>			<b>Total Local Bond Payments</b>
		<b>Principal Portion</b>	<b>Interest Portion</b>	<b>Total Payment</b>	
2022	\$6,533,416		\$5,934	\$5,934	\$6,539,350
2023	\$6,536,966	\$80,000	\$11,173	\$91,173	\$6,628,139
2024	\$6,537,882	\$80,000	\$10,173	\$90,173	\$6,628,054
2025	\$6,534,096	\$85,000	\$9,141	\$94,141	\$6,628,238
2026	\$6,535,470	\$85,000	\$8,079	\$93,079	\$6,628,549
2027	\$6,532,899	\$85,000	\$7,016	\$92,016	\$6,624,916
2028	\$6,537,674	\$85,000	\$5,954	\$90,954	\$6,628,627
2029	\$6,530,104	\$85,000	\$4,849	\$89,849	\$6,619,953
2030	\$6,535,717	\$90,000	\$3,623	\$93,623	\$6,629,339
2031	\$6,551,614	\$90,000	\$2,250	\$92,250	\$6,643,864
2032	\$6,566,510	\$90,000	\$765	\$90,765	\$6,657,275
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>\$90,453,527</b>	<b>\$855,000</b>	<b>\$68,955</b>	<b>\$923,955</b>	<b>\$91,377,482</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>\$855,000.00</u>
Total Sources	\$855,000.00
<b>Uses:</b>	
Deposit to Construction Fund	\$819,145.00
Underwriter's Discount (2%)	17,100.00
Cost of Issuance	<u>18,755.00</u>
Total Uses	\$855,000.00

## 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
		2020-21	7,228.0

*Source: Kentucky State Department of Education.*

## 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. Beginning 1990-91, the allotment is based on average daily attendance as required by law.

<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
		2020-21	722,797.0

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 \$40,500 effective January 1, 2021.

**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
2020-21	110.2	2,176,418,802	23,984,135

**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. These receipts are compared to the 1989-90 fiscal year funding prior to enactment of the Kentucky Education Reform Act:

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
2020-21	36,231,371	23,984,135	60,215,506

- (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 \$1.102 for FY 2020-21. 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.

### **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, Kentucky 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 Federal income taxation.

(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, 2021, 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.

## **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 Friday, Dec. 18, 2020, Gov. Andy Beshear issued Executive Order No. 2020-1041 (EO 2020-1041), which outlines requirements and recommendations for the reopening of schools in January 2021. 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>.

## **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 Revenue Bonds  
Series of 2021**

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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 2020 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 2020 estimated population of 6,468. 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 2020 estimated population of 431 persons.

### **The Economic Framework**

Pike County has a labor force of 21,325 people, with an unemployment rate of 6.7%. The top 5 jobs by occupation are as follows: sales - 3,762 (13.03%); office and administrative support - 3,231 (11.19%); executive, managers, and administrators - 2,139 (7.41%); education, training/library - 1,928 (6.68%); and production workers - 1,740 (6.03%).

### **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>2018</u>	<u>2019</u>	<u>2020</u>
Pike County	58,043	57,463	57,176
Pikeville	6,697	6,687	6,468
Elkhorn City	878	894	431

*Source: Kentucky Cabinet for Economic Development*



## 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 Independent</u>	<u>Pike County</u>
Total Enrollment (2019-2020)	1,145	7,807
Pupil-Teacher Ratio (2019-2020)	15.0-1	17.0-1

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 (2019-2020)</u>
Millard ATC	Millard, KY	297
Floyd County ATC	Martin, KY	532
Belfry ATC	Belfry, KY	564
Martin County ATC	Inez, KY	373
Knott County ATC	Hindman, KY	328
Letcher County ATC	Whitesburg, KY	529
Breathitt County ATC	Jackson, KY	508
Morgan County ATC	West Liberty, KY	479
Leslie County ATC	Hyden, KY	335

### Colleges and Universities

<u>Name</u>	<u>Location</u>	<u>Enrollment (Fall 2020)</u>
University of Pikeville	Pikeville, KY	2,262
Alice Lloyd College	Pippa Passes, KY	574

### FINANCIAL INSTITUTIONS

<u>Institution</u>	<u>Assets</u>	<u>Deposits</u>
Community Trust Bank, Inc.	\$4,355,691,000	\$3,453,570,000

Source: *McFadden American Financial Directory, January - June 2020 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
Busy Bee Septic Systmes Ltd.	Plastic septic tanks and related items	2
Coca Cola Bottling of Pikeville	Sales and distribution	87
Community Trust Bancorp Inc.	Headquarters	142
EQT Production Company	Regional headquarters	170
Executive Printing & Office Supplies	offset printing, typesetting	3
Johnson Industries, Inc.	Mining machinery & equipment, conveyor tail pieces, personnel carriers & laser systems	26
Mark West Energy, Energy Appalachia LLC	Natural gas processing	4
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 (1/7/2020).*

**APPENDIX B**

**Pike County School District Finance Corporation  
School Building Revenue Bonds  
Series of 2021**

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**Audited Financial Statement ending June 30, 2020**

PIKE COUNTY BOARD OF EDUCATION  
PIKEVILLE, KENTUCKY

FINANCIAL STATEMENTS  
SUPPLEMENTAL INFORMATION AND  
INDEPENDENT AUDITORS REPORT

YEAR ENDED JUNE 30, 2020

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

CERTIFIED PUBLIC ACCOUNTANTS  
POST OFFICE BOX 1349  
PIKEVILLE, KENTUCKY 41502

PIKE COUNTY BOARD OF EDUCATION  
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**Wallen, Puckett, & Anderson, psc**  
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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, 2020, 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, 2020, 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 53–70 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 January 15, 2021, 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

January 15, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**PIKE COUNTY SCHOOL SYSTEM – PIKEVILLE, KENTUCKY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

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, 2020. 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 \$11,379,311 of which \$1,610,777 was in the Reserved for Construction Fund.
- The General Fund (Fund 1) had \$82,756,399.20 in revenue, which consisted of a beginning balance of \$5,398,290.32, the state program (SEEK) funding, property, unmined minerals, utilities, and motor vehicle taxes. The Beginning Balance included \$350,000 in Reserved for Sick Leave and \$750,000 in Reserved for Worker’s Compensation. There were \$75,567,913.52 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 \$18,560,770.31. In FY19, the year-end Unreserved Fund 1 Balance was \$4,072,732.50. For FY20, the year-end Unreserved Fund 1 Balance is \$5,129,790.38, an increase of \$1,057,057.88. The increase is attributed to increase in tax collection participation (number of tax tickets actually paid of overall number issued), the payment of School Food Service indirect cost, decrease in Transportation costs due to COVID-19 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 facility 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, 2019, the district’s total principal debt decreased by \$7,644,901.14 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. No new bond sales were issued by the District in FY20.
- 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 \$2,051,116.46. On June 30, 2020, the Food Service program had Restricted Net-Assets of (\$2,955,705), which includes pension liabilities of \$4,627,759 and an operating balance of \$2,780,252. This is a decrease of \$413,628 over the prior year Restricted-Net Position. Note: For the 19-20 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 and 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 to 51 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 19 to 51 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 \$2,703,619 as of June 30, 2020.

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, 2020**

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Current Assets	\$ 22,544,111	\$ 19,222,273
Noncurrent Assets	<u>179,376,093</u>	<u>184,692,236</u>
Total Assets	<u>\$ 201,920,204</u>	<u>\$ 203,914,509</u>
Deferred Outflows of Resources	<u>\$ 9,078,142</u>	<u>\$ 8,431,554</u>
Current Liabilities	\$ 15,382,631	\$ 16,182,366
Noncurrent Liabilities	<u>180,864,693</u>	<u>187,521,323</u>
Total Liabilities	<u>\$ 196,247,324</u>	<u>\$ 203,703,689</u>
Deferred Inflows of Resources	<u>\$ 12,047,403</u>	<u>\$ 8,106,898</u>
Net Position		
Invested in Capital Assets, Net of Related Debt	\$ 60,252,380	\$ 58,740,939
Restricted	3,701,928	2,042,555
Unassigned	<u>(61,250,689)</u>	<u>(60,248,018)</u>
Total Net Position	<u>\$ 2,703,619</u>	<u>\$ 535,476</u>

**Comments on Budget Comparisons**

- The District's total revenues for the fiscal year ended June 30, 2020, including beginning balances and on-behalf payments for all funds, except construction and debt service, were \$118,227,824.19.
- 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 \$456,091.88 less than budgeted or approximately 0.59 percentage points. The majority of this decrease was due to the reduction in utility tax revenue.
- 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 \$2,767,660.40 less than budgeted, or approximately 4.63%. 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. Additionally, COVID-19 and the subsequent shutdown of schools, reduced costs for Transportation and Substitutes.

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 2020.

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<b>Revenues</b>		
Beginning Balance	\$ 5,273,369.00	\$ 2,163,201.00
Local revenue sources	27,649,135.00	21,935,451.00
State revenue sources	55,856,602.00	61,308,689.00
Federal Revenue	15,727,988.00	15,845,340.00
Other Sources	<u>1,245,741.00</u>	<u>1,286,351.00</u>
<b>Total Revenues</b>	<b><u>\$ 105,752,835.00</u></b>	<b><u>\$ 102,539,032.00</u></b>
<b>Expenses</b>		
Instruction	\$ 48,550,610.00	\$ 53,086,027.00
Student Support Services	4,500,417.00	4,885,163.00
Instructional Support	4,019,860.00	4,784,300.00
District Administration	2,219,813.00	2,472,526.00
School Administration	7,732,743.00	5,248,420.00
Business Support	1,472,843.00	1,441,086.00
Plant Operations	12,524,981.00	11,355,049.00
Student Transportation	7,838,418.00	5,534,280.00
Food Service Operations	7,730,658.00	7,674,331.00
Community Support	2,131,568.00	1,854,997.00
Construction/Land	156,649.00	173,314.00
Debt Service	174,060.00	177,124.00
Other/Fund Transfers	579,398.00	634,929.00
<b>Total Expenses</b>	<b><u>\$ 99,632,018.00</u></b>	<b><u>\$ 99,321,546.00</u></b>
<b>Revenue in Excess of Expense</b>	<b><u>\$ 6,120,817.00</u></b>	<b><u>\$ 3,217,486.00</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 \$2,300,000 in contingency, which was well above the required amount.

## **FY21 CONCERNS**

In FY21, 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 20-21, 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 2020-2021 budget include an aging bus fleet, aging facilities and overcrowding at a major school. Lastly, the full effect of COVID-19 is an unknown.

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 and the effects of COVID-19 on school attendance, 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, 2020**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	\$ 13,338,178	\$ 2,297,373	\$ 15,635,551
Accounts Receivable	4,000,795	325,337	4,326,132
Inventory	0	199,379	199,379
Due From Other Funds	2,383,049	0	2,383,049
Total Current Assets	\$ 19,722,022	\$ 2,822,089	\$ 22,544,111
<b>Non – Current Assets</b>			
Capital Assets, Net	\$ 156,679,114	\$ 167,673	\$ 156,846,787
Construction in Progress	22,529,306	0	22,529,306
Total Non – Current Assets	\$ 179,208,420	\$ 167,673	\$ 179,376,093
<b>TOTAL ASSETS</b>	<b>\$ 198,930,442</b>	<b>\$ 2,989,762</b>	<b>\$ 201,920,204</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred Outflow from Pensions	\$ 4,959,828	\$ 675,467	\$ 5,635,295
Deferred Outflow from OPEB	3,108,130	334,717	3,442,847
Total Deferred Outflows of Resources	\$ 8,067,958	\$ 1,010,184	\$ 9,078,142
<b>LIABILITIES</b>			
Accounts Payable	\$ 649,417	\$ 41,837	\$ 691,254
Summer Payrolls	4,172,106	0	4,172,106
Interest Payable	589,062	0	589,062
Due to Other Funds	2,383,049	0	2,383,049
Other Liabilities	15,482	0	15,482
<b>Long-term Liabilities</b>			
Capital Leases due within 1 year	213,647	0	213,647
KSBIT payable due within 1 year	71,774	0	71,774
Sick Leave due within 1 year	296,257	0	296,257
Bond Payments due within 1 year	6,950,000	0	6,950,000
Bond Payments due in more than 1 year	110,900,000	0	110,900,000
Capital Leases due in more than 1 year	1,060,066	0	1,060,066
Sick Leave payable in more than 1 year	4,260,291	0	4,260,291
Pension Liabilities	33,985,906	4,627,759	38,613,665
OPEB Liabilities	24,924,157	1,106,514	26,030,671
Total Liabilities	\$ 190,471,214	\$ 5,776,110	\$ 196,247,324
<b>Deferred Inflows of Resources</b>			
Deferred Inflows From Pensions	\$ 1,887,151	\$ 566,488	\$ 2,453,639
Deferred Inflows From OPEB	8,433,840	445,380	8,879,220
Unearned Revenue	714,544	0	714,544
Total Deferred Inflows of Resources	\$ 11,035,535	\$ 1,011,868	\$ 12,047,403
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt	\$ 60,084,707	\$ 167,673	\$ 60,252,380
Restricted	6,657,633	(2,955,705)	3,701,928
Unrestricted	(61,250,689)	0	(61,250,689)
<b>NET POSITION</b>	<b>\$ 5,491,651</b>	<b>\$ (2,788,032)</b>	<b>\$ 2,703,619</b>

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, 2020**

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	\$ 54,759,628	\$ 19,966	\$ 9,043,877	\$ 0	\$ (45,695,785)	\$ 0	\$ (45,695,785)
Support Services							
Student	4,500,417	0	218,995	0	(4,281,422)	0	(4,281,422)
Instruction Staff	6,306,083	0	1,033,622	0	(5,272,461)	0	(5,272,461)
District Administrative	2,219,813	0	0	0	(2,219,813)	0	(2,219,813)
School Administrative	7,732,743	0	0	0	(7,732,743)	0	(7,732,743)
Business	1,472,843	0	234,647	0	(1,238,196)	0	(1,238,196)
Plant Operation and Maint.	12,524,981	0	10,262	0	(12,514,719)	0	(12,514,719)
Student Transportation	7,838,418	0	210,776	0	(7,627,642)	0	(7,627,642)
Central Office	56,327	0	56,327	0	0	0	0
Community Service Activities	2,131,569	0	1,838,812	0	(292,757)	0	(292,757)
Facilities Acquisition and Construction	(540,855)	0	0	0	540,855	0	540,855
Interest on Long Term Debt	4,032,442	0	0	0	(4,032,442)	0	(4,032,442)
<b>Total Government Activities</b>	<b>\$ 103,034,409</b>	<b>\$ 19,966</b>	<b>\$ 12,647,318</b>	<b>\$ 0</b>	<b>\$ (90,367,125)</b>	<b>\$ 0</b>	<b>\$ (90,367,125)</b>
<b>Business Type Activities:</b>							
Food Service	\$ 9,284,344	\$ 309,926	\$ 8,981,582	\$ 0	0	7,164	7,164
<b>Total Business Type Activities</b>	<b>\$ 9,284,344</b>	<b>\$ 309,926</b>	<b>\$ 8,981,582</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 7,164</b>	<b>\$ 7,164</b>
<b>Total Primary Government</b>	<b>\$ 112,318,753</b>	<b>\$ 329,892</b>	<b>\$ 21,628,900</b>	<b>\$ 0</b>	<b>\$ (90,367,125)</b>	<b>\$ 7,164</b>	<b>\$ (90,359,961)</b>
<b>General Revenues</b>							
Taxes					\$ 21,799,334	\$ 0	\$ 21,799,334
Investment Earnings					157,205	28,860	186,065
State and Formula Grants					64,322,971	0	64,322,971
Gains on Sales of Fixed Assets					2,553	0	2,553
Other Local					5,212,513	0	5,212,513
Operating Transfer					496,571	(496,572)	(1)
<b>Total</b>					<b>\$ 91,991,147</b>	<b>\$ (467,712)</b>	<b>\$ 91,523,435</b>
Change in Net Position					1,624,022	(460,548)	1,163,474
Net Position – Beginning					2,862,960	(2,327,484)	535,476
Prior Period Adjustment					1,004,669	0	1,004,669
<b>Net Position - Ending</b>					<b>\$ 5,491,651</b>	<b>\$ (2,788,032)</b>	<b>\$ 2,703,619</b>

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

**PIKE COUNTY BOARD OF EDUCATION**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2020

	<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	\$ 8,728,185	\$ 0	\$ 1,705,694	\$ 1,633,428	\$ 1,270,871	\$ 13,338,178
Accounts Receivable	723,362	3,273,666	0	0	3,767	4,000,795
Due From Other Funds	2,383,049	0	0	0	0	2,383,049
Total Assets and Resources	<u>\$ 11,834,596</u>	<u>\$ 3,273,666</u>	<u>\$ 1,705,694</u>	<u>\$ 1,633,428</u>	<u>\$ 1,274,638</u>	<u>\$ 19,722,022</u>
<b>LIABILITIES AND FUND BALANCE</b>						
<b>Liabilities</b>						
Accounts Payable	\$ 458,522	\$ 176,073	\$ 0	\$ 0	\$ 14,822	\$ 649,417
Summer Payrolls	4,172,106	0	0	0	0	4,172,106
Due to Other Funds	0	2,383,049	0	0	0	2,383,049
Other Liabilities	15,482	0	0	0	0	15,482
Total Liabilities	<u>\$ 4,646,110</u>	<u>\$ 2,559,122</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 14,822</u>	<u>\$ 7,220,054</u>
<b>Deferred Inflows of Resources</b>						
Deferred Revenue	\$ 0	\$ 714,544	\$ 0	\$ 0	\$ 0	714,544
Total Deferred Inflows of Resources	<u>\$ 0</u>	<u>\$ 714,544</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 714,544</u>
<b>Fund Balance</b>						
<b>Restricted:</b>						
Other	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,259,816	\$ 1,259,816
Future Construction	0	0	1,705,694	0	0	1,705,694
Debt Service	0	0	0	1,633,428	0	1,633,428
<b>Committed:</b>						
Site Based Carryforward	92,150	0	0	0	0	92,150
Sick-leave	296,257	0	0	0	0	296,257
Worker's Compensation	1,250,306	0	0	0	0	1,250,306
<b>Assigned:</b>						
Purchase Obligations	419,982	0	0	0	0	419,982
Unassigned	5,129,791	0	0	0	0	5,129,791
Total Fund Balance	<u>\$ 7,188,486</u>	<u>\$ 0</u>	<u>\$ 1,705,694</u>	<u>\$ 1,633,428</u>	<u>\$ 1,259,816</u>	<u>\$ 11,787,424</u>
Total Liabilities and Fund Balance	<u>\$ 11,834,596</u>	<u>\$ 3,273,666</u>	<u>\$ 1,705,694</u>	<u>\$ 1,633,428</u>	<u>\$ 1,274,638</u>	<u>\$ 19,722,022</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, 2020**

Fund balance per fund financial statements	\$	11,787,424
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.		179,208,420
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		8,067,958
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		(10,320,991)
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		(4,556,548)
Capital Leases payable		(1,273,713)
Accrued Interest on Bonds		(589,062)
KISBIT		(71,774)
Pension Liability		(33,985,906)
OPEB Liabilities		(24,924,157)
Bonds		(117,850,000)
Net Position for Governmental Activities	<u>\$</u>	<u>5,491,651</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, 2020**

	General Fund	Special Revenue	Construction Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Fund
<b>REVENUES</b>						
From Local Sources						
Taxes						
Property	\$ 13,454,274	\$ 0	\$ 0	\$ 0	\$ 2,257,636	\$ 15,711,910
Motor Vehicles	2,378,986	0	0	0	0	2,378,986
Utilities	3,254,368	0	0	0	0	3,254,368
Other	454,070	0	0	0	0	454,070
Earnings on Investments	146,693	0	10,512	0	0	157,205
Other Local Revenues	715,770	417,380	727,000	0	3,372,329	5,232,479
Intergovernmental- State	55,756,066	2,164,892	0	4,448,717	4,493,287	66,862,962
Intergovernmental-Federal	170,800	9,936,527	0	0	0	10,107,327
<b>Total Revenues</b>	<b>\$ 76,331,027</b>	<b>\$ 12,518,799</b>	<b>\$ 737,512</b>	<b>\$ 4,448,717</b>	<b>\$ 10,123,252</b>	<b>\$ 104,159,307</b>
<b>EXPENDITURES</b>						
Instruction	\$ 39,399,260	\$ 9,043,877	\$ 0	\$ 0	\$ 107,472	\$ 48,550,609
Support Services						
Student	4,281,422	218,995	0	0	0	4,500,417
Instruction Staff	2,965,640	1,033,622	0	0	20,598	4,019,860
District Administrative	2,219,813	0	0	0	0	2,219,813
School Administrative	4,667,843	0	0	0	3,064,900	7,732,743
Business	1,238,196	234,647	0	0	0	1,472,843
Plant Operation and Maint.	12,443,831	10,261	0	0	70,889	12,524,981
Student Transportation	7,627,641	210,777	0	0	0	7,838,418
Food Service	0	56,327	0	0	0	56,327
Community Services	292,757	1,838,812	0	0	0	2,131,569
Facilities Acquisitions and Construction	156,649	0	0	0	0	156,649
Site Improvement	0	0	12,323	0	0	12,323
Building Improvements	0	0	438,970	0	0	438,970
Debt Service						
Principal	153,196	0	0	7,674,955	0	7,828,151
Interest	20,864	0	0	3,533,190	0	3,554,054
<b>Total Expenditures</b>	<b>\$ 75,467,112</b>	<b>\$ 12,647,318</b>	<b>\$ 451,293</b>	<b>\$ 11,208,145</b>	<b>\$ 3,263,859</b>	<b>\$ 103,037,727</b>
Excess (Deficit) of Revenues over Expenditures	\$ 863,915	\$ (128,519)	\$ 286,219	\$ (6,759,428)	\$ 6,859,393	\$ 1,121,580
<b>Other Financing Sources (Uses)</b>						
Proceeds from Sales of Bonds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Premium on Bond Issuance	0	0	0	0	0	0
Bond Discounts	0	0	0	0	0	0
Proceeds from Capital Leases	496,769	0	0	0	0	496,769
KISBIT Payments	0	0	0	0	0	0
Proceeds from Sales of Fixed Assets	10,472	0	0	0	0	10,472
Operating Transfer, In	519,841	151,788	518,784	6,759,428	0	7,949,841
Operating Transfer, Out	(100,802)	(23,269)	(578,276)	0	(6,750,923)	(7,453,270)
<b>Total Other Financing Sources</b>	<b>\$ 926,280</b>	<b>\$ 128,519</b>	<b>\$ (59,492)</b>	<b>\$ 6,759,428</b>	<b>\$ (6,750,923)</b>	<b>\$ 1,003,812</b>
<b>Net Change in Fund Balance</b>	<b>\$ 1,790,195</b>	<b>\$ 0</b>	<b>\$ 226,727</b>	<b>\$ 0</b>	<b>\$ 108,470</b>	<b>\$ 2,125,392</b>
Fund Balance - Beginning	5,398,291	0	1,478,967	1,633,428	146,679	8,657,365
Prior Period Adjustment	0	0	0	0	1,004,667	1,004,667
<b>Fund Balance - Ending</b>	<b>\$ 7,188,486</b>	<b>\$ 0</b>	<b>\$ 1,705,694</b>	<b>\$ 1,633,428</b>	<b>\$ 1,259,816</b>	<b>\$ 11,787,424</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, 2020**

Net change in total fund balances per fund financial statements \$ 2,125,392

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. 1,148,797

Cost of Assets Disposed (7,919)

The cost of capital assets is allocated over their useful lives and reported as depreciation expense. (6,410,101)

Proceeds from capital leases are reported as financing source in governmental funds and 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. (496,769)

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 7,180,000

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 144,353

Interest Payable 25,410

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 129,310

Pension Expense (2,898,556)

Other Post Employment Benefits (OPEB) 612,333

Other (2)

Change in net Position of governmental activities \$ 1,624,022

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, 2020**

	Food Service
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 2,297,373
Accounts Receivable	325,337
Inventory	199,379
Total Current Assets	\$ 2,822,089
Capital Assets-net of depreciation	167,673
Total Assets	\$ 2,989,762
Deferred Outflows of Resources	
Deferred outflows from Pension	\$ 675,467
Deferred outflows from OPEB	334,717
	\$ 1,010,184
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	\$ 41,837
OPEB Liability - Long-Term	1,106,514
Pension Liability - Long Term	4,627,759
Total Current Liabilities	\$ 5,776,110
Deferred Inflows of Resources	
Deferred inflows from pension	\$ 566,488
Deferred inflows from OPEB	445,380
	\$ 1,011,868
Net Position	
Investment in Capital Asset, Net of Debt	\$ 167,673
Restricted	(2,955,705)
Unrestricted	0
Total Net Position	\$ (2,788,032)

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, 2020

	<u>Food Service</u>
OPERATING REVENUES:	
Lunchroom Sales	\$ 306,270
Other Operating Revenues	3,656
	<u>309,926</u>
TOTAL OPERATING REVENUES	<u>\$ 309,926</u>
OPERATING EXPENSES:	
Salaries and Wages	\$ 3,885,636
Contract Services	26,972
Materials and Supplies	5,265,654
Expendable Equipment	14,776
Depreciation	46,920
Other Operating Expenses	44,386
	<u>9,284,344</u>
TOTAL OPERATING EXPENSES	<u>\$ 9,284,344</u>
Operating Income (Loss)	<u>\$ (8,974,418)</u>
NON-OPERATING REVENUES (EXPENSES)	
Federal Grants	\$ 6,537,142
State Grants	44,575
On Behalf of Payments	2,051,116
Donated Commodities	348,749
Interest Income	28,860
	<u>9,010,442</u>
NON-OPERATING REVENUES (EXPENSES)	<u>\$ 9,010,442</u>
Net Income (Loss) Before Operating Transfers	\$ 36,024
Operating Transfers	(496,572)
	<u>(460,548)</u>
Increase in net position	<u>\$ (460,548)</u>
Net Position - Beginning	(2,327,484)
Restatement of Beginning Net Position	0
Net Position - Ending	<u><u>\$ (2,788,032)</u></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, 2020**

	Food Service
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from:	
Lunchroom Sales	\$ 2,119
Other Activities	3,656
Cash Paid to/for:	
Employees	(2,876,433)
Contract Service	(26,972)
Supplies	(2,913,329)
Expendable Equipment	(14,776)
Other	(44,386)
Net Cash Provided (Used) by Operating Activities	\$ (5,870,121)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Receipt of Interest Income	\$ 28,860
Other Income	0
Net Cash Provided (Used) by Investing Activities	\$ 28,860
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Transfers to other funds	\$ (496,572)
Net Cash (Used) by Capital and Related Financing Activities	\$ (496,572)
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES</b>	
Operational Grants	\$ 6,581,717
Net Cash Provided(Used) by Financing Activities	\$ 6,581,717
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 243,884
Cash and Cash Equivalents - Beginning	2,053,489
Cash and Cash Equivalents - Ending	\$ 2,297,373
Reconciliation of Operating Income (Loss)	
To Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ (8,974,418)
Adjustments to Reconcile Operating Income to Net Cash	
Operating Activities:	
Depreciation	46,920
On Behalf of Payments	2,051,116
Commodities Used	348,749
Change in Assets and Liabilities:	
(Increase) Decrease	
Accounts Receivable	(304,151)
Inventory	(62,695)
Deferred outflows	(124,550)
Increase (Decrease) in:	
Accounts Payable	15,155
Deferred inflows	264,872
OPEB liability	8,320
Pension liability	860,561
Net Cash provided (Used) by Operating Activities	\$ (5,870,121)
Schedule of Non Cash Transactions:	
On Behalf of Payments	\$ 2,051,116
Donated Commodities Received From Federal Government	348,749

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

PIKE BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

**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.

**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.

**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). \$348,749 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.

**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, 2020 to finance the General Fund operations were \$.887 per: \$100 valuation for real property, \$.887 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  
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**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, 2020 are as follows:

From	To	Purpose	Amount
Special Revenue	General Fund	Operations	\$ 2,383,049.

**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  
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**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, 2020

**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	\$ 723,362	\$ 325,337	\$ 1,048,699
Grants Receivabe	3,273,667	0	3,273,667
	<u>\$ 3,997,029</u>	<u>\$ 325,337</u>	<u>\$ 4,322,366</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, 2020

**NOTE 7 – CASH AND CASH EQUIVALENTS**

At year-end, the carrying amount of the Board’s cash and cash equivalents was \$11,457,848. Of the total cash balance, \$531,073 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, 2020 consist of the following:

Breakdown By Bank	
Community Trust Bank	\$ 15,737,538
US Bank	31,037
Barclay	<u>1,633,428</u>
Total Bank Balance	<u>\$ 17,402,003</u>
Breakdown Per Financial Statements	
Governmental Funds	\$ 9,166,070
Proprietary Fund	<u>2,297,373</u>
Total Book Balance	<u>\$ 11,463,443</u>
The Securities Pledge As Collateral Are:	
FHLB Letter of Credit-Community Trust Bank	\$ 15,237,538
Other Securities	0
FDIC	<u>531,073</u>
Total Security Pledged	<u>\$ 15,768,611</u>

**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, 2020

**NOTE 9 – CAPITAL ASSETS**

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

<b>Governmental Activities</b>	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Land	\$ 9,641,518	\$	\$ 0	\$ 9,641,518
Total Non Depreciable	<u>\$ 9,641,518</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,641,518</u>
Land improvements	\$ 17,202,580	\$ 0	\$ 0	\$ 17,202,580
Buildings	212,966,268	110,170	0	213,076,438
Technology equipment	10,881,818	108,847	69,054	10,921,611
Vehicles	16,260,185	590,868	903,015	15,948,038
General equipment	3,459,143	0	29,996	3,429,147
Infrastructure	89,638	0	0	89,638
Construction in progress	22,620,394	448,935	110,023	22,959,306
Total Depreciable	<u>\$ 283,480,026</u>	<u>\$ 1,258,820</u>	<u>\$ 1,112,088</u>	<u>\$ 283,626,758</u>
Total at historical cost	<u>\$ 293,121,544</u>	<u>\$ 1,258,820</u>	<u>\$ 1,112,088</u>	<u>\$ 293,268,276</u>
Less: Accumulated depreciation				
Land improvements	\$ 8,739,884	\$ 461,490	\$ 0	\$ 9,201,374
Buildings	74,332,700	4,611,407	0	78,944,107
Technology equipment	8,528,262	403,545	66,130	8,865,677
Vehicles	13,777,584	826,319	899,977	13,703,926
General equipment	3,215,797	102,858	28,039	3,290,616
Infrastructure	49,674	4,482	0	54,156
Total accumulated depreciation	<u>\$ 108,643,901</u>	<u>\$ 6,410,101</u>	<u>\$ 994,146</u>	<u>\$ 114,059,856</u>
Governmental Activities				
Capital Assets-net	<u>\$ 184,477,643</u>			<u>\$ 179,208,420</u>
	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
<b>Business-Type Activities</b>				
Technology equipment	\$ 97,573	\$ 0	\$ 0	\$ 97,573
Vehicles	62,506	0	0	62,506
General equipment	2,331,514	0	1,255	2,330,259
Total at historical cost	<u>\$ 2,491,593</u>	<u>\$ 0</u>	<u>\$ 1,255</u>	<u>\$ 2,490,338</u>
Less: Accumulated depreciation				
Technology equipment	84,283	\$ 2,659	\$ 0	86,942
Vehicles	52,626	9,449	0	62,075
General equipment	2,140,090	34,813	1,255	2,173,648
Total accumulated depreciation	<u>\$ 2,276,999</u>	<u>\$ 46,921</u>	<u>\$ 1,255</u>	<u>\$ 2,322,665</u>
Business-Type Activities				
Capital Assets-net	<u>\$ 214,594</u>			<u>\$ 167,673</u>

Depreciation expense was allocated to governmental functions.

PIKE BOARD OF EDUCATION  
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**NOTE 10 – 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 11 - 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 12 –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 13 - 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 14 - DEFICITS**

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

Food Service	\$ <u>2,955,705</u>
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PIKE BOARD OF EDUCATION  
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**NOTE 15 - 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 16- 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	\$ 100,801
Operating	1	400	Debt Service	8,505
Operating	2	1	Indirect Costs	23,269
Operating	51	1	Indirect Costs	496,572
Operating	320	400	Bond Payment	6,028,126
Operating	310	400	Debt Service	722,797
Operating	360		project to project	578,276
				<u>\$ 7,958,346</u>

**NOTE 17 - 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	\$ 8,729,818
Life Insurance	15,442
Administrative Fees	127,781
Health Reimbursement Account	639,496
Federal Reimbursement	(882,589)
KTRS	11,010,813
KTRS OPEB	820,376
Technology	150,750
Debt Service	4,448,717
Total On-Behalf Payments	<u>\$ 25,060,604</u>
General Fund	18,560,770
Debt Service	4,448,717
Food Service	2,051,116
Total On-Behalf Payments	<u>\$ 25,060,603</u>

**NOTE 18 – SUBSEQUENT EVENTS**

Subsequent events were considered through January 15, 2021, which represents the date of our report.

PIKE BOARD OF EDUCATION  
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**NOTE 19 – GASB Statement No. 84 Fiduciary Activity**

Statement No. 84, Fiduciary Activities, establishes criteria for identifying fiduciary activities of all state and local governments. The Board implemented GASB Statement No. 84 Fiduciary Activities resulting in the School Activity Funds being included as column in the Governmental Funds Statements. A prior period adjustment was required to include the beginning Fund Balance.

**NOTE 20 - Future Accounting Pronouncements**

The GASB has issued several reporting standards that will become effective for fiscal 2020 and later years' financial statements.

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

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

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

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

Statement No. 91, Conduit Debt Obligations, the primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The District is currently evaluating the impact that will result from adopting these GASB standards and is therefore unable to disclose the impact that adopting these standards will have on the District's financial position and the results of its operations when the standards are adopted.

PIKE BOARD OF EDUCATION  
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**NOTE 21 – BONDED DEBT AND LEASE OBLIGATIONS**

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 \$117,850,000. 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 30,2020.

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>	<u>Balance June 30, 2020</u>
June 1, 2009	10,695,000	1.000% - 3.200%	1,250,000
October 1, 2009	1,735,000	1.200% - 4.125%	1,010,000
October 4, 2010	6,400,000	0.700% - 3.100%	1,675,000
November 1, 2011	29,670,000	2.000% - 4.000%	21,800,000
November 1, 2011	11,000,000	4.620%	11,000,000
June 1, 2012	18,720,000	2.000% - 3.000%	7,995,000
May 1, 2013	3,880,000	1.000% - 2.000%	1,435,000
June 1, 2014	8,350,000	2.000% - 4.000%	7,470,000
June 1,2015	3,650,000	2.000% - 4.000%	3,535,000
September 1,2015	7,505,000	0.600% - 3.700%	7,305,000
February 1,2016	11,690,000	0.750% - 2.500%	9,890,000
February 1,2016	20,885,000	0.750% - 3.150%	20,615,000
March 29, 2016	500,000	5.750% -	500,000
August 1, 2016	19,400,000	1.000% - 3.000%	17,105,000
March 1, 2018	3,530,000	3.600% -	3,450,000
September 1,2018	1,940,000	1.900% - 3.375%	1,815,000
			<u>\$ 117,850,000</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 21 – 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	\$ 125,030,000	\$ 0	\$ 7,180,000	\$ 117,850,000
Sick Leave	4,685,858	97,440	226,750	4,556,548
Capital Leases	921,297	0	153,195	768,102
Judgements	143,548	0	71,774	71,774
Total	<u>\$ 130,780,703</u>	<u>\$ 97,440</u>	<u>\$ 7,631,719</u>	<u>\$ 123,246,424</u>

Assuming the issues are not called prior to scheduled maturity, the minimum obligations of the funds at June 30, 2020 for debt service, (principal and interest) are as follows:

	Pike County Board			KY Construction Commission				Total
	Local Principal Total	Local Interest Total	Sinking Fund	KSFCC Principal Total	KSFCC Interest Total	Sinking Fund	Federal Rebate	
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>\$ 76,369,088</u>	<u>\$ 22,215,602</u>	<u>\$ 717,552</u>	<u>\$ 29,970,912</u>	<u>\$ 6,427,680</u>	<u>\$ 4,286,359</u>	<u>\$ 5,336,100</u>	<u>\$ 145,323,293</u>



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**NOTE 22 – LEASE COMMITMENTS**

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

	Principal	Interest	Total
June 30, 2021	\$ 213,647	\$ 27,632	\$ 241,279
June 30, 2022	214,559	23,640	238,199
June 30, 2023	212,283	18,950	231,233
June 30, 2024	189,942	14,090	204,032
June 30, 2025	195,108	9,589	204,697
Thereafter	248,174	14,505	262,679
Total	<u>\$ 1,273,713</u>	<u>\$ 108,406</u>	<u>\$ 1,382,119</u>

**NOTE 23 – 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, 2020, this amount totaled \$4,556,547 of which \$296,257 is committed in the current year fund balance of the General Fund.

**NOTE 24 - 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:

8/30/2021	\$ 71,774
8/30/2022	0
8/30/2023	0
8/30/2024	0
8/30/2025	0
Total	<u>\$ 71,774</u>

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**NOTE 25 – 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 26 – RETIREMENT PLANS**

	2020	2019	2018	2017	2016	2015	2014
Total Payroll	\$ 50,161,850	\$ 57,047,286	\$ 56,424,855	\$ 55,835,533	\$ 54,017,948	\$ 53,846,133	\$ 54,615,508
KTRS Total Payroll	31,871,005	37,105,911	36,809,662	38,195,439	34,181,498	39,104,554	39,719,440
KTR3 Contribution - Employee Portion	4,088,092	4,769,967	4,731,682	4,909,951	5,012,018	4,731,997	4,508,198
KTR3 Contribution - District Portion	1,436,783	1,610,155	1,495,235	1,557,017	1,567,395	1,308,933	1,065,247
KTRS Contribution - Commonwealth of Kentucky (on behalf of Payments)	11,010,813	10,417,762	11,103,259	5,819,247	5,863,960	6,133,500	4,733,237
KTRS Contribution - District Federal Employees	579,754	610,743	480,450	505,378	488,764	502,839	523,154
CERS Total Payroll	18,290,845	19,941,375	19,615,193	17,640,094	19,050,950	17,811,339	17,855,475
Contributions Requirement for CERS	3,682,772	3,770,154	3,492,697	3,136,162	3,269,302	3,238,427	3,507,180
CERS Contribution - Employee Portion	681,915	751,654	759,539	692,392	772,067	741,068	758,674
CERS Contribution - District Portion	3,000,858	3,018,500	2,733,158	2,443,771	2,497,234	2,497,359	2,748,507
KTRS Total Payroll--PLUS--CERS Total Payroll	50,161,850	57,047,286	56,424,855	55,835,533	53,232,449	56,915,893	57,574,916
KTR3 Contribution - Employee Portion--PLUS-- CERS Contribution - Employee Portion	4,770,006	5,521,621	5,491,221	5,602,343	5,784,085	5,473,065	5,266,872
KTR3 Contribution - District Portion--PLUS-- CERS Contribution - District Portion	4,437,641	4,628,655	4,228,393	4,000,787	4,064,629	3,806,292	3,813,754

**NOTE 27 – 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.

**NOTE 27 - 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  
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**NOTE 27 - 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, 2020, 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>\$146,312,371</u>
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The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2019, the District's proportion was 1.0724 percent.

For the year ended June 30, 2020, the District recognized pension expense of \$11,010,813 and Revenue of \$11,010,813 for support provided by the state. At June 30, 2020, 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, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025, set forward two years for males and one year for females.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2010 – June 30, 2015 adopted by the Board on November 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  
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**NOTE 27 - 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 (3.50%) or 1-percentage-point higher (5.50%) than the current rate (\$ thousands):

	1% Decrease (3.50%)	Current Discount Rate (4.49%)	1% Increase (5.50%)
System's net pension liability	\$ 186,817,990	\$ 146,312,371	\$ 11,222,993

*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  
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**NOTE 27 - 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, 2020, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2019. An expected total pension liability as of June 30, 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, 2019. At June 30, 2019, the District's proportion was .549032%.

For the year ended June 30, 2020, the District recognized pension expense of \$6,035,365. At June 30, 2020, 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:	
Liability Experience	\$ 985,923
Changes of Assumptions	3,908,141
Investment Experience	741,231
	\$ 5,635,295
Deferred Inflows of Resources for:	
Liability Experience	\$ 163,153
Assumption Changes	0
Investment Experience	1,363,699
Changes in Proportion & Differences Between Employer Contributions & Proportionate Share of Contributions	926,787
	\$ 2,453,639

PIKE BOARD OF EDUCATION  
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**NOTE 27 - RETIREMENT PLAN (Continued)**

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

District contributions subsequent to the measurement date of \$2,246,293 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to CERS will be recognized in pension expense as follows:	<u>Year</u>	<u>Amount</u>
	2020	\$ 2,237,805
	2021	632,941
	2022	266,747
	2023	44,162
	2024	0
		<u>\$ 3,181,655</u>

*Actuarial Methods and Assumptions:* The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2018. The financial reporting actuarial valuation as of June 30, 2018, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2018
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	26 years, closed
Payroll Growth Rate	
Payroll Growth Rate	0.0% for KERS non-hazardous and hazardous, and 2.0% for CERS non-hazardous and Hazardous
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increases	3.55% to 15.55%, varies by service for KERS non-hazardous; 3.55% to 19.55%, varies by service for KERS hazardous 3.30% to 11.55%, varies by service, for CERS non-hazardous; 3.05% to 18.55%, varies by service for CERS hazardous
Investment Rate of Return	6.25% for CERS Non-hazardous, and hazardous, and KERS Hazardous, 5.25% for KERS Non-hazardous

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 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

PIKE BOARD OF EDUCATION  
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**NOTE 27 - RETIREMENT PLAN (Continued)**

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

allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The 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
Growth		
US Equity	15.75%	4.30%
Non-US Equity	15.75%	4.80%
Private Equity	7.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Liquidity		
Core Bonds	20.50%	1.35%
Cash	3.00%	0.20%
Diversifying Strategies		
Real Estate	5.00%	4.85%
Opportunity/Absolute Return	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100.00%	3.52%

*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  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2020

**NOTE 27 - 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	\$48,294,743	\$38,613,665	\$30,544,581

*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, 2020 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 28 – 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.

*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.

PIKE BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2020

**NOTE 28 – OTHER POST EMPLOYMENT BENEFIT PLANS (Continued)**

**Teachers 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, 2020, the District reported a liability of \$16,798,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the District's proportion was 0.573923 percent, which was an increase of .004363 from its proportion measured as of June 30, 2018 (0.56956 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	\$	16,798,000
State's proportionate share of the net OPEB		
Medical Insurance		13,565,000
Life Insurance		315,000
Total liability associated with the District		\$ 30,678,000

For the year ended June 30, 2020, the District recognized OPEB expense of \$381,000 and revenue of \$820,376 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

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 expensed as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 4,066,000
Changes of assumptions	447,000	0
Net difference between projected and actual earnings on pension plan investments	71,000	0
Changes in proportion and differences between District contributions and proportionate share of contributions	132,000	1,097,000
District contributions subsequent to the measurement date	0	0
<b>Total</b>	<b>\$ 650,000</b>	<b>\$ 5,163,000</b>

Year ended June 30:		
2020	\$	(883,000)
2021		(883,000)
2022		(846,000)
2023		(853,000)
2024		(668,000)
Thereafter		(380,000)
		<b>\$ (4,513,000)</b>

PIKE BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2020

**NOTE 28 – OTHER POST EMPLOYMENT BENEFIT PLANS (Continued)**

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

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

Valuation Date	June 30, 2018
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, 2018 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 Percentage</u>	<u>Long-Term Expected Real Rate Percentage of Return</u>
U.S. equity	40%	4.2%
International equity	22%	5.2%
Fixed income	15%	1.2%
Additional categories	7%	3.2%
Real estate	7%	3.8%
Private equity	7%	6.3%
Cash	2%	0.9%
Total	100%	

*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.

PIKE BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2020

**NOTE 28 – OTHER POST EMPLOYMENT BENEFIT PLANS (Continued)**

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

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	\$ 19,899,000	\$ 16,798,000	\$ 14,200,000

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

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB Liability	\$ 13,674,000	\$ 16,798,000	\$ 20,638,000

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

**NOTE 28 – 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  
 JUNE 30, 2020

**NOTE 28 – 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, 2020, 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, 2019, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the District's proportion was .548925 percent, which was in decrease of .021003 percent from its proportion measured as of June 30, 2018 (.569928 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	\$9,232,671
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For the year ended June 30, 2019, the District recognized OPEB expense of \$923,413. At June 30, 2020, 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	\$ 2,785,711
Changes of assumptions	2,732,033	18,269
Investment Experience	60,814	470,889
Changes in proportion and differences between District contributions and proportionate share of contributions	0	441,351
District contributions subsequent to the measurement date	0	0
 Total	 \$ 2,792,847	 \$ 3,716,220

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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	
2020	\$ (157,917)
2021	(157,917)
2022	(27,536)
2023	(277,097)
2024	(253,379)
Thereafter	(49,526)
	\$ (923,372)

PIKE BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2020

**NOTE 28 – OTHER POST EMPLOYMENT BENEFIT PLANS (Continued)**

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

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

Valuation Date	June 30, 2017
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	0.0% for KERS non-hazardous and hazardous, and 2.0% for CERS non-hazardous and Hazardous
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increases	3.55% to 15.55%, varies by service for KERS non-hazardous
	3.55% to 19.55% varies by service for KERS hazardous
	3.30% to 11.55%, varies by service for CERS nonhazardous
	3.05% to 18.55%, varies by service for CERS hazardous
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post - 65	Initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for CERS non-hazardous and hazardous

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  
JUNE 30, 2020

**NOTE 28 – OTHER POST EMPLOYMENT BENEFIT PLANS (Continued)**

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth		
US Equity	18.75%	4.30%
Non US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Speciality Credit/High Yield	15.00%	2.60%
Liquidity		
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies		
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.70%
Real Return	15.00%	4.10%
Total	<u>100.00%</u>	<u>3.89%</u>

**Discount Rate** - The projection of cash flows used to determine the discount rate of 5.25% for KERS Non-hazardous, 6.25% for KERS Hazardous, 6.25% for CERS Non-hazardous, and 6.25% 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 3.13%, as reported in Fidelity Index's "20 -Year Municipal GO AA Index" as of June 30, 2019. 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 (4.68%)	Current Discount Rate (5.68%)	1% Increase (6.68%)
Systems' net OPEB liability	\$ 12,367,981	\$ 9,232,671	\$ 6,649,384

PIKE BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2020

**NOTE 28 – 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	\$ 6,866,385	\$ 9,232,671	\$ 12,102,074

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

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, 2020**

	GENERAL FUND			VARIANCE
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)
<b>REVENUES:</b>				
From Local Sources				
Taxation	\$ 19,225,000	\$ 19,225,000	\$ 22,590,300	\$ 3,365,300
Other Local Sources	487,750	487,750	715,770	228,020
Earnings on Investments	200,000	200,000	146,693	(53,307)
State Sources	56,290,766	56,290,766	52,707,464	(3,583,302)
Federal Sources	200,000	200,000	170,800	(29,200)
<b>TOTAL REVENUES</b>	<b>\$ 76,403,516</b>	<b>\$ 76,403,516</b>	<b>\$ 76,331,027</b>	<b>\$ (72,489)</b>
<b>EXPENDITURES:</b>				
Instruction	\$ 49,210,972	\$ 49,210,972	\$ 39,399,260	\$ 9,811,712
Support Services:				
Student	3,506,259	3,506,259	4,281,422	(775,163)
Instructional Staff	2,634,766	2,634,766	2,965,640	(330,874)
District Administration	3,023,025	3,023,025	2,219,813	803,212
School Administration	3,638,890	3,638,890	4,667,843	(1,028,953)
Business	1,053,845	1,053,845	1,238,196	(184,351)
Plant Operations & Maintenance	10,661,189	10,661,189	12,443,831	(1,782,642)
Student Transportation	4,642,613	4,642,613	7,627,641	(2,985,028)
Community Service	29,655	29,655	292,757	(263,102)
Site Acquisition & Constr.	173,030	173,030	156,649	16,381
Debt Service				
Principal	156,260	156,260	153,196	3,064
Interest	20,864	20,864	20,864	0
Contingency	2,300,000	2,300,000	0	2,300,000
<b>TOTAL EXPENDITURES</b>	<b>\$ 81,051,368</b>	<b>\$ 81,051,368</b>	<b>\$ 75,467,112</b>	<b>\$ 5,584,256</b>
Excess (Deficit) of Revenues over Expenditures	\$ (4,647,852)	\$ (4,647,852)	\$ 863,915	\$ 5,511,767
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from Capital Leases	\$ 0	\$ 0	\$ 496,769	\$ 496,769
KISBIT Payments	0	0	0	0
Proceeds from Sale of Fixed Assets	0	0	10,472	10,472
Operating Transfers In	498,501	498,501	519,841	21,340
Operating Transfers Out	(148,435)	(148,435)	(100,802)	47,633
	<b>\$ 350,066</b>	<b>\$ 350,066</b>	<b>\$ 926,280</b>	<b>\$ 576,214</b>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing (Uses)	\$ (4,297,786)	\$ (4,297,786)	\$ 1,790,195	\$ 6,087,981
Fund Balance - Beginning	2,000,000	2,902,934	5,398,291	2,495,357
Fund Balance - Ending	<b>\$ (2,297,786)</b>	<b>\$ (1,394,852)</b>	<b>\$ 7,188,486</b>	<b>\$ 8,583,338</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, 2020**

	SPECIAL REVENUE			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
<b>REVENUES:</b>				
Local Sources	\$ 910,910	\$ 913,410	\$ 417,380	\$ (496,030)
Earnings on Investments	0	0	0	0
State Sources	2,409,497	2,409,497	2,164,892	(244,605)
Federal Sources	12,754,048	11,996,729	9,936,527	(2,060,202)
<b>TOTAL REVENUES</b>	<b>\$ 16,074,455</b>	<b>\$ 15,319,636</b>	<b>\$ 12,518,799</b>	<b>\$ (2,800,837)</b>
<b>EXPENDITURES:</b>				
Instruction	\$ 9,672,525	\$ 9,166,577	\$ 9,043,877	\$ 122,700
Support Services:				
Student	486,432	286,457	218,995	67,462
Instructional Staff	2,702,806	1,104,959	1,033,622	71,337
District Administration	0	0	0	0
School Administration	0	0	0	0
Business	220,104	220,104	234,647	(14,543)
Plant Operations & Maintenance	548,000	1,000	10,261	(9,261)
Student Transportation	164,880	164,880	210,777	(45,897)
Central Office	0	0	0	0
Food Service Operations	326,500	0	56,327	(56,327)
Other	0	0	0	0
Community Service	1,828,942	1,828,942	1,838,812	(9,870)
Facilities Acquisition & Construction	0	0	0	0
Contingency	0	0	0	0
<b>TOTAL EXPENDITURES</b>	<b>\$ 15,950,189</b>	<b>\$ 12,772,919</b>	<b>\$ 12,647,318</b>	<b>\$ 125,601</b>
Excess (Deficit) of Revenues over Expenditures	\$ 124,266	\$ 2,546,717	\$ (128,519)	\$ (2,675,236)
<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	151,788	11,788
Operating Transfers Out	(71,001)	(23,501)	(23,269)	232
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	<b>\$ 68,999</b>	<b>\$ 116,499</b>	<b>\$ 128,519</b>	<b>\$ 12,020</b>
Net Change in Fund Balance	\$ 193,265	\$ 2,663,216	\$ 0	\$ (2,663,216)
Fund Balance - Beginning	0	0	0	0
Fund Balance - Ending	<u>\$ 193,265</u>	<u>\$ 2,663,216</u>	<u>\$ 0</u>	<u>\$ (2,663,216)</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, 2020**

	CONSTRUCTION FUND			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
	BUDGET	BUDGET		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	10,512	10,512
Other Local Revenues	760,240	760,240	727,000	(33,240)
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>\$ 760,240</b>	<b>\$ 760,240</b>	<b>\$ 737,512</b>	<b>\$ (22,728)</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	438,970	(438,970)
Site Improvements	760,240	760,240	12,323	747,917
Bond Issuance Costs	0	0	0	0
<b>TOTAL EXPENDITURES</b>	<b>\$ 760,240</b>	<b>\$ 760,240</b>	<b>\$ 451,293</b>	<b>\$ 308,947</b>
Excess (Deficit) of Revenues over Expenditures	\$ 0	\$ 0	\$ 286,219	\$ 286,219
<b>OTHER FINANCING SOURCES (USES):</b>				
Bonds Proceeds	\$ 0	\$ 0	\$ 0	\$ 0
Premium on Bond Issuance	0	0	0	0
Operating Transfers In	0	0	518,784	518,784
Operating Transfers Out	0	0	(578,276)	(578,276)
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (59,492)</b>	<b>\$ (59,492)</b>
Net Change in Fund Balance	\$ 0	\$ 0	\$ 226,727	\$ 226,727
Fund Balance - Beginning	0	0	1,478,967	1,478,967
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,705,694</u>	<u>\$ 1,705,694</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, 2020**

Last Ten Fiscal Years **	2019-2020	2018-19	2017-18	2016-17	2015-16	2014-15
<b>Schedule of the District's Proportionate Share of the Net Pension Liability</b>						
District's proportion of the net pension liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net pension liability	\$ 0	\$ 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%	0.0000%
Commonwealth's proportionate share of the net pension liability associated with the District	\$ 146,312,371	\$ 143,777,280	\$ 312,509,016	\$ 353,664,994	\$ 283,538,388	\$ 260,475,099
Total	<u>\$ 146,312,371</u>	<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	\$ 31,871,005	\$ 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	\$ 0
Commonwealth's proportionate share of the net pension liability as a percentage of District's covered-employee payroll	21.7829%	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%	35.2200%	42.4900%	45.5907%

**Schedule of District Contributions**

	2019-2020	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13
Contractually required contribution	\$ 1,436,783	\$ 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	1,436,783	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>	<u>\$ 0</u>
District's covered payroll	\$ 31,871,005	\$ 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	4.5081%	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, 2020**

Last Ten Fiscal Years \*\*

	2019-2020	2018-2019	2017-18	2016-17	2015-16	2014-15
<b>Schedule of the District's Proportionate Share of the Net Pension Liability</b>						
District's proportion of the net pension liability	0.54903%	0.56995%	0.57442%	0.59071%	0.61359%	0.62367%
District's proportionate share of the net pension liability	38,613,665	34,711,631	33,623,037	29,084,219	26,381,351	20,234,000
District's covered-employee payroll	18,290,845	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	211.10925%	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%	59.07100%	61.35900%	62.36680%

	2019-2020	2018-2019	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13
<b>Schedule of District Contributions</b>								
Contractually required contribution	\$ 3,682,772	\$ 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	3,682,772	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>	<u>\$ 0</u>
District's covered payroll	18,290,845	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	20.1345%	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, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the collective net OPEB liability (asset)	0.573923%	0.569656%	0.613982%	0.613962%
District's proportionate share of the collective net OPEB liability (asset)	\$ 16,798,000	\$ 16,795,000	\$ 21,893,000	21,675,000
State's proportionate share of the collective net OPEB liability (asset) associated with the District	<u>13,565,000</u>	<u>17,034,000</u>	<u>17,884,000</u>	<u>17,706,000</u>
Total	<u>\$ 30,363,000</u>	<u>\$ 33,829,000</u>	<u>\$ 39,777,000</u>	<u>\$ 39,381,000</u>
District's covered-employee payroll	31,871,005	37,105,911	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	52.706%	45.262%	59.476%	56.748%
Plan fiduciary net position as a percentage of the total OPEB liability	0.252%	0.291%	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.*

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

**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, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	1,051,925	1,051,925	1,051,925
Contributions in relation to the			
Contractually required contribution	<u>1,051,025</u>	<u>1,051,025</u>	<u>1,051,025</u>
Contribution deficiency (excess)	<u>2,102,950</u>	<u>2,102,950</u>	<u>2,102,950</u>
District's covered-employee payroll	\$ 31,871,005	\$ 37,105,911	\$ 36,809,662
Contributions as a percentage of covered- employee payroll	3.30%	2.83%	2.86%

*Schedule is intended to show information for 10 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  
Notes to Required Supplementary Information - Kentucky Teachers Retirement System  
For the Year Ended June 30, 2020

*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, 2018
Actuarial cost method	Entry Age
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 2019 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and older	5.75% for FY 2019 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B premiums	1.02% for FY 2019 with an ultimate rate of 5.00% by 2031
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, 2020

**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	\$	16,798,000
State's proportionate share of the net OPEB liability associated with the District		
Medical Insurance		13,565,000
Life Insurance		315,000
Total liability associated with the District	\$	<u>30,678,000</u>

For the year ended June 30, 2020, the District recognized OPEB expense of \$381,000 and revenue of \$820,376 for support provided by the State. At June 30, 2020, 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	\$ 4,066,000
Changes of assumptions	447,000	0
Net difference between projected and actual earnings on pension plan investments	71,000	0
Changes in proportion and differences between District contributions and proportionate share of contributions	132,000	1,097,000
District contributions subsequent to the measurement date	0	0
<b>Total</b>	<u>\$ 650,000</u>	<u>\$ 5,163,000</u>

Year ended June 30:		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 shown:
2020	\$ (883,000.00)	
2021	(883,000.00)	
2022	(846,000.00)	
2023	(853,000.00)	
2024	(668,000.00)	
There After	(380,000.00)	
	<u>\$ (4,513,000.00)</u>	

PIKE COUNTY BOARD OF EDUCATION  
Notes to Required Supplementary Information - Kentucky Teachers Retirement System  
For the Year Ended June 30, 2020

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

Valuation Date	6/30/2018
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 2019 decreasing to an ultimate rate of 5.00% by fiscal year 2024
Ages 65 and Older	5.75% fiscal year 2019 decreasing to an ultimate rate of 5.00% by fiscal year 2021
Medicare Part B Premiums	0.00% for fiscal year 2019 with an ultimate rate of 5.00% by 2031

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The 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%	5.1%
Fixed Income	9.0%	1.2%
Real Estate	6.5%	3.8%
Private Equity	8.5%	6.3%
Additional Categories	17.0%	3.2%
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, 2020

*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:

	<b>1% Decrease Rate (7.00%)</b>	<b>Current Discount Rate (8.00%)</b>	<b>1% Increase Rate (9.00%)</b>
Systems' net pension liability	\$ 19,899,000	\$ 16,798,000	\$ 14,200,000

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

**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\*

	2020	2019	2018
District's proportion of the collective net OPEB liability (asset)	0.569928%	0.569928%	0.574428%
District's proportionate share of the collective net OPEB liability (asset)	\$ 9,232,671	\$ 10,118,958	\$ 11,547,968
Total	<u>\$ 9,232,671</u>	<u>\$ 10,118,958</u>	<u>\$ 11,547,968</u>
District's covered-employee payroll	18,290,845	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	50.477%	50.744%	58.873%
Plan fiduciary net position as a percentage of the total OPEB liability	0.359%	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.*

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 889,060	\$ 663,929	\$ 661,534
Contributions in relation to the			
Contractually required contribution	(889,060)	(663,929)	(661,534)
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	\$ 18,290,845	\$ 19,941,375	\$ 19,615,193
Contributions as a percentage of covered-			
employee payroll	4.86%	3.33%	3.37%

*Schedule is intended to show information for 10 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  
Notes to the Required Supplementary Information  
for the Year Ended June 30, 2020

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, 2019, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2019, were based on an actuarial valuation date of June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2019, using generally accepted actuarial principles. There have been no changes in actuarial assumptions since June 30, 2018 (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, 2019, 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	3.55% to 15.55%, varies by service for KERS non-hazardous 3.55% to 19.55% varies by service for KERS hazardous 3.30% to 11.55%, varies by service for CERS nonhazardous 3.05% to 18.55%, varies by service for CERS hazardous
Investment Rate of Return	6.25%
Pre – 65	Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.
Phase-in Provision	"Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for CERS non-hazardous and hazardous"

*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

PIKE COUNTY BOARD OF EDUCATION  
Notes to the Required Supplementary Information  
for the Year Ended June 30, 2020

Kentucky Retirement System – County Employee OPEB Plan

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.

**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	\$9,232,671
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PIKE COUNTY BOARD OF EDUCATION  
Notes to the Required Supplementary Information  
for the Year Ended June 30, 2020

Kentucky Retirement System – County Employee OPEB Plan

For the year ended June 30, 2020, the District recognized OPEB expense of \$923,413. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Liability Experience	\$ 0	\$ 2,785,711
Changes of assumptions	2,732,033	18,269
Investment Experience	60,814	470,889
Changes in proportion and differences between District contributions and proportionate share of contributions	0	441,351
District contributions subsequent to the measurement date	<u>0</u>	<u>0</u>
Total	<u>\$ 2,792,847</u>	<u>\$ 3,716,220</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:

Year Ended June 30:	
2018	\$ (157,917)
2019	(157,917)
2020	(27,536)
2021	(277,097)
2022	(253,379)
ther after	<u>(49,526)</u>
	<u>\$ (923,372)</u>

PIKE COUNTY BOARD OF EDUCATION  
Notes to the Required Supplementary Information  
for the Year Ended June 30, 2020

Kentucky Retirement System – County Employee OPEB Plan

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

Inflation rate	2.30%
Payroll Growth Rate	0.0% for KERS non-hazardous and hazardous, and 2.0% for CERS non-hazardous and Hazardous
Projected salary increases	3.55% to 15.55%, varies by service for KERS 3.55% to 19.55% varies by service for KERS 3.30% to 11.55%, varies by service for CERS 3.05% to 18.55%, varies by service for CERS
Investment rate of return	6.25%
Healthcare cost trend rates	
Under 65	Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Ages 65 and Older	Initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for CERS non-hazardous and hazardous

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, 2020

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>
Growth		
US Equity	18.75%	4.30%
Non US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Speciality Credit/High Yield	15.00%	2.60%
Liquidity		
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies		
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.70%
Real Return	15.00%	4.10%
Total	<u>100.00%</u>	<u>3.89%</u>

**Discount Rate** - The projection of cash flows used to determine the discount rate of 525% for KERS Non-hazardous, 6.25% for KERS Hazardous, 6.25% for CERS Non-hazardous, and 6.25% 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 3.13%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index” as of June 30, 2019. 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 (4.68%)</u>	<u>Current Discount Rate (5.6885%)</u>	<u>1% Increase (6.68%)</u>
Systems' net OPEB liability	\$ 13,142,905	\$ 9,232,671	\$ 6,649,384

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Systems' net OPEB liability	\$ 6,866,385	\$ 9,232,671	\$ 12,102,074

*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, 2020**

	Capital Outlay Fund	Building Fund	District Activity	School Activity Funds	Total Non- Major Governmental Funds
<b><u>ASSETS AND RESOURCES</u></b>					
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 134,899	\$ 1,135,972	\$ 1,270,871
Investments	0	0	0	0	0
Accounts Receivable	0	0	0	3,767	3,767
Due From Other Funds	0	0	0	0	0
<b>Total Assets</b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 134,899</u></b>	<b><u>\$ 1,139,739</u></b>	<b><u>\$ 1,274,638</u></b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>					
<b>Liabilities</b>					
Accounts Payable	\$ 0	\$ 0	\$ 208	\$ 14,614	\$ 14,822
Summer Payrolls	0	0	0	0	0
Other Liabilities	0	0	0	0	0
Other Liabilities	0	0	0	0	0
<b>Total Liabilities</b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 208</u></b>	<b><u>\$ 14,614</u></b>	<b><u>\$ 14,822</u></b>
Deferred Revenue	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Total Liabilities</b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>
<b>Fund Balances</b>					
<b>Restricted:</b>					
Other	\$ 0	\$ 0	\$ 134,691	\$ 1,125,125	\$ 1,259,816
Future Construction	0	0	0	0	0
Debt Service	0	0	0	0	0
<b>Committed:</b>					
Site Based Carryforward	0	0	0	0	0
Sick-leave	0	0	0	0	0
Worker's Compensation	0	0	0	0	0
<b>Assigned:</b>					
Purchase Obligations	0	0	0	0	0
Unassigned	0	0	0	0	0
<b>Total Fund Balances</b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 134,691</u></b>	<b><u>\$ 1,125,125</u></b>	<b><u>\$ 1,259,816</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 134,899</u></b>	<b><u>\$ 1,139,739</u></b>	<b><u>\$ 1,274,638</u></b>

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, 2020**

	Capital Outlay Fund	Building Fund	District Activity	School Activity Funds	Total Non-Major Governmental Funds
<b>REVENUES</b>					
From Local Sources					
Taxes					
Property	\$ 0	\$ 2,257,636	\$ 0	\$ 0	\$ 2,257,636
Motor Vehicles	0	0	0	0	0
Utilities	0	0	0	0	0
Other	0	0	0	0	0
Earnings on Investments	0	0	0	0	0
Other Local Revenues	0	0	201,080	3,171,249	3,372,329
Intergovernmental- State	722,797	3,770,490	0	0	4,493,287
Intergovernmental-Indirect Federal	0	0	0	0	0
<b>Total Revenues</b>	<b>\$ 722,797</b>	<b>\$ 6,028,126</b>	<b>\$ 201,080</b>	<b>\$ 3,171,249</b>	<b>\$ 10,123,252</b>
<b>EXPENDITURES</b>					
Instruction	\$ 0	\$ 0	\$ 107,472	\$ 0	\$ 107,472
Support Services					
Student	0	0	0	0	0
Instruction Staff	0	0	20,598	0	20,598
District Administrative	0	0	0	0	0
School Administrative	0	0	14,109	3,050,791	3,064,900
Business	0	0	0	0	0
Plant Operation and Maint.	0	0	70,889	0	70,889
Student Transportation	0	0	0	0	0
Food Service	0	0	0	0	0
Community Services	0	0	0	0	0
Facilities Acquisitions and Construction	0	0	0	0	0
Purchase Professional Services	0	0	0	0	0
Site Improvement	0	0	0	0	0
Building Improvements	0	0	0	0	0
Debt Service					
Principal	0	0	0	0	0
Interest	0	0	0	0	0
Bond Issuance Costs	0	0	0	0	0
<b>Total Expenditures</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 213,068</b>	<b>\$ 3,050,791</b>	<b>\$ 3,263,859</b>
<b>Excess (Deficit) of Revenues over Expenditures</b>	<b>\$ 722,797</b>	<b>\$ 6,028,126</b>	<b>\$ (11,988)</b>	<b>\$ 120,458</b>	<b>\$ 6,859,393</b>
<b>Other Financing Sources (Uses)</b>					
Proceeds from Sales of Bonds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Premium on Bond Issuance	0	0	0	0	0
Bond Discounts	0	0	0	0	0
Proceeds from Capital Leases	0	0	0	0	0
Proceeds from Sales of Fixed Assets	0	0	0	0	0
Operating Transfer, In	0	0	0	0	0
Operating Transfer, Out	(722,797)	(6,028,126)	0	0	(6,750,923)
<b>Total Other Financing Sources</b>	<b>\$ (722,797)</b>	<b>\$ (6,028,126)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (6,750,923)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (11,988)</b>	<b>\$ 120,458</b>	<b>\$ 108,470</b>
Fund Balance - Beginning	0	0	146,679	0	146,679
Prior Period Adjustment	0	0	0	1,004,667	1,004,667
<b>Fund Balance - Ending</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 134,691</b>	<b>\$ 1,125,125</b>	<b>\$ 1,259,816</b>

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, 2020**

SCHOOLS	Cash Balance July 1, 2019	Receipts	Disburse- ments	Cash Balance June 30, 2020	Accounts Receivable	Accounts Payable	Due to Students June 30, 2020
<b>HIGH SCHOOLS</b>							
Belfry	\$ 158,880	\$ 441,230	\$ 486,714	\$ 113,396	\$ 0	\$ 4,793	\$ 108,604
East Ridge	87,546	187,541	167,561	107,526	175	0	107,701
Phelps	56,910	159,527	151,360	65,078	0	0	65,078
Pike Central	46,304	300,512	262,228	84,588	3,592	1,211	86,969
Shelby Valley	132,685	302,354	294,857	140,181	0	0	140,181
<b>MIDDLE SCHOOLS</b>							
Belfry Middle	31,592	190,957	189,116	33,433	0	3,847	29,586
<b>ELEMENTARY SCHOOLS</b>							
Belfry Elementary	50,554	123,167	81,020	92,701	0	0	92,701
Bevins	45,554	41,890	35,551	51,893	0	0	51,893
Dorton	66,065	117,870	124,244	59,691	0	0	59,691
Elkhorn City	70,152	118,947	132,225	56,874	0	0	56,874
Feds Creek	18,583	58,261	50,277	26,567	0	0	26,567
Johns Creek	49,061	219,387	213,439	55,009	0	340	54,669
Kimper	29,808	36,066	35,032	30,842	0	200	30,642
Millard	37,516	229,966	224,212	43,270	0	3,790	39,480
Mullins	31,899	268,603	267,554	32,948	0	433	32,515
Phelps	19,799	82,282	73,982	28,099	0	0	28,099
Valley	90,021	287,062	272,847	104,236	0	0	104,236
<b>DAY TREATMENT CENTERS</b>							
Pike County Day Treatment	9,738	3,436	3,534	9,640	0	0	9,640
<b>TOTALS</b>	<u>\$ 1,032,667</u>	<u>\$ 3,169,057</u>	<u>\$ 3,065,752</u>	<u>\$ 1,135,972</u>	<u>\$ 3,767</u>	<u>\$ 14,614</u>	<u>\$ 1,125,125</u>

**PIKE COUNTY BOARD OF EDUCATION**  
**BELFRY HIGH SCHOOL**  
**ACTIVITY FUNDS**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2020**

Fund	Cash Balance July 1, 2019	Receipts	Disburse- ments	Transfers	Cash Balance June 30, 2020	Accounts Receivable	Accounts Payable	Due to Students June 30, 2020
GENERAL	\$ 2,201	\$ 5,788	\$ 7,416	\$ (107)	\$ 466	\$ 0	\$ 0	\$ 466
ACADEMIC	387	0	1,049	662	0	0	0	0
SPIRIT TEAM	189	1,289	854	0	624	0	0	624
GOLF TEAM	1,224	217	1,099	0	341	0	0	341
NANCY SCOTT	500	500	500	0	500	0	0	500
INSTRUCTIONAL FEE	3,750	13,669	6,561	(6,966)	3,892	0	1,865	2,027
DEBBIE HUNTER	500	500	500	0	500	0	0	500
LEAD OUR NEXT GEN	1,000	0	1,000	0	0	0	0	0
PHOTOGRAPHY	2,500	2,500	0	(5,000)	0	0	0	0
FACULTY	4,546	6,136	8,701	0	1,981	0	0	1,981
JAG	0	1,250	0	0	1,250	0	0	1,250
HOMECOMING	0	0	607	607	0	0	0	0
VARSITY COURT	0	1,920	1,732	232	420	0	0	420
HONOR SOCIETY	578	894	956	0	516	0	0	516
WRESTLING	100	2	2,856	2,754	0	0	0	0
STLP	637	455	258	0	834	0	0	834
YGA-KYA	0	4,395	7,142	2,747	0	0	0	0
MU ALPHA THETA	255	180	240	0	195	0	0	195
HOBY	0	600	1,410	810	0	0	0	0
RUSH RUNYON SCHOLARSHIP	605	0	0	0	605	0	0	605
PERSEVERE SCHOLARSHIP	1,000	1,000	1,000	0	1,000	0	0	1,000
JAMES WILLIS STUL	3,045	500	1,000	0	2,545	0	0	2,545
LASTING OPP NEW GO	1,000	0	1,000	0	0	0	0	0
STUDENT COMMUNITY	1,000	0	0	0	1,000	0	0	1,000
DESIRE SCHOLARSHIP	0	6,000	0	0	6,000	0	0	6,000
EASTERN KY STRONG	2,859	7,588	8,648	33	1,832	0	0	1,832
EASTERN LEVEL	382	0	0	0	382	0	0	382
AUDITORIUM	0	0	4,248	4,248	0	0	0	0
START UP	0	20,855	20,855	0	0	0	0	0

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, 2020

Fund	Cash Balance July 1, 2019	Receipts	Disburse- ments	Transfers	Cash Balance June 30, 2020	Accounts Receivable	Accounts Payable	Due to Students June 30, 2020
STROES	11,174	37,470	19,585	(22,518)	6,541	0	0	6,541
ROBOTICS	8,841	3,827	9,131	(22)	3,515	0	0	3,515
PLTW PROJECT	0	15,000	12,600	310	2,709	0	0	2,709
FCA	320	0	80	0	240	0	0	240
DR MARY JOHNSON SCHOLARSHIP	5,000	5,000	5,000	0	5,000	0	0	5,000
HOSA	1,488	1,459	2,511	0	436	0	0	436
HALL OF FAME	0	1,500	4,489	2,989	0	0	0	0
FOOTBALL	23,385	115,031	126,491	5,150	17,075	0	0	17,075
YOUTH FOOTBALL	10	970	970	0	10	0	0	10
FOOTBALL II	43,773	0	0	(28,104)	15,669	0	0	15,669
2 A TOURNAMENT	0	6,989	5,894	(1,095)	0	0	0	0
BOYS BASKETBALL	7	36,896	41,827	4,924	0	0	0	0
YOUTH BASKETBALL	29	0	0	0	29	0	0	29
60TH DISTRICT	0	9,788	6,414	(3,374)	0	0	0	0
GIRLS BASKETBALL	10	18,276	21,267	2,982	0	0	0	0
BASEBALL	0	5,768	6,317	549	0	0	0	0
VARSITY CHEER	8,730	15,107	18,330	1,200	6,707	0	2,379	4,329
JV CHEERLEADERS	393	2,251	2,567	0	77	0	0	77
CHEER KAPOS	514	1,141	258	(1,200)	198	0	0	198
SOFTBALL	0	6,760	5,328	0	1,432	0	0	1,432
VOLLEYBALL	935	4,445	5,269	0	111	0	0	111
ART HONOR SOCIETY	736	900	877	(115)	643	0	0	643
SPECIAL NEEDS	908	8,466	5,893	300	3,781	0	250	3,531
SPECIAL NEEDS II	490	0	2,300	2,500	690	0	0	690
BOYS & GIRLS SOCCER	4,343	6,577	10,024	124	1,019	0	0	1,019
SOCCER DISTRICT	0	1,425	1,301	(124)	0	0	0	0
JR CLASS	0	3,495	3,495	0	0	0	0	0
SENIOR CLASS	1,961	0	1,688	(293)	(20)	0	0	(20)
JR ROTC	0	2,544	994	0	1,550	0	0	1,550

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, 2020**

Fund	Cash Balance July 1, 2019	Receipts	Disburse- ments	Transfers	Cash Balance June 30, 2020	Accounts Receivable	Accounts Payable	Due to Students June 30, 2020
SADD	634	563	563	0	634	0	0	634
YALSA	599	118	283	68	503	0	0	503
SPEECH & DRAMA	2,403	995	1,128	(500)	1,770	0	0	1,770
SPANISH	200	1,244	1,178	0	266	0	0	266
CLAY TARGET LEAGUE	0	1,000	0	0	1,000	0	0	1,000
FBLA	0	1,316	948	(18)	351	0	0	351
CHILDREN INC	665	12,299	10,056	(300)	2,608	0	299	2,309
YOUTH SERVICE CENTER	3,893	0	850	0	3,043	0	0	3,043
PIRATE PANTRY	320	190	347	0	163	0	0	163
MINI PICASSOS KAHLO	0	1,000	1,005	5	0	0	0	0
PIRATE CHRISTMAS	0	889	1,000	110	0	0	0	0
TRANSITION GRANT IN	0	2,931	2,998	67	0	0	0	0
ROBOTICS TOOL	0	1,000	1,022	22	0	0	0	0
BIODIGESTER ENERGY	0	0	1,016	1,016	0	0	0	0
3D OBJECTS PHOTOGRAPHY	0	811	811	0	0	0	0	0
KVEC DRON COMPETITION	0	302	302	0	0	0	0	0
YEARBOOK	8,809	20,556	19,190	27	10,202	0	0	10,202
CHARITABLE GAMING	1	0	0	0	1	0	0	1
TRACK	0	500	0	0	500	0	0	500
BAND	0	4,662	4,507	(146)	9	0	0	9
BAND II	0	272	0	(272)	0	0	0	0
CHOIR	0	3,260	3,678	418	0	0	0	0
SCHOOL NEWSPAPER	51	0	0	0	51	0	0	51
DAF INSTURCTION	0	0	15,100	15,100	0	0	0	0
DAF ATHLETICS	0	0	1,200	1,200	0	0	0	0
DAF BUILDING/GROUND	0	0	19,000	19,000	0	0	0	0
<b>TOTAL</b>	<b>\$ 158,880</b>	<b>\$ 441,230</b>	<b>\$ 486,714</b>	<b>\$ 0</b>	<b>\$ 113,396</b>	<b>\$ 0</b>	<b>\$ 4,793</b>	<b>\$ 108,604</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, 2020**

Fund	Cash Balance July 1, 2019	Receipts	Disburse- ments	Transfers	Cash Balance June 30, 2020	Accounts Receivable	Accounts Payable	Due to Students June 30, 2020
GENERAL	\$ 4,088	5,572	1,975	(3,606)	\$ 4,079	\$ 175	\$ 0	\$ 4,254
LIBRARY	44	0	0	0	44	0	0	44
AP EXAMS	115	2,237	0	0	2,352	0	0	2,352
SCHOLARSHIPS	20,899	35,171	25,960	0	30,110	0	0	30,110
PARKING	1,685	760	645	0	1,800	0	0	1,800
TEXTBOOKS	5,018	0	0	0	5,018	0	0	5,018
SCIENCE DEPT	66	0	0	0	66	0	0	66
STUDENT ACTIVITY	39	0	0	0	39	0	0	39
WARRIOR WAREHOUSE	3,898	4,483	5,394	271	3,257	0	0	3,257
STUDENT INCENTIVES	0	75	0	0	75	0	0	75
FMD	328	2,863	2,809	0	382	0	0	382
ACADEMIC TEAM	0	2,603	2,761	158	0	0	0	0
ATHLETICS	7,619	16,141	10,538	(3,953)	9,268	0	0	9,268
STARTUP CHANGE	0	1,700	1,700	0	0	0	0	0
BOYS BASKETBALL	0	8,466	8,535	1,632	1,563	0	0	1,563
GIRLS BASKETBALL	517	3,838	5,957	1,619	17	0	0	17
PEEWEE FOOTBALL	0	239	0	0	239	0	0	239
REST FB BOOSTERS CO	0	7,881	3,287	(4,593)	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, 2020**

Fund	Cash Balance July 1, 2019	Receipts	Disburse- ments	Transfers	Cash Balance June 30, 2020	Accounts Receivable	Accounts Payable	Due to Students June 30, 2020
RESTRICTED FB BOOSTERS	0	1,000	2,070	1,070	0	0	0	0
FOOTBALL	0	14,478	17,302	2,925	101	0	0	101
ER MIDDLE SCHOOL FB	0	2,276	2,572	296	0	0	0	0
SOFTBALL	0	1,423	1,788	365	0	0	0	0
BASEBALL	0	5,455	6,562	1,108	0	0	0	0
ER MS BASEBALL	705	0	0	0	705	0	0	705
ER MS BASEBALL BOOSTERS	268	0	0	0	268	0	0	268
ERMS BASEBALL BOOST CONC	586	0	0	0	586	0	0	586
VOLLEYBALL	0	3,300	2,949	365	716	0	0	716
DISTRICT VB TOURNEY	1,032	0	0	0	1,032	0	0	1,032
15TH REG VB TOURNEY	0	7,529	2,632	0	4,897	0	0	4,897
15TH ALL A VOLLEYBALL TOURNEY	979	0	0	0	979	0	0	979
GOLF	0	0	591	591	0	0	0	0
CROSS COUNTRY	589	2,882	4,360	1,574	686	0	0	686
TRACK BOYS	1,629	935	0	(250)	2,314	0	0	2,314
CULTURE CLUB	2,152	4,433	5,797	514	1,302	0	0	1,302
CHEERLEADERS	0	7,602	7,602	0	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, 2020**

Fund	Cash Balance July 1, 2019	Receipts	Disburse- ments	Transfers	Cash Balance June 30, 2020	Accounts Receivable	Accounts Payable	Due to Students June 30, 2020
DANCE TEAM	391	1,078	3,009	1,540	0	0	0	0
JROTC VENDING	8,268	4,684	2,271	(1,500)	9,181	0	0	9,181
TEACHERS LOUNGE CONC	399	1,344	1,238	0	505	0	0	505
STUDENT VENDING	5,267	1,749	860	(223)	5,932	0	0	5,932
DUAL CREDIT	369	1,130	0	(1,445)	54	0	0	54
BAND/CHOIR	316	11,845	11,973	0	188	0	0	188
JROTC DRILL TEAM	3,477	1,411	1,687	(362)	2,839	0	0	2,839
DRAMA	36	672	528	0	181	0	0	181
ANNUAL/COAL FAIR	6,349	6,739	7,230	(50)	5,807	0	0	5,807
PICTURES	299	0	0	0	299	0	0	299
BETA CLUB	183	0	0	0	183	0	0	183
NATIONAL HONOR SOCIETY	1	325	482	159	3	0	0	3
NEWSPAPER	0	255	0	(159)	96	0	0	96
CHILDREN INC	0	4,141	2,851	0	1,290	0	0	1,290
GUIDANCE COUNSELOR	662	350	928	223	307	0	0	307
ATHLETIC SIGN ADV	0	5,450	752	(4,698)	0	0	0	0
NANCY RATLIFF SCHOL	2,332	0	1,500	0	832	0	0	832
PROM	3,008	0	213	0	2,795	0	0	2,795
HOMECOMING	2,481	741	263	0	2,959	0	0	2,959
STUDENT ENRICHMENT	144	675	100	0	719	0	0	719
SENIORS	745	1,280	1,203	0	822	0	0	822
GIFTED AND TALENTED	53	0	0	0	53	0	0	53
SMILE CLUB	0	51	50	0	0	0	0	0
FBLA	513	48	40	0	521	0	0	521
DAF INSTRUCTION	0	0	3,551	3,551	0	0	0	0
DAF BUILDING/GROUNDS	0	0	2,878	2,878	0	0	0	0
<b>Total</b>	<b>\$ 87,546</b>	<b>\$ 187,541</b>	<b>\$ 167,561</b>	<b>\$ 0</b>	<b>\$ 107,526</b>	<b>\$ 175</b>	<b>\$ 0</b>	<b>\$ 107,701</b>

**PIKE COUNTY BOARD OF EDUCATION  
PHELPS HIGH SCHOOL  
ACTIVITY FUNDS  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2020**

Fund	Cash Balance July 1, 2019	Receipts	Disburse- ments	Transfers	Cash Balance June 30, 2020	Accounts Receivable	Accounts Payable	Due to Students June 30, 2020
GENERAL	\$ 14,249	\$ 6,541	\$ 5,838	\$ (2,169)	\$ 12,783	\$ 0	\$ 0	\$ 12,783
STARTUP MONEY	0	760	\$ 760	0	0	0	0	0
PHARMACY TECH CLASSES	430	860	0	(856)	434	0	0	434
TRACK/CROSS COUNTRY	544	642	1,329	145	3	0	0	3
60TH DISTRICT BASKETBALL	0	0	0	0	0	0	0	0
60TH DISTRICT CONCESSION	0	0	0	0	0	0	0	0
60TH DISTRICT VBALL GATE	0	990	481	(509)	0	0	0	0
SPANISH	0	940	785	0	155	0	0	155
DISTRICT PROGRAM/T-SHIRT	0	0	0	0	0	0	0	0
COLA MACHINES	263	215	0	0	478	0	0	478
SR. CLASS	0	1,451	1,451	0	0	0	0	0
ALL "A" VOLLEYBALL	0	1,651	1,042	(609)	0	0	0	0
VOLLEYBALL	1,629	4,713	4,491	2,505	4,356	0	0	4,356
JR. HIGH VOLLEYBALL	800	3,234	2,922	1,267	2,379	0	0	2,379
FRYSC	183	0	0	0	183	0	0	183
JKG	68	1,925	2,125	132	0	0	0	0
LOCKERS	0	775	0	(775)	0	0	0	0
CHEER	822	1,538	2,086	0	274	0	0	274
WRESTLING	209	406	200	48	463	0	0	463
WRESTLING CONCESSIONS	0	48	0	(48)	0	0	0	0
JH BASEBALL	1,591	0	544	0	1,047	0	0	1,047
CONCESSION JH BASEBALL	0	0	0	0	0	0	0	0
VAR BOYS BASKETBALL	8,775	14,795	19,770	3,997	7,796	0	0	7,796
FOOTBALL	7,728	17,620	23,777	1,651	3,222	0	0	3,222



**PIKE COUNTY BOARD OF EDUCATION  
 PHELPS HIGH SCHOOL  
 ACTIVITY FUNDS  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2020**

Fund	Cash Balance July 1, 2019	Receipts	Disburse- ments	Transfers	Cash Balance June 30, 2020	Accounts Receivable	Accounts Payable	Due to Students June 30, 2020
PHELPS LL BASEBALL	1,564	1,438	0	0	3,002	0	0	3,002
BASEBALL	1,758	8,050	5,665	0	4,143	0	0	4,143
BASEBALL CONCESSIONS	0	0	0	0	0	0	0	0
VAR GIRLS BASKETBALL	550	9,872	9,325	2,229	3,327	0	0	3,327
SOFTBALL	265	434	634	0	66	0	0	66
JH FOOTBALL	461	584	1,243	199	1	0	0	1
JH BOYS BASKETBALL	1,295	4,435	4,838	2,307	3,199	0	0	3,199
CONCESSIONS GIRLS VARS BASKETBALL	0	3,680	1,542	(2,138)	0	0	0	0
BOYS VARSITY CONCESSIONS	0	4,592	504	(4,088)	0	0	0	0
VARSITY ACADEMIC TEAM	112	0	40	0	72	0	0	72
JR HIGH ACADEMIC TEAM	1	0	0	0	1	0	0	1
PROM	20	5,392	0	0	5,412	0	0	5,412
CHILDREN INC	1,236	23,983	23,588	0	1,632	0	0	1,632
CONCESSIONS JH BOYS BASKETBALL	0	3,034	440	(2,594)	0	0	0	0
JH GIRLS BASKETBALL	981	932	1,265	259	907	0	0	907
NH SOCIETY	195	267	385	0	77	0	0	77
JROTC	726	0	94	0	632	0	0	632
FBLA	64	279	310	0	33	0	0	33
SCHOOL STORE	0	5,693	4,796	455	1,352	0	0	1,352
LIBRARY FUND	0	0	0	0	0	0	0	0
PEPSI VENDING MACH	0	2,497	2,990	1,276	784	0	0	784
TEACHER VENDING (POP)	1,490	6,319	6,617	500	1,693	0	0	1,693
CONCESSIONS JH GIRLS BASKETBALL	0	519	220	(299)	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, 2020**

Fund	Cash Balance July 1, 2019	Receipts	Disburse- ments	Transfers	Cash Balance June 30, 2020	Accounts Receivable	Accounts Payable	Due to Students June 30, 2020
SOFTBALL CONCESSIONS	0	0	0	0	0	0	0	0
VOLLEYBALL CONCESSIONS	0	1,978	351	(1,627)	0	0	0	0
JH VOLLEYBALL CONCESSIONS	0	1,322	55	(1,267)	0	0	0	0
TEACHERS VENDING/SN	2,009	1,058	1,992	(500)	574	0	0	574
VENDING STORE	0	875	234	68	708	0	0	708
AP ENVIROMENTAL SC	0	0	0	0	0	0	0	0
YEARBOOK	0	0	0	0	0	0	0	0
4-H CLUB	2	0	0	0	2	0	0	2
PARKING TAGS	0	130	0	(130)	0	0	0	0
JR HIGH FOOTBALL CONCESSIONS	0	549	217	(332)	0	0	0	0
JR HIGH CHEER	42	2,059	2,088	0	13	0	0	13
BAND	1,689	7,530	8,583	0	636	0	0	636
GRAPHICS ACCOUNT	175	0	148	130	157	0	0	157
DANCE	61	0	0	0	61	0	0	61
FMD UNIT	420	0	354	0	66	0	0	66
GENERAL SPORTS FUND	2,900	60	3,057	1,573	1,477	0	0	1,477
JUNIOR HIGH ACTIVITIES	512	0	0	0	512	0	0	512
SPELLING TEAM	403	0	0	0	403	0	0	403
FOOTBALL CONCESSIONS	0	2,576	145	(2,431)	0	0	0	0
STLP	240	0	109	0	131	0	0	131
BETA CLUB	450	285	299	0	435	0	0	435
DAF INSTRUCTION	0	0	856	856	0	0	0	0
DAF ATHLETICS	0	0	0	0	0	0	0	0
DAF LIBRARY	0	0	0	0	0	0	0	0
DAF BUILDING/GROUNDS	0	0	775	775	0	0	0	0
<b>TOTAL</b>	<b>\$ 56,910</b>	<b>\$ 159,527</b>	<b>\$ 151,360</b>	<b>\$ 0</b>	<b>\$ 65,078</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 65,078</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, 2019	Receipts	Disburse- ments	Transfers	Cash Balance June 30, 2020	Accounts Receivable	Accounts Payable	Due to Students June 30, 2020
GENERAL FUND	\$ 78	454	490	0	\$ 41	\$ 0	\$ 0	\$ 41
PARKING PERMITS	0	910	0	(910)	0	0	0	0
STUDENT FEES	0	1,440	0	(1,440)	0	0	0	0
MEMORIAL	227	0	0	0	227	0	0	227
CONCESSION	0	17,315	9,758	(7,557)	0	0	0	0
AP CLASSES	928	0	0	0	928	0	0	928
HALL OF FAME	50	0	0	0	50	0	0	50
SCHOOL PICTURES	0	1,644	0	(1,644)	0	0	0	0
STAFF VENDING	4,396	4,166	5,943	0	2,618	0	0	2,618
ATHLETIC	404	39,626	33,914	(2,526)	3,591	0	0	3,591
START UP MONEY	0	1,900	1,900	0	0	0	0	0
BOYS VARISTY CHEER	5,884	22,016	21,609	(343)	5,948	0	0	5,948
BASEBALL	4,584	13,070	9,999	0	7,655	0	83	7,573
BASEBALL CONCESSION	1,719	285	0	0	2,004	0	0	2,004
BOYS BASKETBALL	0	3,544	5,130	2,151	565	0	0	565
BOYS BB CONCESSION	0	2,801	650	(2,151)	0	0	0	0
FOOTBALL	1,461	21,501	18,594	(66)	4,302	0	33	4,269
FOOTBALL CONCESSION	0	6,184	1,000	(2,100)	3,084	0	0	3,084
GIRLS BASKETBALL	(7,913)	19,946	20,949	8,916	0	0	0	0
GIRLS BB CONCESSION	0	2,104	988	(1,116)	0	0	0	0
SOFTBALL	(1,509)	23,066	9,875	0	11,681	0	1,054	10,627
SOFTBALL CONCESSION	0	0	0	0	0	0	0	0
VOLLEYBALL	1,804	5,262	7,230	1,000	836	0	0	836
VOLLEYBALL CONCESSION	2,576	1,090	456	(1,000)	2,210	0	0	2,210
60TH DISTRICT VOLLEYBALL	9	0	0	0	9	0	0	9
WRESTLING	378	972	1,553	203	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, 2019	Receipts	Disburse- ments	Transfers	Cash Balance June 30, 2020	Accounts Receivable	Accounts Payable	Due to Students June 30, 2020
WRESTLING CONCESSION	199	0	0	(199)	0	0	0	0
BOYS TRACK	480	0	0	0	480	0	0	480
GIRLS TRACK	0	64	941	878	0	0	0	0
GOLF	29	866	1,403	508	0	0	0	0
BASS FISHING	602	3,797	3,608	(50)	741	0	0	741
TENNIS	951	0	0	0	951	0	0	951
ROBOTICS	73	0	431	358	0	0	0	0
ACADEMIC	1,982	50	600	0	1,432	0	0	1,432
FBLA	545	0	0	0	545	0	0	545
CULINARY SKILLS	53	0	0	0	53	0	0	53
FCCLA	309	0	0	0	309	0	0	309
PEP CLUB	108	455	0	0	563	0	0	563
PROJECT PROM	210	797	0	0	1,008	0	0	1,008
STUDENT ACTIVITIES	657	9,015	8,950	0	722	0	0	722
STUDENT COUNCIL	362	0	0	0	362	0	0	362
SPANISH CLUB	0	235	0	0	235	0	0	235
FCA	441	200	0	0	641	0	0	641
FEA	533	0	0	0	533	0	0	533
NHS	1,958	2,725	2,117	0	2,566	0	0	2,566
ART	667	0	0	0	667	0	0	667

**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, 2019	Receipts	Disburse- ments	Transfers	Cash Balance June 30, 2020	Accounts Receivable	Accounts Payable	Due to Students June 30, 2020
CLASS OF 2019	306	0	0	0	306	0	0	306
PROM	4,898	3,000	750	0	7,148	0	0	7,148
CLASS OF 2020	0	6,920	5,757	100	1,263	0	42	1,221
BAND	7,319	42,964	45,710	4,783	9,356	0	0	9,356
CHORUS	0	12,476	8,836	(3,240)	400	0	0	400
DANCE TEAM	1,362	2,559	2,991	0	931	0	0	931
COLOR GUARD	242	1,169	1,174	0	237	0	0	237
JR. ROTC	1,142	0	0	0	1,142	0	0	1,142
HOSA	112	3,091	2,901	0	302	0	0	302
MEDICAID NURSE	59	954	794	0	219	0	0	219
JOURNALISM	83	0	0	0	83	0	0	83
YEARBOOK	826	2,270	4,960	1,864	0	0	0	0
LIBRARY	373	78	133	0	317	0	0	317
HVPA	49	0	0	0	49	0	0	49
EXPLORER'S	273	3,639	3,402	492	1,002	0	0	1,002
HISTORY CLUB	1,564	1,010	1,865	0	710	0	0	710
KEY CLUB	330	2,308	2,266	50	422	0	0	422
NATIONAL HISTORY DAY	567	0	0	0	567	0	0	567
CHILDREN INC	1,563	10,576	7,150	(2,410)	2,579	0	0	2,579
DAF INSTRUCTION	0	0	190	190	0	0	0	0
DAF ATHLETICS	0	0	1,000	1,000	0	3,592	0	3,592
DAF PROFESSIONAL	0	0	190	190	0	0	0	0
DAF PRINCIPAL	0	0	1,438	1,438	0	0	0	0
DAF BUILDING/GROUND	0	0	2,632	2,632	0	0	0	0
Total	<u>\$ 46,304</u>	<u>\$ 300,512</u>	<u>\$ 262,228</u>	<u>\$ 0</u>	<u>\$ 84,588</u>	<u>\$ 3,592</u>	<u>\$ 1,211</u>	<u>\$ 86,969</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, 2020**

Fund	Cash Balance July 1, 2019	Receipts	Disburse- ments	Transfers	Cash Balance June 30, 2020	Accounts Receivable	Accounts Payable	Due to Students June 30, 2020
DAF BUILDING/GROUNDS	\$ 0	\$ 0	\$ 12,014	\$ 12,014	\$ 0	\$ 0	\$ 0	\$ 0
ACADEMIC TEAM	0	7,684	6,385	(750)	549	0	0	549
ALUMNI ASSOCIATION	25,070	0	0	0	25,070	0	0	25,070
BAND BOOSTERS	5,640	21,296	17,598	(2,256)	7,083	0	0	7,083
ATHLETICS	11,114	43,610	10,699	(42,772)	1,253	0	0	1,253
BASEBALL	0	0	225	1,000	775	0	0	775
BASEBALL BOOSTERS	829	9,026	9,229	0	626	0	0	626
BASKETBALL-GIRLS	0	0	4,814	4,814	0	0	0	0
GIRLS BASKETBALL BOOSTERS	599	6,245	6,806	0	37	0	0	37
BETA CLUB	340	500	375	0	465	0	0	465
BOYS BASKETBALL	0	2,568	9,634	7,091	24	0	0	24
CHEERLEADING	920	15,632	11,294	0	5,258	0	0	5,258
CHOIR	1,711	2,315	3,774	88	340	0	0	340
CATS	3,904	1,046	2,998	0	1,952	0	0	1,952
BAND/CHOIR	4,154	13,428	20,177	2,652	56	0	0	56
CHILDREN, INC.	404	8,236	7,652	(250)	738	0	0	738
CONCESSIONS	0	47,210	29,205	5,185	23,190	0	0	23,190
CROSS COUNTRY	0	0	1,138	1,138	0	0	0	0
CULINARY SKILLS	658	0	237	0	420	0	0	420

**PIKE COUNTY BOARD OF EDUCATION  
SHELBY VALLEY HIGH SCHOOL  
ACTIVITY FUNDS  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2020**

Fund	Cash Balance July 1, 2019	Receipts	Disburse- ments	Transfers	Cash Balance June 30, 2020	Accounts Receivable	Accounts Payable	Due to Students June 30, 2020
DANCE TEAM	500	5,891	5,688	430	1,134	0	0	1,134
FBLA	1,898	667	0	70	2,635	0	0	2,635
FCCLA	0	2,564	1,774	0	790	0	0	790
FCA	454	0	0	0	454	0	0	454
FILM CLASS	762	0	0	0	762	0	0	762
FOOTBALL	0	0	12,715	12,715	0	0	0	0
SV MIDDLE FOOTBALL	3,808	7,173	7,028	0	3,952	0	0	3,952
FRESHMAN CLASS	309	735	339	(309)	397	0	0	397
LIBRARY	1,300	1,142	2,128	0	314	0	0	314
LOCKER RENTAL	3,991	345	0	(4,116)	220	0	0	220
GENERAL	12,696	14,817	13,262	1,000	15,250	0	0	15,250
GOLF	427	2,260	3,730	1,043	0	0	0	0
JROTC	1,852	4,810	3,583	0	3,079	0	0	3,079
YEARBOOK	1,900	4,055	5,742	0	213	0	0	213
TEACHERS LOUNGE	2,061	2,523	4,062	0	523	0	0	523
JUNIOR CLASS	4,643	749	367	(3,277)	1,748	0	0	1,748
JAG	0	450	0	0	450	0	0	450
NATIONAL HONOR SOCIETY	2,071	3,978	4,530	0	1,519	0	0	1,519
PARKING PERMITS	763	1,170	0	(1,813)	120	0	0	120
PICTURE ORDERS	3,295	1,058	175	(3,295)	883	0	0	883

**PIKE COUNTY BOARD OF EDUCATION  
SHELBY VALLEY HIGH SCHOOL  
ACTIVITY FUNDS  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2020**

Fund	Cash Balance July 1, 2019	Receipts	Disburse- ments	Transfers	Cash Balance June 30, 2020	Accounts Receivable	Accounts Payable	Due to Students June 30, 2020
PRINCIPALS ADVISOR	0	0	0	0	0	0	0	0
PROM	7,159	12,834	12,510	0	7,484	0	0	7,484
PROJECT PROM	4,189	0	0	0	4,189	0	0	4,189
SCIENCE FAIR	202	0	0	0	202	0	0	202
SENIOR CLASS	0	43,706	36,267	5,932	13,371	0	0	13,371
SOCCER-BOYS	0	0	0	300	300	0	0	300
SOCCER-GIRLS	0	0	1,603	1,603	0	0	0	0
TENNIS	97	973	637	0	433	0	0	433
SV YOUTH SOCCER	0	0	0	0	0	0	0	0
SOFTBALL	0	0	3,608	3,663	55	0	0	55
SOPHOMORE CLASS	1,366	638	336	(1,057)	611	0	0	611
SOFTBALL BOOSTERS	9,097	500	4,784	242	5,054	0	0	5,054
SEASON STARTUP	0	3,700	3,700	0	0	0	0	0
TEXTBOOK RENTAL	983	4,642	0	(1,690)	3,935	0	0	3,935
VOLLEYBALL BOOSTERS	2,091	2,181	3,269	0	1,004	0	0	1,004
WILDCAT DEN	901	0	0	0	901	0	0	901
VOLLEYBALL	0	0	4,568	4,568	0	0	0	0
VENDING MACHINES	7,270	0	0	(7,270)	0	0	0	0
SV MIDDLE BASEBALL	891	0	4,199	3,308	0	0	0	0
SV MIDDLE SOFTBALL	365	0	0	0	365	0	0	365
<b>TOTAL</b>	<b>\$ 132,685</b>	<b>\$ 302,354</b>	<b>\$ 294,857</b>	<b>\$ (0)</b>	<b>\$ 140,181</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 140,181</b>



**PIKE COUNTY BOARD OF EDUCATION  
BOARD MEMBERS AND OTHER OFFICERS OF THE BOARD  
JUNE 30, 2020**

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

**OTHER REPORTS REQUIRED  
BY GOVERNMENT AUDITING STANDARD**

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

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

J. Don Wallen, CPA  
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James K. Anderson, CPA  
Johnny C. Cornett, 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, 2020, 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 January 15, 2021.

**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

January 15, 2021

**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, 2020. 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, 2020.

## 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

January 15, 2021

FEDERAL FINANCIAL ASSISTANCE

**PIKE COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

Federal Grantor				
Pass-Through Agency	Federal	Pass-	Amount of	Total
Program Title	CFDA	Through	Award	Expenditures
	Number	Grantor		
		Number		
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Passed Through State Department of Education:				
Title I Part A Cluster				
Title I	84.010	3100002	\$ 3,868,621	\$ 944,689
Title I	84.010	3100002	3,778,180	2,248,649
Title I - School Improvement Part A-Educational Recovery Staff	84.010	3100002	78,650	34,963
Title I - School Improvement Part A-Educational Recovery Staff	84.010	3100002	78,650	34,076
Title I - ELR	84.010	3100002	13,154	13,154
Total Title I Part A Cluster			\$ 7,817,255	\$ 3,275,531
Special Education Cluster				
IDEA-B	84.027	3810002	\$ 1,730,454	\$ 231,889
IDEA-B	84.027	3810002	15,187	15,187
IDEA-B	84.027	3810002	1,733,389	874,169
IDEA-B	84.027	3810002	14,680	0
IDEA-B	84.027	3810002	1,746,125	698
IDEA-Preschool	84.173	3800002	48,043	48,043
IDEA-Preschool	84.173	3800002	891	891
Total Special Education Cluster			\$ 5,288,769	\$ 1,170,877
Title I – Homeless Children & Youth	84.196	3990002	\$ 70,000	\$ 13,077
Title I – Homeless Children & Youth	84.196	3990002	78,740	48,024
			\$ 148,740	\$ 61,101
Vocational Education Basic	84.048	3710002	\$ 84,291	\$ 6,954
Vocational Education Basic	84.048	3710002	85,202	39,117
			\$ 169,493	\$ 46,071
Title IV-Rural/Low Income	84.358B	3140002	153,190	20,088
Title IV-Rural/Low Income	84.358B	3140002	153,190	148,718
			\$ 306,380	\$ 168,806
Title IV-Part A	84.424A	3420002	\$ 71,639	\$ 42,773
Title IV-Part A	84.424A	3420002	200,438	76,048
			\$ 272,077	\$ 118,821
ESSER Funds (COVID-19)	84.425D	N/A	148,948	148,948
Improving Teacher Quality	84.367	3230002	476,118	476,118
Race to the Top - District	84.416A	N/A		
Total from State Department of Education			\$ 14,627,780	\$ 5,466,273
<b>Passed Through Berea College</b>				
Gaining Early Awareness and Readiness for Undergraduate Programs (GE)	84.334A	N/A	\$ 146,003	\$ 77,635
Gaining Early Awareness and Readiness for Undergraduate Programs (GE)	84.334A	N/A	0	252,688
Gaining Early Awareness and Readiness for Undergraduate Programs (GE)	84.334A	N/A	181,000	117,220
Gaining Early Awareness and Readiness for Undergraduate Programs (GE)	84.334A	N/A	0	1,047,795
Total pass-through Berea College			\$ 327,003	\$ 1,495,338

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, 2020**

Federal Grantor				
<u>Pass-Through Agency</u>				
Program Title	Federal CFDA Number	Pass- Through Grantor Number	Amount of Award	Total Expenditures
<u>Passed Through Department of Juvenile Justice</u>				
Title I- Neglected and Delinquent Children - Day Treatment	84.013	N/A	\$ 18,000	\$ 5,004
Title I- Neglected and Delinquent Children - Day Treatment	84.013	N/A	18,000	5,154
Total pass-through Department of Juvenile Justice			<u>\$ 36,000</u>	<u>\$ 10,158</u>
Total US Department of Education			<u>\$ 14,990,783</u>	<u>\$ 6,971,769</u>
<u>US DEPARTMENT OF DEFENSE</u>				
MJROTC	12.000	N/A	\$ 300,000	\$ 16,365
MJROTC	12.000	N/A	150,000	156,490
Total MJROTC			<u>\$ 450,000</u>	<u>\$ 172,855</u>
Total U. S. Department of Defense			<u>\$ 450,000</u>	<u>\$ 172,855</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	\$ 2,626,782	\$ 828,902
Head Start	93.600	04CH0712	2,626,783	1,829,525
Head Start	93.600	04CH0712	0	1,272
Total Head Start			<u>\$ 5,253,565</u>	<u>\$ 2,659,699</u>
Promoting Adolescent Health	93.079	2100001	450	150
Total U. S. Department of Health and Human Services			<u>\$ 5,254,015</u>	<u>\$ 2,659,849</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Child Nutrition Clusters				
<u>Passed Through State Department of Agriculture</u>				
Food Donation	10.555	N/A	\$ 250,000	\$ 348,749
<u>Passed Through State Department of Education</u>				
School Breakfast Program	10.553	7760005	1,516,687	1,516,687
National School Lunch Program	10.555	7750002	3,000,287	3,000,287
Summer Food Service Program For Children	10.559	7740023	\$ 1,808,611	\$ 1,808,611
Summer Food Service Program For Children	10.559	7690024	185,661	185,661
Summer Food Service Program For Children	10.559	7700001	12,498	12,948
Total Summer Food Service Program For Children			<u>\$ 2,006,770</u>	<u>\$ 2,007,220</u>
Total Child Nutrition Clusters			<u>\$ 6,773,744</u>	<u>\$ 6,872,943</u>
Total U.S. Department of Agriculture			<u>\$ 6,773,744</u>	<u>\$ 6,872,943</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 27,468,542</u>	<u>\$ 16,677,416</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, 2020**

**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 \$348,749.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PIKE COUNTY BOARD OF EDUCATION  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2020

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 #
US Department of Agriculture – Child Nutrition Cluster	10.553
	10.555
	10.556
	10.559

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, 2020**

There were no findings in the prior year.

## MANAGEMENT LETTER AND MANAGEMENT POINTS

Wallen, Puckett, & Anderson, PSC  
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2020, 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

January 15, 2021

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**PIKE COUNTY BOARD OF EDUCATION  
MANAGEMENT LETTER POINTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**BELFRY ELEMENTARY SCHOOL**

**2020-01**

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

This is repeated finding

Management Response:

The CFO has impressed upon the principal and treasurer that this is a report finding and has strongly emphasized the importance of the requirement and necessity of retaining all invoices.

**ELKHORN CITY ELEMENTARY**

**2020-02**

Eleven of the twenty-five expenditures tested resulted in the purchase order being approved after the invoice date or check date. The Redbook requires purchase orders to be approved before an order is placed.

Management Response:

The CFO has instructed all personnel of the importance of having purchase orders approved prior to an order being placed.

**MULLINS ELEMENTARY**

**2020-03**

One of the twenty-five expenditures tested resulted in one instance of an invoice not being present.

Management Response:

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

**PHELPS HIGH SCHOOL**

**2020-04**

Five of the twenty-five expenditures tested resulted in purchase orders not being approved until after the invoice date or check date. The Redbook requires purchase orders be approved before an order is placed.

Management Response:

The CFO has instructed all personnel of the importance of having purchase orders approved prior to an order being placed.



**PIKE COUNTY BOARD OF EDUCATION  
MANAGEMENT LETTER POINTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**PIKE CENTRAL HIGH SCHOOL**

**2020-05**

There were five items of twenty-five expenditures tested that resulted in the standard invoice date being after check date. The Red Book requires standard invoices be completed or present before the expenditure is paid.

There were two items of twenty-five expenditures tested that resulted in an invoice not being present. The Red Book requires all invoices be retained. This is repeated finding

There were eight items of twenty-five expenditures tested that resulted in a purchase order not being approved by the principal, a purchase order being completed or approved after the check date, or a purchase order approval date missing.

**Management Response:**

The CFO has instructed all personnel of the importance of having purchase orders approved prior to an order being placed, and due to one of the findings being a repeat of the prior year finding, the CFO plans to have the treasurer undergo remedial training.

**PIKE COUNTY BOARD OF EDUCATION  
MANAGEMENT LETTER POINTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**PRIOR YEAR COMMENTS**

**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.

The deficiency was corrected and no repeat findings for 2020 were noted.

**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.

This deficiency was corrected, but there was a repeat of this finding for 2020.

**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.

The deficiency was corrected and no repeat findings for 2020 were noted.

**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.

This finding was repeated in 2020.

**PIKE COUNTY BOARD OF EDUCATION  
MANAGEMENT LETTER POINTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**PRIOR YEAR COMMENTS**

**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.

This deficiency was corrected and the finding was not repeated.

**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.

This deficiency was corrected as no repeat of this finding was noted in 2020.

**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.

This deficiency was corrected as no repeat finding of this matter was noted.

**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.

This deficiency was corrected and the finding was not repeated.

## **APPENDIX C**

**Pike County School District Finance Corporation  
School Building Revenue Bonds  
Series of 2021**

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**Official Terms and Conditions of Sale**

**OFFICIAL  
TERMS AND CONDITIONS OF BOND SALE**

**\$855,000\***

**Pike County School District Finance Corporation  
School Building Revenue Bonds, Series of 2021  
Dated July 28, 2021**

**SALE: July 7, 2021 AT 11:00 A.M., E.D.S.T.**

As published on PARITY®, a nationally recognized electronic bidding system, the Pike County School District Finance Corporation ("Corporation") will until July 7, 2021, at the hour of 11:00 A.M., E.D.S.T., in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Road, Carriage House, Frankfort, Kentucky, 40601, receive competitive bids for the revenue bonds herein described. To be considered, bids must be submitted on an Official Bid Form and must be delivered to the Corporation at the address indicated on the date of sale no later than the hour indicated. Bids may be submitted manually or by facsimile or electronically via PARITY. Bids will be considered by the Corporation and may be accepted without further action by the Corporation's Board of Directors.

Subject to a Permitted Adjustment\* increasing or decreasing the issue by up to \$85,000.

**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.

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

These Bonds are authorized pursuant to KRS 162.120 through 162.300, 162.385, and KRS 58.180 and are issued in accordance with a Resolution of the Corporation's Board of Directors. Said Bonds are revenue bonds and constitute a limited indebtedness of the Corporation payable from rental revenues derived by the Corporation from the Board under the Lease identified below. Said Bonds are being issued to finance roof replacement for Pike Central High School (the "Project") and are secured by a lien upon and a pledge of the revenues from the rental of the school building Project to the Board under the Lease on a year to year basis; the first rental period ending June 30, 2022.

Should the Board default in its obligations under the Lease or fail to renew the Lease, the Registered Owners of Bonds have the right to have a receiver appointed to administer the school building Project but foreclosure and sale are not available as remedies.

The rental of the school building Project from the Corporation to the Board is to be effected under a certain Lease Agreement by and between the Corporation and the Board (the "Lease"), whereunder the school building Project is leased to the Board for the initial period ending June 30, 2022, with an option in the Board to renew the Lease each year at rentals sufficient to provide for the principal and interest requirements on the Bonds as they become due, plus the costs of insurance, maintenance, depreciation, and bond issuance and administration expenses; the Board being legally obligated only for the initial rental period and for one year at a time thereafter each time the Lease is renewed.

Under the terms of the Lease, and any renewal thereof, the Board has agreed so long as the Bonds remain outstanding, and in conformance with the intent and purpose of 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 to the Corporation 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.

**ADDITIONAL PARITY BONDS**

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

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

All such Bonds shall be in denominations in multiples of \$5,000 within the same maturity, bear interest from July 28, 2021, payable on February 1, 2022, and semi annually thereafter and shall mature as to principal on August 1 in each of the years as follows:

<u>Year</u>	<u>Amount*</u>
2022	\$80,000
2023	80,000
2024	85,000
2025	85,000
2026	85,000
2027	85,000
2028	85,000
2029	90,000
2030	90,000
2031	90,000

\*Subject to a Permitted Adjustment of the amount of Bonds awarded of up to \$85,000 which may be applied in any or all maturities.

The Bonds maturing on or after August 1, 2030 are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after August 1, 2029, in any order of maturities (less than all of a single maturity to be selected by lot), in whole or in part, upon notice of such prior redemption being given by the Paying Agent in accordance with DTC requirements not less than thirty (30) days prior to the date of redemption, upon terms of the face amount, plus accrued interest, but without redemption premium.

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

The Bonds are to be issued in fully registered form (both principal and interest). U.S. Bank National Association, Louisville, Kentucky, has been designated as the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to Cede & Co. Principal and interest will be payable through the Book-Entry-Only-System administered by The Depository Trust Company: Please see "BOOK-ENTRY-ONLY-SYSTEM" below. Interest on the Bonds will be paid at rates to be established upon the

basis of competitive bidding as hereinafter set forth, such interest to be payable on February 1 and August 1 of each year, beginning February 1, 2022 (Record Date is the 15th day of month preceding interest due date).

### **BIDDING CONDITIONS AND RESTRICTIONS**

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

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

(C) The minimum bid shall be not less than \$837,900 (98% 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.

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

(E) The determination of the best purchase bid for said Bonds shall be made on the basis of all bids submitted for exactly \$855,000 principal amount of Bonds offered for sale hereunder, but the Corporation may adjust the principal amount of Bonds upward or downward by \$85,000 (the "Permitted Adjustment") which may be awarded to such best bidder may be a minimum of \$770,000 or a maximum of \$940,000. In the event of such Permitted Adjustment, no rebidding or recalculation of a submitted bid will be required or permitted. The price of which such adjusted principal amount of Bonds will be sold will be the same price per \$5,000 of Bonds as the price per \$5,000 for the \$855,000 of Bonds bid.

(F) 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 7, 2021.

(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).

(G) 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 August 1 in accordance with the maturity schedule setting the actual size of the issue.

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

(I) 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.

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

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



(L) The Corporation reserves the right to reject any and all bids or to waive any informality in any bid. The Bonds are offered for sale subject to the principal and interest not being subject to Federal or Kentucky income taxation or Kentucky ad valorem taxation on the date of their delivery to the successful bidder, in accordance with the Final Approving Legal Opinion of Steptoe & Johnson PLLC, Bond Counsel, Louisville, Kentucky, which Opinion will be qualified in accordance with the section hereof on TAX EXEMPTION.

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

### **STATE SUPPORT OF EDUCATION**

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

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

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

KRS 157.420 establishes a formula which results in the allocation of funds for capital expenditures in school districts at \$100 per ADA pupil which is included in the SEEK allotment (\$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 160.470(12)(a) requires that effective for fiscal years beginning July 1, 1990 each school district shall levy a minimum equivalent tax rate of \$.30 for general school purposes. The equivalent tax rate is defined as the rate which results when the income collected during the prior year from all taxes levied by the district (including utilities gross receipts license and special voted) for school purposes is divided by the total assessed value of property, plus the assessment for motor vehicles certified by the Revenue Cabinet of the Commonwealth. Any school district board of education which fails to comply with the minimum equivalent tax rate levy shall be subject to removal from office.

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

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

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

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

## **BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2022**

The Kentucky General Assembly is required by the Kentucky Constitution to adopt measures providing for the state's revenues and appropriations for each fiscal year. The Governor is required by law to submit a biennial State Budget (the "State Budget") to the General Assembly during the legislative session held in each even numbered year. State Budgets have generally been adopted by the General Assembly during those legislative sessions, which end in mid-April, to be effective upon the Governor's signature for appropriations commencing for a two-year period beginning the following July 1.

In the absence of a legislatively enacted budget, the Supreme Court has ruled the Governor has no authority to spend money from the state treasury except where there is a statutory, constitutional or federal mandate and the Commonwealth may be prevented from expending funds for certain state governmental functions, including the ability to pay principal of, premium, if any, and interest, when due, on obligations that are subject to appropriation.

Due to the unforeseen nature on the economy of the Commonwealth caused by the COVID-19 pandemic, in its 2020 regular session, the General Assembly adopted only a one-year budget for the biennial period ending June 30, 2022 which was approved and signed by the Governor. The biennial budget was reviewed and supplemented during the General Assembly's 2021 regular session. Such budget became effective beginning July 1, 2020. The Office of the State Budget Director makes available on its website monthly updates to the General Fund receipts and other Funds of the commonwealth. When published, the updates can be found at [www.osbd.ky.gov](http://www.osbd.ky.gov).

## **POTENTIAL LEGISLATION**

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

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

## **CONTINUING DISCLOSURE**

As a result of the principal amount of 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.

Financial information regarding the Board may be obtained from Superintendent, Pike County School District Board of Education, 316 South Mayo Trail, Pikeville, Kentucky 41501, Telephone 606-433-9200.

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

Bond Counsel is of the opinion that the Bonds are "qualified tax-exempt obligations" within the meaning of the Internal Revenue Code of 1986, as amended, and therefore advises as follows:

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

(B) The interest income from the Bonds is excludable from the gross income of the recipient thereof for Federal income tax purposes under existing law and interest on the Bonds will not be a specific item of tax preference for purposes of 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, 2021, the 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 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/ Kirby Smith  
Secretary

**APPENDIX D**

**Pike County School District Finance Corporation  
School Building Revenue Bonds  
Series of 2021**

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**Official Bid Form**

**OFFICIAL BID FORM  
(Bond Purchase Agreement)**

The Pike County School District Finance Corporation ("Corporation" or "Issuer"), will until 11:00 A.M., E.D.S.T., on July 7, 2021, 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 \$855,000 School Building Revenue Bonds, Series of 2021, dated July 28, 2021; maturing August 1, 2022 through 2031 ("Bonds").

We hereby bid for said \$855,000\* principal amount of Bonds, the total sum of \$\_\_\_\_\_ (not less than \$837,900) plus accrued interest from July 28, 2021 payable February 1, 2022 and semiannually thereafter at the following annual rates, (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 August 1 in the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>
2022	\$80,000	_____ %
2023	80,000	_____ %
2024	85,000	_____ %
2025	85,000	_____ %
2026	85,000	_____ %
2027	85,000	_____ %
2028	85,000	_____ %
2029	90,000	_____ %
2030	90,000	_____ %
2031	90,000	_____ %

\* Subject to Permitted Adjustment

We understand this bid may be accepted for as much as \$940,000 of Bonds or as little as \$770,000 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 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 7, 2021.
- (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. Notwithstanding the foregoing, non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

The successful bidder may elect to notify the 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 on August 1 in accordance with the maturity schedule setting the actual size of the issue.

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

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

No certified or bank cashier's check will be required to accompany a bid, but the successful bidder shall be required to wire transfer an amount equal to 2% of the principal amount of Bonds awarded by the close of business on the date following the award. Said good faith amount will be applied (without interest) to the purchase price on delivery. Wire transfer procedures should be arranged through U.S. Bank National Association, 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 28, 2021 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 28, 2021 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>
2022	_____,000	_____%
2023	_____,000	_____%
2024	_____,000	_____%
2025	_____,000	_____%
2026	_____,000	_____%
2027	_____,000	_____%
2028	_____,000	_____%
2029	_____,000	_____%
2030	_____,000	_____%
2031	_____,000	_____%

Dated: July 7, 2021

\_\_\_\_\_  
 RSA Advisors, LLC,  
 Financial Advisor and Agent for Pike County  
 School District Finance Corporation