

**FLOYD COUNTY  
SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTAL SCHEDULES**

For the year ended June 30, 2020

DRAFT

Prepared by:

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Education of the Floyd County School District  
Prestonsburg, KY  
And the State Committee for School District Audits

### **Report on the Financial Statements**

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

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

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Floyd County School District, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Special Revenue Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedules of the District's Proportionate Share of the Net Pension and OPEB Liability and Schedule of Contributions for CERS and KTRS and Medical and Life and Health Insurance Plans comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Floyd County School District basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2020, on our consideration of the Floyd County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Floyd County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Floyd County School District's internal control over financial reporting and compliance.

***White & Associates, PSC***

Richmond, Kentucky

November 15, 2020

**FLOYD COUNTY SCHOOL DISTRICT-PRESTONSBURG, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

As management of the Floyd County School District (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**

- Finished the year with a General Fund balance of \$5.094 million.
- Provided a 1% pay raise to all certified and classified employees.
- Provided \$150,000 from the General Fund to schools to assist with school trips and other needs.

**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 assets. 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.

**FLOYD COUNTY SCHOOL DISTRICT-PRESTONSBURG, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

Refer to the table of contents to find the government-wide financial statements.

**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 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.

*Refer to the table of contents to find the basic governmental fund financial statements.*

**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. To find the notes to the financial statements please refer to the table of contents.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, the net position was \$19,264,781 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 district implemented GASB 34 and recorded fixed assets and debt for the first time in  
FY 2003.**

*SEE SCHEDULE ON NEXT PAGE*

**FLOYD COUNTY SCHOOL DISTRICT-PRESTONSBURG, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

**Table 1  
Net Position  
\$ (in Millions)**

	Governmental Activities		Business-type Activities		Totals	
	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>
Current assets	8.16	14.71	1.66	1.58	9.82	16.29
Non-current assets	121.39	122.05	0.69	0.66	122.08	122.71
Total assets	129.55	136.76	2.35	2.24	131.90	139.00
Deferred outflows	8.00	9.58	0.34	0.46	8.34	10.04
Current liabilities	6.42	7.04	0.30	0.07	6.72	7.11
Non-current liabilities	106.65	114.01	1.31	1.64	107.96	115.65
Total liabilities	113.07	121.05	1.61	1.71	114.68	122.76
Deferred inflows	5.66	6.81	0.18	0.20	5.84	7.01
Net position:						
Invested in capital assets, net of debt	50.33	45.18	0.69	0.66	51.02	45.84
Restricted	0.27	8.03	0.20	0.12	0.47	8.15
Unrestricted (deficit)	(31.78)	(34.73)			(31.78)	(34.73)
Total net position	18.82	18.48	0.89	0.78	19.71	19.26



**FLOYD COUNTY SCHOOL DISTRICT-PRESTONSBURG, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

**Changes in Net Position  
\$ (in millions)**

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2019-2020
	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	
Revenues:							
Charges for services	0.12	0.1	0.31	0.21	0.43	0.31	-28%
Operating grants and contributions	8.85	11.14	4.95	5.87	13.8	17.01	23%
Capital grants and contributions	4.72	4.33			4.72	4.33	-8%
General revenues	55.1	53.43	-0.25	-0.29	54.85	53.14	-3%
Total revenue	68.79	69	5.01	5.79	73.8	74.79	1%
Expenses:							
Instruction	38.92	39.94			38.92	39.94	3%
Student	1.59	1.65			1.59	1.65	4%
Instructional staff	3.18	3.36			3.18	3.36	6%
District administration	1.41	1.59			1.41	1.59	13%
School administration	4.73	4.8			4.73	4.8	1%
Business	0.93	0.97			0.93	0.97	4%
Plant operation & maintenance	6.38	7.12			6.38	7.12	12%
Student transportation	4.12	3.85			4.12	3.85	-7%
Community services operations	1.03	1.03	0.14	0.09	1.17	1.12	-4%
Food Service Operations			5.28	5.77	5.28	5.77	9%
Depreciation/Amortization	3.06	2.68	0.04	0.04	3.1	2.72	-12%
Enterprise Operations		0.01			0	0.01	0%
Interest on long-term debt	2.37	2.34			2.37	2.34	-1%
Total Expenses	67.72	69.34	5.46	5.9	73.18	75.24	3%
Change in net position	1.07	-0.34	-0.45	-0.11	0.62	-0.45	173%

**FLOYD COUNTY SCHOOL DISTRICT-PRESTONSBURG, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

**Capital Assets at Year-End  
\$ (Net of Depreciation)**

	Governmental Activities		Business-type Activities		Totals	
	2019	2020	2019	2020	2019	2020
Land	4,797,250	4,797,250			4,797,250	4,797,250
Land Improvements	1,123,639	1,027,541			1,123,639	1,027,541
Buildings	48,023,636	46,715,818	598,698	567,083	48,622,334	47,282,901
Technology Equipment	304,290	611,643	650	295	304,940	611,938
Vehicles	2,584,639	2,839,006			2,584,639	2,839,006
General Equipment	373,937	397,654	93,236	88,652	467,173	486,306
Infrastructure	1,365,250	1,093,917			1,365,250	1,093,917
Construction in Progress	62,820,169	64,563,198			62,820,169	64,563,198
Totals	121,392,810	122,046,027	692,584	656,030	122,085,394	122,702,057

The following is an analysis of debt activity during the year:

**Table 4  
Outstanding Debt at Year-End**

	Government Activities	
	2019	2020
General Obligation Bonds	68,297,283	73,912,608
Capital Lease Obligations	2,774,171	2,954,352
KSBIT Obligations	800,035	738,361
Total Obligations	71,871,489	77,605,321

**FLOYD COUNTY SCHOOL DISTRICT-PRESTONSBURG, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

REVENUE	Fund 1	Fund 2	Fund 310	Fund 320	Fund 360	Fund 400	Fund 51
Local Revenue Sources	10,310,699	227,434	680	1,897,210			165,871
State Revenue Sources	40,697,497	1,781,169	504,029	2,306,464		1,522,692	385,060
Federal Revenue Sources	288,116	9,066,001					5,470,621
Other	579,834				9,390,865		
Transfers	309,977	105,091				4,510,359	
<b>TOTALS</b>	<b>52,186,123</b>	<b>11,179,695</b>	<b>504,709</b>	<b>4,203,674</b>	<b>9,390,865</b>	<b>6,033,051</b>	<b>6,021,552</b>
EXPENDITURES	Fund 1	Fund 2	Fund 310	Fund 320	Fund 360	Fund 400	Fund 51
Instruction	31,145,165	8,005,337					
Student Support Services	1,516,335	130,378					
Instructional Staff Support Services	1,683,184	1,680,912					
District Admin Support	1,565,028	20,000					
School Admin Support	4,803,656						
Business Support Services	970,622						
Plant Operation & Management	7,003,935	145,949					
Student Transportation	4,390,728	157,157					
Food Service Operations							5,813,038
Day Care Operations		13,688					
Community Services	6,015	1,026,274					
Building Acquisition					1,835,839		
Debt Service	541,161					6,033,051	
Other							
Transfers	105,091		306,747	4,203,612			309,977
<b>TOTALS</b>	<b>53,730,920</b>	<b>11,179,695</b>	<b>306,747</b>	<b>4,203,612</b>	<b>1,835,839</b>	<b>6,033,051</b>	<b>6,123,015</b>
Excess / (Deficit)	(1,544,797)	-	197,962	62	7,555,026	-	(101,463)

**FLOYD COUNTY SCHOOL DISTRICT-PRESTONSBURG, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

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's overall budget. By law the budget must have a minimum 2.0% contingency in the Tentative Final Working budget. While it is not mandatory in the Final Working budget, the Kentucky Department of Education places district's with less than a 2% reserve on a financial watch list. The district maintained a budgeted general fund contingency in excess of \$1,800,000 or approximately 4.34% of actual expenditures based on the Kentucky Department of Education's formula for calculating contingency. The beginning general fund balance for beginning the fiscal year 2020 was \$6,638,854. Questions regarding this report should be directed to the Superintendent of Schools, Danny Adkins, or the Director of Finance/Board Treasurer, Tiffany Warrix Campbell, CPA, at (606) 886-2354 or by mail at 442 KY RT. 550 Eastern, KY 41622.

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Floyd County School District  
**Statement of Net Position**  
June 30, 2020

	Primary Government		
	Governmental Activities	Business- type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 11,586,007	\$ 927,533	\$ 12,513,540
Receivables (net)	3,130,316	602,679	3,732,995
Inventories		49,849	49,849
Capital assets:			
Land and construction in progress	69,360,448		69,360,448
Other capital assets, net of depreciation	52,685,579	656,030	53,341,609
Total capital assets	122,046,027	656,030	122,702,057
Total assets	136,762,350	2,236,091	138,998,441
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	5,878,483	339,562	6,218,045
Deferred outflows related to OPEB	3,291,357	118,854	3,410,211
Deferred savings from refunding bonds	405,162		405,162
Total deferred outflows of resources	9,575,002	458,416	10,033,418
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>146,337,352</u>	<u>2,694,507</u>	<u>149,031,859</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	548,437	71,833	620,270
Accrued interest payable	864,216		864,216
Unearned revenue	1,011,728		1,011,728
Long-term liabilities:			
Due within 1 year:			
Bond obligations	4,205,000		4,205,000
Capital lease obligations	448,627		448,627
Workers compensation	13,430		13,430
KSBIT payable	61,688		61,688
Total due within 1 year	4,728,745	-	4,728,745
Due in more than 1 year:			
Bond obligations	69,707,608		69,707,608
Capital lease obligations	2,505,725		2,505,725
Workers compensation	951,312		951,312
Sick leave	409,339		409,339
KSBIT payable	676,673		676,673
Net pension liability	22,888,968	1,322,146	24,211,114
Net OPEB liability	16,759,489	316,110	17,075,599
Total due in more than 1 year	113,899,114	1,638,256	115,537,370
Total liabilities	121,052,240	1,710,089	122,762,329
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	1,287,783	74,387	1,362,170
Deferred inflows related to OPEB	5,517,329	125,250	5,642,579
Total deferred inflows of resources	6,805,112	199,637	7,004,749
<b>NET POSITION</b>			
Net investment in capital assets	45,179,067	656,030	45,835,097
Restricted for:			
Capital projects	8,026,478		8,026,478
Child care		14,020	14,020
Food services		114,731	114,731
Unrestricted (deficit)	(34,725,545)		(34,725,545)
Total net position	18,480,000	784,781	19,264,781
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 146,337,352</u>	<u>\$ 2,694,507</u>	<u>\$ 149,031,859</u>

See the accompanying notes to the financial statements.

Floyd County School District  
**Statement of Activities**  
Year ended June 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
PRIMARY GOVERNMENT:								
Governmental activities:								
Instruction	\$ 39,924,430	\$ -	\$ 7,218,944	\$ -	\$ (32,705,486)	\$ -	\$ (32,705,486)	
Support services								
Student	1,646,713	63,982	264,467		(1,318,264)		(1,318,264)	
Instructional staff	3,364,096		540,284		(2,823,812)		(2,823,812)	
District administration	1,585,028		254,560		(1,330,468)		(1,330,468)	
School administration	4,803,656		771,482		(4,032,174)		(4,032,174)	
Business	970,622		155,885		(814,737)		(814,737)	
Plant operation & maintenance	7,121,396		1,143,718	2,810,493	(3,167,185)		(3,167,185)	
Student transportation	3,847,746		617,960		(3,229,786)		(3,229,786)	
Community services operations	1,032,289	14,735	165,789		(851,765)		(851,765)	
Enterprise operations	13,688	1,631	2,198		(9,859)		(9,859)	
Amortization	262,083				(262,083)		(262,083)	
Depreciation*	2,420,617				(2,420,617)		(2,420,617)	
Interest on general long-term debt	2,341,865			1,522,692	(819,173)		(819,173)	
Total governmental activities	69,334,229	80,348	11,135,286	4,333,185	(53,785,410)		(53,785,410)	
Business-type activities:								
Food service operations	5,768,395	143,272	5,855,681			230,558	230,558	
Community operation	89,088	69,479	11,695			(7,914)	(7,914)	
Depreciation	44,643					(44,643)	(44,643)	
Total business-type activities	5,902,126	212,751	5,867,376	-	-	178,001	178,001	
Total primary government	\$ 75,236,355	\$ 293,099	\$ 17,002,662	\$ 4,333,185	(53,785,410)	178,001	(53,607,409)	
General revenues:								
Taxes:								
Property taxes					7,426,533		7,426,533	
Delinquent property taxes					669,995		669,995	
Unmined minerals taxes					298,184		298,184	
Motor vehicle taxes					1,609,523		1,609,523	
Franchise taxes					1,935,005		1,935,005	
State and formula grants					40,697,497		40,697,497	
Unrestricted investment earnings					176,291	22,599	198,890	
Other local					304,126		304,126	
Gain on sale of assets					20,043		20,043	
Transfers					309,977	(309,977)	-	
Total general revenues and transfers					53,447,174	(287,378)	53,159,796	
Change in net position					(338,236)	(109,377)	(447,613)	
Net position - beginning					18,818,236	894,158	19,712,394	
Net position - ending					\$ 18,480,000	\$ 784,781	\$ 19,264,781	

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

See the accompanying notes to the financial statements.

Floyd County School District  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2020

	Governmental Funds					
	General	Special Revenue	Debt Service	Construction	Other Governmental Funds	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 3,469,304	\$ -	\$ -	\$ 7,846,454	\$ 270,249	\$ 11,586,007
Interfund receivables	1,635,040					1,635,040
Receivables, net						
Taxes-current	188,429					188,429
Taxes-delinquent	79,744					79,744
Accounts	340	78,576				78,916
Intergovernmental-state	50,691	50,631				101,322
Intergovernmental-federal	14,099	2,667,806				2,681,905
Total assets	<u>5,437,647</u>	<u>2,797,013</u>	<u>-</u>	<u>7,846,454</u>	<u>270,249</u>	<u>16,351,363</u>
<b>LIABILITIES</b>						
Accounts payable	343,590	150,245		52,384	2,218	548,437
Interfund payable		1,635,040				1,635,040
Unearned revenue		1,011,728				1,011,728
Total liabilities	<u>343,590</u>	<u>2,797,013</u>	<u>-</u>	<u>52,384</u>	<u>2,218</u>	<u>3,195,205</u>
<b>FUND BALANCE</b>						
Restricted				7,794,070	232,408	8,026,478
Committed					35,623	35,623
Unassigned	5,094,057					5,094,057
Total fund balance	<u>5,094,057</u>	<u>-</u>	<u>-</u>	<u>7,794,070</u>	<u>268,031</u>	<u>13,156,158</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 5,437,647</u>	<u>\$ 2,797,013</u>	<u>\$ -</u>	<u>\$ 7,846,454</u>	<u>\$ 270,249</u>	<u>\$ 16,351,363</u>

See the accompanying notes to the financial statements.

Floyd County School District  
**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position**  
June 30, 2020

<b>Fund balances-total governmental funds</b>	<b>\$ 13,156,158</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	122,046,027
Costs associated with bond issues and refundings are expensed in the fund financial statements because they are a use of current financial resources but are capitalized on the statement of net position using the economic resources focus	405,162
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, accrued interest payable, other accounts payable, and net pension obligations) are not due and payable in the current period and, therefore, are not reported in the funds	
Accrued interest payable	(864,216)
Bonds payable	(73,912,608)
Capital lease payable	(2,954,352)
KSBIT payable	(738,361)
Sick leave liability	(409,339)
Workers compensation liability	(964,742)
Net pension liability	(22,888,968)
Net OPEB liability	(16,759,489)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds	
Deferred outflows related to OPEB	3,291,357
Deferred inflows related to OPEB	(5,517,329)
Deferred outflows related to pensions	5,878,483
Deferred inflows related to pensions	<u>(1,287,783)</u>
<b>Net position of governmental activities</b>	<b>\$ <u><u>18,480,000</u></u></b>

See the accompanying notes to the financial statements.



Floyd County School District  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
Year ended June 30, 2020

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service Fund</u>	<u>Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
From local sources						
Taxes						
Property	\$ 5,529,385	\$ -	\$ -	\$ -	\$ 1,897,148	\$ 7,426,533
Delinquent	669,995					669,995
Motor vehicle	1,609,523					1,609,523
Unmined mineral	298,184					298,184
Franchise tax	1,935,005					1,935,005
Earnings on investments	170,662	4,887			742	176,291
Community service	14,735					14,735
Food service	1,631					1,631
Student activities					63,982	63,982
Other local revenue	81,579	222,547				304,126
Intergovernmental - state	40,697,497	1,781,169	1,522,692		2,810,493	46,811,851
Intergovernmental - federal	288,116	9,066,001				9,354,117
Total revenues	<u>51,296,312</u>	<u>11,074,604</u>	<u>1,522,692</u>	<u>-</u>	<u>4,772,365</u>	<u>68,665,973</u>
<b>EXPENDITURES</b>						
Instruction	31,145,165	8,005,337			24,696	39,175,198
Support services						
Student	1,516,335	130,378				1,646,713
Instructional staff	1,683,184	1,680,912				3,364,096
District administration	1,565,028	20,000				1,585,028
School administration	4,803,656					4,803,656
Business	970,622					970,622
Plant operation & maintenance	7,003,935	145,949			39,911	7,189,795
Student transportation	4,390,728	157,157				4,547,885
Community services operations	6,015	1,026,274				1,032,289
Day care operations		13,688				13,688
Debt service	541,161		6,033,051			6,574,212
Building acquisition & construction				1,835,839		1,835,839
Total expenditures	<u>53,625,829</u>	<u>11,179,695</u>	<u>6,033,051</u>	<u>1,835,839</u>	<u>64,607</u>	<u>72,739,021</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(2,329,517)	(105,091)	(4,510,359)	(1,835,839)	4,707,758	(4,073,048)
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of equipment, buildings, land & improvements	20,043					20,043
Capital lease proceeds	559,791					559,791
Bond principal proceeds				9,390,000		9,390,000
Bond premium				865		865
Operating transfers in	309,977	105,091	4,510,359			4,925,427
Operating transfers (out)	(105,091)				(4,510,359)	(4,615,450)
Total other financing sources and (uses)	<u>784,720</u>	<u>105,091</u>	<u>4,510,359</u>	<u>9,390,865</u>	<u>(4,510,359)</u>	<u>10,280,676</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,544,797)	-	-	7,555,026	197,399	6,207,628
<b>FUND BALANCE-BEGINNING</b>	<u>6,638,854</u>	<u>-</u>	<u>-</u>	<u>239,044</u>	<u>70,632</u>	<u>6,948,530</u>
<b>FUND BALANCE-ENDING</b>	<u>\$ 5,094,057</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,794,070</u>	<u>\$ 268,031</u>	<u>\$ 13,156,158</u>

See the accompanying notes to the financial statements.

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

<b>Net change in fund balances-total governmental funds</b>	<b>\$ 6,207,628</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	
District pension contributions less costs of benefits earned net employee contributions	(2,106,823)
Governmental funds report district OPEB contributions as expenditures. However in the Statement of Activities, the cost of OPEB benefits earned net of employee contributions is reported as pension expense.	
District OPEB contributions less costs of benefits earned net employee contributions	945,756
Bonds sold at a discount/premium is recorded as a other financing use on the fund financial statements but is netted against bond obligations and amortized to expense over the life of the bond in the statement of net position.	(60,325)
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.	653,217
The difference in the issue amount of the refunding of bond proceeds and the amount for payment to the escrow account to pay the refunded bonds is amortized over the life of the refunding issue.	(202,623)
Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.	4,214,610
Bond and capital lease proceeds are recognized as revenue in current financial resources in the fund financial statement but are increase liabilities in the statement of net position.	(9,949,791)
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	
Accrued interest payable	17,737
KSBIT payable	61,674
Workers compensation liability	16,163
Noncurrent sick leave payable	(135,459)
<b>Change in net position of governmental activities</b>	<b>\$ (338,236)</b>

See the accompanying notes to the financial statements.

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

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
From local sources				
Taxes				
Property	\$ 5,751,855	\$ 5,751,855	\$ 5,529,385	\$ (222,470)
Delinquent	500,000	525,000	669,995	144,995
Motor vehicle	1,600,000	1,625,000	1,609,523	(15,477)
Unmined minerals	417,500	417,500	298,184	(119,316)
Franchise tax	1,500,000	1,500,000	1,935,005	435,005
Earnings on investments	50,000	100,000	170,662	70,662
Community service		1,000	14,735	13,735
Food service	1,000	1,000	1,631	631
Other local revenue		11,238	81,579	70,341
Intergovernmental - state	41,122,756	40,653,801	40,697,497	43,696
Intergovernmental - federal	265,000	265,000	288,116	23,116
Total revenues	<u>51,208,111</u>	<u>50,851,394</u>	<u>51,296,312</u>	<u>444,918</u>
<b>EXPENDITURES</b>				
Instruction	33,158,758	32,874,444	31,145,165	1,729,279
Support services				
Student	1,490,714	1,490,714	1,516,335	(25,621)
Instructional staff	1,868,659	1,845,977	1,683,184	162,793
District administration	1,323,401	1,323,401	1,565,028	(241,627)
School administration	4,548,033	4,550,254	4,803,656	(253,402)
Business	1,128,833	1,128,833	970,622	158,211
Plant operation & maintenance	7,305,834	7,188,834	7,003,935	184,899
Student transportation	4,714,222	4,817,315	4,390,728	426,587
Community services operations			6,015	(6,015)
Debt service	541,161	541,161	541,161	-
Total expenditures	<u>56,079,615</u>	<u>55,760,933</u>	<u>53,625,829</u>	<u>2,135,104</u>
<b>EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES</b>	<b>(4,871,504)</b>	<b>(4,909,539)</b>	<b>(2,329,517)</b>	<b>2,580,022</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of equipment, buildings, land & improvements			20,043	20,043
Capital lease proceeds			559,791	559,791
Operating transfers in	240,000	240,000	309,977	69,977
Operating transfers out	(85,000)	(85,000)	(105,091)	(20,091)
Total other financing sources and (uses)	<u>155,000</u>	<u>155,000</u>	<u>784,720</u>	<u>629,720</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(4,716,504)</b>	<b>(4,754,539)</b>	<b>(1,544,797)</b>	<b>3,209,742</b>
<b>FUND BALANCE BEGINNING</b>	<u>6,638,854</u>	<u>6,638,854</u>	<u>6,638,854</u>	<u>-</u>
<b>FUND BALANCE-ENDING</b>	<u>\$ 1,922,350</u>	<u>\$ 1,884,315</u>	<u>\$ 5,094,057</u>	<u>\$ 3,209,742</u>

See the accompanying notes to the financial statements.

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

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
From local sources				
Earnings on investments	\$ -	\$ -	\$ 4,887	\$ 4,887
Other local revenue	97,425	199,296	222,547	23,251
Intergovernmental - state	1,815,511	1,816,815	1,781,169	(35,646)
Intergovernmental - federal	8,031,179	8,070,535	9,066,001	995,466
Total revenues	<u>9,944,115</u>	<u>10,086,646</u>	<u>11,074,604</u>	<u>987,958</u>
<b>EXPENDITURES</b>				
Instruction	7,551,473	7,608,121	8,005,337	(397,216)
Support services				
Student	30,375	30,621	130,378	(99,757)
Instructional staff	1,626,675	1,673,537	1,680,912	(7,375)
District administration	20,000	20,000	20,000	-
Plant operation & maintenance	68,420	68,420	145,949	(77,529)
Student transportation			157,157	(157,157)
Community services operations	732,172	747,322	1,026,274	(278,952)
Day care operations		23,625	13,688	9,937
Total expenditures	<u>10,029,115</u>	<u>10,171,646</u>	<u>11,179,695</u>	<u>(1,008,049)</u>
<b>EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES</b>	(85,000)	(85,000)	(105,091)	(20,091)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	85,000	85,000	105,091	20,091
Total other financing sources and (uses)	<u>85,000</u>	<u>85,000</u>	<u>105,091</u>	<u>20,091</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-
<b>FUND BALANCE-BEGINNING</b>	-	-	-	-
<b>FUND BALANCE-ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying notes to the financial statements.

Floyd County School District  
**Statement of Net Position**  
**Proprietary Funds**  
June 30, 2020

	Enterprise Funds		
	School Food Services	Other Proprietary Fund	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 863,987	\$ 63,546	\$ 927,533
Inventories	49,849		49,849
Accounts receivable, net	602,678	1	602,679
Capital assets:			
Other capital assets, net of depreciation	656,030		656,030
Total assets	<u>2,172,544</u>	<u>63,547</u>	<u>2,236,091</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	327,371	12,191	339,562
Deferred outflows related to OPEB	114,587	4,267	118,854
Total deferred outflows of resources	<u>441,958</u>	<u>16,458</u>	<u>458,416</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>2,614,502</u>	<u>80,005</u>	<u>2,694,507</u>
<b>LIABILITIES</b>			
Accounts payable	71,833		71,833
Net pension liability	1,274,678	47,468	1,322,146
Net OPEB liability	304,761	11,349	316,110
Total liabilities	<u>1,651,272</u>	<u>58,817</u>	<u>1,710,089</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	71,716	2,671	74,387
Deferred inflows related to OPEB	120,753	4,497	125,250
Total deferred inflows of resources	<u>192,469</u>	<u>7,168</u>	<u>199,637</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<u>1,843,741</u>	<u>65,985</u>	<u>1,909,726</u>
<b>NET POSITION</b>			
Net Investment in capital assets	656,030		656,030
Restricted	114,731	14,020	128,751
Total net position	<u>770,761</u>	<u>14,020</u>	<u>784,781</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 2,614,502</u>	<u>\$ 80,005</u>	<u>\$ 2,694,507</u>

See the accompanying notes to the financial statements.

Floyd County School District  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
Year ended June 30, 2020

	<b>Enterprise Funds</b>		
	<b>School Food Services</b>	<b>Other Proprietary Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Lunchroom sales	\$ 143,272	\$ -	\$ 143,272
Community services		69,479	69,479
Total operating revenues	<u>143,272</u>	<u>69,479</u>	<u>212,751</u>
<b>OPERATING EXPENSES</b>			
Food service operations			
Salaries and benefits	2,427,309		2,427,309
Operational	3,341,086		3,341,086
Day care operations			
Salaries and benefits		73,292	73,292
Operational		15,796	15,796
Depreciation	44,643		44,643
Total operating expenses	<u>5,813,038</u>	<u>89,088</u>	<u>5,902,126</u>
Operating income (loss)	(5,669,766)	(19,609)	(5,689,375)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Federal grants	5,470,621		5,470,621
State grants	385,060	11,695	396,755
Transfers in (out)	(309,977)		(309,977)
Earnings from investments	22,599		22,599
Total nonoperating revenues (expenses)	<u>5,568,303</u>	<u>11,695</u>	<u>5,579,998</u>
<b>CHANGE IN NET POSITION</b>	(101,463)	(7,914)	(109,377)
<b>NET POSITION-BEGINNING</b>	<u>872,224</u>	<u>21,934</u>	<u>894,158</u>
<b>NET POSITION-ENDING</b>	\$ <u><u>770,761</u></u>	\$ <u><u>14,020</u></u>	\$ <u><u>784,781</u></u>

See the accompanying notes to the financial statements.

Floyd County School District  
**Statement of Cash Flows**  
**Proprietary Funds**  
Year ended June 30, 2020

	Enterprise Funds		
	School Food Services	Child Care Services	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 143,272	\$ 69,479	\$ 212,751
Payments to suppliers	(3,874,142)	(25,428)	(3,899,570)
Payments to employees	(2,427,309)	(73,292)	(2,500,601)
Net cash provided (used) by operating activities	(6,158,179)	(29,241)	(6,187,420)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating grants and contributions	5,855,681	11,695	5,867,376
Net cash provided (used) by noncapital financing activities	5,855,681	11,695	5,867,376
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Transfers	(309,977)		(309,977)
Purchase of capital assets	(8,089)		(8,089)
Net cash provided (used) by capital and related financing activities	(318,066)	-	(318,066)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest	22,599	-	22,599
Net cash provided (used) by investing activities	22,599	-	22,599
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(597,965)	(17,546)	(615,511)
<b>CASH AND CASH EQUIVALENTS-BEGINNING</b>	1,461,952	81,092	1,543,044
<b>CASH AND CASH EQUIVALENTS-ENDING</b>	\$ 863,987	\$ 63,546	\$ 927,533
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (5,669,766)	\$ (19,609)	\$ (5,689,375)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	44,643		44,643
Changes in assets and liabilities:			
Receivables	(548,926)	99	(548,827)
Inventories	8,505		8,505
Deferrals	(120,752)	510	(120,242)
Deferrals	18,784	(2,007)	16,777
Net pension liability	310,635	(3,458)	307,177
Net OPEB liability	23,729	(3,497)	20,232
Accrued liabilities	(225,031)	(1,279)	(226,310)
Net cash provided provided (used) by operating activities	\$ (6,158,179)	\$ (29,241)	\$ (6,187,420)

**NONCASH NONCAPITAL FINANCING ACTIVITIES**

During the year, the district received \$266,236 of food commodities from the U.S. Department of Agriculture.

During the year, the district recognized revenues and expenses for on-behalf payments relating to fringe benefits in the amount of \$347,743 for food services and \$11,695 for day care services provided by state government.

See the accompanying notes to the financial statements.

Floyd County School District  
**Statement of Fiduciary Net Position**  
**Fiduciary Fund**  
June 30, 2020

	<b>Fiduciary Fund Total</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 493,989
Total assets	<u>493,989</u>
<b>LIABILITIES</b>	
Accounts payable	14,746
Due to student groups	<u>479,243</u>
Total liabilities	\$ <u>493,989</u>

See the accompanying notes to the financial statements.



FLOYD COUNTY SCHOOL DISTRICT  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended June 30, 2020

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

Reporting Entity

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

The District, for financial purposes, includes all of the funds relevant to the operation of the Floyd 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 District itself such as Band Boosters, Parent-Teacher Associations, etc.

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

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

Blended Component Unit

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

Basis of Presentation

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

The District has the following funds:

### I. Governmental Fund Types

#### (A) General Fund

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

#### (B) Special Revenue (Grant) Fund

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### (C) District Activity Fund

The District Activity Fund is a Special Revenue fund type and is used to account for funds collected at individual schools for operation costs of the schools or school district that allows for more flexibility in the expenditures of those funds.

### (D) Capital Project Funds

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

#### SEEK Capital Outlay Fund

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

#### Building (FSPK) Fund

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

#### Construction Fund

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

### (E) Debt Service Fund

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

## II. Proprietary Funds (Enterprise Funds)

### (A) Food Service Fund

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### (B) Day Care Fund

The Day Care Fund is used to account for child care activities.

The District applies all GASB pronouncements to proprietary funds.

### III. Fiduciary Fund Types

#### (A) Agency Funds

The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. The schools funds are accounted for in accordance with “Accounting Procedures for Kentucky School Activity 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 resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

### Cash and Cash Equivalents

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

### Inventories

Inventory consists of food purchased by the District and commodities granted by the United States Department of Agriculture (USDA). The commodities are recognized as revenues and expenditures by the Food Service Fund when consumed. Any material commodities on hand at year end are recorded as inventory. All purchased inventory items are valued at the lower of cost or market (first-in, first-out) using the consumption method and commodities assigned values are based on information provided by the USDA.

### Prepaid Assets

Payments made that will benefit periods beyond June 30, 2020 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and expenditure/expense is reported in the year in which services are consumed.

### Capital Assets

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

### Accrued Liabilities and Long-Term Obligations

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

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

### Accumulated Unpaid Sick Leave Benefits

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

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

### Fund Balances

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

Nonspendable:	Permanently nonspendable by decree of the donor, such as an endowment, or funds that are not in a spendable form, such as prepaid expenses or inventory on hand.
Restricted	Legally restricted under legislation, bond authority, or grantor contract.
Committed	Commitments of future funds for specific purposes passed by the Board.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Assigned	Funds that are intended by management to be used for a specific purpose, including encumbrances.
Unassigned	Funds available for any purpose; unassigned amounts are reported only in the General Fund unless a fund has a deficit.

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

### Net Position

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

### 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.

The property tax rates assessed for the year ended June 30, 2020, to finance the General Fund operations were \$.691 per \$100 valuation of real property, \$.691 per \$100 valuation for business personal property and \$.554 per \$100 valuation for motor vehicles.

### Operating and Non-Operating Revenues and Expenses

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

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

### In-Kind

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### Contributions of Capital

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

### Interfund Receivables/Payables

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

### Interfund Transfers

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

### Deferred Outflows/Inflows of Resources

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

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

### Pensions

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



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### Other Postemployment Benefits (OPEB)

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

### Bond and Related Premiums, Discounts, and Issuance Costs

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

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

### Estimates

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

### Budgetary Process

The District prepares its budgets on the modified accrual basis of accounting, which is the same basis as used to prepare the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

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

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

The Kentucky Department of Education does not require the Capital Project Funds and Debt Service Funds to prepare budgets.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The District's Special Revenue Fund expenditures exceeded its approved budget appropriations by \$1,008,049.

### New Pronouncements

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

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

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

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

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

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

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

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE B – CASH AND CASH EQUIVALENTS

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

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law. At year end the District's bank balances were collateralized by securities held by the pledging bank's trust department in the District's name and FDIC insurance. At year end, the carrying amount of the District's cash and cash equivalents was \$13,007,529. The bank balance for the same time was \$17,794,593.

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

### NOTE C – CAPITAL ASSETS

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

<b><u>Governmental Activities</u></b>	<b><u>July 1, 2019</u></b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b><u>June 30, 2020</u></b>
Land (non-depreciable)	\$ 4,797,250	\$ -	\$ -	\$ 4,797,250
Construction in progress (non-depreciable)	62,820,169	1,743,029	-	64,563,198
Land improvements	1,927,458	-	-	1,927,458
Buildings	87,497,608	67,287	-	87,564,895
Technology equipment	10,632,401	469,457	20,238	11,081,620
Vehicles	10,722,209	700,139	39,900	11,382,448
General equipment	3,243,071	93,923	-	3,336,994
Infrastructure	6,789,261	-	-	6,789,261
Total at historical cost	\$ 188,429,427	\$ 3,073,835	\$ 60,138	\$ 191,443,124
Less: Accumulated depreciation				
Land improvements	\$ 803,820	\$ 96,097	\$ -	\$ 899,917
Buildings	39,473,972	1,375,105	-	40,849,077
Technology equipment	10,328,111	162,104	20,238	10,469,977
Vehicles	8,137,570	445,772	39,900	8,543,442
General equipment	2,869,134	70,206	-	2,939,340
Infrastructure	5,424,011	271,333	-	5,695,344
Total accumulated depreciation	\$ 67,036,618	\$ 2,420,617	\$ 60,138	\$ 69,397,097
Governmental Activities				
Capital Assets-net	\$ 121,392,809	\$ 653,218	\$ -	\$ 122,046,027

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

<u>Business-Type Activities</u>	<u>July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2020</u>
Buildings	\$ 1,592,932	\$ -	\$ -	\$ 1,592,932
Technology equipment	43,019	-	-	43,019
General equipment	1,552,885	8,089	-	1,560,974
Total at historical cost	<u>\$ 3,188,836</u>	<u>\$ 8,089</u>	<u>\$ -</u>	<u>\$ 3,196,925</u>
Less: Accumulated depreciation				
Buildings	\$ 994,233	\$ 31,616	\$ -	\$ 1,025,849
Technology equipment	42,369	354	-	42,723
General equipment	1,459,649	12,674	-	1,472,323
Total accumulated depreciation	<u>\$ 2,496,251</u>	<u>\$ 44,644</u>	<u>\$ -</u>	<u>\$ 2,540,895</u>
Business-Type Activities Capital Assets-net	<u>\$ 692,585</u>	<u>\$ (36,555)</u>	<u>\$ -</u>	<u>\$ 656,030</u>

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

### NOTE D – DEBT OBLIGATIONS

#### Bonds

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

The District, through the General Fund, Building (FSPK) Fund, and the SEEK Capital Outlay Fund is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Floyd County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding. During the fiscal year ended June 30, 2020 there were two bond issuances. One bond issue of \$2,175,000, was made to fund a project at Betsy Lane Baseball Field and the other issue of \$7,215,000 is an Energy Savings Project.

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

See Schedule on Next Page

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

<u>Bond Issue</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>2019 Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>2020 Outstanding Balance</u>
2015	\$ 52,595,000	08/01/35	2.0 - 4.0%	\$ 47,875,000	\$ -	\$ 1,710,000	\$ 46,165,000
2014R	6,685,000	03/01/26	2.0 - 3.0%	4,725,000	-	635,000	4,090,000
2017	10,560,000	03/01/37	3-3.75%	10,110,000	-	260,000	9,850,000
2008	2,115,000	04/01/28	2.8 - 3.75%	1,235,000	-	115,000	1,120,000
2010R	5,320,000	04/01/22	2.0 - 3.0%	1,335,000	-	535,000	800,000
2012R	2,870,000	12/01/24	1.35 - 2.625%	1,750,000	-	270,000	1,480,000
2013R	3,315,000	10/01/25	1.0 - 2.0%	2,300,000	-	310,000	1,990,000
2020	2,175,000	04/01/35	2.0-2.125%	-	2,175,000	-	2,175,000
2020E	7,215,000	06/01/40	2.0-5.0%	-	7,215,000	-	7,215,000
				69,330,000	9,390,000	3,835,000	74,885,000
Add:	Premium			69,686	866	10,013	60,539
Less:	Discount			(1,102,403)	-	(69,472)	(1,032,931)
	Totals			\$ 68,297,283	\$ 9,390,866	\$ 3,775,541	\$ 73,912,608

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

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

	<u>LOCAL</u>		<u>KSFCC</u>		<u>PRINCIPAL TOTAL</u>	<u>INTEREST TOTAL</u>
<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>		
2021	\$ 2,973,081	\$ 2,050,310	\$ 1,231,919	\$ 290,772	\$ 4,205,000	\$ 2,341,082
2022	3,089,132	1,968,054	950,868	258,872	4,040,000	2,226,926
2023	3,186,415	1,875,021	948,585	233,911	4,135,000	2,108,932
2024	3,286,421	1,781,912	973,579	208,919	4,260,000	1,990,831
2025	3,386,307	1,685,105	868,693	184,820	4,255,000	1,869,925
2026-2030	18,694,227	6,775,048	2,405,773	600,271	21,100,000	7,375,319
2031-2035	22,289,671	3,473,377	1,935,329	264,098	24,225,000	3,737,475
2036-2040	8,273,378	393,100	391,622	11,450	8,665,000	404,550
	\$ 65,178,632	\$ 20,001,927	\$ 9,706,368	\$ 2,053,113	\$ 74,885,000	\$ 22,055,040

### Workers Compensation Liability

The District participates in a self insurance plan for worker’s compensation. The District provides coverage up to the retention factor of \$250,000 per occurrence. Claims in excess of that amount are covered 100% by an outside insurer for workers’ compensation claims. The activity during fiscal year 2020 for workers compensation liability is as follows:

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2019 Outstanding Balance	Claims & Changes In Estimates Additions	Claims Payments Retirements	2020 Outstanding Balance
Workers Compensation Liability	\$ 980,905	\$ 101,353	\$ 117,516	\$ 964,742
Totals	\$ 980,905	\$ 101,353	\$ 117,516	\$ 964,742

### Accumulated Sick Leave

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

	2019 Outstanding Balance	Additions	Retirements	2020 Outstanding Balance
Sick Leave	\$ 273,880	\$ 135,459	\$ -	\$ 409,339
Totals	\$ 273,880	\$ 135,459	\$ -	\$ 409,339

### KSBIT

The District elected to finance the worker's compensation insurance deficit (KSBIT) with the now defunct Kentucky School Board Insurance Trust through the Kentucky Inter-local School Transportation Association (KISTA). The activity during fiscal year 2020 for the worker's compensation and property and liability deficit are as follows:

<u>KISTA Issues</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	2019 KISTA Outstanding	<u>Additions</u>	<u>Retirements</u>	2020 KISTA Outstanding
KSBIT	\$ 1,018,010	8/15/2029	2.0 - 4.0%	\$ 800,035	\$ -	\$ 61,674	\$ 738,361

The minimum payments are as follows:

Fiscal Year Ended June 30th	Local Principal	Interest	Total Payments
2021	\$ 61,688	\$ 25,556	\$ 87,244
2022	63,770	23,675	87,445
2023	65,304	21,738	87,042
2024	70,870	19,651	90,521
2025	70,002	17,407	87,409
2026-2030	406,727	41,967	448,694
	\$ 738,361	\$ 149,994	\$ 888,356

### Net Pension & OPEB Liability

The net pension liability is \$22,888,968 for governmental activities and \$1,322,146 for business-type activities for a total of \$24,211,114 as of June 30, 2020. (See Note G for additional information) The net OPEB liability is \$16,759,489 for governmental activities and \$316,110 for business-type activities for a total of \$17,075,599 as of June 30, 2020. (See Note I for additional information)

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

<b>Description</b>	<b>2019 Outstanding Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>2020 Outstanding Balance</b>	<b>Amount Due in One Year</b>
Bonds, Net of Premium and Discount	\$ 68,297,283	\$ 9,390,866	\$ 3,775,541	\$ 73,912,608	\$ 4,205,000
Capital Lease	2,774,171	559,791	379,610	2,954,352	448,627
Workers Compensation Liability	980,905	101,353	117,516	964,742	13,430
Sick Leave	273,880	135,459	-	409,339	-
KSBIT	800,035	-	61,674	738,361	61,688
Net Pension Liability	20,178,641	4,032,473	-	24,211,114	-
Net OPEB Liability	18,988,361	-	1,912,762	17,075,599	-
<b>Totals</b>	<b>\$ 112,293,276</b>	<b>\$ 14,219,942</b>	<b>\$ 6,247,103</b>	<b>\$ 120,266,115</b>	<b>\$ 4,728,745</b>

### NOTE E – CAPITAL LEASE PAYABLE

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

<b>KISTA Issue</b>	<b>Original Amount</b>	<b>Maturity Dates</b>	<b>Interest Rates</b>	<b>2019 Outstanding Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>2020 Outstanding Balance</b>
2013	\$ 1,103,943	03/01/23	2.0%	\$ 427,636	\$ -	\$ 113,566	\$ 314,070
2017	\$ 1,633,180	03/01/27	2.55%	1,283,060	-	152,990	1,130,070
2019	\$ 1,063,475	03/01/29	3.0%	1,063,475	-	113,054	950,421
2020	\$ 559,791	03/01/30	2.0%	-	559,791	-	559,791
<b>Totals</b>				<b>\$ 2,774,171</b>	<b>\$ 559,791</b>	<b>\$ 379,610</b>	<b>\$ 2,954,352</b>

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

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Payments</b>
2021	\$ 448,627	\$ 74,496	\$ 523,123
2022	421,354	63,815	485,169
2023	423,242	53,486	476,728
2024	331,719	43,066	374,785
2025	340,207	34,424	374,631
2026-2030	989,203	56,984	1,046,187
	<b>\$ 2,954,352</b>	<b>\$ 326,271</b>	<b>\$ 3,280,623</b>

Total minimum lease payments	\$ 3,280,623
Less: Amount representing interest	(326,271)
Present Value of Net Minimum Lease Payments	<b>\$ 2,954,352</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The assets acquired through the capital leases are as follows:

	Governmental Activities
Buses	\$ 5,357,875
Less: Accumulated Depreciation	(1,887,374)
Total	<u>\$ 3,470,501</u>

### NOTE F – COMMITMENTS UNDER NON-CAPITALIZED LEASES

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

Fiscal Year	
Ended June 30,	Payment
2021	\$ 48,313
2022	16,671
2023	1,406
Total	<u>\$ 66,390</u>

Expenditures for equipment under operating leases for the year ended June 30, 2020 totaled \$79,027.

### NOTE G – RETIREMENT PLANS

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

#### Teachers Retirement System Kentucky (TRS)

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

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



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### Medical Insurance Plan

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

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

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

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

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

District's proportionate share of TRS net pension liability	\$	-
Commonwealth's proportionate share of the TRS net pension liability associated with the District		<u>97,999,201</u>
	\$	<u><u>97,999,201</u></u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June, 30, 2020, the District's proportion was 0.7261%.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

- Municipal Bond Index Rate decreased to 3.5%

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025 (with a setforward of 1 year for females and 2 years for males). The most recent experience study based on the results from July 1, 2010 – June 30, 2015 adopted by the Board on September 19, 2016.

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

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

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	7.0%	3.2%
Real Estate	7.0%	3.8%
Private Equity	7.0%	6.3%
Cash	2.0%	0.9%
Total	100.0%	

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*Discount Rate:* The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at the Actuarially Determined Contribution rates for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease	Current Discount Rate	1% Increase
	6.50%	7.50%	8.50%
TRS Commonwealth's proportionate share of net pension liability	\$ 125,129,636	\$ 97,999,201	\$ 75,166,328

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

### County Employees Retirement System

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*Contributions:* Funding for CERS is provided by members, who contribute 5.00% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions, and by employers of members. For the year ending June 30, 2020, employers were required to contribute 24.06% of the member's salary. During the year ending June 30, 2020, the District contributed \$2,280,377 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

### CERS-Medical Insurance Plan

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

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

At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2019. An expected total pension liability as of June 30, 2019 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2019. At June 30, 2020, the District's proportion was 0.331324%.

District's proportionate share of CERS net pension liability	\$	24,211,114
Commonwealth's proportionate share of the CERS net pension liability associated with the District		<u>-</u>
	\$	<u><u>24,211,114</u></u>

For the year ended June 30, 2020, the District recognized pension expense of \$2,306,244. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 618,182	\$ 102,298
Changes of assumptions	2,450,440	-
Net difference between projected and actual earnings on pension plan investments	464,758	855,052
Changes in proportion and differences between District contributions and proportionate share of contributions	536,094	404,820
District contributions subsequent to the measurement date	<u>2,148,571</u>	<u>-</u>
	<u>\$ 6,218,045</u>	<u>\$ 1,362,170</u>

The \$2,148,571 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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

	<b>Year Ended June 30,</b>
2021	\$ 1,631,478
2022	713,661
2023	334,475
2024	<u>27,690</u>
	<u>\$ 2,707,304</u>

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for CERS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013 is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 30,281,238	\$ 24,211,114	\$ 19,151,727

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

*Payables to the pension plan:* At June 30, 2020, there are no payables to CERS.

### Other Retirement Plans

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



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

Employee contributions made to the plans during the year totaled \$628,140. The District does not contribute to these plans.

### **NOTE H – ACCOUNTING STANDARDS STATEMENT NO. 75**

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

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

### **NOTE I – POSTEMPLOYMENT BENEFITS OTHER THAN OPEB**

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

#### ***TRS – General Information about the OPEB Plans***

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### **Retiree Medical Plan funded by the Medical Insurance Fund**

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

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

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

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

At June 30, 2020, the District reported a liability of \$11,287,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the District's proportion was .385649 percent.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

District's proportionate share of TRS net OPEB liability	\$ 11,287,000
Commonwealth's proportionate share of the TRS net OPEB liability associated with the District	<u>9,115,000</u>
	<u>\$ 20,402,000</u>

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,732,000
Changes of assumptions	300,000	-
Net difference between projected and actual earnings on pension plan investments	48,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	245,000	617,000
District contributions subsequent to the measurement date	<u>640,734</u>	<u>-</u>
	<u>\$ 1,233,734</u>	<u>\$ 3,349,000</u>

The \$640,734 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the collective net OPEB liability for the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

	<u>Year Ended June 30,</u>
2021	\$ (540,000)
2022	(540,000)
2023	(515,000)
2024	(520,000)
2025	(410,000)
Thereafter	<u>(231,000)</u>
	<u>\$ (2,756,000)</u>

*Changes of Benefit Terms - None*

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025 (with a setforward of 1 year for females and 2 years for males). The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
District's proportionate share of net OPEB liability	\$ 13,371,000	\$ 11,287,000	\$ 9,542,000

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

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 9,188,000	\$ 11,287,000	\$ 13,868,000

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

District's proportionate share of TRS net OPEB liability	\$	-
Commonwealth's proportionate share of the TRS net OPEB liability associated with the District		<u>212,000</u>
	\$	<u><u>212,000</u></u>

For the year ended June 30, 2020, the District recognized OPEB revenue of \$902,743 for support provided by the State.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025 (with a setforward of 1 year for females and 2 years for males). The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

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

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



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

### ***CERS – General Information about the OPEB Plans***

#### **Other Pension Benefit Programs-Employees' Health Plan**

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

At June 30, 2020, the District reported a liability of \$5,788,599 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the District's proportion was .34415900 percent.

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

District's proportionate share of net OPEB liability	\$ 5,788,599
Commonwealth's proportionate share of the net OPEB liability associated with the District	<u>-</u>
	<u>\$ 5,788,599</u>

For the year ended June 30, 2020, the District recognized OPEB revenue of \$18,489. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 1,746,554
Changes of assumptions	1,712,900	11,454
Net difference between projected and actual earnings on pension plan investments	38,129	295,233
Changes in proportion and differences between District contributions and proportionate share of contributions	169,353	240,338
District contributions subsequent to the measurement date	<u>256,095</u>	<u>-</u>
	<u>\$ 2,176,477</u>	<u>\$ 2,293,579</u>

The \$256,097 (includes \$124,291 Implicit Subsidy) reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the collective net OPEB liability for the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

	<b>Year Ended June 30,</b>
2021	\$ (67,563)
2022	(67,563)
2023	14,182
2024	(142,351)
2025	(98,503)
Thereafter	<u>(11,399)</u>
	<u>\$ (373,197)</u>

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

*Changes of Benefit Terms-*None

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	4.68%	5.68%	6.68%
District's proportionate share of net OPEB liability	\$ 7,754,342	\$ 5,788,599	\$ 4,168,958

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

	<b>1% Decrease</b>	<b>Current Trend Rate</b>	<b>1% Increase</b>
District's proportionate share of net OPEB liability	\$ 4,305,011	\$ 5,788,599	\$ 7,587,626

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

### NOTE J – COMMITMENTS

The District has commitments of \$11,399,170 as of June 30, 2020 for future construction projects. Also, the District Activity Fund has \$35,623 committed for district activities.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE K - CONTINGENCIES

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

### NOTE L - LITIGATION

The District is subject to legal action in early states of litigation, the outcome of which is not determinable at this time and has been turned over to the District's insurance company. It is too early to estimate the likelihood of an unfavorable outcome or the possibility of an out-of-court settlement or coverage by the insurance company.

### NOTE M – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, illegal acts etc. Each of these risk areas is covered through the purchase of commercial insurance and self-insured workers compensation.

### NOTE N – RISK MANAGEMENT

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

### NOTE O – DEFICIT FUND AND OPERATING BALANCES

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

<u>Fund</u>	<u>Change in Net Position/Net Change in Fund Balance</u>
Governmental Activities	\$ (338,236)
Business-Type Activities	(109,377)
General Fund	(1,544,797)
District Activity Fund	(625)
Food Service	(101,463)
Other Proprietary	\$ (7,914)

### NOTE P – COBRA

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE Q – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>	<u>Amount</u>
Operations	General Fund	Special Revenue Fund	KETS Matching	\$ 105,091
Debt Service	Building Fund	Debt Service Fund	Debt Payments	4,203,612
Debt Service	Capital Outlay Fund	Debt Service Fund	Debt Payments	306,747
Operations	Food Service	General Fund	Indirect Costs	\$ 309,977

### NOTE R – RESTRICTED FUND BALANCES

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Construction	\$ 7,794,070	Future Construction
Food Service	114,731	School Food Service Operations
Day Care	14,019	Day Care Operations
Capital Outlay	229,346	SFCC Requirements
FSPK	\$ 3,062	SFCC Requirements

### NOTE S – ON-BEHALF PAYMENTS

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

<u>Plan/Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System (GASB 68 & 75)	\$ 7,926,237
Health Insurance	6,139,510
Life Insurance	11,048
Administrative Fee	91,287
HRA/Dental/Vision	450,208
Federal Reimbursement	(765,343)
Technology	108,202
SFCC Debt Service Payments	1,522,692
Total	<u>\$ 15,483,842</u>

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

### NOTE T – DONATED PROPERTY

The U.S. Army Corp of Engineers and the Floyd County Fiscal Court entered into a Project Cooperation Agreement to construct the Floyd County Board Of Education's Renaissance Learning Center in Fiscal Year 2016. The project is currently under construction as of June 30, 2020. The Center will be donated to the District and recorded on their financial statements upon completion of the project. The estimated cost of the Project is \$9,922,166.

### NOTE U – SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 15, 2020, the date the financial statements were available to be issued.

FLOYD COUNTY SCHOOL DISTRICT  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**CERS and TRS**  
For the Year ended June 30, 2020

	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)
<b>COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS):</b>					
Districts' proportion of the net pension liability	0.33132%	0.33132%	0.34986%	0.363830%	0.37033%
District's proportionate share of the net pension liability	\$ 24,211,115	\$ 20,178,641	\$ 20,478,148	\$ 17,476,584	\$ 15,642,816
State's proportionate share of the net pension liability associated with the District	-	-	-	-	-
Total	<u>\$ 24,211,115</u>	<u>\$ 20,178,641</u>	<u>\$ 20,478,148</u>	<u>\$ 17,476,584</u>	<u>\$ 15,642,816</u>
District's covered-employee payroll	\$ 8,677,251	\$ 8,209,381	\$ 8,525,285	\$ 8,576,919	\$ 8,486,022
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	279.02%	245.80%	240.20%	203.76%	184.34%
Plan fiduciary net position as a percentage of the total pension liability	50.54%	53.54%	53.30%	59.00%	59.97%
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM (TRS):</b>					
Districts' proportion of the net pension liability	0.726%	0.726%	0.756%	0.774%	0.773%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	97,999,201	95,076,608	203,947,183	228,349,125	179,859,188
Total	<u>\$ 97,999,201</u>	<u>\$ 95,076,608</u>	<u>\$ 203,947,183</u>	<u>\$ 228,349,125</u>	<u>\$ 179,859,188</u>
District's covered-employee payroll	\$ 25,685,195	\$ 25,745,431	\$ 26,444,203	\$ 26,686,750	\$ 26,483,619
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.000%	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total pension liability	58.80%	59.30%	39.80%	35.22%	42.29%

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



FLOYD COUNTY SCHOOL DISTRICT  
**REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS**  
**CERS and TRS**  
For the year ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS):</b>					
Contractually required contribution	\$ 2,280,377	\$ 1,795,317	\$ 1,517,121	\$ 1,614,476	\$ 1,463,221
Contributions in relation to the contractually required contributions	<u>2,280,377</u>	<u>1,795,317</u>	<u>1,517,121</u>	<u>1,614,476</u>	<u>1,463,221</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 9,478,251	\$ 8,677,251	\$ 8,209,381	\$ 8,525,285	\$ 8,576,919
District's contributions as a percentage of it's covered-employee payroll	24.06%	20.69%	18.48%	18.94%	17.06%
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM (TRS):</b>					
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 25,230,749	\$ 25,685,195	\$ 25,745,431	\$ 26,444,203	\$ 26,686,750
District's contributions as a percentage of it's covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

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

FLOYD COUNTY SCHOOL DISTRICT  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS**  
For the year ended June 30, 2020

**(1) CHANGES OF BENEFITS**

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

**(2) CHANGES OF ASSUMPTIONS**

TRS

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

- Municipal Bond Index Rate decreased to 3.5%.

CERS

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

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

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

TRS

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

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

CERS

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

FLOYD COUNTY SCHOOL DISTRICT  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS**  
For the year ended June 30, 2020

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

DRAFT

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

	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
<b>MEDICAL INSURANCE PLAN</b>			
District's proportion of the collective net OPEB liability (asset)	0.38565%	0.37774%	0.40262%
District's proportionate share of the collective net OPEB liability (asset)	\$ 11,287,000	\$ 13,106,000	\$ 14,357,001
State's proportionate share of the collective net OPEB liability (asset) associated with the District	9,115,000	11,295,000	11,727,000
Total	\$ 20,402,000	\$ 24,401,000	\$ 26,084,001
District's covered-employee payroll	\$ 25,685,195	\$ 25,745,431	\$ 26,444,203
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	55.77%	55.77%	54.29%
Plan fiduciary net position as a percentage of the total OPEB liability	32.60%	25.50%	21.20%
<b>LIFE INSURANCE PLAN</b>			
District's proportion of the collective net OPEB liability (asset)	0.00000%	0.00000%	0.00000%
District's proportionate share of the collective net OPEB liability (asset)	\$ -	\$ -	\$ -
State's proportionate share of the collective net OPEB liability (asset) associated with the District	212,000	194,000	157,000
Total	\$ 194,000	\$ 194,000	\$ 157,000
District's covered-employee payroll	\$ 25,685,195	\$ 25,745,431	\$ 26,444,203
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	73.40%	75.00%	80.00%

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

See the accompanying notes to the required supplementary information.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>MEDICAL INSURANCE PLAN</b>			
Contractually required contribution	\$ 640,734	\$ 670,991	\$ 673,620
Contributions in relation to the contractually required contribution	<u>640,734</u>	<u>670,991</u>	<u>673,620</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 25,230,749	\$ 25,685,195	\$ 25,745,431
District's contributions as a percentage of it's covered-employee payroll	2.54%	2.61%	2.62%
<b>LIFE INSURANCE PLAN</b>			
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 25,230,749	\$ 25,685,195	\$ 25,745,431
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	0.00%	0.00%	0.00%

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

See the accompanying notes to the required supplementary information.

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

	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
<b>HEALTH INSURANCE PLAN</b>			
District's proportion of the collective net OPEB liability (asset)	0.34416%	0.33131%	0.34986%
District's proportionate share of the collective net OPEB liability (asset)	\$ 5,788,599	\$ 5,882,361	\$ 7,033,302
State's proportionate share of the collective net OPEB liability (asset) associated with the District	-	-	-
Total	<u>\$ 5,788,599</u>	<u>\$ 5,882,361</u>	<u>\$ 7,033,302</u>
District's covered-employee payroll	\$ 8,677,251	\$ 8,209,381	\$ 8,525,285
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	66.71%	71.65%	82.50%
Plan fiduciary net position as a percentage of the total OPEB liability	60.44%	57.62%	13.00%

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

See the accompanying notes to the required supplementary information.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>HEALTH INSURANCE PLAN</b>			
Contractually required contribution	\$ 256,097	\$ 184,622	\$ 160,780
Contributions in relation to the contractually	<u>256,097</u>	<u>184,622</u>	<u>160,780</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 9,478,251	\$ 8,677,251	\$ 8,209,381
District's contributions as a percentage of it's covered-employee payroll	2.70%	2.13%	1.96%

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

See the accompanying notes to the required supplementary information.

FLOYD COUNTY SCHOOL DISTRICT  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB**  
For the year ended June 30, 2020

**TRS**

**(1) CHANGES OF BENEFIT TERMS**

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

**(2) CHANGES OF ASSUMPTIONS**

Medical Insurance Fund

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

Life Insurance Fund

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

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

Medical Insurance Fund

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

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



FLOYD COUNTY SCHOOL DISTRICT  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB**  
For the year ended June 30, 2020

Life Insurance Fund

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

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

**CERS**

Other Pension Benefit Programs-Employees' Health Plan

**(1) CHANGES OF BENEFIT TERMS**

There were no changes of benefit terms.

**(2) CHANGES OF ASSUMPTIONS**

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

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

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

**FLOYD COUNTY SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB**

For the year ended June 30, 2020

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

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

Floyd County School District  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
June 30, 2020

	Other Governmental Funds			
	Capital Outlay	FSPK Fund	District Activity	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 229,346	\$ 3,062	\$ 37,841	\$ 270,249
Total assets	<u>229,346</u>	<u>3,062</u>	<u>37,841</u>	<u>270,249</u>
<b>Liabilities</b>				
Accounts payable			2,218	2,218
Total liabilities	<u>-</u>	<u>-</u>	<u>2,218</u>	<u>2,218</u>
<b>Fund Balance</b>				
Restricted	229,346	3,062		232,408
Committed			35,623	35,623
Total fund balance	<u>229,346</u>	<u>3,062</u>	<u>35,623</u>	<u>268,031</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 229,346</u>	<u>\$ 3,062</u>	<u>\$ 37,841</u>	<u>\$ 270,249</u>

Floyd County School District  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds**  
Year ended June 30, 2020

	<b>Other Governmental Funds</b>			
	<b>Capital Outlay</b>	<b>FSPK Fund</b>	<b>District Activity</b>	<b>Total</b>
<b>Revenues</b>				
Property taxes	\$ -	\$ 1,897,148	\$ -	\$ 1,897,148
Earnings on investments	680	62		742
Student activities			63,982	63,982
Intergovernmental - state	504,029	2,306,464		2,810,493
Total revenues	504,709	4,203,674	63,982	4,772,365
<b>Expenditures</b>				
Instruction			24,696	24,696
Plant operations & maintenance			39,911	39,911
Total expenditures	-	-	64,607	64,607
<b>Excess (Deficit) of Revenues Over Expenditures</b>	504,709	4,203,674	(625)	4,707,758
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	(306,747)	(4,203,612)		(4,510,359)
Total other financing sources (uses)	(306,747)	(4,203,612)	-	(4,510,359)
<b>Net Change in Fund Balances</b>	197,962	62	(625)	197,399
<b>Fund Balance Beginning</b>	31,384	3,000	36,248	70,632
<b>Fund Balance Ending</b>	\$ 229,346	\$ 3,062	\$ 35,623	\$ 268,031

Floyd County School District  
**Combining Balance Sheet of**  
**School Activity Funds**  
June 30, 2020

	<u>BETSY LANE HIGH</u>	<u>FLOYD CENTRAL HIGH</u>	<u>PRESTONSBURG HIGH</u>	<u>ADAMS MIDDLE</u>	<u>ALLEN ELEMENTARY</u>	<u>BETSY LANE ELEMENTARY</u>	<u>DUFF-ALLEN CENTRAL ELEMENTARY</u>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 80,681	\$ 83,071	\$ 57,418	\$ 42,551	\$ 19,734	\$ 52,428	\$ 50,247
Total assets	<u>80,681</u>	<u>83,071</u>	<u>57,418</u>	<u>42,551</u>	<u>19,734</u>	<u>52,428</u>	<u>50,247</u>
<b>LIABILITIES</b>							
Accounts payable	10,892	80	2,382		690	348	
<b>FUND BALANCE</b>							
School activities	<u>69,789</u>	<u>82,991</u>	<u>55,036</u>	<u>42,551</u>	<u>19,044</u>	<u>52,080</u>	<u>50,247</u>
Total liabilities & fund balance	<u>\$ 80,681</u>	<u>\$ 83,071</u>	<u>\$ 57,418</u>	<u>\$ 42,551</u>	<u>\$ 19,734</u>	<u>\$ 52,428</u>	<u>\$ 50,247</u>

Floyd County School District  
**Combining Balance Sheet of**  
**School Activity Funds**  
June 30, 2020

	<u>MAY VALLEY ELEMENTARY</u>	<u>PRESTONSBURG ELEMENTARY</u>	<u>SOUTH FLOYD ELEMENTARY</u>	<u>STUMBO ELEMENTARY</u>	<u>SCHOOL ACTIVITY FUNDS TOTAL</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 23,366	\$ 32,016	\$ 29,482	\$ 22,995	\$ 493,989
Total assets	<u>23,366</u>	<u>32,016</u>	<u>29,482</u>	<u>22,995</u>	<u>493,989</u>
<b>LIABILITIES</b>					
Accounts payable	354				14,746
<b>FUND BALANCE</b>					
School activities	<u>23,012</u>	<u>32,016</u>	<u>29,482</u>	<u>22,995</u>	<u>479,243</u>
Total liabilities & fund balance	\$ <u>23,366</u>	\$ <u>32,016</u>	\$ <u>29,482</u>	\$ <u>22,995</u>	\$ <u>493,989</u>

Floyd County School District  
**Combining Statement of Revenues, Expenses and Changes in Fund Balance**  
**School Activity Funds**  
Year ended June 30, 2020

	<u>BETSY LANE HIGH</u>	<u>FLOYD CENTRAL HIGH</u>	<u>PRESTONSBURG HIGH</u>	<u>ADAMS MIDDLE</u>	<u>ALLEN ELEMENTARY</u>	<u>BETSY LANE ELEMENTARY</u>	<u>DUFF-ALLEN CENTRAL ELEMENTARY</u>
<b>REVENUES</b>							
Student revenues	\$ 157,133	\$ 253,371	\$ 116,045	\$ 113,301	\$ 81,538	\$ 119,675	\$ 95,752
Total revenues	<u>157,133</u>	<u>253,371</u>	<u>116,045</u>	<u>113,301</u>	<u>81,538</u>	<u>119,675</u>	<u>95,752</u>
<b>EXPENDITURES</b>							
Student activities	<u>155,851</u>	<u>238,260</u>	<u>114,678</u>	<u>100,441</u>	<u>91,157</u>	<u>113,374</u>	<u>82,716</u>
Total expenditures	<u>155,851</u>	<u>238,260</u>	<u>114,678</u>	<u>100,441</u>	<u>91,157</u>	<u>113,374</u>	<u>82,716</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	1,282	15,111	1,367	12,860	(9,619)	6,301	13,036
<b>FUND BALANCE, BEGINNING</b>	<u>68,507</u>	<u>67,880</u>	<u>53,669</u>	<u>29,691</u>	<u>28,663</u>	<u>45,779</u>	<u>37,211</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 69,789</u>	<u>\$ 82,991</u>	<u>\$ 55,036</u>	<u>\$ 42,551</u>	<u>\$ 19,044</u>	<u>\$ 52,080</u>	<u>\$ 50,247</u>

Floyd County School District  
**Combining Statement of Revenues, Expenses and Changes in Fund Balance**  
**School Activity Funds**  
Year ended June 30, 2020

	<u>MAY VALLEY ELEMENTARY</u>	<u>PRESTONSBURG ELEMENTARY</u>	<u>SOUTH FLOYD ELEMENTARY</u>	<u>STUMBO ELEMENTARY</u>	<u>SCHOOL ACTIVITY FUNDS TOTAL</u>
<b>REVENUES</b>					
Student revenues	\$ <u>100,468</u>	\$ <u>60,964</u>	\$ <u>83,509</u>	\$ <u>70,683</u>	\$ <u>1,252,439</u>
Total revenues	<u>100,468</u>	<u>60,964</u>	<u>83,509</u>	<u>70,683</u>	<u>1,252,439</u>
<b>EXPENDITURES</b>					
Student activities	<u>90,527</u>	<u>45,307</u>	<u>91,435</u>	<u>66,266</u>	<u>1,190,012</u>
Total expenditures	<u>90,527</u>	<u>45,307</u>	<u>91,435</u>	<u>66,266</u>	<u>1,190,012</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	9,941	15,657	(7,926)	4,417	62,427
<b>FUND BALANCE, BEGINNING</b>	<u>13,071</u>	<u>16,359</u>	<u>37,408</u>	<u>18,578</u>	<u>416,816</u>
<b>FUND BALANCE, ENDING</b>	\$ <u><u>23,012</u></u>	\$ <u><u>32,016</u></u>	\$ <u><u>29,482</u></u>	\$ <u><u>22,995</u></u>	\$ <u><u>479,243</u></u>



FLOYD COUNTY SCHOOL DISTRICT  
**STATEMENT OF REVENUES , EXPENSES, AND CHANGES IN FUND BALANCE -**  
**BETSY LANE HIGH SCHOOL**  
Year ended June 30, 2020

	<b><u>FUND BALANCE BEGINNING</u></b>	<b><u>REVENUES</u></b>	<b><u>EXPENDITURES</u></b>	<b><u>TRANSFERS</u></b>	<b><u>FUND BALANCE ENDING</u></b>
GENERAL FUND	\$ 1,543	\$ 1,823	\$ 1,057	\$ 1,481	\$ 3,790
STUDENT VENDING	5,088	3,523	3,743	2,495	7,363
SCIENCE OLYMPIAD	435	-	200	-	235
ROBOTICS	28	-	-	-	28
ENGINEERING CLUB	50	-	-	-	50
JOURNALISM	4	-	-	-	4
STLP	-	474	312	-	162
TEACHER VENDING	4,953	1,978	2,053	1,658	6,536
TAG	-	600	600	-	-
STAFF FLOWER FUND	277	189	258	-	208
ANTHROPOLOGY	803	-	-	-	803
MEDIA PRODUCTIONS	185	-	-	-	185
SCHOOL WIDE FUNDRAISER	-	7,542	4,466	(3,076)	-
SCHWANS ICE CREAM	-	2,734	1,813	(921)	-
ESPORTS	-	1,316	1,315	-	1
BLHS CHAMPIONS	12	-	-	-	12
ATHLETIC	15,983	17,943	29,467	(278)	4,181
START UP CASH	-	300	300	-	-
PE CLASS	-	275	-	-	275
SPANISH CLUB	76	-	-	-	76
ART	146	-	141	-	5
MUSIC AND BAND	351	909	1,093	-	167
SPECIAL ED	375	120	-	-	495
FMD	-	165	-	-	165
ACADEMIC	424	457	1,014	158	25
BETA CLUB	86	1,232	588	-	730
FORENSICS	188	-	-	-	188
LIBRARY	227	-	-	-	227
STUDENT COUNCIL	14	-	-	-	14
SENIOR CLASS	848	2,821	2,040	-	1,629
JUNIOR CLASS	3,302	12,528	5,620	(82)	10,128
NEW HORIZON YSC HOMELESS	-	537	217	-	320
ARCHERY	1,423	4,295	3,136	-	2,582
COUNSELOR	286	-	-	-	286
DANCE	569	1,879	1,465	-	983
FOOTBALL	3,226	13,324	7,218	(150)	9,182
SCHOOL PICTURES	-	1,555	-	(1,555)	-
GIRLSBBLBOOSTERS	2,282	7,072	7,726	-	1,628
VOLLEYBALL	1,794	10,394	10,119	-	2,069
GIRLS CHEERLEADERS	164	32,724	32,939	300	249
NATIONAL HONOR SOCIETY	58	1,652	680	-	1,030
BOYS BASKETBALL HOOPSTERS	8,096	10,474	13,079	120	5,611
GIRLS SOFTBALL	1,448	800	681	-	1,567
BOYS BASEBALL	13,360	5,350	14,522	-	4,188
TRACK TEAM	270	435	448	-	257
BOWLING	121	-	-	-	121
GOLF TEAM	11	3,451	1,279	(150)	2,033
SWEEP ACCOUNT	1	6,262	6,262	-	1
<b>Totals</b>	<b>\$ 68,507</b>	<b>\$ 157,133</b>	<b>\$ 155,851</b>	<b>\$ -</b>	<b>\$ 69,789</b>

FLOYD COUNTY SCHOOL DISTRICT  
**STATEMENT OF REVENUES , EXPENSES, AND CHANGES IN FUND BALANCE -**  
**FLOYD CENTRAL HIGH SCHOOL**  
Year ended June 30, 2020

	<b>FUND BALANCE BEGINNING</b>		<b>REVENUES</b>		<b>EXPENDITURES</b>		<b>TRANSFERS</b>	<b>FUND BALANCE ENDING</b>
DEBBIE HALL SCHOLARSHIP	\$ 164	\$	-	\$	-	\$	-	164
VOLLEYBALL	9,514		19,149		17,879		(324)	10,460
BOYS BASKETBALL	2,936		21,799		20,498		211	4,448
GIRLS BASKETBALL	1,980		19,097		15,775		211	5,513
SPANISH	68		-		-		-	68
GENERAL FUND	1,985		3,733		3,092		-	2,626
ATHLETICS	2,054		24,021		21,858		(789)	3,428
LIBRARY	724		-		-		-	724
BASEBALL	5,454		4,613		7,527		-	2,540
BAND/MUSIC	3,055		17,595		16,969		(400)	3,281
KYA	-		3,295		3,295		-	-
SCIENSE OLYMPIAD	1,218		-		-		-	1,218
SCHOOL PICTURES	179		728		668		-	239
CBI	9		-		-		-	9
CHILDRENS INC	2,059		1,354		1,096		(200)	2,117
MATH CLUB	829		161		562		-	428
GUIDANCE	45		-		-		-	45
GOOD SAMS CLUB	198		-		-		-	198
ACADEMICS	5,022		4,923		8,703		-	1,242
ART	27		-		-		-	27
STUDENT VENDING	1,983		3,505		4,179		-	1,309
AP CLASSES	255		213		255		-	213
PHOTO STUDIO	6		-		-		-	6
TEACHER VENDING	250		1,363		1,412		-	201
FOOTBALL	8,265		26,576		26,130		77	8,788
TALENTED & GIFTED	-		5,700		5,700		-	-
JUNIORS	250		10,538		7,676		-	3,112
SENIORS	2,041		2,243		3,201		-	1,083
JROTC	245		9,685		4,208		-	5,722
STUDENT COUNCIL	117		-		-		-	117
CHEERLEADING	4,733		23,609		21,033		-	7,309
MOLLETT SCH INTEREST	273		-		-		-	273
MOLLETT SCH CD	8		-		-		-	8
TEXTBOOK	1,268		-		-		-	1,268
YEARBOOK	407		-		-		-	407
BETA CLUB	67		1,735		681		-	1,121
SOFTBALL	5,349		-		2,257		-	3,092
KSTC ADVANCE KENTUCKY	139		-		-		-	139
GOLF	1,422		-		793		-	629
ARCHERY	566		31,352		26,928		(98)	4,892
NATIONAL HONOR SOCIETY	94		810		818		-	86
MEDIA	146		-		-		-	146
PLTW BIO MEDICAL	146		1,640		1,850		200	136
AP EXAM	850		-		850		-	-
JAQUAR CAFÉ	424		92		399		-	117
CHORUS	443		80		147		-	376
FLAG TEAM	13		-		-		-	13
FAMILY RESOURCE CENTER	600		2,851		714		-	2,737
ATHLETIC START UP MONEY	-		1,000		1,000		-	-
PSAT	-		480		-		-	480
DANCE	-		3,240		3,044		-	196
MAJORETTES	-		640		800		400	240
DISTRICT ACTIVITY FUNDS	-		5,551		6,263		712	-
<b>Totals</b>	<b>\$ 67,880</b>	<b>\$</b>	<b>253,371</b>	<b>\$</b>	<b>238,260</b>	<b>\$</b>	<b>-</b>	<b>\$ 82,991</b>

FLOYD COUNTY SCHOOL DISTRICT  
**STATEMENT OF REVENUES , EXPENSES, AND CHANGES IN FUND BALANCE -**  
**PRESTONSBURG HIGH SCHOOL**  
Year ended June 30, 2020

	<b><u>FUND BALANCE BEGINNING</u></b>	<b><u>REVENUES</u></b>	<b><u>EXPENDITURES</u></b>	<b><u>TRANSFERS</u></b>	<b><u>FUND BALANCE ENDING</u></b>
GENERAL FUND	\$ 2,914	\$ 1,871	\$ 1,755	\$ (101)	\$ 2,929
TRACK TEAM	269	1,492	1,097	-	664
GOLF TEAM	5,135	4,871	8,672	-	1,334
ATHLETIC	8,815	32,502	35,984	-	5,333
ARCHERY	-	100	-	-	100
BOYS BASKETBALL	500	3,821	4,321	-	-
GIRLS BASKETBALL	-	200	-	-	200
CHEER	-	100	-	-	100
DANCE	-	-	-	328	328
FOOTBALL TEAM	3,933	6,064	8,753	(328)	916
SOCCER	-	2,000	2,000	-	-
VOLLEYBALL	-	100	-	-	100
WRESTLING TEAM	300	2,655	2,752	-	203
DISTRICT TOURNAMENT	-	13,045	7,623	-	5,422
LIBRARY CAFÉ	964	-	-	-	964
JUNIOR CLASS	4,824	2,577	1,350	-	6,051
PAW PRINTS MAGAZINE	52	-	-	-	52
PSAT	20	300	221	-	99
SENIOR CLASS	100	1,020	808	-	312
AP EXAMS	927	7,550	8,415	-	62
CAP/GOWN	40	-	-	-	40
ALLIED HEALTH	268	-	-	-	268
YEARBOOKS	-	175	-	-	175
KYA	162	5,130	5,335	43	-
CHOIR	1,006	295	230	-	1,071
PEP CLUB	-	72	72	-	-
BAND	611	470	230	-	851
ACADEMIC TEAM	360	-	90	-	270
CONCESSION	2,962	2,597	1,037	-	4,522
FACULTY VENDING	4,145	5,513	5,535	-	4,123
TAG	367	15,965	15,815	-	517
NATIONAL HONOR SOCIETY	153	240	43	-	350
NATIONAL HISPANIC HONOR S	7	-	65	58	-
FBLA	2,093	-	-	-	2,093
SCIENCE OLYMPIAD	3,420	1,620	675	-	4,365
BLACKCAT IMAGING	-	-	-	-	-
TRANSPORTATION	3,680	550	-	-	4,230
START UP	-	1,800	1,800	-	-
PROJECT PROM	500	-	-	-	500
YOUTH SERVICE CENTER	52	-	-	-	52
KYHED	840	-	-	-	840
LAPTOPS	4,250	1,350	-	-	5,600
<b>Totals</b>	<b>\$ 53,669</b>	<b>\$ 116,045</b>	<b>\$ 114,678</b>	<b>\$ -</b>	<b>\$ 55,036</b>

Floyd County School District  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year ended June 30, 2020

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Program or Award Amount	Expenditures
U.S. Department of Agriculture					
Passed Through State Department of Education					
<b>School Breakfast Program</b>	10.553				
Fiscal Year 19		7760005 19	\$ -	N/A	315,839
Fiscal Year 20		7760005 20	-	N/A	618,464
<b>National School Lunch Program</b>	10.555				
Fiscal Year 19		7750002 19	-	N/A	671,421
Fiscal Year 20		7750002 20	-	N/A	1,305,603
<b>Summer Food Service</b>	10.559				
Fiscal Year 19		7740023 19	-	N/A	50,059
Fiscal Year 20		7740023 20	-	N/A	1,360,594
Fiscal Year 19		7690024 19	-	N/A	5,232
Fiscal Year 20		7690024 20	-	N/A	139,622
Child Nutrition Cluster Subtotal					<u>4,466,834</u>
<b>Fruit &amp; Vegetable Program</b>	10.582				
Fiscal Year 20		7720012 20	-	N/A	184,989
<b>State Administrative Grant for Nutrition</b>	10.560				
Fiscal Year 19		7700001 19	-	N/A	2,641
Passed Through State Department of Agriculture					
<b>Food Donation-Commodities</b>	10.565				
Fiscal Year 20		510.4950	-	N/A	266,236
Total U.S. Department of Agriculture					<u>4,920,700</u>
US Department of Education					
Passed Through State Department of Education					
* <b>Title I Grants to Local Educational Agencies</b>	84.010A				
Fiscal Year 18		3100002 18	-	3,114,907	243,478
Fiscal Year 19		3100002 19	-	3,086,007	854,943
Fiscal Year 20		3100002 20	-	3,053,328	2,663,827
					<u>3,762,248</u>
* <b>Special Education Grants to States</b>	84.027A				
Fiscal Year 18		3810002 18	-	1,359,854	21,555
Fiscal Year 19		3810002 19	-	1,377,156	221,127
Fiscal Year 20		3810002 20	-	1,372,114	1,087,425
* <b>Special Education - Preschool Grants</b>	84.173A				
Fiscal Year 20		3800002 20	-	71,085	71,085
Special Education Cluster Subtotal					<u>1,401,192</u>
<b>Vocation Education - Basic Grants to States</b>	84.048				
Fiscal Year 17		3710002 17	-		
Fiscal Year 19		3710002 19	-	79,373	661
Fiscal Year 20		3710002 20	-	88,134	57,288
					<u>57,949</u>
<b>Rural Education</b>	84.358				
Fiscal Year 19		3140002 19	-	105,894	105,894
<b>Striving Readers Comprehensive Literacy Grant</b>	84.371C				
Fiscal Year 19		466E	-	580,000	213,789
Fiscal Year 20		466F	-	435,834	87,197
					<u>300,986</u>
<b>Title IV Part A</b>	84.424				
Fiscal Year 18		3420002 18	-	78,085	46,283
Fiscal Year 19		3420002 19	-	224,776	122,024
Fiscal Year 20		3420002 20	-	231,489	129,493
					<u>297,800</u>
<b>Improving Teacher Quality</b>	84.367A				
Fiscal Year 17		3230002 17	-		
Fiscal Year 18		3230002 18	-	386,568	92,713
Fiscal Year 19		3230002 19	-	363,680	105,887
Fiscal Year 20		3230002 20	-	362,834	326,532
					<u>525,132</u>
<b>CARES Act Educational Stabilization Fund</b>	84.425D				
Fiscal Year 20		4000002 20	-	N/A	102,155
<b>CARES Act Educational Stabilization Fund GEER</b>	84.425C				
Fiscal Year 20		4000002 20	-	N/A	256,993
CARES Cluster Subtotal					<u>359,148</u>
Passed Through Berea College					
<b>GEAR UP</b>	84.334A				
Fiscal Year 19		P334A170041-17A	-	825,326	187,662
Fiscal Year 20		P334A170041-17A	-	797,500	694,984
					<u>882,646</u>
Total U.S. Department of Education					<u>7,692,995</u>
U.S. Department of Defense					
<b>ROTC</b>	12.000				
Fiscal Year 20		504F	-	N/A	35,879
Total U.S. Department of Defense					<u>35,879</u>
U.S. Department of Health and Human Services					
Passed through Big Sandy Area Community Action Program					
<b>Head Start</b>	93.600				
Fiscal Year 19		04CH2596	-	1,437,168	333,359
Fiscal Year 20		04CH2596	-	1,487,468	991,683
					<u>1,325,042</u>
<b>CARES-Child Care Development Grant</b>	93.575				
Fiscal Year 20		658FC	-	N/A	13,688
<b>CECC Preschool Development Grant School Readiness</b>	93.434				
Fiscal Year 20		644F	-	N/A	9,358
Total U.S. Department of Health and Human Services					<u>1,348,088</u>
<b>Total Expenditure of Federal Awards</b>					<u>\$ 13,997,662</u>
* Major program					

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

FLOYD COUNTY SCHOOL DISTRICT  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ended June 30, 2020

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Floyd County School District under the programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Floyd County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

**NOTE B – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE C – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. For the year ended June 30, 2020, the District received food commodities totaling \$266,236.

**NOTE D – INDIRECT COST RATE**

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

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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*

To the Board of Education of the Floyd County School District  
Prestonsburg, KY

and the State Committee for Floyd County School District Audits

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits, in the *Auditor Responsibilities and State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Floyd County School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Floyd County School District's basic financial statements, and have issued our report thereon dated November 15, 2020.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

We noted certain matters that we reported to management of the Floyd County School District in a separate letter dated November 15, 2020.

**Purpose of this Report**

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

*White & Associates, PSC*

Richmond, KY

November 15, 2020

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

To the Board of Education of the Floyd County School District  
Prestonsburg, KY  
and the State Committee of Floyd County School District Audits

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

We have audited the Floyd County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Floyd County School District's major federal programs for the year ended June 30, 2020. Floyd County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

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

**Report on Internal Control over Compliance**

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



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

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

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

*White & Associates, PSC*

Richmond, KY

November 15, 2020

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FLOYD COUNTY SCHOOL DISTRICT  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year ended June 30, 2020

**SUMMARY OF AUDITOR'S RESULTS**

What type of report was issued for the financial statements?	Unmodified
Were there significant deficiencies disclosed?	None Reported
If so, was any significant deficiencies material (GAGAS)?	N/A
Was any material noncompliance reported (GAGAS)?	No
Were there material weaknesses in internal control disclosed for major programs?	None Reported
Were there any significant deficiencies in internal control disclosed that were not considered to be material weaknesses?	
What type of report was issued on compliance for major programs?	Unmodified
Did the audit disclose findings as it relates to major programs that Is required to be reported as described in the Uniform Guidance?	No
Major Programs	Special Education Cluster [CFDA 84.027A 84.173A] Title I [CFDA 84.010A]
Dollar threshold of Type A and B programs	\$750,000
Low risk auditee?	Yes

**FINDINGS - FINANCIAL STATEMENT AUDIT**

No findings at the financial statement level.

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

No findings at the major federal award programs level.

FLOYD COUNTY SCHOOL DISTRICT  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
For the year ended June 30, 2020

There were no prior year findings.

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## MANAGEMENT LETTER POINTS

Floyd County School District  
Prestonsburg, Kentucky

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

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our report dated October 16, 2020. This letter does not affect our report dated October 16, 2020, on the financial statements of the Floyd County School District. The conditions observed are as follows:

BETSY LAYNE HIGH SCHOOL

No conditions.

PRESTONSBURG HIGH SCHOOL

No conditions

FLOYD CENTRAL HIGH SCHOOL

1-20

Statement of Condition: Receipts are being written to the account or vendor instead of the person turning the money in.

Recommendation for Correction: Receipts should be written to the person who turns the money in and signs the Multiple Receipt Form (F-SA-6).

Management Response to the Recommendation:

The principal and bookkeeper attended Redbook training on September 12<sup>th</sup> 2020. The issue was discussed with both the principal and bookkeeper and they are aware and fully

understand the Redbook violation. The principal will be placed on a corrective action plan there will be additional oversight from the central office finance staff.

DUFF-ALLEN CENTRAL ELEMENTARY

No conditions.

JAMES D ADAMS MIDDLE SCHOOL

No conditions.

ALLEN ELEMENTARY

2-20

Statement of Condition: The Principal is not initialing and dating the bank statement after review. (September, October, December, and February)

Recommendation for Correction: The Principal should initial and date the front page of the bank statement after a complete review.

Management Response to the Recommendation:

The new principal and bookkeeper attended Redbook training on September 12<sup>th</sup> 2020. The issue was discussed with both the new principal and bookkeeper and they are aware and fully understand the Redbook violation and know that all bank statements are to be initialed and dated. The school will be placed on a corrective action plan there will be additional oversight from the central office finance staff.

SOUTH FLOYD ELEMENTARY

3-20

Statement of Condition: The deposit slips do not indicate that a second person is verifying the deposit.

Recommendation for Correction: An employee, or someone other than the person that prepares the deposit slip needs to initial the deposit slip verifying that the amount of the deposit equals the total amount of receipts recorded in the ledger sheets and that the bank validation stamp matches the amount of the deposit slip.

Management Response to the Recommendation:

The principal and bookkeeper attended Redbook training on September 12<sup>th</sup> 2020. The issue was discussed with both the principal and bookkeeper and they are aware and fully understand the Redbook violation and know that all deposit slips are to be initialed by 2 different individuals verifying the deposit. The principal will be placed on a corrective action plan there will be additional oversight from the central office finance staff.

4-20

Statement of Condition: The Principal is not initialing and dating the bank statement after review. (July, October, November, December, and February)

Recommendation for Correction: The Principal should initial and date the front page of the bank statement after a complete review.

Management Response to the Recommendation:

The principal and bookkeeper attended Redbook training on September 12<sup>th</sup> 2020. The issue was discussed with both the principal and bookkeeper and they are aware and fully understand the Redbook violation and know that all bank statements are to be initialed and dated. The principal will be placed on a corrective action plan there will be additional oversight from the central office finance staff.

MAY VALLEY ELEMENTARY

5-20

Statement of Condition: The Principal is not initialing and dating the bank statement after review. (August and February)

Recommendation for Correction: The Principal should initial and date the front page of the bank statement after a complete review.

Management Response to the Recommendation:

The principal and bookkeeper attended Redbook training on September 12<sup>th</sup> 2020. The issue was discussed with both the principal and bookkeeper and they are aware and fully understand the Redbook violation and know that all bank statements are to be initialed and dated. The principal will be placed on a corrective action plan there will be additional oversight from the central office finance staff.

PRESTONSBURG ELEMENTARY

No conditions.

STUMBO ELEMENTARY

No conditions.

BETSY LANE ELEMENTARY

No conditions.

RENAISSANCE LEARNING CENTER

No conditions.

All prior year conditions have been corrected. Danny Adkins, Superintendent, is the person responsible for initiation of the corrective action plan for the above conditions which will be implemented immediately. The corrective action plan is the management response for each condition.

We would like to thank the Finance Officer, Ms. Tiffany Warrix Campbell and her department for their support and assistance during our audit.

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

*White & Associates, PSC*

White & Associates, PSC  
Richmond, Kentucky  
October 16, 2020

DRAFT