REPORT OF THE AUDIT OF THE KENTUCKY ARTISAN CENTER AT BEREA

For The Fiscal Year Ended June 30, 2020

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Todd Finley, Executive Director
Kentucky Artisan Center at Berea
Board of Directors

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the Kentucky Artisan Center at Berea (Center), a discretely presented component unit of the Commonwealth of Kentucky, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Center's 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 an opinion on the basic 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 the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Center'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 Center's internal control.

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Todd Finley, Executive Director
Kentucky Artisan Center at Berea

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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center, as of June 30, 2020, and the respective changes in its financial position and its cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Note 2, the financial statements present only the Center, and are not intended to present fairly the financial position of the Commonwealth of Kentucky, or the results of its operations and cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 7 through 12, the Schedule of Proportionate Share of the Net Pension Liability, the Schedule of Proportionate Share of the Net OPEB Liability and the Schedule of Employer's Contributions for both Pensions and OPEB on pages 43 through 46 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.

Todd Finley, Executive Director
Kentucky Artisan Center at Berea

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2020, on our consideration of the Center's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the Center'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 Center's internal control over financial reporting and compliance.

Respectfully submitted,

Mike Harmon
Auditor of Public Accounts

October 19, 2020

MANAGEMENT’S DISCUSSION AND ANALYSIS

KENTUCKY ARTISAN CENTER at BEREA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

Management's discussion and analysis of the financial performance of the Kentucky Artisan Center at Berea (Center) provides an overview of the financial activities of the Center for the year ended June 30, 2020, and should be read in conjunction with the financial statements, which begin on page 15.

The Center was created as an economic development initiative to encourage educational and cultural activities, public gatherings, cultural heritage tourism, and retail sales of Kentucky artisan arts and crafts. The operations of the Center began in July of 2003. The Center displays and sells work by over 750 vendors living and working in over 100 counties of Kentucky. Since the closing of rest areas north of the Center in 2006, the Center has also served as the only mid-state rest area / traveler information center on I-75.

The Center is accounted for as an enterprise fund, reporting on all the activities, assets and liabilities using the accrual basis of accounting much like a private business activity. The Commonwealth of Kentucky provides significant operating support to the Center creating a financial benefit/burden relationship. The Center is included in the Commonwealth of Kentucky's Comprehensive Annual Financial Report as a discretely presented component unit. This annual report consists of a series of financial statements, along with explanatory notes to the financial statements and supplemental schedules.

Financial Highlights

During fiscal year 2020, charges for services or revenues generated by the Center totaled $1,251,941, a decrease of $343,663 from fiscal year 2019. The Center's revenues continue to be impacted by consumer confidence and the general economy, and the Novel Coronavirus 19 pandemic.

- During FY 2020, the Center hosted 208,348 visitors, a decrease of 29,013 from FY 2019. The decrease is mainly believed to be a result of ongoing Novel Coronavirus 19 pandemic. The pandemic has decreased the number of motor coaches and tour groups, as well as other travelers along I-75 as many canceled their plans to travel in order to decrease the spread of the virus. On March 23, 2020, the retail operations closed and remained closed until May 22, 2020. As in FY 2019, the Center maintained 9am-6pm daily hours all year long.

- The Center continues to cross train employees to handle unanticipated needs including buses and other business with its reduced staff.

- The Center continues to experience significant return visitors, both individual traffic and business. I-75 travel guide publisher Dave Hunter continues to promote the Center as having the "cleanest and best designed rest rooms on I-75."

KENTUCKY ARTISAN CENTER at BEREA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020
(Continued)

Overview of Financial Statements

The Statement of Net Position presents information on all of the Center's assets, liabilities, deferred inflows and deferred outflows with the difference reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Center is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position present information showing how the Center's net position changed during the 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 the statement for some items that will only result in cash flows in future fiscal periods.

The Statement of Cash Flows presents the receipts and usage of cash and cash equivalents. Only transactions that affect the Center's cash account typically are reported in the Statement of Cash Flows.

The notes to the financial statements provide additional information that is essential to fully understanding the data provided in the statements. The notes to the financial statements can be found on pages 21 through 39.

Financial Analysis

For the fiscal year ended June 30, 2020, assets and deferred outflows exceeded liabilities and deferred inflows by $2,334,078.

- Total Assets

  Total assets consist primarily of cash and cash equivalents, investments, inventories, and capital assets.

- Capital Assets

  As a newly opened facility in FY 2004, the Center's investment in capital assets was substantial. Funding for the purchase of significant capital assets was provided by the Commonwealth of Kentucky, as part of the biennial budget, appropriated by the legislature in 1998 and 2000. Capital assets include: buildings, kitchen equipment, maintenance equipment, decorative window panels, furnishings, retail fixtures, and data processing equipment.

  Capital assets net of accumulated depreciation amount to $6,495,713. See Note 4 for additional information related to capital assets.

KENTUCKY ARTISAN CENTER at BEREA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020
(Continued)

Financial Analysis (Continued)

- Total Liabilities

  Liabilities totaled $5,347,316 include accounts payable, the net pension liability, the net other post-employment benefits (OPEB) and compensated absences. The net pension liability of $4,444,932 comprises 83% of all liabilities while OPEB comprises 13% or $699,612 of total liabilities. Resulting in retirement obligations of $5,144,544 or 96% percent of total liabilities. Together the net pension liability and net OPEB liability represent the Center's proportionate share of the related Kentucky Employees Retirement System Non-Hazardous Plan's collective liability. The liability represents the actuarial present value of projected benefit payments for employee services rendered through June 30, 2020. This is a long term liability which will be paid over the retirees' life time.

Table 1 presents the Center's condensed Statement of Net Position as of June 30, 2020, and June 30, 2019, derived from the Statements of Net Position for the respective years.

Table 1
Condensed Statement of Net Position
As of June 30

	2020	2019	Percentage Increase (Decrease)
Current Assets	$ 848,410	$ 911,674	(6.94)%
Capital Assets - net	6,495,713	6,625,861	(1.96)%
Total Assets	7,344,123	7,537,535	(2.57)%
Deferred Outflows of Resources	668,686	751,827	(11.06)%
Current Liabilities	159,593	246,627	(35.29)%
Non-Current Liabilities	5,187,723	5,361,613	(3.24)%
Total Liabilities	5,347,316	5,608,240	(4.65)%
Deferred Inflows of Resources	331,415	193,050	71.67 %
Invested in Capital Assets, Net of Related Debt	6,495,713	6,625,861	(1.96)%
Unrestricted	(4,161,635)	(4,137,789)	(0.58)%
Total Net Position	$ 2,334,078	$ 2,488,072	(6.19)%

KENTUCKY ARTISAN CENTER at BEREA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020
(Continued)

Operating and Non-operating Revenues

- Retail sales of artisan products totaled $1,003,915 during FY 2020, a decrease of $246,262 from FY 2019.
- Café receipts for FY 2020 were $239,298, a decrease of $89,694 from FY 2019.
- The Center's retail and café operations collect state and local tax and the Center transfers those funds to the Kentucky Revenue Cabinet and the City of Berea monthly by debiting its restricted revenue account. During FY 2020 a total of $67,637 in Kentucky Sales Taxes was collected and transferred to the Kentucky Revenue Cabinet and $6,493 was collected and paid to the City of Berea.
- To support operations in FY 2020, the Center had available road funds, general funds, restricted revenues generated during the year, and carry-forward restricted funds from previous years. To date no maintenance pool has been provided, so all facility and grounds upkeep must be covered with operating funds.

Operating Expenses

The majority of operating expense is attributable to personnel and retirement costs ($1,297,318 or 53%) and costs of sales ($606,379 or 25%) of which $515,422 was for retail goods and $90,957 was for café food. Utilities were $84,385 a decrease of $3,188 (or 3.64%) in FY 2020 as a result of increased effort to reduce cost by consciousness of use and repairs and/or maintenance that increased energy efficiency. Repairs and maintenance were $44,750 a decrease of $53,764.

KENTUCKY ARTISAN CENTER at BEREA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020
(Continued)

Tables 2 and 3 present the Center's condensed Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2020, and June 30, 2019.

Table 2
Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30

	2020	2019	Percentage Increase (Decrease)
Operating Revenues:			
Charges for services	$ 1,251,941	$ 1,595,604	(21.54)%
Grant revenue	553,000	544,000	1.65 %
Total Operating Revenues	1,804,941	2,139,604	(15.64)%
Total Operating Expenses	2,436,035	2,874,119	(15.24)%
Non-operating Revenues (Expenses):			
State Appropriation	477,100	477,900	(0.17)%
Net Non-operating Revenues	477,100	477,900	(0.17)%
Change in Net Position	(153,994)	(256,615)	(39.99)%
Net Position at July 1	2,488,072	2,744,687	(9.35)%
Net Position at June 30	$ 2,334,078	$ 2,488,072	(6.19)%

KENTUCKY ARTISAN CENTER at BEREA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020
(Continued)

Table 3
Condensed Financial Information
Operating Expenses
For the Years Ended June 30

	2020	2019	Percentage Increase (Decrease)
Operating Expenses:			
Personnel services	$ 888,298	$ 896,749	(0.94)%
Cost of goods sold	606,379	754,393	(19.62)%
Pension expense	361,538	527,410	(31.45)%
OPEB expense	47,482	76,067	(37.58)%
Depreciation expense	130,148	147,380	(11.69)%
Utilities and other services	84,385	87,573	(3.64)%
Telecommunications & computer services	77,740	75,230	3.34 %
Supplies	60,847	63,437	(4.08)%
Repairs and maintenance	44,750	98,514	(54.58)%
Advertising and promotions	41,715	50,001	(16.57)%
Banking and financial services	25,542	34,159	(25.23)%
Professional fees	29,004	37,834	(23.34)%
Rentals	10,490	11,170	(6.09)%
Other general expenses	20,290	6,874	195.17 %
Postage	2,861	2,296	24.63 %
Travel	4,566	5,031	(9.24)%
Total Operating Expenses	$ 2,436,035	$ 2,874,119	(15.24)%

Economic Factors

In FY 2020, the Center received funds from general fund and the road fund. Operating expenses have continued to be closely monitored by the Center in order to maximize operating profits.

The Center has made no capital construction budget requests for the near future, but is included in a Tourism, Arts, and Heritage Cabinet request for a maintenance pool for several agencies. At present, all maintenance for facility repairs is being charged to the Center's operating budget.

Requests for Information

This financial report is designed to provide the public and other interested parties with an overview of the financial results of the Center's activities and to show the Center's accountability for the revenue that it generates. If you have any questions about this report or need additional financial information, contact the Kentucky Tourism, Arts, and Heritage Cabinet.

FINANCIAL STATEMENTS

KENTUCKY ARTISAN CENTER at BEREA
STATEMENT OF NET POSITION
June 30, 2020

Assets	
Current Assets:	
Cash and cash equivalents (Note 2, Note 3)	$ 82,107
Investments (Note 2, Note 3)	244,295
Accounts receivable (net)	11,948
Inventories	510,060
Total Current Assets	848,410
Non-Current Assets:	
Capital assets (Note 4):	
Land	1,166,778
Building	6,706,472
Equipment	619,052
Fixtures	359,504
Less: Accumulated depreciation	(2,356,093)
Total Capital assets	6,495,713
Total Non-Current Assets	6,495,713
Total Assets	7,344,123
Deferred Outflows of Resources	668,686
Liabilities	
Current Liabilities:	
Accounts payable (Note 5)	99,426
Compensated absences (Note 6)	60,167
Total Current Liabilities	159,593
Non-Current Liabilities:	
Compensated absences (Note 6)	43,179
Net pension liability (Note 7)	4,444,932
Net OPEB liability (Note 7)	699,612
Total Non-Current Liabilities	5,187,723
Total Liabilities	5,347,316
Deferred Inflows of Resources	331,415
Net Position	
Invested in Capital Assets, net of related debt	6,495,713
Unrestricted	(4,161,635)
Total Net Position	$2,334,078

The accompanying notes are an integral part of the financial statements

KENTUCKY ARTISAN CENTER at BEREA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
For The Year Ended June 30, 2020

Operating Revenues:		
Charges for sales and services	$	1,251,941
Grant revenue		553,000
Total Operating Revenues		1,804,941
Operating Expenses:		
Personnel services		888,298
Cost of goods sold		606,379
Pension expense		361,538
OPEB expense		47,482
Depreciation expense		130,148
Utilities and other services		84,385
Telecommunications & computer services		77,740
Supplies		60,847
Repairs and maintenance		44,750
Advertising and promotion		41,715
Banking & financial services		25,542
Professional fees		29,004
Rentals		10,490
Other general expenses		20,290
Postage		2,861
Travel		4,566
Total Operating Expenses		2,436,035
Net Loss from Operations		(631,094)
Non-Operating Revenues (Expenses):		
State Appropriation		477,100
Total Non-operating Revenues		477,100
Change in Net Position		(153,994)
Net Position at July 1, 2019		2,488,072
Net Position at June 30, 2020	$	2,334,078

KENTUCKY ARTISAN CENTER at BEREA
STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2020

Cash flows from operating activities:		
Cash received from customers	$	1,252,400
Cash received from grant		553,000
Cash payments to suppliers for goods and services		(1,094,504)
Cash payments for personnel services		(1,307,541)
Net cash provided by (used in) operating activities		(596,645)
Cash flows from non-capital financial activities:		
State appropriation		477,100
Net cash provided by (used in) non-capital financing activities		477,100
Cash flows from capital and related financing activities:		
Net cash provided by (used in) capital and financing activities		-
Cash flows from investing activities:		
Proceeds from sale of investment securities		121,371
Net cash provided by (used in) investment activities		121,371
Net increase (decrease) in cash and cash equivalents		1,826
Cash and Cash Equivalents, July 1		80,281
Cash and Cash Equivalents, June 30	$	82,107
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	$	(631,094)
Adjustments to reconcile operating income to net cash used in operating activities:		
Depreciation		130,148
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
(Increase) decrease in assets:		
Net receivables		460
Inventories		(56,741)
(Increase) decrease in deferred outflows of resources		83,141
Increase (decrease) in liabilities:		
Accounts payable		(58,198)
Pension liability		(116,958)
OPEB liability		(94,738)
Short Term Compensated absences		(28,836)
Long Term Compensated absences		37,806
Increase (decrease) in deferred inflows of resources		138,365
Net cash provided by operating activities	$	(596,645)

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NOTES TO THE FINANCIAL STATEMENTS

KENTUCKY ARTISAN CENTER at BEREA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Note 1 - Organization

The Kentucky Artisan Center at Berea (Center) was created during the Governor Paul E. Patton administration as an economic development initiative. Executive Order 99-331 established the Center for the purpose of hosting various educational exhibitions, public gatherings, cultural activities, generating retail sales of arts and crafts, and hosting other cultural activities for the state of Kentucky. The Center is designed to be an economic generator both on site through sales and throughout the state through referrals and information provided. Products sold are all made in Kentucky, and include crafts, arts, specialty foods, music recordings, videotapes, and books. The Center also maintains and operates the Café, located within the facility.

The Center is a state authority that was originally administratively attached to the Tourism Development Cabinet, and is now attached to the Tourism, Arts & Heritage Cabinet.

The funds for construction of the site were appropriated by the Kentucky legislature in 1998 and 2000. The development of the Center and the oversight of its activity is provided by a thirteen member board of directors, the Kentucky Artisan Center at Berea Authority Board, and assisted by numerous partnerships among cabinets within state government, with city and county government, with colleges, with other organizations and agencies, and with individuals interested in the Center's mission and goals.

Note 2 - Summary of Significant Accounting Policies

Reporting Entity

In accordance with the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus,* the Center has adopted the provisions under which the financial statements include all the organizations, activities, functions, and component units for which the Center is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and the possibility that the component unit will provide a financial benefit to or impose a financial burden on the Center. The Center has determined that no outside agency meets the above criteria, and therefore, no other agency has been included as a component unit in the Center's financial statements.

However, the Commonwealth of Kentucky provides significant operating support to the Center creating a financial benefit/burden relationship with the Commonwealth. Therefore, the Commonwealth includes the Center in its Comprehensive Annual Financial Report as a discretely presented component unit. The accompanying financial statements are not intended to present the financial position or the results of operations and cash flows of the Commonwealth of Kentucky or its proprietary funds, and therefore, the Commonwealth is not included in this report.

KENTUCKY ARTISAN CENTER at BEREA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation and Accounting

The Center's financial statements are prepared in conformity with accounting principles generally accepted (GAAP) in the United States of America. The GASB is responsible for establishing GAAP for state and local governments through its pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Center are discussed below.

The financial statements of the Center have been presented using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. Accordingly, revenues are recognized when they are earned and become measurable, and expenses are recognized at the time liabilities are incurred.

The Center follows the provisions of the GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus;* Statement No. 38, *Certain Financial Statement Note Disclosures*; Statement No. 68, Accounting and Financial Reporting for Pensions; Statement No. 72, *Fair Value Measurement and Application*; and Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions.

The accompanying Statement of Revenues, Expenses, and Changes in Net Position reports revenues and expenses as either operating or non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the ongoing operations. The principal operating revenues of the Center are charges to customers for sales of Kentucky made products, as well as income derived from Café operations. Operating expenses include the cost of sales and services, selling and administrative expenses, marketing expenses and depreciation on capital assets. All other revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities to disclose contingent assets and liabilities at the date of the financial statements and to disclose the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

KENTUCKY ARTISAN CENTER at BEREA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Center currently uses a commercial bank for depositing funds received from daily activity. These funds are then electronically transferred to the Commonwealth of Kentucky's depository.

For financial statement purposes, the Center considers all highly liquid investments with maturity of three months or less to be cash equivalents.

Investments

The Center participates in the Commonwealth of Kentucky's investment pool, which holds investments both for its own benefit and as an agent for other related parties. Investments are valued at their fair values in the Statement of Net Position. Unrealized gains and losses are included in the change in net position in the accompanying Statement of Revenues, Expenses, and Changes in Net Position.

Inventories

Inventories primarily consist of merchandise and food for resale and include Kentucky artisan crafts, arts, specialty foods, music recordings, videotapes, and books. Retail merchandise inventories are valued at average cost as of June 30, 2020, after the close of business. Average cost for all items is updated continuously by the Center's point of sale software. Café food inventory is valued at cost.

Capital Assets

Capital assets, which include property, plant and equipment, are carried at cost less accumulated depreciation. The Center capitalizes capital assets when the useful life is greater than one year and the acquisition cost meets the capitalization threshold. All land and infrastructure is capitalized. Buildings and equipment are capitalized when the acquisition cost is $5,000 or greater.

Depreciation on capital assets is computed using the straight-line depreciation method over the estimated useful lives of the assets. The following table summarizes the estimated useful lives used in computing depreciation:

Asset	Useful Life
Buildings and Improvements	10 - 75 years
Machinery and Equipment	3 - 25 years
Furniture and Fixtures	3 - 25 years

Depreciation expense for the fiscal year ended June 30, 2020, was $130,148.

KENTUCKY ARTISAN CENTER at BEREA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Operating Activities

The Center defines operating activities, as reported in the Statement of Revenues, Expenses and Changes in Net Position, as those that generally result from exchange transactions, such as payments received for providing goods and services and payments made for goods and services received. Nearly all of the Center's expenses are from exchange transactions. Certain significant revenues relied upon for operations, such as state general fund appropriations, gifts and investment income, are recorded as non-operating revenues in accordance with GASB Statement No. 34.

In fiscal year 2008, the Center was recognized as the only mid-state travel center on Interstate 75. The Center recognizes the state road fund appropriations as operating activities due to the costs associated with being a travel center on the I-75 corridor.

Pensions and OPEB

For purposes of measuring the net pension liability the following accounts are included: deferred outflows of resources, deferred inflows of resources, and pension expense. Information about the fiduciary net position of the Kentucky Retirement System (KRS) and additions to/deductions from KRS's fiduciary net positions have been determined on the same basis as they are reported by KRS (See Note 7 and Note 8).

Note 3 - Cash, Cash Equivalents, and Investments

The Center participates in the Commonwealth's cash and investment pool, which is available for use by all funds and component units under the auspices of the State Investment Commission as authorized under KRS 42.500 et al. Therefore, it follows the Commonwealth's policies for all pooled cash and investments. The risk disclosures related to deposits and investments are reported in the Commonwealth of Kentucky's Comprehensive Annual Financial Report (CAFR). As of June 30, 2020, the carrying value of the Center's pooled cash, cash equivalents totaled $82,107, and the fair value of the Center's investments was $244,295. Please refer to the Commonwealth's CAFR for information and disclosure.

KENTUCKY ARTISAN CENTER at BEREA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020
(Continued)

Note 4 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Non-depreciable Capital Assets:				
Land	$ 1,166,778	-	-	$ 1,166,778
Total Non-depreciable Assets	1,166,778	-	-	1,166,778
Depreciable Capital Assets:				
Building	6,706,472	-	-	6,706,472
Equipment	619,052	-	-	619,052
Fixtures	359,504	-	-	359,504
Total Depreciable Capital Assets	7,685,028	-	-	7,685,028
Less Accumulated Depreciation:				
Building	(1,487,225)	(95,150)	-	(1,582,375)
Equipment	(400,271)	(26,766)	-	(427,037)
Fixtures	(338,449)	(8,232)	-	(346,681)
Total Accumulated Depreciation	(2,225,945)	(130,148)	-	(2,356,093)
Net Capital Assets	$ 6,625,861	(130,148)	-	$ 6,495,713

KENTUCKY ARTISAN CENTER at BEREA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020
(Continued)

Note 5 - Disaggregation of Accounts Payable

Accounts payable are amounts owed by the Center as of June 30, 2020. The liabilities will be paid within one year and are therefore considered current. The following table shows the disaggregation of the amounts reported as accounts payable as of June 30, 2020:

Current Payables		
Personnel Services	$	88,175
Cost of Goods Sold		824
Utilities and Other Services		1,153
Supplies		2,233
Sales Tax		6,914
Telecommunications and computer services		127
Total Current Payables	$	99,426

Note 6 - Compensated Absences

The Center follows the policy of the Commonwealth of Kentucky to record the cost of annual and compensatory leave. Annual leave is accumulated at amounts ranging from 7.5 to 15 hours per month, determined by the length of service, with maximum accumulations ranging from 30 to 60 days. The estimated liability and change in the estimated liability for compensated absences from the Center as of June 30, 2020, are:

	Beginning Balance	Additions	Reductions	Ending	Due Within One Year
Annual Leave	$ 60,201	$ 32,838	$ 34,034	$ 59,005	$ 34,352
Compensatory Leave	34,175	43,198	33,031	44,342	25,815
Total	$ 94,376	$ 76,036	$ 67,065	$ 103,347	$ 60,167

It is the policy of the Kentucky Artisan Center at Berea to record the cost of sick leave when paid. Generally, sick leave is paid only when an employee is absent due to illness, injury, or related family death. There is no liability recorded for sick leave at June 30, 2020. The estimated accumulated unused sick leave for the Center employees at June 30, 2020, was $96,231.

KENTUCKY ARTISAN CENTER at BEREA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020
(Continued)

Note 7 - Retirement Plan and Employee Benefit Plan

Plan Description

All full time employees of the Center who work more than one hundred hours per month participate in a multiple-employer cost-sharing defined benefit pension plan. The Kentucky Employees Retirement System (KERS) Non-Hazardous Plan is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). The plan provides retirement, health, disability, and death benefits to plan participants. Cost-of-living adjustments are provided at the discretion of the State Legislature. Employees contribute 5% of creditable compensation. The Board of Trustees determines employer contribution rates necessary for the actuarial soundness of the retirement system as required by Kentucky Revised Statutes 61.565 and 61.702. The employer contribution is subject to approval by the Kentucky General Assembly through the adoption of the Biennial Executive Branch Budget. At June 30, 2020, the Center reported a liability of $4,444,932 for its proportionate share of the collective net pension liability. The Center's proportionate share is 0.031473% at June 30, 2019. This percentage is based on the long-term share of contributions of the Center to the total of all contributions from employers of qualifying participants.

Kentucky Revised Statutes 61.510 through 61.705 establishes and governs the plan. KERS issues a publicly available financial report that can be obtained at kyret.ky.gov.

The net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, have been determined on the same basis as they are reported by the Kentucky Retirement Systems. 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.

KENTUCKY ARTISAN CENTER at BEREA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020
(Continued)

Note 7 - Retirement Plan and Employee Benefit Plan (Continued)

Plan Description (Continued)

	Tier 1	Tier 2	Tier 3
	Participation Prior to 09/01/2008	Participation on 9/1/2008 through 12/31/2013	Participation on or after 1/1/2014
Covered Employees:	Substantially all regular full-time members employed in non-hazardous positions of any state department, board, or any agency directed by Executive Order to participate in the system.		
Benefit Formula:	(Final Compensation) X (Benefit Factor) X (Years of Service)		Cash Balance Plan
Final Compensation:	Average of the highest 5 fiscal years (must contain at least 48 months). Includes lump-sum compensation payments (before and at retirement).	5 complete fiscal years immediately preceding retirement; each year must contain 12 months. Lump-sum compensation payments (before and at retirement) are not to be included in creditable compensation.	No Final Compensation
Benefit Factor:	1.97%, or 2.0% for those retiring with service for all months between 1/1998 and 1/1999.	10 years or less = 1.10%. Greater than 10 years, but no more than 20 years = 1.30%. Greater than 20 years, but no more than 26 years = 1.50%. Greater than 26 years, but no more than 30 years = 1.75%. Additional years above 30 = 2.00% (2.00% benefit factor only applies to service earned in excess of 30 years).	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and methods adopted by the board based on member's accumulated account balance.
Cost of Living Adjustment (COLA):	No COLA unless authorized by the Legislature with specific criteria. This impacts all retirees regardless of Tier.		
Unreduced Retirement Benefit:	Any age with 27 years of service. Age 65 with 48 months of service. Money Purchase for age 65 with less than 48 months based on contributions and interest.	Rule of 87: Member must be at least age 57 and age plus earned service must equal 87 years at retirement to retire under this provision. Age 65 with 5 years of earned service. No Money Purchase calculations.	
Reduced Retirement Benefit:	Reduced by 6.5% per year for the first 5 years and 4.5% per year for the next 5 years for each year the member is younger than age 65 or has less than 27 years of service, whichever is smaller.	Reduced by 6.5% per year for the first 5 years and 4.5% per year for the next 5 years for each year the member is younger than age 65, or does not meet the rule of 87 (age plus service) and is younger than age 57, whichever is smaller.	No reduced retirement benefit

KENTUCKY ARTISAN CENTER at BEREA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020
(Continued)

Note 7 - Retirement Plan and Employee Benefit Plan (Continued)

Actuarial Valuation

State Contribution	71.03%
Member Contribution	5.00%
Actuarial Valuation Date	June 30, 2018 with roll-forward from the valuation date to the plan's fiscal year 2019 (measurement date) using generally accepted actuarial principles
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Investment Rate of Return	5.25%
Inflation Rate	2.30%
Payroll Growth	0.00%
Project Salary Increases	3.30% to 15.3% (varies by service)
Mortality Tables	Pub-2010 General Mortality Table
Experience Study	July 1, 2014-June 30, 2018

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the Kentucky Retirement Systems. The most recent analysis, performed for the period covering fiscal years 2014 through 2018, is outlined in a report dated April 18, 2019. 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.

KENTUCKY ARTISAN CENTER at BEREA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020
(Continued)

Note 7 - Retirement Plan and Employee Benefit Plan (Continued)

Actuarial Valuation (Continued)

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

The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the following table:

Kentucky Retirement Systems

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	15.75 %	4.30 %
Non US Equity	15.75 %	4.80 %
Private Equity	7.00 %	6.65 %
Specialty Credit \High Yield	15.00 %	2.60 %
Core Bonds	20.50 %	1.35 %
Cash	3.00 %	0.20 %
Real Estate	5.00 %	4.85 %
Opportunistic	3.00 %	2.97 %
Real Return	15.00 %	4.10 %
Total	100.0 %	

The actuarial valuation date is June 30, 2018 upon which the total pension liability is based. The pension liability was determined using the standard roll forward techniques. The roll forward calculation adds the annual normal cost, subtracts the actual benefit payments and refunds for the plan year and then applies the expected investment rate of return for the year.

A single discount rate of 5.25% was used to measure the total pension liability for the fiscal year ending June 30, 2020. These single discount rates are based on the expected rate of return on pension plan investments for each system. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the pension plan's fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for each system.

KENTUCKY ARTISAN CENTER at BEREA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020
(Continued)

Note 7 - Retirement Plan and Employee Benefit Plan (Continued)

Actuarial Valuation (Continued)

The projection of cash flows used to determine the single discount rate assumes that the Commonwealth contributes the actuarially determined contribution rate in all future years The discount rate is defined as the single rate of return that when applied to all projected payments results in an actuarial value of projected benefits payments. The pension plan's fiduciary net position and future contributions were projected to be sufficient to finance all benefit payments of current plan members. A municipal bond rate was not used.

The following presents the net pension liability of the Center, calculated using the discount rate of 5.25%, as well as what the Center's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.25%) or one percentage point higher (6.25%) :

	1% Decrease	Current Discount Rate	1% Increase
	4.25 %	5.25 %	6.25 %
Kentucky Artisan Center's Proportionate Share	$ 5,095,525	$ 4,444,932	$ 3,907,277

Deferred Inflows/Outflows of Resources

For the year ended June 30, 2020, the Center recognized pension expenses of $361,538 and deferred outflows and deferred inflows related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	$ 26,289	$ -
Changes in Assumptions	135,338	-
Net Difference between Projected and Actual Earnings on Investments	11,519	20,576
Change in Proportionate Share	1,406	148,193
Contributions Subsequent to the Measurement Date	332,878	-
Total	$ 507,430	$ 168,769

KENTUCKY ARTISAN CENTER at BEREA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020
(Continued)

Note 7 - Retirement Plan and Employee Benefit Plan (Continued)

Deferred Inflows/Outflows of Resources (Continued)

The $332,878 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized in pension expense as shown below:

	Amortization of Deferred Inflows / Outflows
2021	$ 17,364
2022	(8,421)
2023	(2,905)
2024	(256)
2025	-

KERS Non-Hazardous Membership

	2019 KERS Non-Hazardous
Retirees and Beneficiaries Receiving Benefits	46,526
Inactive Plan Members	50,435
Active Plan Members	35,139
Total	132,100

Pension Plan Fiduciary Net Position

The Center's fiduciary net position has been determined on the same basis used by KRS. KRS' combining financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the plan. Premium payments are recognized when due and payable in accordance with terms of the plan. Administrative and investment expenses are recognized when incurred.

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Short-term investments are reported at cost, which approximates fair value. See KRS' annual financial report previously referenced for further discussion of fair value measurements. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Gain (loss) on investments includes KRS' gains and losses on investments bought and sold as well as held during the fiscal year.

KENTUCKY ARTISAN CENTER at BEREA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020
(Continued)

Note 8 - Other Postemployment Benefits

Plan Description and Covered Employees

The Kentucky Employees Retirement System (KERS) Non-Hazardous Plan is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). It is a cost-sharing OPEB plan. Contribution rates for employer and employees are established by Kentucky Statutes. Members participating prior to September 2008 do not contribute to the OPEB plan directly; instead assets have been allocated between pension and retiree medical liabilities on the basis of accrued liability as of July 1, 2007. This amount has then been brought forward from that date based on actual cash flows and prorated allocation of investment returns. Members participating on or after September 2008 contribute 1% of their official salary. Employer contribution rates are actuarially determined and established in the Budget Bill. At June 30, 2020, the Center reported a liability of $699,612 for its proportionate of the collective net OPEB liability. The collective net OPEB liability is based on an actuarial valuation performed as of June 30, 2018. The OPEB liability was rolled-forward from the valuation date to the plans fiscal year end of June 30, 2019. The total OPEB liability was determined by an actuarial valuation as of the same date. The Center's proportionate share is 0.031473% at June 30, 2019. This percentage is based on the long-term share of contributions of the Center to the total of all contributions from employers of qualifying participants.

Publicly available financial reports for the Kentucky Retirement Systems can be accessed at kyret.ky.gov

The net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, have been determined on the same basis as they are reported by the Kentucky Retirement Systems. For this purpose, the Center recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

KENTUCKY ARTISAN CENTER at BEREA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020
(Continued)

Note 8 - Other Postemployment Benefits (Continued)

Plan Description and Covered Employees (Continued)

	Participation prior to 07/01/2003	Participation between 07/01/2003 and 08/31/2008	Participation on or after 09/01/2008
Plan Administrator:	The plan is administered by the Kentucky Employees Retirement System.		
Covered Employees:	Recipient of a retirement benefit from Kentucky Employees Retirement System are eligible to receive health care benefits.		
Benefit Factor:	Participation prior to 7/1/2003 hospital and medicial insurance premium payment for retiree and their qualifing dependence based on years of service (visit https://kyret.ky.gov for more details).	On or after 7/1/2003 but before 9/1/2008 employee must have 10 years of earned service at retirement to be eligible for insurance benefit. Benefit of $10.00 per month for each year of earned service without regard to a maximum dollar amount; adjusted by 1.5% annually.	Participation on or after 09/01/2008 employee must have 15 years of earned service at retirement to be eligible for insurance benefit. Benefit of $10.00 per month for each year of earned service without regard to a maximum dollar amount; adjusted by 1.5% annually.
Cost of Living Adjustment (COLA):	Members participating after 2008 receive 1.50% increase annually.		
Contribution Rate:	Contribution rates for the employer are actuarially determined. No member contribution.	Contribution rates for the employer are actuarially determined. No member contribution.	Contribution rates for the employer are actuarilly determined. Member contribution of 1% of salary.

KERS Membership

	Non-Hazardous
Retirees and Beneficiaries Receiving Benefits	29,940
Inactive Plan Members	5,971
Active Plan Members	34,973
Total	70,884

KENTUCKY ARTISAN CENTER at BEREA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020
(Continued)

Note 8 - Other Postemployment Benefits (Continued)

Actuarial Valuation

State Contribution	12.40 %
Member Contribution	Participation prior to 09/01/2008 make no contribution. Participation on or after 09/01/2008 contribute 1%
Contributions (Made in Thousands)	$64,282
Actuarial Valuation Date	June 30, 2018 with standard roll-forward to June 30, 2019.
Actuarial Cost Method	Entry age normal, level percentage of pay
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized.
Investment Rate of Return	6.25 %
Inflation Rate	2.30 %
Payroll Growth	0.00 %
Projected Salary Increases	3.30% to 15.30% (varies by service)
Healthcare Cost Trend Rates	Age Pre-65 Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. Age Post-65 Initial trend Starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years
Mortality Tables	The mortality table used for active members is PUB-2010 General Mortality projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For non-disabled retired members the mortality table used mortality experience from 2013-2018. For disabled members the MP-2014 mortality improvement scale with a base year of 2010 was used.
Experience Study	July 1, 2014 - June 30, 2018

KENTUCKY ARTISAN CENTER at BEREA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020
(Continued)

Note 8 - Other Postemployment Benefits (Continued)

Actuarial Valuation (Continued)

The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the table below.

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

KENTUCKY ARTISAN CENTER at BEREA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020
(Continued)

Note 8 - Other Postemployment Benefits (Continued)

Actuarial Valuation (Continued)

The discount used to measure the total OPEB liability was 5.73%. The single discount 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. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate. The employer contribution will be made at the actuarially determined contribution rate. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the System's actuarial determined contributions, and the subsidy will not be paid out of the System's trust. The following table presents the net OPEB liability calculated using a discount as well as what the liability would be if it was using a discount rate that is 1% point lower (4.73%) or 1% point higher (6.73%) than the current rate:

	1% Decrease 4.73 %	Current Discount Rate 5.73 %	1% Increase 6.73 %
Kentucky Artisan Center's Proportionate Share	$ 833,035	$ 699,612	$ 589,777

KENTUCKY ARTISAN CENTER at BEREA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020
(Continued)

Note 8 - Other Postemployment Benefits (Continued)

Actuarial Valuation (Continued)

The following table presents the new OPEB liability of the KRS OPEB Plan calculated using the healthcare cost trend 7.25% decreasing to 4.05% over 11 years for participants 65 and older and 13 years for participants 65 and younger, as well as the OPEB liability calculated using a healthcare cost trend rate that is 1% point lower or 1% point higher than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
Kentucky Artisan Center's Proportionate Share	$ 594,368	$ 699,612	$ 826,922

Deferred Inflows/Outflows of Resources

For the year ended June 30, 2020, the Artisan Center recognized OPEB expense of $47,482. Deferred outflows and deferred inflows related to OPEB are from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	$ -	$ 111,593
Changes in Assumptions	91,749	2,104
Net Difference between Projected and Actual Earnings on Investments	2,963	7,551
Change in Proportionate Share	-	41,398
Contributions Subsequent to the Measurement Date	66,544	-
Total	$ 161,256	$ 162,646

KENTUCKY ARTISAN CENTER at BEREA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020
(Continued)

Note 8 - Other Postemployment Benefits (Continued)

Deferred Inflows/Outflows of Resources (Continued)

The $66,544 reported as deferred outflows of resources related to OPEB resulting from contributions after the measurement date will be recognized as a reduction of net OPEB liability during the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows related to OPEB will be recognized as OPEB expense as follows:

Year ended June 30:		Amortization of Deferred Inflows / Outflows
2021	$	(10,918)
2022		(10,918)
2023		(31,547)
2024		(14,549)
2025		-

Note 9 - Related Parties

On occasion, board members or their organizations, colleges, or governmental units will use the Center's private dining and conference rooms at no charge. In addition, by statute, two members of the Authority Board are on the staff of Berea College, and the Center purchases items for resale from Berea College's Crafts Program. Berea College regularly sells work wholesale to other retailers.

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REQUIRED SUPPLEMENTARY INFORMATION

KENTUCKY ARTISAN CENTER at BEREA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

Schedule of Proportionate Share of the Net Pension Liability

	2020a	2019b	2018c	2017d	2016e	2015f
Employer's Portion of the collective Net Pension Liability(assets)	0.031473%	0.033534%	0.033500%	0.035889%	0.035604%	0.035735%
Employer's share of the net Pension Liability	$ 4,444,932	$ 4,561,890	$ 4,485,628	$ 4,091,158	$ 3,571,738	$ 3,206,080
Covered Employee Payroll	$ 467,643	$ 506,348	$ 536,803	$ 585,359	$ 549,809	$ 563,718
Employers's Proportionate share of the Net Pension Liability as a percentage of Covered Payroll	950.50%	900.94%	835.62%	698.91%	649.63%	568.74%
Plan fiduciary net position as a percentage of total pension liability	13.66%	12.84%	13.32%	14.80%	18.83%	22.32%

This is a ten-year schedule. Years will be added to this schedule in future years until ten years of information is presented.

Schedule of Employer's Contributions Pension

	2020	2019	2018	2017	2016	2015
Actuarially required contribution	$ 408,243	$ 353,919	$ 203,890	$ 208,977	$ 182,531	$ 186,160
Employer Contribution in relation to the actuarial contribution	(332,878)	(347,232)	(210,289)	(253,636)	(184,141)	(186,427)
Contribution deficiency (excess)	$ 75,365	$ 6,687	$ (6,399)	$ (44,659)	$ (1,610)	$ (267)
Covered-employee payroll	$ 489,324	$ 498,266	$ 512,149	$ 536,803	$ 585,359	$ 551,832
Contribution as a percentage of Covered Employee Payroll	68.03 %	69.69 %	41.06 %	47.25 %	31.46 %	33.78 %

This is a ten-year schedule. Years will be added to this schedule in future years until ten years of information is presented.

[a] This column is based on the measurement date of June 30, 2019
[b] This column is based on the measurement date of June 30, 2018
[c] This column is based on the measurement date of June 30, 2017
[d] This column is based on the measurement date of June 30, 2016
[e] This column is based on the measurement date of June 30, 2015
[f] This column is based on the measurement date of June 30, 2014

KENTUCKY ARTISAN CENTER at BEREA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

Notes to RSI Pension Contributions

	2020	2019	2018	2017	2016	2015
Notes to Schedule as of Measurement Date						
Valuation date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2015	June 30, 2015	June 30, 2013
Methods and assumptions used to determine contributions						
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Method	Level percentage of payroll	Level percentage of payroll	Level percentage of payroll	Level percentage of payroll	Level percentage of payroll	Level percentage of payroll
Amortization Period	26 year, closed	27 year, closed	28 year, closed	27 year, closed	28 year, closed	29 year, closed
Payroll Growth Rate	0.00%	4.00%	4.00%	4.00%	4.00%	4.50%
Investment Return	5.25%	6.75%	7.50%	6.75%	7.50%	7.50%
Inflation	2.30%	3.25%	3.25%	3.25%	3.25%	3.25%
Projected Salary Increase	3.55% to 15.55%	4.0%, average	4.0%, average	4.0%, average	4.0%, average	4.0%, average

This is a ten year schedule. Years will be added to this schedule in future years until ten years of information is presented.

KENTUCKY ARTISAN CENTER at BEREA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020
(Continued)

Schedule of Proportionate Share of the Net OPEB Liability

	2020a	2019b	2018c
Employer's Portion of the collective Net OPEB Liability(assets)	0.031473%	0.033504%	0.033504%
Employer's share of the net OPEB Liability	$ 699,612	$ 794,350	$ 849,648
Covered Employee Payroll	$ 477,116	$ 527,319	$ 533,751
Employers's Proportionate share of the Net OPEB Liability as a percentage of Covered Payroll	146.63%	150.64%	159.18%
Plan fiduciary net position as a percentage of total OPEB liability	30.92%	27.32%	13.32%

This is a ten year schedule. Years will be added to this schedule in future years until ten years of information is presented.

Schedule of Employer's Contributions OPEB

	2020	2019	2018
Actuarially required contribution	$ 58,112	$ 62,980	$ 43,072
Employer Contribution in relation to the actuarial contribution	58,112	59,960	43,072
Contribution deficiency (excess)	$ -	$ 3,020	$ -
Covered-employee payroll	$ 468,644	$ 570,905	$ 512,149
Contribution as a percentage of Covered Employee Payroll	12.40%	10.50%	8.41%

This is a ten year schedule. Years will be added to this schedule in future years until ten years of information is presented.

[a] This column is based on the measurement date of June 30, 2019.
[b] This column is based on the measurement date of June 30, 2018.
[c] This column is based on the measurement date of June 30, 2017.

KENTUCKY ARTISAN CENTER at BEREA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020
(Continued)

Notes to RSI OPEB Contributions

	2020	2019	2018
Notes to Schedule as of Measurement Date			
Valuation date	June 30, 2017	June 30, 2016	June 30, 2015
Methods and assumptions used to determine contributions			
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Asset Valuation Method	20% of the difference between the market value of assets adnd the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Method	Level percentage of payroll	Level percentage of payroll	Level percentage of payroll
Amortization Period	26 years, closed	27 years, closed	28 years, closed
Payroll Growth Rate	0.00%	4.00%	4.00%
Investment Return	6.25%	6.75%	7.50%
Inflation	2.30%	3.25%	3.25%
Projected Salary Increase	3.55% to 15.55%	4.0%, average	4.0%, average

Mortality for 2018

RP-2000 Combined Mortality Table, projected to 2013 with Scale BB Set Back one year for females.

Healthcare Trend Rates (Pre-65)

Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

Healthcare Trend Rates (Post-65)

Initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

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

MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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*

Independent Auditor's Report

Todd Finley, Executive Director
Kentucky Artisan Center at Berea
Board of Directors

We have audited, 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, the financial statements of the Kentucky Artisan Center at Berea (Center) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated October 19, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center'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 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 over financial reporting 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 financial reporting 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 Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center'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 Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Mike Harmon
Auditor of Public Accounts

October 19, 2020