

KNOX COUNTY SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022**

with

REPORT OF INDEPENDENT AUDITORS

TABLE OF CONTENTS

Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	11
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	14
Statement of Net Position – Proprietary Funds	15
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	16
Statement of Cash Flows – Proprietary Funds.....	17
Notes to the Basic Financial Statements	18
Required Supplementary Information	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	49
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Special Revenue Fund	50
Notes to Required Supplementary Information – Budget and Actual – General Fund and Special Revenue Fund.....	51

Schedule of the District's Proportionate Share of the Net Pension Liability – County Employees Retirement System	52
Schedule of District Contributions – County Employees Retirement System	53
Notes to Required Supplementary Information – County Employees Retirement System – Pension Fund	54
Schedule of District's Proportionate Share of Net OPEB Liability – County Employees Retirement System – Medical Insurance Plan	55
Schedule of District Contributions – County Employees Retirement System- Medical Insurance Plan	56
Notes to Required Supplementary Information – County Employees Retirement System- Medical Insurance Plan.....	57
Schedule of the State's Proportionate Share of the Net Pension Liability – Kentucky Teachers' Retirement System.....	58
Schedule of State Contributions – Kentucky Teacher's Retirement System.....	59
Notes to Required Supplementary Information – Kentucky Teacher's Retirement System	60
Schedule of the District's Proportionate Share of Net OPEB Liability – Kentucky Teachers' Retirement System Medical Insurance Plan.....	61
Schedule of District Contributions – Kentucky Teachers' Retirement System – Medical Insurance Plan	62
Notes to Required Supplementary Information – Kentucky Teachers' System – Medical Insurance Plan	63
Schedule of the States' Proportionate Share of Net OPEB Liability – Kentucky Teachers' Retirement System– Life Insurance Plan.....	64
Schedule of State Contributions – Kentucky Teachers' Retirement System – Life Insurance Plan	65
Notes to Required Supplementary Information – Kentucky Teachers' Retirement System – Life Insurance Fund	66
Other Supplementary Information	
Combining Balance Sheet – Nonmajor Governmental Funds	67
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	68
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Elementary and Middle School Activity Funds	69
Statement of Revenues, Expenditures, and Changes in Fund Balances – Knox Central High School Activity Fund	70

Statement of Revenues, Expenditures, and Changes in Fund Balances – Lynn Camp High School (Formerly Lynn Camp Middle/High School) Activity Fund.....	72
Schedule of Expenditures of Federal Awards.....	75
Notes to the Schedule of Expenditures of Federal Awards.....	77
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	78
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	80
Schedule of Findings and Questioned Costs.....	82
Schedule of Prior Year Audit Findings	85
Independent Auditors' Transmittal Letter for Management Letter Comments	87
Management Letter Comments	88



Cloyd & Associates, PSC

*Certified Public Accountants
and
Business Advisors*

INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for
School District Audits
Members of the Board of Education
Knox County School District
Barbourville, Kentucky

Report on the Audit of the Financial Statements

Opinions

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 Knox County School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 Knox County School District, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the 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 *Appendix I to the Auditor's Contract-General Audit Requirements and Appendix II to the Independent Auditor's Contract-State Audit Requirements*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Knox County School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit program.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Knox County School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.





Cloyd & Associates, PSC

*Certified Public Accountants
and
Business Advisors*

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and the pension and other postemployment benefits liability and contributions information per 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.





Cloyd & Associates, PSC

*Certified Public Accountants
and
Business Advisors*

Supplementary Information

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

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, and the schedule of expenditures of federal awards, as required by the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 10, 2022, on our consideration of Knox 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Knox County School District's internal control over financial reporting and compliance.

Cloyd & Associates, PSC

Cloyd & Associates, PSC
London, Kentucky
November 10, 2022



**KNOX COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
For the year ended June 30, 2022**

The management of Knox County School District offers readers this narrative overview and analysis of the financial activities and educational programs of the District for the fiscal year ended June 30, 2022. We encourage readers to review the information presented here in conjunction with additional information found within the body of this audit.

This Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, issued June 1999; GASB Statement No. 37, Basic Financial Statement - and Management Discussion and Analysis - for State and Local Governments: Omnibus, an amendment to GASB Statements No. 21 and No. 34, issued in June 2001; and in GASB Statement No. 38, Certain Financial Statement Note Disclosures, issued in 2001. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

- The District provides all day kindergarten and full day kindergarten is being funded in each year of the two year biennium beginning with school year 2021-2022 as a result of the 2022 state regular legislative session.
- The District supplements the transportation expenses that are unfunded by the state through the SEEK allocation. The state funded 38.4% (\$1,408,689) of the district's general fund actual transportation expenditures exclusive of capital asset purchases of \$3,667,040.
- The ending cash balance for the District, was \$18,031,447 at June 30, 2022 and \$4,224,409 at June 30, 2021. The construction fund had a cash and cash equivalents balance of \$9,625,088 at June 30, 2022 versus \$299,688 at June 30, 2021. The increase in the construction fund cash is primarily due to the receipt of funds from the state for the Knox County Career and Technical Center project.
- The General Fund had \$41,506,746 in revenue (excluding interfund transfers in), which primarily consisted of the state SEEK payments, state on behalf payments, property, utilities, and motor vehicle taxes. Of this total revenue amount, State SEEK and On behalf payments total \$33,421,833. Excluding interfund transfers out for debt service, technology offer matches, and construction payments, there were \$40,121,543 in General Fund expenditures.
- Total State On Behalf payments was \$13,408,260 in 2022 and \$13,235,719 in 2021. Of this amount the District's on behalf teacher retirement amount was \$6,329,399 in 2022 and \$6,218,655 in 2021. The District is required to report all payments made by the state on our behalf which includes teacher retirement, health insurance, life insurance, HRA/Dental/Vision, administration fees, technology, and school facility construction debt service payments.
- The District ended FY2022 with a total general fund balance of \$8,084,250, which is a increase of \$2,639,517 over FY2021. The increase is primarily due to the net effect of additional state SEEK and other revenues.
- The District levied the compensating tax rate of 52.40 cents for real estate, 52.80 cents tangible property, continued the 50.20 cents for motor vehicles per \$100 in assessed value, and continued the 3% utility tax. The compensating rate when applied to the current year's property assessment, excluding new property, produces an amount of revenue equal to that produced in the preceding year.
- The District issued School Building Revenue Bonds in the amount of \$540,000 in November 2021 for the replacement of the Waste Water Treatment Plant at Flat Lick Elementary School. The bonds will be repaid over a twenty year period and the first interest payment of \$5,744 was made in June 2022.
- The District issued KISTA bonds in March 2016 for the purchase and financing of seven buses in the amount of \$869,813. The District paid \$87,672 in principal payments on the issue during the current fiscal year. The principal balance due on this issue at June 30, 2022 is \$339,530.
- The District issued KISTA bonds in March 2014 for the purchase and financing of ten buses in the amount of \$940,040. The District paid \$98,663 in principal payments on the issue during the current fiscal year. The principal balance due on this issue at June 30, 2022 is \$172,660.

KNOX COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)-CONTINUED For the year ended June 30, 2022

- The District bond debt decreased by \$3,050,000 during fiscal year 2022, which includes payments by the District and the School Facilities Construction Commission.
- The District was allocated \$2,465,923 in ESSER I funds beginning in fiscal year 2020-2021 to support the coronavirus (covid 19) crisis response efforts. The remaining funds of \$89,333 was spent during 2021-2022 for cleaning and disinfecting supplies and other costs to support the continuity of learning.
- The District was allocated \$12,081,473 in ESSER II funds beginning in fiscal year 2020-2021. These additional funds are also allowable to address learning loss, prepare schools for reopening and testing, repairing, and upgrading projects to improve air quality in school buildings. \$4,955,258 was spent during 2021-2022 year using the ESSER II funds. These expenditures were payments for supplemental after school tutoring, summer school instruction, digital curriculum software, after school and summer school transportation costs, disinfecting and cleaning supplies, mobile teacher workstations, and wireless network service and components. The primary purpose of these funds spent was to support virtual learning and address learning loss among our students which was a result of covid 19 pandemic.
- The American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund under the American Rescue Plan (ARP) Act of 2021, Public Law 117-2, was authorized to provide emergency aid to states to combat the COVID-19 pandemic. The District was allocated \$26,045,790 in ARP ESSER funds beginning in fiscal year 2020-2021. These additional funds are available to help safely reopen and sustain the safe operation of schools and address the impact of learning loss that the coronavirus pandemic had on students. Of this amount, \$4,242,425 was spent during 2021-2022. These funds were primarily spent for summer school instruction, additional teachers, interventionists, and other instructional staff costs, all of which targeted learning loss among our students resulting from the covid 19 pandemic. The District also purchased six buses that are being used to enforce social distancing to reduce the number of students on buses that we are transporting. This practice is one of our many responses to aid in the prevention and lessen the transmission of covid 19.

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 to the basic financial statements themselves.

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

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

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The government-wide financial statements outline functions of the District that are primarily 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 asset acquisitions and related debt are also supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on the table of contents of this report.

**KNOX COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
For the year ended June 30, 2022**

Fund financial statement. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. There is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary, and fiduciary funds.

Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary funds are food service and day care operations. All other activities of the District are included in the governmental funds. The basic governmental fund financial statements can be found on the table of contents of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The financial statements can be found on pages 9 to 17 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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 used 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, 2022

Fiscal year 2022 government-wide net position compared to 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 22,001,662	\$ 9,272,422
Capital assets	59,191,563	59,211,856
Total assets	<u>\$ 81,193,225</u>	<u>\$ 68,484,278</u>
Deferred outflow of resources	<u>\$ 9,477,272</u>	<u>\$ 8,626,674</u>
Current liabilities	\$ 5,611,900	\$ 5,757,521
Noncurrent liabilities	54,947,583	62,374,734
Total liabilities	<u>\$ 60,559,483</u>	<u>\$ 68,132,255</u>
Deferred inflow of resources	<u>\$ 10,708,453</u>	<u>\$ 5,636,142</u>
Net investment in capital asse	\$ 30,633,215	\$ 27,559,104
Restricted net position	9,968,801	(571,956)
Unrestricted net position	(21,199,455)	(23,644,593)
Total net position	<u>\$ 19,402,561</u>	<u>\$ 3,342,555</u>

KNOX COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)-CONTINUED

For the year ended June 30, 2022

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the District, governmental assets exceeded liabilities by approximately \$20,165,360; proprietary liabilities exceeded assets by \$762,799 and total assets exceeded liabilities by \$19,402,561 at June 30, 2022.

The District had an overall decrease in unrestricted net position of \$2,445,138.

The following table presents a fund accounting comparison and summary of revenue and expense for Government Funds only for the fiscal years 2022 and 2021.

Total Revenue	<u>\$ 75,046,719</u>	<u>\$ 59,865,274</u>
Expenditures and other financing uses		
Instruction	38,194,887	35,570,294
Student support services	3,221,665	3,206,916
Instructional support	1,954,469	1,744,711
District administration	718,803	759,264
School administration	2,943,554	2,631,078
Business operations	960,897	984,218
Plant operations and maintenance	4,672,027	4,646,795
Student transportation	4,581,962	3,318,599
Food service operations	68,054	-
Community services	643,525	748,553
Site improvements	556,204	-
Building improvements	1,083,088	884,000
Debt service	<u>4,112,627</u>	<u>4,079,420</u>
Total expenditures	<u>63,711,762</u>	<u>58,573,848</u>
Excess revenues (expenditures)	<u>\$ 11,334,957</u>	<u>\$ 1,291,426</u>
Other financing sources (uses)		
Proceeds from sale of assets	\$ 175,665	\$ 347
Proceeds of bonds	540,000	-
Transfers in	4,191,255	3,391,487
Transfers out	<u>(4,191,255)</u>	<u>(3,301,487)</u>
Total other financing sources (uses)	<u>\$ 715,665</u>	<u>\$ 90,347</u>
Net change in fund balance	<u>\$ 12,050,622</u>	<u>\$ 1,381,773</u>

**KNOX COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
For the year ended June 30, 2022**

On-behalf payments are included in the above amounts. On-behalf, as defined by the KDE, are payments the state makes on behalf of employees to the various agencies for health and life insurance, retirement, and administration fees. The on-behalf payments are allocated to expense as mandated by the KDE and are credited to revenues; therefore, have no effect on the District's level fund balance.

BUDGETARY IMPLICATION

In Kentucky the public school fiscal year is July 1 through June 30; other programs, such as, some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a working budget that met the minimum contingency requirements. Significant variations in the actual results of operations and the final budget are primarily due to on-behalf payments that are included in the financial statements, but are not budgeted by the District.

Comments on Budget Comparisons

- The District's total general fund revenues for the fiscal year ended June 30, 2022 were \$41,506,746, excluding transfers.
- General fund budgeted revenue compared to actual revenue varied from line item to line item with the ending actual balance being \$539,525 more than budget or 1.32% more than budget.
- The total cost of all general fund programs and services for the fiscal year ended June 30, 2022 was \$40,121,543, excluding transfers.
- General fund budgeted expenditures compared to actual expenditures varied from line item to line item with the ending actual balance being \$7,143,793 or 15.11% less than budgeted.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

Questions regarding this report should be directed to the Superintendent at 606-546-3157, ext. 2400, Director of Financial Services at 606-546-3157, ext. 2425, or by mail at 200 Daniel Boone Drive, Barbourville, Kentucky 40906.

KNOX COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION
June 30, 2022

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 16,756,542	\$ 1,274,905	\$ 18,031,447
Investments-Certificates of Deposits	1,280,037	-	1,280,037
Accounts receivable:			
Taxes	174,570	-	174,570
Other	77,876	-	77,876
Intergovernmental - State	193,596	-	193,596
Intergovernmental - Federal	2,127,581	47,544	2,175,125
Inventory	-	69,010	69,010
Capital Assets, net			-
Nondepreciable	4,595,576	-	4,595,576
Depreciable	54,139,335	456,652	54,595,987
Total assets	<u>79,345,113</u>	<u>1,848,111</u>	<u>81,193,224</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred amounts from refunding bonds	662,356	-	662,356
Deferred outflows - pensions	2,911,871	392,942	3,304,813
Deferred outflows - OPEB	2,677,564	361,323	3,038,887
Deferred outflows - OPEB KTRS	2,471,216	-	2,471,216
	<u>8,723,007</u>	<u>754,265</u>	<u>9,477,272</u>
LIABILITIES			
Accounts payable	693,982	8,325	702,307
Advances from grantors	171,887	-	171,887
Accrued salaries and benefits payable	949,207	-	949,207
Current portion of accumulated sick leave	290,000	-	290,000
Current portion of capital lease obligations	174,492	-	174,492
Current maturities of bond obligations	3,145,000	-	3,145,000
Interest payable	179,007	-	179,007
Net pension liability	15,050,333	2,030,967	17,081,300
Net OPEB liability	4,518,102	609,695	5,127,797
Net OPEB - KTRS liability	6,484,000	-	6,484,000
Noncurrent portion of capital lease obligations	337,698	-	337,698
Noncurrent maturities of bond obligations	25,430,000	-	25,430,000
Bond premium net of amortization	133,514	-	133,514
Noncurrent portion of accumulated sick leave	353,274	-	353,274
Total liabilities	<u>57,910,496</u>	<u>2,648,987</u>	<u>60,559,483</u>
DEFERRED INFLOW OF RESOURCES			
Deferred inflow - pension	2,841,200	383,406	3,224,606
Deferred inflow- OPEB	2,466,065	332,782	2,798,847
Deferred inflow- OPEB - KTRS	4,685,000	-	4,685,000
	<u>9,992,265</u>	<u>716,188</u>	<u>10,708,453</u>
NET POSITION			
Net investment in capital assets	30,176,563	456,652	30,633,215
Permanent -non-spendable	38,162	-	38,162
Restricted for:			
Capital expenditures	9,733,275	-	9,733,275
Other	1,416,815	-	1,416,815
Unrestricted	(21,199,456)	(1,219,451)	(22,418,907)
Total net position	<u>\$ 20,165,359</u>	<u>\$ (762,799)</u>	<u>\$ 19,402,560</u>

**KNOX COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year ended June 30, 2022**

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental activities							
Instruction	\$ 39,376,603	\$ -	\$ 20,605,582	\$ -	\$ (18,771,021)	\$ -	\$ (18,771,021)
Student	3,222,465	-	1,686,888	-	(1,535,577)	-	(1,535,577)
Instructional support	1,961,356	-	1,026,726	-	(934,630)	-	(934,630)
District administration	667,974	-	349,669	-	(318,305)	-	(318,305)
School administration	2,903,089	-	1,519,702	-	(1,383,387)	-	(1,383,387)
Business support	960,898	-	503,008	-	(457,890)	-	(457,890)
Plant operations and maintenance	5,471,073	-	2,708,335	-	(2,762,738)	-	(2,762,738)
Student transportation	3,837,431	-	2,008,809	-	(1,828,622)	-	(1,828,622)
Food service operations	68,054	-	35,625	-	(32,429)	-	(32,429)
Community services	593,067	-	621,852	-	28,785	-	28,785
Other non-instructional services	50,458	-	26,414	-	(24,044)	-	(24,044)
Interest on long-term debt	835,591	-	-	1,686,792	851,201	-	851,201
Total governmental activities	59,948,059	-	31,092,610	1,686,792	(27,168,657)	-	(27,168,657)
Business-type activities							
Food service	2,950,137	63,044	3,690,397	-	-	803,304	803,304
Total business-type activities	2,950,137	63,044	3,690,397	-	-	803,304	803,304
Total primary government	\$ 62,898,196	\$ 63,044	\$ 34,783,007	\$ 1,686,792	(27,168,657)	803,304	(26,365,353)
General revenues							
Taxes:							
Property					4,824,864	-	4,824,864
Motor vehicle					1,045,728	-	1,045,728
Utility					1,391,200	-	1,391,200
Other					-	-	-
Earnings on investments					20,963	1,900	22,863
State grants					33,491,020	-	33,491,020
Other local amounts					1,493,540	-	1,493,540
Transfers					-	-	-
Gain/(loss) on disposal of assets					156,144	-	156,144
Total general revenues					42,423,459	1,900	42,425,359
Change in net position					15,254,802	805,204	16,060,006
Net position July 1, 2021					4,910,558	(1,568,003)	3,342,555
Net position as of June 30, 2022					\$ 20,165,360	\$ (762,799)	\$ 19,402,561

The accompanying notes are an integral part of these financial statements.

KNOX COUNTY SCHOOL DISTRICT

**BALANCE SHEET -
GOVERNMENTAL FUNDS
June 30, 2022**

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 6,384,073	\$ -	\$ 10,372,470	\$ 16,756,543
Investments-Certificates of Deposits	1,100,242	-	179,795	1,280,037
Accounts receivable:				
Taxes	174,570	-	-	174,570
Other	72,891	503	4,482	77,876
Intergovernmental - State	-	193,596	-	193,596
Intergovernmental - Federal	-	2,127,581	-	2,127,581
Inventory	-	-	-	-
Interfund receivable	1,929,802	-	-	1,929,802
Total assets	\$ 9,661,578	\$ 2,321,680	\$ 10,556,747	\$ 22,540,005
LIABILITIES AND FUND BALANCES				
Liabilities				
Interfund payable	\$ -	\$ 1,929,802	\$ -	\$ 1,929,802
Accounts payable	338,121	219,991	135,871	693,983
Advances from grantors	-	171,887	-	171,887
Accrued salaries & benefit payable	949,207	-	-	949,207
Current portion of accumulated sick leave	290,000	-	-	290,000
Total liabilities	1,577,328	2,321,680	135,871	4,034,879
Fund balances				
Non-spendable	38,162	-	-	38,162
Restricted	187,940	-	10,420,876	10,608,816
Committed	276,212	-	-	276,212
Assigned	265,062	-	-	265,062
Unassigned	7,316,874	-	-	7,316,874
Total fund balances	8,084,250	-	10,420,876	18,505,126
Total liabilities and fund balances	\$ 9,661,578	\$ 2,321,680	\$ 10,556,747	\$ 22,540,005

The accompanying notes are an integral part of these financial statements.

KNOX COUNTY SCHOOL DISTRICT

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION**

June 30, 2022

Total fund balances - governmental funds	\$ 18,505,126
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	58,734,911
Deferred outflows of resources are not recorded in the government fund financial statements because they do not affect current resources but are recorded in the statement of net position.	8,723,007
Bonds payable are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but they are presented in the statement of net position.	(28,575,000)
Capital leases payable are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but they are presented in the statement of net position.	(512,190)
The long term portion of accumulated sick leave is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(353,274)
Net pension and OPEB obligations are not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(26,052,435)
Deferred inflows of resources are not recorded in the government fund financials because they do not affect current resources but are recorded in the statement of net position.	(9,992,265)
Bond premiums net of amortization is recorded as a liability on the statement of net position, but is recorded as a revenue in the government fund financials.	(133,514)
Interest payable is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	<u>(179,007)</u>
Total net position - governmental activities	<u>\$ 20,165,359</u>

KNOX COUNTY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended June 30, 2022**

	General Fund	Special Revenue Funds	Other Governmental Funds	Total Governmental Funds
Revenues				
From local sources:				
Taxes:				
Property	\$ 4,265,287	\$ -	\$ 559,577	\$ 4,824,864
Motor vehicle	1,045,728	-	-	1,045,728
Utility	1,391,200	-	-	1,391,200
Unmined minerals tax	-	-	-	-
Earnings on investments	18,916	34	2,013	20,963
Other local	326,672	139,114	1,027,754	1,493,540
Tuition	-	-	-	-
Intergovernmental - State	34,240,293	2,904,234	13,265,574	50,410,101
Intergovernmental - Federal	218,650	15,641,673	-	15,860,323
	<u>41,506,746</u>	<u>18,685,055</u>	<u>14,854,918</u>	<u>75,046,719</u>
Expenditures				
Current:				
Instruction	23,397,306	13,926,959	870,622	38,194,887
Student support services	2,799,591	421,271	803	3,221,665
Instructional staff support	1,477,512	446,045	30,912	1,954,469
District administration	717,217	1,586	-	718,803
School administration	2,943,193	361	-	2,943,554
Business support	904,976	55,921	-	960,897
Plant operations and maintenance	4,630,868	41,159	-	4,672,027
Student transportation	3,046,772	1,457,035	78,155	4,581,962
Food service operations	-	68,054	-	68,054
Community services	450	592,617	50,458	643,525
Site improvements	-	-	556,204	556,204
Building improvements	-	-	1,075,612	1,075,612
Debt service	203,658	-	3,916,445	4,120,103
	<u>40,121,543</u>	<u>17,011,008</u>	<u>6,579,211</u>	<u>63,711,762</u>
Excess (deficit) of revenues over (under) expenditures	1,385,203	1,674,047	8,275,707	11,334,957
Other financing sources (uses)				
Proceed from sale of fixed assets	175,665	-	-	175,665
Proceeds of bonds	-	-	540,000	540,000
Transfers in	1,565,655	80,476	2,545,124	4,191,255
Transfers out	(487,006)	(1,754,523)	(1,949,726)	(4,191,255)
	<u>1,254,314</u>	<u>(1,674,047)</u>	<u>1,135,398</u>	<u>715,665</u>
Net change in fund balance	2,639,517	-	9,411,105	12,050,622
Fund balance June 30, 2021	<u>5,444,733</u>	<u>-</u>	<u>1,009,772</u>	<u>6,454,505</u>
Fund balance as of June 30, 2022	<u>\$ 8,084,250</u>	<u>\$ -</u>	<u>\$ 10,420,877</u>	<u>\$ 18,505,127</u>

KNOX COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year ended June 30, 2022

Net change in total fund balances - governmental funds	\$ 12,050,622
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in the governmental fund financial statements because they use current financial resources, but they are treated as assets in the statement of net position and depreciated over their estimated economic lives. The difference is the amount by which depreciation exceeds capital outlay expense for the year.	22,160
Amortization of deferred outflows or resources is not recognized in the governmental fund financial statements but is a component of interest in the statement of activities.	(140,822)
Bond and capital lease payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are reductions of liabilities in the statement of net position.	2,696,335
Interest payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are expensed as incurred in the statement of activities.	23,678
Pension expense is not recognized on the governmental fund financial statements but is recognized as an expense on the statement of activities	615,577
Bond premium amortization is recognized as revenue in the statement of activities but is not recognized in the fund financial statements	26,702
Accumulated sick leave is recognized by the amount earned in the statement of activities, but the governmental fund financial statements only recognize the obligations anticipated to be retired from existing financial resources.	<u>(39,450)</u>
Change in net position - governmental activities	<u>\$ 15,254,802</u>

KNOX COUNTY SCHOOL DISTRICT

**STATEMENT OF NET POSITION -
PROPRIETARY FUNDS**

June 30, 2022

	<u>Food Service Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,274,905
Accounts receivable	47,544
Inventory	<u>69,010</u>
Total current assets	<u>1,391,459</u>
Noncurrent assets	
Capital assets	2,941,095
Less accumulated depreciation	<u>(2,484,443)</u>
Total noncurrent assets	<u>456,652</u>
Total assets	<u>1,848,111</u>
Deferred outflow of resources	
Deferred outflows - OPEB	361,323
Deferred outflows - pension	<u>392,942</u>
	<u>754,265</u>
LIABILITIES	
Current liabilities	
Accounts payable	<u>8,325</u>
Noncurrent liabilities	
Net OPEB liability	609,695
Net pension liability	<u>2,030,967</u>
Total liabilities	<u>2,648,987</u>
Deferred inflow of resources	
Deferred inflows - OPEB	332,782
Deferred inflows - pension	<u>383,406</u>
	<u>716,188</u>
NET POSITION	
Net investment in capital assets	456,652
Unrestricted	<u>(1,219,451)</u>
Total net position	<u>\$ (762,799)</u>

The accompanying notes are an integral part of these financial statements.

KNOX COUNTY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
Year ended June 30, 2022**

	<u>Food Service Fund</u>
Operating revenues	
Lunchroom sales	<u>63,044</u>
Total operating revenues	<u>63,044</u>
Operating expenses	
Salaries and wages	767,356
Employee benefits	522,723
Materials and supplies	1,617,604
Depreciation	<u>42,454</u>
Total operating expenses	<u>2,950,137</u>
Operating loss	<u>(2,887,093)</u>
Nonoperating revenues	
Federal grants	3,240,030
State grants	233,870
Donated commodities	216,497
Interest income	<u>1,900</u>
Total nonoperating revenues/(expenses)	<u>3,692,297</u>
Income before contributions, transfers, and special items	805,204
Transfers in (out)	<u>-</u>
Change in net position	805,204
Net position July 1, 2021	<u>(1,568,003)</u>
Net position as of June 30, 2022	<u>\$ (762,799)</u>

KNOX COUNTY SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS**

Year ended June 30, 2022

	<u>Food Service Fund</u>
Cash flows from operating activities	
Cash received from:	
Lunchroom sales	\$ 65,382
Other activities	-
Cash paid to/for:	
Employees	(1,254,019)
Supplies	(1,444,669)
Net cash used in operating activities	<u>(2,633,306)</u>
Cash flows from non-capital financing activities	
Grants received	3,473,900
Transfer from (to) general fund	-
Net cash used in non-capital financing activities	<u>3,473,900</u>
Cash flows from investing activities	
Interest received on investments	<u>1,900</u>
Net cash used in capital and related activities	<u>1,900</u>
Net increase in cash and cash equivalents	842,494
Cash and cash equivalents as of June 30, 2021	<u>432,411</u>
Cash and cash equivalents as of June 30, 2022	<u>\$ 1,274,905</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income/ (loss)	\$ (2,887,093)
Adjustments to reconcile change in net position to net cash used in operating activities:	
(Increase) Decrease in accounts receivable	2,338
(Increase) Decrease in Inventory	(3,690)
Purchase of fixed assets	-
Increase (Decrease) in accounts payable	(39,872)
Pension expense	36,060
Donated commodities	216,497
Depreciation	<u>42,454</u>
Net cash used in operating activities	<u>\$ (2,633,306)</u>
Schedule of non-cash transactions:	
Depreciation	42,454
Donated commodities	<u>216,497</u>
Total non-cash transactions	<u>\$ 258,951</u>

The accompanying notes are an integral part of these financial statements.

1. REPORTING ENTITY

The Knox 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 Knox County School District ("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 and activities relevant to the operation of the Knox County Board of Education. The basic financial statements presented herein do not include funds of groups and organizations, which, although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc. Such funds or groups have been considered as prospective component units under GASB Statement Number 39, *Determining Whether Certain Organizations Are Component Units*, and have been determined to have insignificant assets, liabilities, equity, revenue and expenditures to be considered component units. In addition, the Board has the ability to exert little control over the fiscal activities of the funds or groups.

The basic 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:

Knox County School District Finance Corporation – In a prior year, the Knox County Board of Education resolved to authorize the establishment of the Knox County School District Finance Corporation (a non-profit, non-stock, public and charitable 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 for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The District has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 to its proprietary funds, unless those pronouncements conflict or contradict GASB pronouncements.

The following is a summary of the basis of presentation:

Government-wide Financial Statements - The statement of net position and the statement of revenues, expenses, and changes in net position 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, which normally are supported by tax revenues, and those that are considered business-type activities, which rely significantly on fees and charges for support.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. 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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District. 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 the changes in total fund balances. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Accounting principles generally accepted in the United States of America require that the General Fund be reported as a major fund. All other governmental and proprietary funds whose assets, liabilities, revenues, or expenditures comprise at least 10% of the total for the relevant fund category and at least 5% of the corresponding total for all governmental and proprietary funds combined must also be reported as major funds.

The District has the following funds:

I. Government Fund Types

The General Fund is the main operating fund of the District. It accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. This is a budgeted fund, and any fund balance is considered resources available for use. This is always a major fund of the District.

The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the 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. This is a major fund of the District.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

I. Government Fund Types - continued

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds). The Capital Projects Funds account for revenue and expenditures from three sources:

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction and/or remodeling. This is a major fund of the District.

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 Activity Fund reports all district and school level receipts that belong to the District and are not part of the student activity groups.

The School Activity Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the *Accounting Procedures for Kentucky School Activity Funds*.

The Permanent Fund reports resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting governments programs.

II. Proprietary Fund Types (Enterprise Funds)

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

The Child Care Fund accounts for the funds raised at schools providing after school care for children. The fund was inactive during the current year. There was no activity in this fund during the current year.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

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. Nonexchange 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 resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Unearned Revenue/Advances from grantors - 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. The District reports unearned revenue on its statement of net position and governmental funds balance sheet. In both the government-wide and governmental fund statements, grants that are intended to finance future periods are reported as unearned revenue. In subsequent periods, the liability for unearned revenue is removed from the statement of net position and governmental funds balance sheet and revenue is recognized.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave, which are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities 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.

Property Taxes

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

The property tax rates (including exonerations) assessed for the year ended June 30, 2022, to finance the General Fund operations were \$.524 per \$100 valuation for real property, \$.528 per \$100 valuation for business personal property and \$.502 per \$100 valuation for motor vehicles.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

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

Prepaid Assets

Payments made that will benefit periods beyond the end of the fiscal year 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 an 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 governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. 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 asset's life are not capitalized.

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

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

Interfund Receivables and 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.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

The entire compensated absence liability includes the remaining 70% plus any accrued sick leave for people not eligible and is reported on the government-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as an assigned portion of fund balance. The balance of the liability is not recorded.

For governmental fund financial statements the current portion, if any, of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported.

Bonds and Related Premiums, Discounts, and Issuance Costs

In the government-wide 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 premiums or discounts. 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 also reported as other financing sources. Discounts related to debt issuance are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Budgetary Process

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

- Revenues are recorded on the modified accrual basis of accounting (budgetary) as opposed to when susceptible to accrual (GAAP).
- Expenditures are recorded on the modified accrual basis of accounting (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved by the Board, 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. Budgetary receipts represent original estimates modified for adjustments, if any, during the fiscal year. Budgetary disbursements represent original appropriations adjusted for budget transfers and additional appropriations, if any, approved during the fiscal year.

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

Cash and Cash Equivalents

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

Receivables

The District recognizes revenues as receivables when they are measurable and receipt is probable. Concentration of credit risk with respect to the receivables from federal and state governments is limited due to the historical stability of those institutions. Federal and state grants to be used or expended as specified by the grantor are recognized as revenue and recorded as receivables as qualifying expenditures are made.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Inventories

On government-wide and governmental fund financial statements inventories of supplies and materials are stated at cost and are expensed when used.

The school food service fund inventory consists of food, supplies and U.S. Government commodities.

The food service fund inventory is stated at cost and uses the specific identification method; the general fund inventory is stated at cost and uses the first-in, first-out method.

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balances

Fund balances are separated into five categories, as required by GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as follows:

Nonspendable fund balance is permanently nonspendable by decree of donor. Examples would be an endowment or that which may not be used for another purpose such as amounts used to prepay future expenses or already purchased inventory on hand.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment.

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

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

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Encumbrances

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end, and outstanding encumbrances at year-end are appropriated in the next year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2022 on the governmental funds balance sheet.

Net Position

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

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.

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 Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as 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.

Estimates

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

Deferred Inflows and Deferred Outflows of Resources

Deferred inflows and deferred outflows are recorded on the government-wide and proprietary financial statements. The deferred outflows of resources presented were primarily created by differences in pension expectations, the prior refunding of revenue bonds, and deferral of pension contributions. Deferred inflows were primarily created by actuarial determinations of net pension liability changes.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Pension and Other Postemployment Benefits

For purposes of measuring the net liabilities, the deferred outflows of resources and deferred inflows of resources, and expense related to pensions and other postemployment benefits (OPEB), information about the fiduciary net position of the pension / OPEB plans, and additions to / deductions from the pension / OPEB plans' fiduciary net position have been determined on the same basis as they are reported by the pension / OPEB plans. For this purpose, revenues are recognized when earned. Contributions are recognized when due, pursuant to legal (or statutory) requirements. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The primary government's proportionate share of pension amounts were further allocated to proprietary funds based on the salaries paid by each proprietary fund. Plan investments are reported at fair value.

Postemployment Benefits Other Than OPEBs (OPEB)

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Teachers' Retirement System of the State of Kentucky (TRS) and the County Employees Retirement System Non-Hazardous (CERS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by the pension plans. 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.

Lease Accounting Standard

GASB State No. 87 *Leases* effective for fiscal year 2022, was issued to improve accounting and financial reporting for governments by establishing standards for leases that previously classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset, thus requiring lessees to recognize a lease liability and intangible right to use the underlying asset and lessors to recognize a lease receivable and deferred inflow of resources. The District adopted the standard; however, it had no effect on the financial statements in the current year.

3. CUSTODIAL CREDIT RISK - DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2022, none of the District's bank balances were exposed to custodial credit risk because of coverage by Federal Depository insurance, collateral agreements, and collateral held by the pledging banks' trust departments in the District's name.

Cash and cash equivalents at June 30, 2022 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Forcht Bank	\$ 19,628,558	\$ 19,294,376
Commercial Bank	<u>17,108</u>	<u>17,108</u>
	<u>\$ 19,645,666</u>	<u>\$ 19,311,484</u>

3. CUSTODIAL CREDIT RISK – DEPOSITS - CONTINUED

Breakdown per financial statements is as follows:

Governmental funds	\$	16,756,542
Proprietary funds		<u>1,274,905</u>
	\$	<u>18,031,447</u>

Cash is commingled in various bank accounts and short-term certificates of deposit. Due to the nature of the accounts and limitations imposed by bond issue requirements, construction projects, and Federal financial assistance programs, each cash account within the following funds is considered to be restricted:

- Special Revenue Funds
- SEEK Capital Outlay Fund
- Facility Support Program (FSPK) Fund
- School Construction Fund
- School Food Service Fund
- Agency Funds

4. INVESTMENT REPORTING UNDER GASB 72

Funds of the District are public funds and, therefore, their investment is limited by statute to certain obligations of the United States or similar government agencies, cash instruments, and certain pooled investment funds as provided by KRS 66.480. At June 30, 2022, the District holds only demand deposits and certificates of deposit considered to be cash equivalents. Consequently, the District does not have investment related credit risk or interest risk.

Investments reported on the financial statements are nonparticipating interest-earning investment contracts purchased from a bank in the form of a Certificate of Deposit. Therefore, under GASB Statement No 72, Fair Value Measurement & Application these types of investments are exempt from fair value measurements.

KNOX COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED
Year Ended June 30, 2022

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2022 was as follows:

	June 30, 2021			June 30, 2022
	Balance	Additions	Retirements	Balance
Governmental Activities				
Land & land improvements	\$ 5,797,419	\$ -	\$ -	\$ 5,797,419
Buildings	80,262,402	15,625	-	80,278,027
Technology equipment	1,163,697	94,892	-	1,258,589
Vehicles	6,950,739	914,922	-	7,865,661
General equipment	817,247	85,674	2,734	900,187
Construction work in progress	1,108,494	1,628,649	289,356	2,447,787
Total historical cost	96,099,998	2,739,762	292,090	98,547,670
Less accumulated depreciation	37,387,248	2,425,512	-	39,812,760
Governmental capital assets, net	<u>\$ 58,712,750</u>	<u>\$ 314,250</u>	<u>\$ 292,090</u>	<u>\$ 58,734,910</u>
Business-type Activities				
Buildings	\$ 1,684,374	\$ -	\$ -	\$ 1,684,374
General equipment	1,256,721	-	-	1,256,721
Total historical cost	2,941,095	-	-	2,941,095
Less accumulated depreciation	2,441,988	42,454	-	2,484,442
Business-type capital assets, net	<u>\$ 499,106</u>	<u>\$ (42,454)</u>	<u>\$ -</u>	<u>\$ 456,653</u>

Depreciation expense for business-type activities was entirely incurred in the operation of the School Food Services. Depreciation for governmental activities was charged to governmental functions as follows:

Instruction	\$ 1,825,604
Student support services	800
Instructional support services	6,887
District administration support	23,026
School administration support	36,112
Plant operations & maintenance	426,547
Student transportation	109,537
	<u>\$ 2,428,513</u>

6. CAPITAL LEASE PAYABLE

The District has entered into a capital lease agreement for buses which will become the property of the District when all the terms of the lease agreement are met. The following schedule presents the capital lease activity for the year ended June 30, 2022:

KNOX COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED
Year Ended June 30, 2022

6. CAPITAL LEASE PAYABLE - CONTINUED

Description	Maturity	Interest Rates	Original Issue	Balance June 30, 2021	Debt Issued	Debt Paid	Balance June 30, 2022	Due Within One Year
3/1/2014	3/1/2014	2%-3%	\$ 940,040	\$ 271,323	\$ -	\$ 98,663	\$ 172,660	\$ 84,960
3/1/2016	3/1/2026	5.31%	869,813	427,202	-	87,672	339,530	89,532
			<u>\$ 1,809,853</u>	<u>\$ 698,525</u>	<u>\$ -</u>	<u>\$ 186,335</u>	<u>\$ 512,190</u>	<u>\$ 174,492</u>

The following presents a schedule by years of the future minimum lease payments under capital lease as of June 30, 2022:

Year	Principal	Interest	Total
2022-23	174,492	13,103	187,595
2023-24	179,357	8,752	188,109
2024-25	78,108	4,059	82,167
2025-26	80,233	2,106	82,339
Totals	<u>\$ 512,190</u>	<u>\$ 28,020</u>	<u>\$ 540,210</u>
	Less: amounts representing interest		<u>(28,020)</u>
	Net Capital lease liability		<u>\$ 512,190</u>

7. LONG-TERM OBLIGATIONS

The amounts shown in the accompanying basic financial statements as bond obligations represent the District's future obligations to make lease payments relating to the bonds issued by the Knox County School District Finance Corporation.

The original amount of each issue, the issue date, and interest rates of bonded debt and lease obligations are as follows:

Issue Date	Proceeds	Rates
2012R	\$ 16,340,000	2.00% - 2.75%
2012	\$ 9,580,000	1.00% - 3.00%
2013	\$ 3,195,000	0.60% - 3.40%
2016R	\$ 7,185,000	2.00% - 3.00%
2016	\$ 1,445,000	2.00% - 3.125%
2017R	\$ 3,040,000	2.00% - 2.25%
2018	\$ 4,675,000	3% - 3.5%
2021	\$ 540,000	1.375% - 2.375%

The District, through the General Fund, including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund, is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Knox 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.

KNOX COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED
Year Ended June 30, 2022

7. LONG-TERM OBLIGATIONS - CONTINUED

The District entered into "participation agreements" with the Kentucky School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The participation agreements generally provide for the Commission to assist the District in meeting bond obligations and are renewable, at the Commission's option, bi-annually. In 2008 the District also entered into an agreement with the Urgent Needs Trust Fund. The Urgent Needs Trust Fund was established by the 2003 Kentucky General Assembly for the purpose of assisting school districts that have urgent and critical construction needs. The Urgent Needs Trust Fund is administered by the School Facility Construction Commission. Should the Kentucky General Assembly choose to not fund the Commission in the future, the District would be responsible for meeting the full requirements of the bond issues. The following table sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission at June 30, 2022 for debt service (principal and interest) are as follows:

Year	Knox County School District		Kentucky School Facility Construction Commission		Total Principal	Total Interest
	Principal	Interest	Principal	Interest		
2022-23	\$ 1,710,134	\$ 543,137	\$ 1,434,866	\$ 251,210	\$ 3,145,000	\$ 794,347
2023-24	1,792,522	496,888	1,372,478	217,209	3,165,000	714,097
2024-25	1,851,648	446,891	998,352	184,759	2,850,000	631,650
2025-26	1,934,308	393,679	1,030,692	156,877	2,965,000	550,556
2026-27	1,877,186	343,810	1,052,814	127,900	2,930,000	471,710
2027-28	1,970,204	289,911	964,796	99,872	2,935,000	389,784
2028-29	1,151,252	240,548	308,748	78,248	1,460,000	318,796
2029-30	1,217,153	205,440	322,847	68,199	1,540,000	273,639
2030-31	1,284,259	168,008	330,741	56,766	1,615,000	224,774
2031-32	1,357,418	128,444	342,582	45,047	1,700,000	173,491
2032-33	1,426,688	86,716	353,312	32,819	1,780,000	119,535
2033-34	297,127	60,886	152,873	20,183	450,000	81,069
2034-35	319,125	51,339	155,875	15,248	475,000	66,588
2035-36	342,814	40,695	162,186	10,130	505,000	50,825
2036-37	367,952	29,221	67,048	4,810	435,000	34,031
2037-38	394,617	16,802	70,383	2,463	465,000	19,266
2038-39	40,000	3,325	-	-	40,000	3,325
2039-40	40,000	2,375	-	-	40,000	2,375
2040-41	40,000	1,425	-	-	40,000	1,425
2041-42	40,000	475	-	-	40,000	475
	<u>\$ 19,454,407</u>	<u>\$ 3,550,016</u>	<u>\$ 9,120,593</u>	<u>\$ 1,371,742</u>	<u>\$ 28,575,000</u>	<u>\$ 4,921,757</u>

7. LONG-TERM OBLIGATIONS - CONTINUED

A summary of the changes in long-term liabilities during the fiscal year ended June 30, 2022 is as follows:

Revenue Bonds	July 1, 2021	Additions	Deductions	June 30, 2022
2012R	\$ 7,215,000	\$ -	\$ 1,705,000	\$ 5,510,000
2012	8,365,000	-	250,000	8,115,000
2013	2,100,000	-	150,000	1,950,000
2016R	5,515,000	-	535,000	4,980,000
2016	1,150,000	-	60,000	1,090,000
2017R	2,385,000	-	220,000	2,165,000
2018	4,355,000	-	130,000	4,225,000
2021	-	540,000	-	540,000
Net OPEB Liability KTRS	7,630,000	-	1,146,000	6,484,000
Net Pension Liability	19,565,038	-	2,483,738	17,081,300
Net OPEB Liability	6,158,465	-	1,030,668	5,127,797
Accrued Sick Leave	313,825	39,449	-	353,274
	<u>\$ 64,752,328</u>	<u>\$ 579,449</u>	<u>\$ 7,710,406</u>	<u>\$ 57,621,371</u>

8. RETIREMENT PLANS

The District's employees are provided with two pension plans, based on each position's college degree requirement as described below. The two pension plans are County Employees Retirement System and the Kentucky Teachers Retirement System.

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

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

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

8. RETIREMENT PLANS - CONTINUED

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

Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement.

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

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

Funding Policy - Funding for the plan is provided through payroll withholdings and matching District contributions. The District contributes 24.06% of the employee’s total compensation subject to contribution. The Pension contribution rate was 19.30% and OPEBs contribution rate was 4.76%.

General information about the Teachers’ Retirement System of the State of Kentucky (KTRS)

Plan description—Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers’ Retirement System of the

State of Kentucky (KTRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth’s financial statements. KTRS issues a publicly available financial report that can be obtained at <http://www.ktrs.ky.gov/>.

8. RETIREMENT PLANS – CONTINUED

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

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

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees 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 employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees 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. KTRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

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 at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

8. RETIREMENT PLANS – CONTINUED

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

At June 30, 2022, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$	17,081,300
Commonwealth's proportionate share of the KTRS net pension liability associated with the District		<u>51,555,932</u>
	<u>\$</u>	<u>68,637,232</u>

The net pension liability for each plan was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2021, the District's proportion was 0.267909%.

For the year ended June 30, 2022, the District recognized pension expense of \$1,701,581 related to CERS and \$6,591,526 related to KTRS. The District also recognized revenue of \$5,883,053 for KTRS support provided by the Commonwealth. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 196,146	\$ 165,786
Changes of assumptions	229,252	-
Net difference between projected and actual earnings on pension plan investments	662,641	2,939,292
Changes in proportion and differences between District contributions and proportionate share of contributions	654,833	119,528
District contributions subsequent to the measurement date	<u>1,561,941</u>	<u>-</u>
Total	<u>\$ 3,304,813</u>	<u>\$ 3,224,606</u>

8. RETIREMENT PLANS - CONTINUED

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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ (45,769)
2023	(232,708)
2024	(490,329)
2025	(712,929)
	\$ (1,481,735)

Actuarial assumptions—The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	CERS	KTRS
Inflation	2.30%	3.00%
Projected salary increases	3.30-11.55%	3.00-7.50%
Investment rate of return, net of investment expense & inflation	6.25%	7.10%
Municipal bond index rate		2.13%
Single equalivant interest rate		7.10%

For KTRS, 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.

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

For KTRS, the discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2040 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2039 and a municipal bond index rate of 2.13% was applied to all periods of projected benefit payments after 2039. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

8. RETIREMENT PLANS - CONTINUED

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

	<u>1% decrease</u>	<u>Current Discount Rate</u>	<u>1% increase</u>
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 21,907,578	\$ 17,081,300	\$ 13,087,669
KTRS	6.10%	7.10%	8.10%
District's proportionate share of net pension liability	\$ -	\$ -	\$ -

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

The District's contribution (both withholding and match) KTRS for the years ended June 30, 2022, 2021, and 2020 was \$4,696,742, \$4,294,857, and \$3,918,548, respectively. The District's contributions (match only) CERS for the years ended June 30, 2022, 2021, and 2020, were \$1,947,166, \$1,650,314, and \$1,596,066, respectively. The District met their contribution requirements.

9. OTHER POST-EMPLOYMENT BENEFITS PLAN

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

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

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

Medical Insurance Plan

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

9. OTHER POST- EMPLOYMENT BENEFITS PLAN—CONTINUED

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance.

Funding policy—In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three and three quarters percent (3.75%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and three percent (3.00%) from the employer.

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

At June 30, 2022, the District reported a liability of \$6,484,000 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, 2021, and the total OPEB liability used to calculate the collective net OPEB liability was based on 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, 2021 the District’s proportion was .302318 percent.

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

District’s proportionate share of the KTRS net OPEB liability	\$ 6,484,000
Commonwealth’s proportionate share of the KTRS net OPEB liability associated with the District	<u>5,266,000</u>
	<u>\$ 11,750,000</u>

For the year ended June 30, 2022, the District recognized OPEB expense of \$435,618 and revenue of \$435,618 for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

See table on next page

9. OTHER POST-EMPLOYMENT BENEFITS PLAN-CONTINUED

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 3,856,000
Changes of assumptions	1,696,000	-
Net difference between projected and actual earnings on pension plan investments	-	692,000
Changes in proportion and differences between District contributions and proportionate share of contributions	67,000	137,000
District contributions subsequent to the measurement date	<u>708,216</u>	<u>-</u>
Total	<u>\$ 2,471,216</u>	<u>\$ 4,685,000</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	
2022	\$ (731,000)
2023	(735,000)
2024	(691,000)
2025	(632,000)
2026	(136,000)
Thereafter	3,000
	<u><u>\$ (2,922,000)</u></u>

Actuarial assumptions – The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.00-7.50%, including inflation
Inflation rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Healthcare cost trend rates	
Under 65	7.00% for FY 2021 decreasing to an ultimate rate of 4.50% by FY 2031
Ages 65 and Older	5.00% for FY 2021 decreasing to an ultimate rate of 4.50% by FY 2024
Medicare Part B	4.40% for FY 2017 with an ultimate rate of 4.50% by 2034
Municipal Bond Index Rate	2.13%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including inflation

9. OTHER POST-EMPLOYMENT BENEFITS PLAN-CONTINUED

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

Discount rate – The Discount rate used to measure the total OPEB liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District’s proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.10%, as well as what the District’s proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
KTRS	6.10%	7.10%	8.10%
District’s proportionate share of net OPEB liability	\$ 8,301,000	\$ 6,484,000	\$ 4,982,000

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:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
KTRS			
District’s proportionate share of net OPEB liability	\$ 4,711,000	\$ 6,484,000	\$ 8,691,000

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

Life Insurance Plan

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

Benefits provided – TRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. TRS provides a life insurance benefit of two thousand dollars payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member’s estate or to a party designated by the member.

9. OTHER POST-EMPLOYMENT BENEFITS PLAN-CONTINUED

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.

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

At June 30, 2022, 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 that was associated with the District were as follows:

District's proportionate share of the KTRS net OPEB Life Insurance Plan liability	\$	-
Commonwealth's proportionate share of the KTRS net OPEB Life Insurance liability associated with the District		70,000
		<u>70,000</u>
	\$	<u>70,000</u>

For the year ended June 30, 2022, the District recognized OPEB expense of \$10,728 and revenue of \$10,728 for support provided by the State.

Actuarial assumptions – The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.00-7.50%, including inflation
Inflation rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Municipal Bond Index Rate	2.13%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including inflation

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2021 valuation were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation.

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

9. OTHER POST-EMPLOYMENT BENEFITS PLAN-CONTINUED

Discount rate – The Discount rate used to measure the total OPEB liability for life insurance was 7.50%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.10 %, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
KTRS	6.10%	7.10%	8.10%
State's proportionate share of net OPEB liability - Life Insurance \$	90,000	\$ 70,000	\$ 54,000

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

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

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

Benefits provided—CERS provides hospital and medical insurance for eligible members receiving benefits from the pension plan. Employees are vested in the plan after five years' service. For plan purposes, employees are grouped into two groups, based on hire date. Members who reach a minimum vesting period of 10 years, and began participating on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. For members participating prior to July 1, 2003, are paid up to a maximum of \$13.18 per month for every year of earned service. The percentage of the maximum monthly benefit paid is based on years of service as follows:

Years of Service	Paid by Insurance Fund (%)
20+ years	100.00%
15-19 years	75.00%
10-14 years	50.00%
4-9 years	25.00%
Less than 4 years	0.00%

9. OTHER POST-EMPLOYMENT BENEFITS PLAN-CONTINUED

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

Tier 1	Participation date	Before September 1, 2008
	Contribution percentage	0.00%
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Contribution percentage	1%
Tier 3	Participation date	After December 31, 2013
	Contribution percentage	1%

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

At June 30, 2022, the District reported a liability of \$6,158,465 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, 2021, and the total OPEB liability used to calculate the collective net OPEB liability was based on 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, 2021 the District's proportion was .267847 percent.

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

District's proportionate share of the CERS net pension liability net OPEB liability	\$	5,127,797
Commonwealth's proportionate share of the CERS net OPEB liability associated with the District		<u>-</u>
	<u>\$</u>	<u>5,127,797</u>

For the year ended June 30, 2022, the District recognized OPEB expense of \$517,196. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

See table on next page

9. OTHER POST-EMPLOYMENT BENEFITS PLAN-CONTINUED

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 806,348	\$ 1,530,990
Changes of assumptions	1,359,476	4,768
Net difference between projected and actual earnings on pension plan investments	258,354	1,060,526
Changes in proportion and differences between District contributions and proportionate share of contributions	229,485	202,564
District contributions subsequent to the measurement date	<u>385,225</u>	<u>-</u>
Total	<u>\$ 3,038,888</u>	<u>\$ 2,798,848</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$385,225 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2022. 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>	
2022	\$ 134,102
2023	12,231
2024	(16,671)
2025	(274,847)
2026	-
	<u>\$ (145,185)</u>

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

Discount rate – The Discount rate used to measure the total OPEB liability was 5.20%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

9. OTHER POST-EMPLOYMENT BENEFITS PLAN-CONTINUED

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.20%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.20%) or 1-percentage-point higher (6.20%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	4.20%	5.20%	6.20%
District's proportionate share of net OPEB liability	\$ 7,040,426	\$ 5,127,797	\$ 3,558,167

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
CERS			
District's proportionate share of net OPEB liability	\$ 3,691,404	\$ 5,127,797	\$ 6,861,545

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

10. DEFERRED COMPENSATION

The District offers its employees participation in a deferred compensation program administered by the Kentucky Public Employees' Deferred Compensation Authority. This program offers a plan authorized by Section 457(b) of the Internal Revenue Code and a plan authorized by Section 401(k) of the Internal Revenue Code. Both plans are available to all employees and permit them to defer up to 25% of their compensation (subject to limits) until future years. The District makes no contributions to these plans.

11. OPERATING LEASES

The District has no operating leases requiring disclosure as right of use assets as defined by FASB Accounting Standards Codification® Topic 842, *Leases*.

12. CONTINGENCIES

Grants - The District receives funding from Federal, State, and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantor may request a refund of funds advanced, or refuse to reimburse the District for its disbursements, and the collectability of any related receivables as of June 30, 2022 may be impaired. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

13. LITIGATION

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

14. RISK MANAGEMENT

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. Settled claims resulting from these risks have created a potential liability as discussed in the *Contingencies* disclosure above.

Contributions for Workers' Compensation coverage are based on premium rates established in conjunction with the insurance carrier, subject to claims experience modifications and discounts.

15. DEFICIT FUND BALANCES/NET POSITION

The Food Service Fund had a deficit net position at June 30, 2022.

16. 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. There were no instances of noncompliance noted.

17. TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Special Revenue	Matching	\$ 80,476
Operating	General	Debt Service	Debt Service	406,530
Operating	Special Revenue	General	Operating	152,283
Operating	Special Revenue	General	Indirect Cost	1,121,385
Operating	Special Revenue	Construction	Construction	303,240
Operating	Special Revenue	Debt Service	Debt Service	177,615
Operating	School Activity Fund	District Activity Fund	Operating	19,708
Operating	Capital Outlay	General	Capital Funds Request	291,987
Operating	FSPK	Debt Service	Debt Service	1,638,032

18. INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2022, there was \$1,929,802 due from the Special Revenue fund to the General Fund. The interfund receivable and payable are reflected in the respective funds.

19. ON-BEHALF PAYMENTS

The Commonwealth of Kentucky pays certain expenses on behalf of the District. These expenses include employee health insurance, the employer match of Kentucky Teachers' Retirement System, certain other employee benefits, specific technology expense and debt service. These amounts are included in the fund financial statements.

The following payments for fringe benefits are included as revenues and expenses on the statement of revenues, expenses, and changes in net position:

Retirement contributions to the Teachers' Retirement System of Kentucky	\$ 6,329,399
Health and Life insurance	5,445,913
Other	430,222
Federal reimbursement	(605,316)
Technology	121,250
Debt Service	1,686,792
	<u>\$ 13,408,260</u>

20. JOINT VENTURE

The Knox County Board of Education has a joint venture with the Appalachian Children's Home to provide intangible resources (educators) while the Appalachian Children's Home provides the tangible building and property for the students. This joint venture creates a "school" called the Knox Appalachian School.

The Knox Appalachian School was founded in 2004 as a joint venture with the Appalachian Children's Home and the Knox County Board of Education. The Knox Appalachian School is a public school serving the needs of the children committed to the Appalachian Children's Home.

21. FUND BALANCE DESIGNATIONS

The following funds had non-spendable fund balances as follows:

Fund	Amount	Purpose
General	\$ 38,162	Trust Agreement

The following funds had committed fund balances as follows:

Fund	Amount	Purpose
General	\$ 276,212	Other

21. FUND BALANCE DESIGNATIONS - CONTINUED

The following funds had restricted fund balances as follows:

Fund	Amount	Purpose
General	\$ 183,000	Sick Leave
General	\$ 4,940	Trust Agreement
District Activity	\$ 6,655	School Level Expenditures
Student Activity	\$ 472,606	Other
Capital Outlay	\$ 99,229	Capital Outlay
FSPK	\$ 167,431	Other
Construction	\$ 9,674,956	Construction

The following funds had assigned fund balances as follows:

Fund	Amount	Purpose
General	\$ 265,062	Purchase Obligations

22. IMPACT OF COVID-19

COVID-19 continues to spread across the globe and is impacting worldwide economic activity and financial markets. The continued spread of the disease represents a significant risk that operations could continue to be disrupted in the near future. The District current has measures in place to move to nontraditional instruction, if needed. The extent to which COVID-19 may impact the District will depend on future developments and governmental regulations, which are highly uncertain and cannot be predicted. As a result, the District has not yet determined the impact this disruption may have on its financial statements for the year ending June 30, 2022. During the fiscal year, the District expended the following federal funds reviewed due to COVID-19:

COVID-19 Individuals with Disabilities Education Act /American Rescue Plan Act of 2021 (ARP)	\$ 23,647
COVID-19 Elementary and Secondary School Emergency Relief Fund	5,044,591
COVID-19 American Rescue Plan - Elementary and Secondary Emergency Relief Plan	4,244,369
COVID-19 Governor's Emergency Education Relief Fund	<u>11,650</u>
	<u>\$ 9,324,257</u>

23. SUBSEQUENT EVENTS

Management of the District has evaluated subsequent events through November 10, 2022 which is the date the audit report can be released. There were no events as of the date of the financial statements that would require adjustments or to the financial statements. However, in March 2021, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. This is still a pandemic as of the date of this audit.

REQUIRED SUPPLEMENTARY INFORMATION

KNOX COUNTY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
From local sources				
Taxes:				
Property	\$ 4,852,855	\$ 4,852,855	\$ 4,265,287	\$ (587,568)
Motor vehicle	708,682	708,682	1,045,728	337,046
Utility	1,362,029	1,362,029	1,391,200	29,171
Unmined minerals tax	3,131	3,131	-	(3,131)
Earnings on investments	11,150	11,150	18,916	7,766
Other local	288,228	288,228	326,672	38,444
Tuition	-	-	-	-
Intergovernmental - State	34,238,227	34,238,227	34,240,293	2,066
Intergovernmental - Federal	148,839	148,839	218,650	69,811
Total revenues	<u>41,613,141</u>	<u>41,613,141</u>	<u>41,506,746</u>	<u>(106,395)</u>
Expenditures				
Current:				
Instruction	25,217,243	25,217,243	23,397,306	1,819,937
Student	2,956,523	2,956,523	2,799,591	156,932
Instructional support	1,530,075	1,530,075	1,477,512	52,563
District administration	920,670	920,670	717,217	203,453
School administration	2,992,951	2,992,951	2,943,193	49,758
Business support	1,045,030	1,045,030	904,976	140,054
Plant operations and maintenance	5,084,041	5,084,041	4,630,868	453,173
Student transportation	3,747,373	3,747,373	3,046,772	700,601
Community service	280	280	450	(170)
Debt service	203,658	203,658	203,658	-
Contingency	3,567,492	3,567,492	-	3,567,492
Total expenditures	<u>47,265,336</u>	<u>47,265,336</u>	<u>40,121,543</u>	<u>7,143,793</u>
Excess (deficit) of revenues over (under) expenditures	(5,652,195)	(5,652,195)	1,385,203	7,037,398
Other financing sources (uses)				
Proceed from sale of fixed assets	4,541	4,541	175,665	171,124
Transfers in	1,743,270	1,743,270	1,565,655	(177,615)
Transfers out	(666,168)	(666,168)	(487,006)	179,162
Total other financing sources (uses)	<u>1,081,643</u>	<u>1,081,643</u>	<u>1,254,314</u>	<u>1,547</u>
Net change in fund balance	(4,570,552)	(4,570,552)	2,639,517	7,210,069
Fund balance as of June 30, 2021	<u>5,216,472</u>	<u>5,216,472</u>	<u>5,444,733</u>	<u>228,261</u>
Fund balance as of June 30, 2022	<u>\$ 645,920</u>	<u>\$ 645,920</u>	<u>\$ 8,084,250</u>	<u>\$ 7,438,330</u>

KNOX COUNTY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SPECIAL REVENUE FUND**

Year ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
From local sources:				
Earnings on investments	\$ 1	\$ 1	\$ 34	\$ 33
Other local	19,796	19,796	139,114	119,318
Intergovernmental - State	2,962,022	2,962,022	2,904,234	(57,788)
Intergovernmental - Federal	6,963,938	6,963,938	15,641,673	8,677,735
Total revenues	9,945,757	9,945,757	18,685,055	8,739,298
Expenditures				
Current:				
Instruction	8,164,911	8,164,911	13,926,959	(5,762,048)
Student support services	583,335	583,335	421,271	162,064
Instructional support	320,664	320,664	446,045	(125,381)
District administration	-	-	1,586	(1,586)
School administration	708	708	361	347
Business support	53,228	53,228	55,921	(2,693)
Plant operations & maintenance	48,562	48,562	41,159	7,403
Student transportation	85,665	85,665	1,457,035	(1,371,370)
Food service operations	-	-	68,054	(68,054)
Community service	612,204	612,204	592,617	19,587
Total expenditures	9,869,277	9,869,277	17,011,008	(7,141,731)
Deficit of revenues under expenditures	76,480	76,480	1,674,047	(1,597,567)
Other financing sources				
Operating transfers in	80,476	80,476	80,476	-
Operating transfers out	(155,706)	(155,706)	(1,754,523)	(1,598,817)
Total other financing sources	(75,230)	(75,230)	(1,674,047)	(1,598,817)
Net change in fund balance	1,250	1,250	-	(1,250)
Fund balance as of June 30, 2021	-	-	-	-
Fund balance as of June 30, 2022	\$ 1,250	\$ 1,250	\$ -	\$ (1,250)

The accompanying notes are an integral part of these financial statements.

KNOX COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION BUDGET AND ACTUAL - GENERAL FUND AND SPECIAL REVENUE FUND Year ended June 30, 2022

The District's budgetary process accounts for transactions on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America. In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy, and from estimates of other Local, State, and Federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay, and other necessary expenses. The budget must be approved by the Board. The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each calendar year. Additionally, the District must submit a certified budget to the Kentucky Department of Education by March 15 of each calendar year, which includes the amount for certified and classified staff, based on the District's staffing policy, and the amount for the instructional supplies, materials, travel and equipment. Additionally, the District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each calendar year. The budget must contain a 2% reserve but not greater than 10%. Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of each calendar year. The Board has the ability to amend the working budget.

KNOX COUNTY SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY**

**County Employees Retirement System
June 30, 2022**

	District's proportion of net pension liability (asset)	District's proportionate share of the net pension liability (asset)	District's covered-employee payroll	District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2022	0.27%	\$ 17,081,300	\$7,197,443	237.32%	57.33%
2021	0.26%	\$ 19,565,038	\$6,947,519	281.61%	47.81%
2020	0.26%	\$ 17,953,464	\$6,633,681	270.64%	50.45%
2019	0.27%	\$ 16,725,134	\$6,541,720	255.67%	53.54%
2018	0.26%	\$ 15,501,665	\$6,928,326	223.74%	53.30%
2017	0.27%	\$ 13,413,472	\$6,545,303	204.93%	55.50%
2016	0.28%	\$ 11,883,261	\$6,580,078	180.59%	59.97%
2015	0.28%	\$ 9,039,000	\$6,500,512	137.73%	66.80%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

KNOX COUNTY SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
County Employees Retirement System
Year ended June 30, 2022

	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	District's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2022	\$ 1,523,699	\$ 1,523,699	\$ -	\$ 7,197,443	21.17%
2021	\$ 1,323,818	\$ 1,323,818	\$ -	\$ 6,947,519	19.30%
2020	\$ 1,280,302	\$ 1,280,302	\$ -	\$ 6,633,681	19.30%
2019	\$ 1,061,068	\$ 1,061,068	\$ -	\$ 6,541,720	16.22%
2018	\$ 1,003,222	\$ 1,003,222	\$ -	\$ 6,928,326	14.48%
2017	\$ 1,222,663	\$ 1,222,663	\$ -	\$ 6,545,305	18.68%
2016	\$ 1,122,559	\$ 1,122,559	\$ -	\$ 6,580,078	17.06%
2015	\$ 1,152,479	\$ 1,152,479	\$ -	\$ 6,562,738	17.56%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

KNOX COUNTY SCHOOL DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
COUNTY EMPLOYEES RETIREMENT SYSTEM - PENSION FUND
Year ended June 30, 2022**

Changes of Benefit Terms

None.

Changes of Assumptions

None.

KNOX COUNTY SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY - MEDICAL INSURANCE PLAN
County Employees Retirement System
June 30, 2022**

	District's proportion of net OPEB liability (asset)	District's proportionate share of the net OPEB liability (asset)	District's covered-employee payroll	District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2022	0.27%	\$ 5,127,797	\$ 7,197,443	71.24%	62.91%
2021	0.26%	\$ 6,158,465	\$ 6,947,519	88.64%	51.67%
2020	0.26%	\$ 4,292,467	\$ 6,633,681	64.71%	60.44%
2019	0.27%	\$ 4,875,610	\$ 6,541,720	74.53%	57.62%
2018	0.26%	\$ 5,324,109	\$ 6,928,326	76.85%	52.39%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

KNOX COUNTY SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS - MEDICAL INSURANCE PLAN

County Employees Retirement System

Year ended June 30, 2022

	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	District's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2022	\$ 430,407	\$ 430,407	\$ -	\$ 7,197,443	5.98%
2021	\$ 326,496	\$ 326,496	\$ -	\$ 6,947,519	4.76%
2020	\$ 315,764	\$ 315,764	\$ -	\$ 6,633,681	4.76%
2019	\$ 344,095	\$ 344,095	\$ -	\$ 6,541,720	5.26%
2018	\$ 325,631	\$ 325,631	\$ -	\$ 6,928,326	4.70%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

KNOX COUNTY SCHOOL DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
COUNTY EMPLOYEES RETIREMENT SYSTEM - MEDICAL INSURANCE PLAN
Year ended June 30, 2022**

Changes of Benefit Terms

None.

Changes of Assumptions

None.

KNOX COUNTY SCHOOL DISTRICT

**SCHEDULE OF THE STATE'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY**

**Kentucky Teachers' Retirement System
June 30, 2022**

	State's proportion of net pension liability (asset)	State's proportionate share of the net pension liability (asset)	Plan fiduciary net position as a percentage of the total pension liability
2022	100%	\$ 73,700,913	65.59%
2021	100%	\$ 79,882,633	58.27%
2020	100%	\$ 76,588,609	58.80%
2019	100%	\$ 76,651,440	59.30%
2018	100%	\$ 157,279,448	39.83%
2017	100%	\$ 178,279,477	35.22%
2016	100%	\$ 140,308,750	42.49%
2015	100%	\$ 135,289,899	45.59%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

KNOX COUNTY SCHOOL DISTRICT
SCHEDULE OF STATE CONTRIBUTIONS
Kentucky Teachers' Retirement System
Year ended June 30, 2022

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)
2022	\$5,883,053	\$ 5,883,053	-
2021	\$5,782,070	\$ 5,782,070	-
2020	\$5,763,720	\$ 5,763,720	-
2019	\$5,553,977	\$ 5,553,977	-
2018	\$5,588,043	\$ 5,588,043	-
2017	\$2,933,432	\$ 2,933,432	-
2016	\$2,901,778	\$ 2,901,778	-
2015	\$3,188,146	\$ 3,188,146	-

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

KNOX COUNTY SCHOOL DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
KENTUCKY TEACHERS RETIREMENT SYSTEM
Year ended June 30, 2022**

Changes of Benefit Terms

None.

Changes of Assumptions

Inflation, changed from 3.00% to 2.50%

Real Wage Growth decreased from 0.50% to 0.25%.

Wage Inflation decreased from 3.50% to 2.75%.

Salary Increases, including wage inflation, changed from 3.50-7.20% to 3.00-7.50%.

Long-Term Investment Rate of Return, net of pension expense, including inflation, changed from 7.50% to 7.10%

Municipal Bond Index Rate changed from 2.19% to 2.13%.

Single Equivalent Interest Rate, net of pension expense, including inflation, changed from 7.50% to 7.10%

KNOX COUNTY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY - MEDICAL INSURANCE PLAN

Kentucky Teachers' Retirement System
June 30, 2022

	District's proportion of net OPEB liability (asset)	District's proportionate share of the net OPEB liability (asset)	State's proportionate share of the net OPEB liability (asset)	District's covered-employee payroll	District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2022	0.30%	\$ 6,484,000	\$ 5,266,000	\$ 23,615,764	27.46%	51.74%
2021	0.30%	\$ 7,630,000	\$ 6,112,000	\$ 22,914,076	33.30%	39.05%
2020	0.30%	\$ 8,768,000	\$ 7,081,000	\$ 21,584,912	40.62%	32.58%
2019	0.30%	\$ 10,498,000	\$ 9,047,000	\$ 21,029,518	49.92%	25.50%
2018	0.31%	\$ 10,978,000	\$ 8,967,000	\$ 21,309,142	51.52%	21.18%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

KNOX COUNTY SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS - MEDICAL INSURANCE PLAN

Kentucky Teachers' Retirement System

Year ended June 30, 2022

	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	District's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2022	\$ 708,473	\$ 708,473	\$ -	\$ 23,615,764	3.00%
2021	\$ 687,425	\$ 687,425	\$ -	\$ 22,914,076	3.00%
2020	\$ 647,547	\$ 647,547	\$ -	\$ 21,584,912	3.00%
2019	\$ 630,886	\$ 630,886	\$ -	\$ 21,029,518	3.00%
2018	\$ 639,274	\$ 639,274	\$ -	\$ 21,309,142	3.00%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

KNOX COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION Kentucky Teachers' Retirement System - Medical Insurance Plan Year ended June 30, 2022

Changes of Benefit Terms

None.

Changes of Assumptions

Inflation decreased from 3.00% to 2.50%.

Real Wage Growth decreased from 0.50% to 0.25%.

Wage Inflation decreased from 3.50% to 2.75%.

Salary Increases, including wage inflation, changed from 3.50-7.20% to 3.00-7.50%.

Long-Term Investment Rate of Return, net of OPEB expense, including inflation, changed from 8.00% to 7.10%

Municipal Bond Index Rate changed from 2.19% to 2.13%.

Single Equivalent Interest Rate, net of pension expense, including inflation, changed from 8.00% to 7.10%

KNOX COUNTY SCHOOL DISTRICT

**SCHEDULE OF STATE'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY - LIFE INSURANCE PLAN**

Kentucky Teachers' Retirement System

June 30, 2022

	State's proportion of net OPEB liability (asset)	State's proportionate share of the net OPEB liability (asset)	Plan fiduciary net position as a percentage of the total OPEB liability
2022	100%	\$ 70,000	89.15%
2021	100%	\$ 185,000	71.57%
2020	100%	\$ 164,000	73.40%
2019	100%	\$ 155,000	75.00%
2018	100%	\$ 120,000	79.99%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

KNOX COUNTY SCHOOL DISTRICT

SCHEDULE OF STATE CONTRIBUTIONS - LIFE INSURANCE PLAN

Kentucky Teachers' Retirement System

Year ended June 30, 2022

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)
2022	\$ 10,728	\$ 10,728	\$ -
2021	\$ 8,899	\$ 8,899	\$ -
2020	\$ 6,995	\$ 6,995	\$ -
2019	\$ 5,390	\$ 5,390	\$ -
2018	\$ 5,275	\$ 5,275	\$ -

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

KNOX COUNTY SCHOOL DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
KENTUCKY TEACHERS' RETIREMENT SYSTEM - LIFE INSURANCE PLAN
Year ended June 30, 2022**

Changes of Benefit Terms

None.

Changes of Assumptions

Inflation decreased from 3.00% to 2.50%.

KNOX COUNTY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2022

	District Activity Fund	Student Activity Fund	SEEK Capital Outlay Fund	Facility Support Program (FSPK) Fund	Construction Fund	Debt Service Fund	Total Non-major Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 7,398	\$ 473,324	\$ 99,229	\$ 167,431	\$ 9,625,088	\$ -	\$ 10,372,470
Investments	-	-	-	-	179,795	-	179,795
Accounts receivable	-	4,138	-	-	344	-	4,482
Total assets	\$ 7,398	\$ 477,462	\$ 99,229	\$ 167,431	\$ 9,805,227	\$ -	\$ 10,556,747
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$ 743	\$ 4,857	\$ -	\$ -	\$ 130,271	\$ -	\$ 135,871
Fund Balances:							
Non-spendable	-	-	-	-	-	-	-
Restricted	6,655	472,605	99,229	167,431	9,674,956	-	10,420,876
Total liabilities and fund balances	\$ 7,398	\$ 477,462	\$ 99,229	\$ 167,431	\$ 9,805,227	\$ -	\$ 10,556,747

KNOX COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
Year ended June 30, 2022

	District Activity Fund	Student Activity Fund	SEEK Capital Outlay Fund	Facility Support Program (FSPK) Fund	Construction Fund	Debt Service Fund	Total Non-major Governmental Funds
Revenues							
From local sources:							
Taxes:							
Property	\$ -	\$ -	\$ -	\$ 559,577	\$ -	\$ -	\$ 559,577
Earnings on investments	-	1,167	-	-	846	-	2,013
Student activity revenue	-	1,027,754	-	-	-	-	1,027,754
Other local	-	-	-	-	-	-	-
Intergovernmental - State	-	-	383,218	1,195,564	10,000,000	1,686,792	13,265,574
Intergovernmental - Federal	-	-	-	-	-	-	-
Total revenues	-	1,028,921	383,218	1,755,141	10,000,846	1,686,792	14,854,918
Expenditures							
Instruction	13,720	856,902	-	-	-	-	870,622
Student support services	-	803	-	-	-	-	803
Instructional staff support	742	30,170	-	-	-	-	30,912
Student transportation	-	78,155	-	-	-	-	78,155
Other non-instruction	-	50,458	-	-	-	-	50,458
Site improvements	-	-	-	-	556,204	-	556,204
Building improvements	-	-	-	-	1,075,612	-	1,075,612
Debt service	-	-	-	-	7,476	3,908,969	3,916,445
Total expenditures	14,462	1,016,488	-	-	1,639,292	3,908,969	6,579,211
Other financing sources (uses)							
Proceeds of bonds	-	-	-	-	540,000	-	540,000
Transfers in	19,707	-	-	-	303,240	2,222,177	2,545,124
Transfers out	-	(19,707)	(291,987)	(1,638,032)	-	-	(1,949,726)
Total other financing sources (uses)	19,707	(19,707)	(291,987)	(1,638,032)	843,240	2,222,177	1,135,398
Net change in fund balance	5,245	(7,274)	91,231	117,109	9,204,794	-	9,411,105
Fund balance as of June 30, 2021	1,410	479,880	7,998	50,322	470,162	-	1,009,772
Fund balance as of June 30, 2022	\$ 6,655	\$ 472,606	\$ 99,229	\$ 167,431	\$ 9,674,956	\$ -	\$ 10,420,877

**KNOX COUNTY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - ELEMENTARY AND MIDDLE SCHOOL ACTIVITY FUNDS
 Year Ended June 30, 2022**

School/ Activity Fund	Cash and Equivalents		Receipts	Disbursements	Cash and Cash Equivalents		Accounts Receivable	Accounts Payable	Balances
	June 30, 2021	June 30, 2022			June 30, 2022	June 30, 2022			
Knox Middle School	\$ 56,862	\$ 147,549	\$ 139,550	\$ 64,861	\$ 33	\$ -	\$ 64,894		
Central Elementary	6,477	28,581	27,016	8,042	107	-	8,149		
Dewitt Elementary	3,787	8,964	10,141	2,610	117	89	2,638		
Flat Lick Elementary	15,159	20,642	15,506	20,295	-	-	20,295		
Girdler Elementary	28,104	37,666	43,157	22,613	159	482	22,290		
G.R. Hampton Elementary	3,757	5,493	8,291	959	11	-	970		
Jesse D. Lay Elementary	22,562	31,698	35,220	19,040	381	219	19,202		
Technical Center	-	8,336	2,330	6,006	34	-	6,040		
Learning Academy	411	890	851	450	15	-	465		
Lynn Camp Gaming	26	487	486	27	-	-	27		
Totals	\$ 137,145	\$ 290,306	\$ 282,548	\$ 144,903	\$ 857	\$ 790	\$ 144,970		

See accompanying independent auditor's report.

**KNOX COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES -
KNOX CENTRAL HIGH SCHOOL ACTIVITY FUND
Year ended June 30, 2022**

	Balances		Receipts	Disbursements	Transfers in (out)	Cash and Cash Equivalents		Accounts Receivable		Accounts Payable		Balances June 30, 2022
	June 30, 2021	June 30, 2022				June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	
Academic	\$ 595	\$ 500	\$ 268	\$ -	\$ 827	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 827	
Athletics	52,476	15,701	36,210	(17,225)	14,742	-	-	-	-	-	14,742	
Art	613	-	-	-	613	-	-	-	-	-	613	
Archery Boys/Girls	2,981	1,125	2,725	-	1,381	-	-	-	254	-	1,127	
Band	242	-	117	-	125	-	-	-	-	-	125	
Baseball Field	4,316	29,186	31,010	2,275	4,767	-	-	-	344	-	4,423	
Basketball Boys	7,833	54,658	48,663	4,931	18,759	-	-	-	-	-	18,759	
Basketball Girls	1,504	31,562	31,212	5,000	6,854	670	-	-	200	-	7,324	
National Honor	20	-	-	-	20	-	-	-	-	-	20	
Bowling	387	-	-	-	387	-	-	-	-	-	387	
Cooking Club	65	-	-	-	65	-	-	-	-	-	65	
Choir	2,892	1,104	1,626	-	2,370	-	-	-	-	-	2,370	
Reading Intervention	-	-	-	-	-	-	-	-	-	-	-	
Cross Country	3,579	434	1,960	-	2,053	-	-	-	-	-	2,053	
Dance Team	2,082	3,062	5,077	-	67	-	-	-	-	-	67	
eSports	3	-	-	-	3	-	-	-	-	-	3	
First Priority	3,852	684	2,202	-	2,334	-	-	-	-	-	2,334	
Fishing	3,707	2,545	5,899	1,000	1,353	-	-	-	-	-	1,353	
FCCLA	785	1,954	1,351	-	1,388	-	-	-	-	-	1,388	
Football Camp	5,232	34,654	22,708	(70)	17,108	-	-	-	609	-	16,499	
Bio-Med	20	4,386	934	-	3,472	-	-	-	-	-	3,472	
Future Business Leaders	3,127	-	-	-	3,127	-	-	-	-	-	3,127	
Future Educators America	70	256	256	-	70	-	-	-	-	-	70	
Future Farmers	252	2,383	2,005	-	630	200	-	-	-	-	830	
Guidance	949	250	695	-	504	-	-	-	-	-	504	
Golf Boys	605	2,702	945	-	2,362	-	-	-	-	-	2,362	
Golf Girls	973	711	376	-	1,308	-	-	-	-	-	1,308	
Horticulture	4,793	1,904	4,786	-	1,911	-	-	-	-	-	1,911	
JROTC	890	200	-	-	1,090	-	-	-	-	-	1,090	
Senior Class 2020	7,788	-	350	-	7,438	-	-	-	-	-	7,438	
KC Bookstore	48,876	31,443	27,097	-	53,222	-	-	-	-	-	53,222	
KYA	346	700	720	-	326	-	-	-	-	-	326	
KUNA	264	-	-	-	264	-	-	-	-	-	264	
Library	500	100	751	250	99	-	-	-	-	-	99	
Link crew	1,907	-	512	-	1,395	-	-	-	-	-	1,395	
Drama Club	3,733	233	-	-	3,966	-	-	-	-	-	3,966	
Lockers	13,581	-	1,887	-	11,694	-	-	-	-	-	11,694	
Miscellaneous	11,701	580	4,301	-	7,980	-	-	-	-	-	7,980	
Multimedia	38	-	-	-	38	-	-	-	-	-	38	
Journalism	3,677	2,739	4,049	(250)	2,117	-	-	-	-	-	2,117	

**KNOX COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES -
KNOX CENTRAL HIGH SCHOOL ACTIVITY FUND
Year ended June 30, 2022**

	Balances		Receipts	Disbursements	Transfers in (out)	Cash and Cash Equivalents		Accounts Receivable		Accounts Payable		Balances June 30, 2022
	June 30, 2021	June 30, 2022				June 30, 2022	June 30, 2022	June 30, 2022	June 30, 2022	June 30, 2022	June 30, 2022	
Odyssey of the Mind	142	-	-	-	-	142	-	-	-	-	142	
Parking	8,265	-	-	-	-	8,265	-	-	-	-	8,265	
Planners	4,764	-	-	-	-	4,764	-	-	-	-	4,764	
Read-Learn-Serve	204	-	-	-	-	204	-	-	-	-	204	
Seniors 2022	7,030	134,030	-	131,720	(4,432)	4,908	-	-	700	-	4,208	
Science Olympiad	1,418	3,667	-	2,667	(1,000)	1,418	-	-	-	-	1,418	
Seniors 2023	-	12,725	-	13,426	4,432	3,731	-	-	-	-	3,731	
Sophomore Class	-	2,649	-	2,417	-	232	-	-	-	-	232	
Senior Class 2021	281	757	-	527	-	511	-	-	-	-	511	
Senior scholarship	25	-	-	-	-	25	-	-	-	-	25	
Soccer Boys	1,396	-	-	525	-	871	-	-	-	-	871	
Soccer Girls	8,080	5,202	-	6,303	-	6,979	-	-	470	-	6,509	
Softball	5,991	31,106	-	35,163	(100)	1,834	-	-	-	-	1,834	
Spanish	339	-	-	139	-	200	-	-	-	-	200	
Ticket/Concession Start	-	1,200	-	1,200	-	-	-	-	-	-	-	
Student Vending	817	383	-	1,169	-	31	-	135	-	-	166	
Swimming	516	381	-	1,122	225	-	-	-	-	-	-	
Teacher Fund	776	1,368	-	1,179	-	965	-	-	200	-	765	
Tennis	4,661	5,085	-	3,513	-	6,233	-	-	-	-	6,233	
Textbook	2,420	-	-	-	-	2,420	-	-	-	-	2,420	
The Panther Pride	13,047	73,767	-	64,794	3,464	25,484	1,400	-	-	-	26,884	
Track	1,862	2,450	-	2,994	500	1,818	-	-	-	-	1,818	
TSA	-	2,000	-	2,928	1,000	72	-	-	-	-	72	
Volleyball	5,570	12,847	-	12,009	-	6,408	400	-	-	-	6,808	
Wrestling	683	12,303	-	12,983	-	3	-	-	-	-	3	
DAF Field Trips	-	-	-	-	-	-	-	-	-	-	-	
DAF Building/grounds	1,730	-	-	-	-	1,730	-	-	-	-	1,730	
Total	\$ 267,271	\$ 527,676	\$ 537,470	\$ 537,470	\$ -	\$ 257,477	\$ 2,805	\$ 2,777	\$ 257,505			

**KNOX COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES -
LYNN CAMP SCHOOLS ACTIVITY FUND (FORMERLY LYNN CAMP MIDDLE/HIGH)
Year ended June 30, 2022**

	Balances		Receipts	Disbursements	Transfers in (out)	Cash and Cash Equivalents		Accounts Receivable		Accounts Payable		Balances	
	June 30, 2021	June 30, 2022				June 30, 2022	June 30, 2022	June 30, 2022	June 30, 2022	June 30, 2022	June 30, 2022	June 30, 2022	June 30, 2022
Student Generated	\$ 185	\$ 218	\$ 206	\$ 218	\$ -	\$ 173	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 173	\$ -
Distinguished Writers Club	27	-	-	-	-	27	-	-	-	-	-	27	-
Non-Student Generated	439	3,363	4,460	3,363	-	1,536	59	-	-	-	-	1,595	-
Hobby Student Generated	-	300	231	300	464	395	-	-	-	-	-	395	-
JAG	850	420	19	420	-	449	-	-	-	-	-	449	-
Book Rental	-	-	-	-	-	-	-	-	-	-	-	-	-
General Fund	555	240	412	240	-	727	-	-	-	-	-	727	-
Art Fund	30	-	-	-	-	30	-	-	-	-	-	30	-
Arts & Humanities	586	51	-	51	-	535	-	-	-	-	-	535	-
Locker Fees	1,650	-	335	-	-	1,985	-	-	-	-	-	1,985	-
Student Parking Fees	1,053	-	-	-	-	1,053	-	-	-	-	-	1,053	-
Change	-	1,000	1,000	-	-	-	-	-	-	-	-	-	-
General Athletics	1,713	33,278	39,949	33,278	(8,384)	-	-	-	-	-	-	-	-
Football Prog-Varsity	12,634	7,446	4,531	7,446	(9,617)	102	-	-	-	-	-	102	-
MS Softball	5,045	8,991	5,441	8,991	-	1,495	-	-	-	-	-	1,495	-
Basketball Boys Varsity	-	11,138	14,891	11,138	4,234	7,987	-	-	257	-	-	7,730	-
Middle School Football	357	135	740	135	-	962	-	-	-	-	-	962	-
Basketball Boys MS	-	7,343	10,332	7,343	500	3,489	-	-	-	-	-	3,489	-
Basketball Girls MS/HS PR	82	8,426	9,327	8,426	-	983	-	-	133	-	-	850	-
MS Girl's Basketball	117	896	866	896	214	301	-	-	-	-	-	301	-
Volleyball Program	1,040	6,260	8,382	6,260	-	3,162	-	-	-	-	-	3,162	-
Tennis - HS	15	1,232	1,425	1,232	-	208	-	-	-	-	-	208	-
Cross Country Boys	5,028	3,071	5,173	3,071	(500)	6,630	-	-	-	-	-	6,630	-
Softball - HS	1,788	27,151	19,100	27,151	10,895	4,632	-	-	-	-	-	4,632	-
Baseball hs	810	2,129	3,882	2,129	-	2,563	-	-	-	-	-	2,563	-
Track - Girls - All	116	80	-	80	-	36	-	-	-	-	-	36	-
Boys Basketball Elm	250	-	250	-	(500)	-	-	-	-	-	-	-	-
Girls Basketball Elm	132	-	83	-	(215)	-	-	-	-	-	-	-	-
Marketing Education	95	939	1,345	939	(231)	270	-	-	-	-	-	270	-
Science Olympiad	-	-	-	-	-	-	-	-	-	-	-	-	-
FCCLA	1,647	2,500	964	2,500	-	111	-	-	-	-	-	111	-
Agriculture Education	2,272	10,000	8,572	10,000	(171)	673	-	-	-	-	-	673	-
Music	40	2,856	3,779	2,856	(675)	288	-	-	-	-	-	288	-
Video gaming	-	230	761	230	-	531	-	-	-	-	-	531	-
Elementary Dance Team	2	-	-	-	(2)	-	-	-	-	-	-	-	-
Varsity Cheer Program	1,090	6,573	5,383	6,573	100	-	-	-	-	-	-	-	-
Varsity Cheer 2022-2023	-	805	3,319	805	-	2,514	-	-	-	-	-	2,514	-
HS Dance	710	2,028	1,867	2,028	-	549	-	-	-	-	-	549	-
Elementary Cheer	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle School Fundraising	1,086	528	506	528	-	1,064	-	-	-	-	-	1,064	-
Bass Fishing	158	-	-	-	-	158	-	-	-	-	-	158	-
Archery	2,326	4,707	8,486	4,707	-	6,105	-	-	-	-	-	6,105	-
Academic Team M.S.	-	80	-	80	80	-	-	-	-	-	-	-	-
Academic Team H.S.	62	165	100	165	3	-	-	-	-	-	-	-	-
Spanish Honor Society	303	74	-	74	-	229	-	-	-	-	-	229	-
OM-HS	-	-	-	-	-	-	-	-	-	-	-	-	-
National Beta Club	2,360	9,072	8,687	9,072	(450)	1,525	-	-	-	900	-	625	-

See accompanying independent auditor's report.

**KNOX COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES -
LYNN CAMP SCHOOLS ACTIVITY FUND (FORMERLY LYNN CAMP MIDDLE/HIGH)
Year ended June 30, 2022**

	Balances		Receipts	Disbursements		Transfers in (out)	Cash and Cash Equivalents		Accounts Receivable		Accounts Payable		Balances June 30, 2022
	June 30, 2021	June 30, 2022		June 30, 2021	June 30, 2022		June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	
Yearbook Elm	1,014	-	-	761	-	-	253	-	-	-	-	-	253
Yearbook MS/HA	38	725	713	-	-	-	50	-	-	-	-	-	50
Senior Trip Fund	8,791	9,713	12,009	-	-	-	6,495	-	-	-	-	-	6,495
Jr/Sr Prom Fund	-	-	-	-	-	-	-	-	-	-	-	-	-
Library fund	1,359	4,323	4,316	(1,366)	-	-	-	-	-	-	-	-	-
Library Fund Elm	5,183	8,190	12,555	(818)	-	-	-	-	-	-	-	-	-
2019 Senior Account	96	-	-	-	-	-	96	-	-	-	-	-	96
First Priority High School	24	-	-	-	-	-	24	-	-	-	-	-	24
First Priority Middle School	64	-	-	-	-	-	64	-	-	-	-	-	64
Science Project	-	-	-	-	-	-	-	-	-	-	-	-	-
First Robotics	724	-	-	247	-	-	477	-	-	-	-	-	477
Battle for the Bluegrass	120	-	-	-	-	-	120	-	-	-	-	-	120
9th Grade Fundraising	285	-	-	-	(285)	-	-	-	-	-	-	-	-
1st grade fundraising	73	-	-	-	-	-	73	-	-	-	-	-	73
2nd grade fundraising	920	-	-	216	-	-	704	-	-	-	-	-	704
3rd grade fundraising	-	-	-	-	-	-	-	-	-	-	-	-	-
4th grade fundraising	568	839	1,228	-	-	-	179	-	-	-	-	-	179
5th grade fundraising	411	371	612	-	-	-	170	-	-	-	-	-	170
6th grade fundraising	82	-	-	-	-	-	82	-	-	-	-	-	82
Kindergarten fundraising	351	24	243	-	-	-	132	-	-	-	-	-	132
Preschool	633	177	808	-	-	-	2	417	-	-	-	-	419
Ele Music Program	-	-	-	-	-	-	-	-	-	-	-	-	-
Special Education EBD	1	-	-	-	-	-	1	-	-	-	-	-	1
Special Education FMD	45	-	-	-	-	-	45	-	-	-	-	-	45
7th 8th AG Club	-	-	2,111	2,282	171	-	-	-	-	-	-	-	-
Book Club	-	96	-	-	-	-	96	-	-	-	-	-	96
Prideful Cats	-	90	-	-	-	-	90	-	-	-	-	-	90
Art Club	-	140	-	-	-	-	140	-	-	-	-	-	140
Wildcat Proud	-	68	-	-	-	-	68	-	-	-	-	-	68
Student Pick Up Tags	275	600	320	-	-	-	555	-	-	-	-	-	555
Senior Class 2020	490	-	-	-	-	-	490	-	-	-	-	-	490
DAF Athletics	-	-	4,369	-	-	4,369	-	-	-	-	-	-	-
DAF Library	-	-	2,184	-	-	2,184	-	-	-	-	-	-	-
Prom	5,857	5,811	5,699	-	-	-	5,969	-	-	-	-	-	5,969
Student Generated	972	120	-	-	-	-	1,092	-	-	-	-	-	1,092
Total accounts	75,029	208,202	212,287	-	-	-	70,944	476	1,290	-	-	-	70,130

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

KNOX COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2022

Federal Grantor Pass-Through Grantor Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Expenditures
<u>US Department of Agriculture</u>			
<i>Child Nutrition Cluster</i>			
Passed Through State Department of Education:			
School Breakfast Program	10.553	7760005 21	\$ 142,520
School Breakfast Program	10.553	7760005 22	576,888
National School Lunch Program	10.555	7750002 21	443,335
National School Lunch Program	10.555	7750002 22	1,653,118
National School Lunch Program	10.555	7970000.21	134,020
National School Lunch Program	10.555	7970000.22	95,736
Non-Cash Assistance (Commodities) National School Lunch Program	10.555	057502-02	216,497
Summer Food Services Program for Children	10.559	7690024 21	2,450
Summer Food Services Program for Children	10.559	7740023.21	23,860
Summer Food Services Program for Children	10.559	7740023.22	44,453
Total U.S. Department of Agriculture - Child Nutrition Cluster			3,332,877
Passed Through State Department of Education:			
State Administrative Expenses for Child Nutrition	10.560	7700001.21	7,203
Fresh Fruit and Vegetable Program	10.582	7720012.22	113,384
Pandemic EBT Administrative Costs	10.649	9990000.21	3,063
			123,650
Total US Department of Agriculture			3,456,527
<u>US Department of Education</u>			
Passed Through State Department of Education			
Title I Grants to Local Education Agencies	84.010	3100002 18	981
Title I Grants to Local Education Agencies	84.010	3100002 19	18,511
Title I Grants to Local Education Agencies	84.010	3100002 20	526,673
Title I Grants to Local Education Agencies	84.010	3100002 21	3,396,944
Title I Grants to Local Education Agencies	84.010	3100202.20	3,183
Title I Grants to Local Education Agencies	84.010	3100202.21	121,695
			4,067,987
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	4000002.20	89,333
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	4200002.21	4,907,458
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	4200003.21	47,800
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief Fund	84.425U	4300002.21	4,234,652
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief Fund	84.425U	4300005.21	9,717
COVID-19 Governor's Emergency Education Relief Fund	84.425C	564GF	11,650
			9,300,610
Student Support and Academic Enrichment Program	84.424	3420002.20	166,106
Student Support and Academic Enrichment Program	84.424	3420002.21	173,228
			339,334
<i>Special Education Cluster</i>			
Special Education Grants to States	84.027A	3810002.19	23,086
Special Education Grants to States	84.027A	3810002.20	2,897
Special Education Grants to States	84.027A	3810002.21	1,045,064
			1,071,047
COVID-19 Individuals with Disabilities Education Act/American Rescue Plan Act of 2021 (ARP)	84.027X	4910002.21	21,127
			21,127
Special Education Preschool Grants	84.173A	3800002.20	930
Special Education Preschool Grants	84.173A	3800002.21	74,742
			75,672

KNOX COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2022

Federal Grantor Pass-Through Grantor Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Expenditures
COVID-19 Individuals with Disabilities Education Act/American Rescue Plan Act of 2021 (ARP)	84.173X	4910002.21	2,520
			<u>2,520</u>
Total Special Education Cluster			<u>1,170,366</u>
Career and Technical Education - Basic Grants to States	84.048	3710002.20	19,622
Career and Technical Education - Basic Grants to States	84.048	3710002.21	99,811
			<u>119,433</u>
Rural Education	84.358	3140002.20	54,564
Rural Education	84.358	3140002.21	1,252
			<u>55,816</u>
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	313X	23,500
			<u>23,500</u>
Supporting Effective Instruction State Grant	84.367	3230002.19	4,940
Supporting Effective Instruction State Grant	84.367	3230002.20	32,732
			<u>37,672</u>
Fund for the Improvement of Education	84.215N	518X	47,861
Fund for the Improvement of Education	84.215N	518X	9,635
			<u>57,496</u>
Passed Through Berea College			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	379X	79,023
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	379X	389,587
			<u>468,610</u>
Total US Department of Education			<u>15,640,824</u>
<u>Corporation for National and Community Service</u>			
Passed Through The Kentucky Department of Education			
AmeriCorps State and National	94.006	663X	849
Total US Department of Treasury			<u>849</u>
<u>US Department of Defense</u>			
ROTC	12.000	10-504X	109,071
Total US Department of Defense			<u>109,071</u>
Total Expenditure of Federal Awards			<u>\$ 19,207,271</u>

KNOX COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Knox County School District and is presented on the accrual basis of accounting. 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because this Schedule presents only a selected portion of the operations of the District, it is not intended to, and does not, present the financial position, changes in net position or cash flows of the District.

2. IN-KIND COMMODITIES

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. The District no longer maintains a separate commodities inventory due to changes in program regulations. Commodities are included under the Child Nutrition Cluster. The valued amount of commodities received for June 30, 2022 is \$216,497.

3. CLUSTER PROGRAMS

The following CFDA numbers are considered cluster programs:

Special Education Cluster	
Special Education Grants to States	84.027
Special Education – Preschool Grants	84.173
Child Nutrition Cluster	
National School Lunch Program	10.555
National School Breakfast Program	10.553
Special Milk Program for Children	10.556
Summer Food Services for Children	10.559

4. INDIRECT COST RATE

The District has elected not to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

5. SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principle in OMB Circular A-87, *Cost Principles for State and Local Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit requirements for Federal Awards*, wherein, certain types of expenditures are not allowable or are limited as to reimbursement.



Cloyd & Associates, PSC

*Certified Public Accountants
and
Business Advisors*

**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

Kentucky State Committee for
School District Audits
Members of the Board of Education
Knox County School District
Barbourville, Kentucky

We have audited, in accordance with the 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 prescribed by the Kentucky State Committee for School District Audits in the *Appendix I to the Independent Auditor's Contract-General Audit Requirements* and *Appendix II to the Independent Auditor's Contract-State Audit Requirements*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Knox County School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Knox County School District's basic financial statements, and have issued our report thereon dated November 10, 2022.

Internal Control over Financial Reporting

Management of Knox County School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered Knox County School District'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 Knox County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Knox 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.

1700 Forest Drive, Corbin, KY 40701
Ph. 606.528.8776 Fax: 606.523.5457

2410 Greatstone Point, Lexington, KY 40504
Ph. 859.223.3318 Fax: 859.223.5875

1301 West 5th Street, London, KY 40741
Ph. 606.864.8110 Fax: 606.657.5889



www.cloydcpa.com



Cloyd & Associates, PSC

*Certified Public Accountants
and
Business Advisors*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Knox 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 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*. In addition, the results of our test disclosed no instances of material noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract-State Audit Requirements*.

We noted other matters involving the internal control over financial reporting that we have reported to the management of Knox County School District in a separate letter dated November 10, 2022.

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.

Cloyd & Associates, PSC

Cloyd & Associates, PSC
London, Kentucky
November 10, 2022





Cloyd & Associates, PSC

*Certified Public Accountants
and*

**Business Advisors REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditor's Report

Kentucky State Committee for
School District Audits
Members of the Board of Education
Knox County School District
Barbourville, Kentucky

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

Opinion on Each Major Federal Program

We have audited Knox County School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Knox County School District's major federal programs for the year ended June 30, 2022. The Knox 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.

In our opinion, Knox 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, 2022.

Basis for Opinion on Each Major Program

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; Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance with each major federal program. Our audit does not provide legal determination of the Knox County School District's compliance.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.





Cloyd & Associates, PSC

Certified Public Accountants
and

Business Advisors

Auditor's Responsibilities for the Audit of Compliance

Our responsibility is to obtain reasonable assurance about whether material noncompliance with the with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Knox County School District's Compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Knox County School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Knox County School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Knox County School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Knox County School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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





Cloyd & Associates, PSC

*Certified Public Accountants
and*

Business Advisors

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Cloyd & Associates, PSC

Cloyd & Associates, PSC
London, Kentucky
November 10, 2022



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

KNOX COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2022

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors' report issued		Unmodified	
Internal control over financial reporting:			
Material weakness identified	_____	Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<input checked="" type="checkbox"/> None Reported
Noncompliance material to financial statement noted	_____	Yes	<input checked="" type="checkbox"/> No

Federal Awards

Internal control over major programs:			
Material weaknesses identified	_____	Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<input checked="" type="checkbox"/> None reported
Type of auditors' report issued on compliance for major programs		Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	_____	Yes	<input checked="" type="checkbox"/> No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>ASSISTANCE LISTING NUMBER</u>
Title I Grants to Local Education Agencies	84.010
Special Education Cluster	84.027/84.173
Child Nutrition Cluster	10.553/10.555/10.559
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief Fund	84.425U
Dollar threshold used to distinguish between Type A and Type B program	\$750,000
Auditee qualified as low risk	_____ Yes <input checked="" type="checkbox"/> No

(continued)

KNOX COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED
Year Ended June 30, 2022

Section II – Financial Statement Findings

None

Section III – Federal Award Findings

None

KNOX COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2022

Financial Statement Findings

There were no prior year financial statement findings.

Federal Award Findings

There were no prior year federal award findings.



Cloyd & Associates, PSC

*Certified Public Accountants
and*

Business Advisors

Members of the Board of Education
Knox County School District
Barbourville, Kentucky

In planning and performing our audit of the basic financial statements of Knox County School District for the year ended June 30, 2022, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control structure.

During our audit we noted no matters involving internal control that we believe should be conveyed to management. This letter does not affect our report thereon dated November 10, 2022, on the basic financial statements of Knox County School District.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Respectfully,

Cloyd & Associates, PSC

Cloyd & Associates, PSC
London, Kentucky
November 10, 2022



KNOX COUNTY SCHOOL DISTRICT

MANAGEMENT LETTER COMMENTS

JUNE 30, 2022

Prior Year Comments – School Activity Funds

Jesse D Lay Elementary School

1. Several instances of invoices not being properly canceled or signed by the proper employee after payment of those invoices. Invoices that are paid need to have a proper cancellation either by stamp or signature on the actual invoice to ensure that invoices are paid twice and to allow others to be certain that the item was paid.

Issue resolved

Lynn Camp High School

2. Several instances of invoices not being properly canceled or signed by the proper employee after payment of those invoices. Invoices that are paid need to have a proper cancellation either by stamp or signature on the actual invoice to ensure that invoices are paid twice and to allow others to be certain that the item was paid.

Issue resolved

Current Year Comments –School Activity Funds

Jesse D Lay Elementary School

1. Several instances of invoices dated prior to the completed purchase order. All purchases need to be requisitioned and have a proper purchase order approved before ordering and/or payment of invoice. *Management response: Jesse D Lay Elementary School will follow the auditor's recommendations and Redbook guidelines.*