

Kenton County School District

**Financial Statements
With Supplementary Information
Year Ended June 30, 2022
With Independent Auditors' Report**

KENTON COUNTY SCHOOL DISTRICT

June 30, 2022

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Independent Auditors' Report

To the Members of the Board of Education
Kenton County School District
Independence, 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 the Kenton 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 Kenton County School 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 Kenton 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Kenton County School District and to meet our other ethical responsibilities, in accordance with the 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 audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Kenton 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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 and Government 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.

**Independent Auditors' Report
(Continued)**

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with generally accepted auditing standards and *Government 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 Kenton County School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant 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 Kenton County School 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (unaudited), budgetary comparison and pension liability and OPEB liability and contributions information on pages 4-12, 57-59, and 65-74 as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kenton County School District's basic financial statements. The combining and individual nonmajor fund financial statements and statement of receipts and disbursements of bonds 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.

**Independent Auditors' Report
(Continued)**

Other Matters (Continued)

Other Information (Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2022 on our consideration of the Kenton 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kenton County School District's internal control over financial reporting and compliance.

Change in Accounting Principle

As discussed in Note 19 to the financial statements, the District adopted Governmental Accounting Standards Board ("GASB") Statement No. 87, *Leases*, effective as of July 1, 2021. Our opinion is not modified with respect to this matter.



Crestview Hills, Kentucky
November 15, 2022

KENTON COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A – Unaudited) Year Ended June 30, 2022

As management of the Kenton County School District (District), we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

Kenton County Schools served 14,364 enrolled students during the 2022 fiscal year through 19 schools including 3 high schools, a technology academy, 4 middle schools and 11 elementary schools. More than half of the District's schools are operating at their student capacity. Preschool students expanded their instructional experience from a half day to a full day in 2022.

District facility activity during 2022 included continued progress on addition/renovation to Scott High School, safety and security enhancements and building renovation projects for five schools to address student population needs and eliminate temporary classroom facilities.

School Revenue Bonds were issued in November, 2021 for \$29.1 million to finance classroom additions in four elementary schools and February, 2022 for \$48.4 million to finance the final phase of construction at Scott High School, Woodland Middle school and Hinsdale Elementary.

The Board approved a Lease & Security Agreement with the Kentucky Interlocal School Transportation Association ("KISTA") resulting in the issuance of \$1.376 million in bonds to finance the purchase of 10 new school buses.

Net Position increased \$16.8 million reflecting an increase in tax revenue and revenue bond proceeds held for current construction projects.

Total Revenues were \$188.3 million for the year. General revenues accounted for \$154 million, 82 percent of the total, while program specific revenues, in the form of charges for services and sales, grants, and contributions, accounted for \$34 million or 18 percent of total revenues. The District incurred \$172 million in total expenses.

Governmental Fund Revenues were \$178.6 million with \$137 million accounted for in the General Fund. Local tax revenues increased to \$76 million while state SEEK revenues increased slightly. Federal grant program revenues increased \$10.1 million due to collections from Cares Act, Coronavirus Response and Relief and American Rescue Plan Act.

Governmental Fund Expenditures totaled \$202.8 million during 2022 with General Fund expenses comprising \$131 million of that total. While student and staff attendance was affected due to COVID-19 illness, all District schools delivered instruction remotely or in-person for the entire school year.

The General Fund ended the year with a reserve balance of \$28.5 million which represents 26% of the non-construction budget for the year. \$5.7 million of the Total Fund Balance is either restricted or committed to capital/construction projects or operating obligations. The Unassigned Fund Balance at the end of the year is \$22.7 million

KENTON COUNTY SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A – Unaudited)
Year Ended June 30, 2022
(Continued)**

OVERVIEW OF FINANCIAL STATEMENTS

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

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

The district-wide financial statements can be found on pages 13 and 14 of this report.

KENTON COUNTY SCHOOL DISTRICT

**Management’s Discussion and Analysis (MD&A – Unaudited)
Year Ended June 30, 2022
(Continued)**

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations 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 pages 15 through 21 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 district-wide and fund financial statements. The notes to the financial statements can be found on pages 22 through 54 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net Position for the periods ending June 30, 2022 and 2021

The following is a summary of net position for the fiscal years ended June 30, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Current assets	\$ 99,246,466	\$ 30,691,906
Noncurrent assets	<u>258,399,052</u>	<u>237,699,667</u>
Total assets	<u>357,645,518</u>	<u>268,391,573</u>
Deferred outflows	<u>26,322,498</u>	<u>27,377,624</u>
Current liabilities	31,755,534	21,702,001
Noncurrent liabilities	<u>295,951,909</u>	<u>251,377,824</u>
Total liabilities	<u>327,707,443</u>	<u>273,079,825</u>
Deferred inflows	<u>33,524,078</u>	<u>16,820,379</u>
Net position		
Investment in capital assets (net of debt)	31,564,615	73,298,382
Restricted	49,153,204	(3,162,725)
Unrestricted	<u>(57,981,324)</u>	<u>(64,266,664)</u>
Total net position	<u>\$ 22,736,495</u>	<u>\$ 5,868,993</u>

KENTON COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A – Unaudited) Year Ended June 30, 2022 (Continued)

DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Due to state pension plan and OPEB liabilities reflected on the District's balance sheet, Net Position may not be the best indicator of a government's financial position. In the case of the District, assets plus deferred outflows exceeded liabilities plus deferred inflow of resources by \$22.7 million as of June 30, 2022. Unrestricted Net Position is (\$58.0) million which includes the recognition of the District's proportionate share of the pension and other post-employment benefits (OPEB) liabilities at year end. Without the effect of the pension and OPEB net liabilities, unrestricted net position would be approximately \$27 million.

The pension and OPEB liabilities are related to the state pension funds which are legislated and controlled by the state of KY and at this time are not fully funded. Fully funding the state's pension and benefit plans is a recurring agenda item for the KY legislature. Future remedies may include changes to benefit calculations, employee and/or employer contribution rates and investment strategies. The District has always paid its entire employer contribution based on the rates enacted by each pension body.

Capital Assets

The largest portion of the District's net position resides in its investment in capital assets (e.g. land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The renovation process continues at Scott High School which is the facility identified in the District facility plan with the greatest needs. Construction on the final phase began in 2022 with estimate completion in approximately 24 months. The project includes renovation of the auditorium, gymnasium, and all other remaining interior spaces. This phase of the project is funded by a \$48.4 million revenue bond sale in February, 2022.

Several elementary school building addition projects were funded and construction began in 2022. These projects include the addition of classrooms, gymnasium addition, media center addition, kitchen/cafeteria additions, and/or overall interior renovations at five elementary schools. Mobile classroom units will be removed from these campuses as soon as the projects are complete. Revenue bond sales totaling \$29.1 million were completed in November, 2021 to fund this renovation projects. These projects are scheduled for completion in 2023.

Work continued in 2022 on the security and safety upgrades at all school locations. The upgrades to all existing secure entrance designs will reflect the latest technology in school security.

The district facility plan includes construction of a support operations facility. The facility will include a bus maintenance garage, building maintenance storage, technology department work area and support department office space. The District acquired a 25,000 square foot building plus parking lot that was previously leased and will continue to be used as a school bus lot in the northern end of the county.

The District is in negotiation with a local property owner to acquire land for a new central office. The District has made a firm commitment to remain in the current facility lease with the Sanitation District for administrative operations until all students are out of mobile classrooms and all facilities are in good condition.

KENTON COUNTY SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A – Unaudited)
Year Ended June 30, 2022
(Continued)**

DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Capital Assets (Continued)

Technology improvements have been implemented in network architecture, internet access and devices. The goal to provide every student with a personal device for instruction both in and away from school began in 2020. Purchasing devices has been a challenge due to supply shortages but 1,325 Chromebooks were finally delivered in March, 2022. Plans are to continue device purchases for three to four grade levels each year.

Ten new buses were purchased through the Kentucky Intermodal School Transportation System bond program. The order included nine 84 passenger buses to replace buses that were over ten years old. Approved by the Board in November 2021, the new buses were delivered in July and August, 2022.

Debt

At June 30, 2022, the District had \$218.5 million in outstanding bonds. The bonds are being paid from the Debt Service Fund. A portion of this debt, \$20.8 million is serviced by the Kentucky School Facility Construction Commission. See additional detail in Note 17 to Financial Statements.

Participation in the KISTA bus lease/purchase program was approved by the Board and bonds were issued in March 2022 for the purchase of ten new buses for the District fleet. The total amount of bonds issued was \$1,376,044 and total debt outstanding as of June 30, 2022 is \$7,359,452. The debt will be serviced by the General Fund.

In accordance with Government Accounting Board Statement 87, *Leases*, current lease agreements were reviewed to determine the proper classification under the statement requirements. Financing and short-term leases were identified and required no changes to prior or current reporting periods.

KENTON COUNTY SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A – Unaudited)
Year Ended June 30, 2022
(Continued)**

DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2022 and 2021.

	2022	2021
Revenues		
Program revenues		
Charges for services	\$ 1,129,795	\$ 635,980
Operating grants	27,212,208	12,322,771
Capital grants	5,776,075	6,115,002
Total grant revenues	34,118,078	19,073,753
General Revenues		
Taxes	76,033,386	71,529,550
Grants and entitlements	75,984,692	79,971,409
Earnings on investments	181,356	66,520
Miscellaneous	2,069,918	2,605,645
Total general revenues	154,269,352	154,173,124
Total revenues	188,387,430	173,246,877
Expenses		
Instructional	93,694,229	91,582,487
Student support services	10,318,502	9,480,450
Staff support	5,942,569	5,327,570
District administration	2,638,110	2,256,012
School administration	10,844,670	10,827,559
Business support	3,757,486	3,367,348
Plant operations	20,071,504	21,580,277
Student transportation	9,935,213	10,908,477
Food service operation	7,095,825	6,107,703
Other	1,628,303	1,084,050
Interest on long-term debt	5,593,517	5,291,943
Total expenses	171,519,928	167,813,876
Change in net position	\$ 16,867,502	\$ 5,433,001

Governmental Activity

The COVID-19 national health emergency continued to affect school operations in 2022 but not as dramatically as last year. The District started the 2022 school year providing both in-person and virtual instruction. Local and school virus infection rates were monitored and guided decisions concerning in-person learning. While student and staff attendance was occasionally affected due to COVID-19 illness, district activities returned to more normal schedules and activities in 2022. District schools delivered instruction remotely or in-person for the entire school year and student attendance returned to more normal levels.

KENTON COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A – Unaudited) Year Ended June 30, 2022 (Continued)

DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activity

Funding from the CARES Act and American Rescue Plan covered increased costs related to virtual and in-person staffing and instruction. The USDA authorized meal reimbursement under the summer feeding program for all meals served through the end of the 2022 school year, the same as in 2021.

Governmental Revenues experienced increases in General Revenue taxes and Grant revenue in 2022. Property tax collections were up due to property value increases in the county. Both real estate and motor vehicle collections reflected the increase in tax base. Grant revenues reflected the additional federal grant reimbursements from the federal CARES/Coronavirus Relief funds.

Total expenses reflected an increase of \$3.3 million and reflects the increased instruction spending to support students and recover prior year learning loss. \$3.2 million in staff increases and work hours as well as instructional program purchases were incurred with the CARES/Coronavirus grant funds. Certified and classified salary schedules increased 1.5% to retain and attract staff. With the increase in revenue and bond proceeds, the 2022 fiscal year ended by adding \$14.0 million to net position from current year activities.

Business-Type Activity

The only business-type activity of the District is the food service operation. This program experienced revenues of \$10.3 million and expenditures of \$7.5 million during fiscal year 2022. The USDA authorized meal reimbursement under the summer feeding program for all meals served during the entire school year, and added \$4.0 million to reimbursement revenue under the program over 2021 revenues from this source. Increased student attendance in schools increased meals served under this program. Expenditures also increased as some food items were unavailable and were replaced with higher cost items. Certainly food costs were affected by inflation during 2022 and will continue into the 2023 school year. The 2022 fiscal year ended adding \$2.8 million to net position.

The Food Service Program continues to offer students excellent nutrition through a variety of breakfast and lunch meal choices. Meals are prepared and served each school day and several weeks during summer instructional programs. The food service operation is self-operating and funded without assistance from the General Fund. The business activity receives no support from tax revenues.

In accordance with Implementation of Government Accounting Standards Board Statement No. 68, *Accounting and Reporting for Pensions*, and Government Accounting Standards Board Statement No. 75, *Accounting and Reporting for Postemployment Benefits Other than OPEBs*, food service financial results include provisions for deferred outflows and inflows related to both the state net pension and postemployment benefits other than OPEBs liabilities.

The District's Funds

Government Fund tax revenues increased by \$4.5 million in 2022 due to increased property and motor vehicle valuations in Kenton County. Both the General and Building Fund reflected this increase. District and Student Activity Funds also experienced increased revenue activity as extra and co-curricular events returned to the weekly school agendas. Federal Cares and Coronavirus Relief Act grant reimbursements rose to \$6.6 million in 2022 accounting for the increase in federal grant revenues. State SEEK and grant funding remained stable comprising 33% of government fund collected revenue. The District's property tax base remains strong and increased by \$582 million (6.5%) providing a stable source of operating revenue. The distribution of government fund revenues is approximately 48% from state/federal sources and 52% generated from local sources.

KENTON COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A – Unaudited) Year Ended June 30, 2022 (Continued)

DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The District's Funds (Continued)

Government Fund expenditures totaled \$202.8 million, an increase of \$32.7 million over 2021. General Fund expenditures increased \$4.8 million with salary and benefit costs and rising utility and diesel fuel prices due to inflation during 2022. Special Revenue expenditures rose \$2.2 million to fund instructional programs and sessions to address student learning loss and social/emotional needs. Construction expenditures were \$ 24.6 million higher due to the multiple capital improvement projects that progressed throughout the year. The 2022 salary schedules included a 1.5% increase for each position as well as the experience step increase of approximately 1.3%. Salary and benefits cost represent approximately 85% of the General Fund expenditures each year. The District is committed to hiring and retaining the most qualified personnel. The current compensation schedule is competitive with other Northern Kentucky Districts as well as Ohio and Indiana. This has helped attract highly qualified applicants and retain staff who have been trained by the District.

The General Fund ended the year with a fund balance at June 30, 2022 of \$28.5 million. This fund receives approximately 97% of annual cash revenue from local taxes and state SEEK revenue which can vary with the local economic environment and state budget issues. The fund balance will be critical in maintaining instructional programs and facilities as state funding priorities could shift given the current status of the state pension funding deficiencies.

The Special Revenue Fund expended and received \$6.6 million from federal Coronavirus Relief Acts. The funds paid for additional instruction programs after school and during the summer months as well as PPE, health supplies and student technology devices. The federal funds will continue to be available through 2024.

BUDGETARY IMPLICATIONS

The District's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

The most significant budgeted fund is the General Fund. By law, this fund budget must include a minimum 2% contingency. The Board adopted a 2022 working budget with \$14.2 million in contingency (11.7%). The 2022 General Fund budget is included in the Supplementary Information section of this report. It should be noted that state on-behalf revenues and expenditures of \$33.9 million are not budgeted but are included in the actual results column of the report.

For the General Fund, total budgeted revenues and other financing sources were \$102.3 million and actual revenues, excluding on-behalf payments were \$106.7 million. General Fund budgeted expenditures, excluding contingency, were \$121.3 million while actual expenditures, excluding on-behalf totaled \$100.6 million. The favorable variances in actual revenue and expenditures resulted in a \$22.6 million unrestricted fund balance at the end of the year versus a budgeted ending fund balance of \$14.2 million.

On-Behalf Payments

The District recorded on-behalf payments in the General Fund in 2022 totaling \$33.9 million and \$755 thousand in the District Academy Fund as required by KDE. On-behalf payments represent amounts paid on behalf of the Kenton County School District by the Commonwealth of Kentucky for employee health insurance, Teachers' Retirement, post-employment benefits and technology services. These revenues and expenditures are not budgeted but are required to be reflected in the annual financial fund reports as a revenue and expenditure. As a result, it should be noted that large variances between budgeted and actual amounts for the General Fund are the result of this inconsistency.

KENTON COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A – Unaudited) Year Ended June 30, 2022 (Continued)

CURRENT ISSUES

The 2023 school year opened under normal schedules and conditions for the first time in three years. However, the effects of the health emergency are evident in student achievement, social and emotional areas. Expanded learning opportunities and programs began in 2022 to address student learning loss and will continue over the next several years. Funding from the American Rescue Plan will cover increased costs related to increased staffing and instruction.

The economic effect of the pandemic is another factor that all KY school districts are facing. The local economy is active which creates a challenging environment to attract workers. The District experienced staffing shortages in several positions such as substitute teacher, custodian, food service and bus drivers. The area is also experiencing a shortage of classroom teachers while fewer students are entering teacher preparation programs. Compensation plans, certification alternatives and aggressive recruiting of certified teachers are helping fill vacancies and maintain effective instruction and district operations. The district is also experiencing rising utility, food and fuel costs due to inflation, the same as any other business in the nation. Fortunately, the property tax base continues to provide adequate tax revenue to offset the expected cost increases.

The CBAS management tool implemented in 2022 continues to grow and identify areas of strength and need in the district academic and support operations. Quarterly metrics provide progress on each of the six Pillars to the stakeholders and committees. Collaborative analysis completed each quarter identifies the current status and adjustments that are needed to achieve each pillar's goals and objectives. Every major area of the district is included in this endeavor.

The KY General Assembly raised the SEEK revenue to \$4,200 per student and maintained state grant allocations for 2023 and 2024. The legislature also added 2022 SEEK funding for full day Kindergarten during the 2021 Special Session. The District has been providing full day instruction for Kindergarten students since 2019 and added full day Preschool instruction in 2022. The SEEK process continues to redistribute revenue via the 30 cent adjustment process so districts in areas of rising property values do not retain the benefit of all local tax revenue increases.

State operating grants provide funding for specialized instructional and safety programs. These include Extended School Services, Preschool, Safe Schools, Read To Achieve, Family Resource Centers, and Ky Education Technology programs. The state revenue projections indicate that these programs will continue to be funded. Federal Title I and IDEA remain steady resources to supplement instruction for special student populations and schools.

The financial position of the state's pension plans continues to affect the District's financial obligations. Both the Teachers' Retirement and County Employees Retirement Systems are underfunded at this time. The General Assembly does fund the current year at maximum amounts permitted by legislation and passed legislation creating a separate benefit tier for TRS participants joining after January 1, 2022. The new tier is designed to have no unfunded liability and a funded status of at least 90%. This change will provide one piece of a long-term solution to the plan's underfunding situation. The District has always paid its required contribution as determined by the plans. In accordance with the requirements of Governmental Accounting Standards Board Statements 68 and 75, the District has recorded its proportionate share of certain financial aspects of the pension plans in which its employees participate.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Questions about this report or additional financial information needs should be directed to Dr. Henry Webb, Superintendent, or Ms. Susan Bentle, Treasurer, at 859-344-8888, or by mail at 1055 Eaton Drive, Fort Wright, Kentucky 41017.

KENTON COUNTY SCHOOL DISTRICT

**Statement of Net Position – District Wide
As of June 30, 2022**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and cash equivalents	\$ 89,429,408	\$ 3,169,081	\$ 92,598,489
Accounts receivable	5,338,226	1,011,502	6,349,728
Inventories for consumption	166,252	131,997	298,249
Total current	<u>94,933,886</u>	<u>4,312,580</u>	<u>99,246,466</u>
Noncurrent:			
Construction in progress	39,067,499	-	39,067,499
Nondepreciated capital assets:			
Land	7,219,838	-	7,219,838
Depreciated capital assets:			
Land improvements	7,065,993	-	7,065,993
Buildings and improvements	324,221,681	-	324,221,681
Furniture and equipment	32,229,956	2,831,389	35,061,345
Less: accumulated depreciation	<u>(151,950,171)</u>	<u>(2,287,133)</u>	<u>(154,237,304)</u>
Total noncurrent	<u>257,854,796</u>	<u>544,256</u>	<u>258,399,052</u>
Total assets	<u>352,788,682</u>	<u>4,856,836</u>	<u>357,645,518</u>
Deferred outflows	<u>24,736,031</u>	<u>1,586,467</u>	<u>26,322,498</u>
Liabilities and Net Position			
Liabilities			
Current:			
Current portion of bonds payable	15,345,000	-	15,345,000
Accounts payable	9,987,573	16,876	10,004,449
Accrued interest	1,748,376	-	1,748,376
Accrued sick leave	159,401	-	159,401
Accrued payroll and related expenses	2,102,142	18,174	2,120,316
Current portion of finance leases	1,479,344	-	1,479,344
Unearned revenues	837,830	60,818	898,648
Total current	<u>31,659,666</u>	<u>95,868</u>	<u>31,755,534</u>
Noncurrent:			
Accrued sick leave	1,434,613	78,751	1,513,364
Finance leases	5,880,108	-	5,880,108
MIF net OPEB liability	34,527,906	1,497,856	36,025,762
CERS net pension liability	40,804,060	4,848,278	45,652,338
Bond obligations	206,880,337	-	206,880,337
Total noncurrent	<u>289,527,024</u>	<u>6,424,885</u>	<u>295,951,909</u>
Total liabilities	<u>321,186,690</u>	<u>6,520,753</u>	<u>327,707,443</u>
Deferred inflows	<u>31,645,345</u>	<u>1,878,733</u>	<u>33,524,078</u>
Net Position			
Invested in capital assets, net of related debt	31,020,359	544,256	31,564,615
Restricted	51,653,643	(2,500,439)	49,153,204
Unrestricted	<u>(57,981,324)</u>	<u>-</u>	<u>(57,981,324)</u>
Total net position	<u>\$ 24,692,678</u>	<u>\$ (1,956,183)</u>	<u>\$ 22,736,495</u>

The accompanying notes are an integral part of these financial statements

KENTON COUNTY SCHOOL DISTRICT

**Statement of Activities – District Wide
For Year Ended June 30, 2022**

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instructional	\$ 93,694,229	\$ 206,000	\$ 12,762,236	\$ -	\$ (80,725,993)	\$ -	\$ (80,725,993)
Student support services	10,318,502	-	754,940	-	(9,563,562)	-	(9,563,562)
Staff support services	5,942,569	-	1,937,309	-	(4,005,260)	-	(4,005,260)
District administration	2,638,110	-	29,076	-	(2,609,034)	-	(2,609,034)
School administration	10,844,670	-	172,227	-	(10,672,443)	-	(10,672,443)
Business support services	3,757,486	-	797	-	(3,756,689)	-	(3,756,689)
Plant operation and maintenance	20,071,504	83,320	152,566	-	(19,835,618)	-	(19,835,618)
Student transportation	9,935,213	632,325	28,118	-	(9,274,770)	-	(9,274,770)
Community service operations	1,161,868	-	1,158,829	-	(3,039)	-	(3,039)
Facility acquisition and construction	-	-	-	5,776,075	5,776,075	-	5,776,075
Other	466,435	-	166,843	-	(299,592)	-	(299,592)
Interest on long-term debt	5,593,517	-	-	-	(5,593,517)	-	(5,593,517)
Total governmental activities	164,424,103	921,645	17,162,941	5,776,075	(140,563,442)	-	(140,563,442)
Business-type activities							
Food service	7,095,825	208,150	10,049,267	-	-	3,161,592	3,161,592
Total business-type activities	7,095,825	208,150	10,049,267	-	-	3,161,592	3,161,592
Total school district	\$ 171,519,928	\$ 1,129,795	\$ 27,212,208	\$ 5,776,075	(140,563,442)	3,161,592	(137,401,850)
General revenues:							
					76,033,386	-	76,033,386
					75,984,692	-	75,984,692
					176,229	5,127	181,356
					2,199,194	56,145	2,255,339
Special items:							
					(179,988)	(5,433)	(185,421)
					403,732	(403,732)	-
Total general and special revenues					154,617,245	(347,893)	154,269,352
Change in net position					14,053,803	2,813,699	16,867,502
Net position - beginning					10,638,875	(4,769,882)	5,868,993
Net position - ending					\$ 24,692,678	\$ (1,956,183)	\$ 22,736,495

The accompanying notes are an integral part of these financial statements

KENTON COUNTY SCHOOL DISTRICT

**Balance Sheet – Governmental Funds
As of June 30, 2022**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Current:					
Cash and cash equivalents	\$ 29,258,203	\$ -	\$ 57,856,192	\$ 2,315,013	\$ 89,429,408
Accounts receivable	1,720,122	3,608,513	-	9,591	5,338,226
Inventories for consumption	166,252	-	-	-	166,252
Total assets	<u>\$ 31,144,577</u>	<u>\$ 3,608,513</u>	<u>\$ 57,856,192</u>	<u>\$ 2,324,604</u>	<u>\$ 94,933,886</u>
Liabilities and Fund Balances					
Liabilities					
Current:					
Accounts payable	\$ 546,164	\$ 2,804,737	\$ 6,202,549	\$ 434,123	\$ 9,987,573
Unearned revenue	34,054	803,776	-	-	837,830
Accrued payroll and related expenses	2,102,142	-	-	-	2,102,142
Total liabilities	<u>2,682,360</u>	<u>3,608,513</u>	<u>6,202,549</u>	<u>434,123</u>	<u>12,927,545</u>
Fund Balances					
Restricted:					
Capital projects	-	-	51,653,643	-	51,653,643
Other	21,909	-	-	1,262,615	1,284,524
Committed:					
Accrued sick leave	794,577	-	-	-	794,577
Site based carryforward	795,951	-	-	-	795,951
Other	-	-	-	627,866	627,866
Assigned:					
Purchase obligations	1,514,804	-	-	-	1,514,804
Other	2,500,000	-	-	-	2,500,000
Nonspendable:					
Inventories	166,252	-	-	-	166,252
Unassigned	22,668,724	-	-	-	22,668,724
Total fund balances	<u>28,462,217</u>	<u>-</u>	<u>51,653,643</u>	<u>1,890,481</u>	<u>82,006,341</u>
Total liabilities and fund balances	<u>\$ 31,144,577</u>	<u>\$ 3,608,513</u>	<u>\$ 57,856,192</u>	<u>\$ 2,324,604</u>	<u>\$ 94,933,886</u>

The accompanying notes are an integral part of these financial statements

KENTON COUNTY SCHOOL DISTRICT

**Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
As of June 30, 2022**

Total governmental fund balance		\$ 82,006,341
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Construction in process	39,067,499	
Cost of capital assets	370,737,468	
Accumulated depreciation	<u>(151,950,171)</u>	257,854,796
Deferred outflows related to CERS	2,665,164	
Deferred outflows for CERS contributions made after the measurement date	3,637,288	
Deferred outflows for MIF contributions made after the measurement date	2,996,010	
Deferred outflows related to MIF	12,687,217	
Deferred outflows for bond refinancing	<u>2,750,352</u>	24,736,031
Deferred inflows related to CERS	(8,762,502)	
Deferred inflows related to MIF	<u>(22,882,843)</u>	(31,645,345)
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds payable		(218,545,000)
Bond premium		(3,680,337)
Accrued interest on bonds		(1,748,376)
Finance leases		(7,359,452)
Net pension liability		(40,804,060)
Net OPEB liability		(34,527,906)
Accrued sick leave		<u>(1,594,014)</u>
Total net position - governmental		<u>\$ 24,692,678</u>

The accompanying notes are an integral part of these financial statements

KENTON COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2022**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 60,307,458	\$ -	\$ -	\$ 15,725,928	\$ 76,033,386
Earnings on investments	92,012	-	81,655	2,562	176,229
State sources	74,791,408	4,194,670	-	6,530,987	85,517,065
Federal sources	438,372	12,814,007	-	-	13,252,379
Other sources	1,303,906	154,264	-	2,195,328	3,653,498
	<u>136,933,156</u>	<u>17,162,941</u>	<u>81,655</u>	<u>24,454,805</u>	<u>178,632,557</u>
Total revenues					
Expenditures					
Instructional	77,263,130	12,121,616	-	4,393,674	93,778,420
Student support services	9,407,632	754,940	-	154,978	10,317,550
Staff support services	3,985,880	1,937,309	-	5,219	5,928,408
District administration	2,587,368	29,076	-	-	2,616,444
School administration	10,155,251	172,227	-	504,776	10,832,254
Business support services	3,715,142	797	-	-	3,715,939
Plant operation and maintenance	13,328,061	152,566	-	2,279	13,482,906
Student transportation	9,682,937	28,118	-	2,464	9,713,519
Community service operations	2,275	1,158,829	-	-	1,161,104
Facility acquisition and construction	-	-	30,121,279	-	30,121,279
Other	-	166,843	-	39,892	206,735
Debt service:					
Principal	1,157,806	-	-	14,600,000	15,757,806
Interest	146,399	-	-	4,815,487	4,961,886
Bond issuance costs	-	-	259,700	-	259,700
	<u>131,431,881</u>	<u>16,522,321</u>	<u>30,380,979</u>	<u>24,518,769</u>	<u>202,853,950</u>
Total expenditures					
Excess (deficit) of revenues over expenditures	<u>5,501,275</u>	<u>640,620</u>	<u>(30,299,324)</u>	<u>(63,964)</u>	<u>(24,221,393)</u>
Other financing sources (uses)					
Loan and bond proceeds	-	-	77,510,000	-	77,510,000
Bond premium	-	-	2,373,583	-	2,373,583
Finance lease proceeds	1,376,044	-	-	-	1,376,044
Proceeds from sale of assets	48,918	-	-	-	48,918
Other items	-	-	-	-	-
Operating transfers in	2,279,043	278,766	1,656,041	19,406,447	23,620,297
Operating transfers out	<u>(3,085,407)</u>	<u>(919,386)</u>	<u>-</u>	<u>(19,211,772)</u>	<u>(23,216,565)</u>
	<u>618,598</u>	<u>(640,620)</u>	<u>81,539,624</u>	<u>194,675</u>	<u>81,712,277</u>
Total other financing sources (uses)					
Net change in fund balance	6,119,873	-	51,240,300	130,711	57,490,884
Fund balance, July 1, 2021	<u>22,342,344</u>	<u>-</u>	<u>413,343</u>	<u>1,759,770</u>	<u>24,515,457</u>
Fund balance, June 30, 2022	<u>\$ 28,462,217</u>	<u>\$ -</u>	<u>\$ 51,653,643</u>	<u>\$ 1,890,481</u>	<u>\$ 82,006,341</u>

The accompanying notes are an integral part of these financial statements

KENTON COUNTY SCHOOL DISTRICT

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2022**

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

Net changes-governmental funds \$ 57,490,884

Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense for the year.

Depreciation expense	(11,326,323)	
Capital outlays	32,298,223	
Retirement of capital assets	<u>(228,906)</u>	
		20,742,994

Bond and finance lease proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Bond principal paid	14,600,000	
Bond proceeds	(77,510,000)	
Bond premium	(2,373,583)	
Amortization of bond refinancing	(963,115)	
Amortization of bond premium, net	318,317	
Finance lease principal paid	1,157,806	
New finance leases	(1,376,044)	

Deferred outflows related to pensions	(2,701,767)	
Deferred outflows related to other post-retirement employee benefits	2,968,170	

Deferred inflows related to pensions	(7,485,081)	
Deferred inflows related to other post-retirement employee benefits	(7,897,829)	

Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.

17,083,051

Changes in net position of governmental activities \$ 14,053,803

The accompanying notes are an integral part of these financial statements

KENTON COUNTY SCHOOL DISTRICT

**Statement of Net Position –
Proprietary Funds
As of June 30, 2022**

	Food Service	Total
Assets		
Current		
Cash and cash equivalents	\$ 3,169,081	\$ 3,169,081
Accounts receivable	1,011,502	1,011,502
Inventories for consumption	131,997	131,997
Total current	4,312,580	4,312,580
Noncurrent		
Furniture and Fixtures	2,831,389	2,831,389
Less: accumulated depreciation	(2,287,133)	(2,287,133)
Total noncurrent	544,256	544,256
Total assets	4,856,836	4,856,836
Deferred outflows	1,586,467	1,586,467
Liabilities and Net Position		
Liabilities		
Current		
Accounts payable	16,876	16,876
Unearned revenue	60,818	60,818
Accrued payroll and related expenses	18,174	18,174
Interfund payable	-	-
Total current	95,868	95,868
Noncurrent		
MIF net OPEB liability	1,497,856	1,497,856
CERS net pension liability	4,848,278	4,848,278
Accumulated sick leave	78,751	78,751
Total noncurrent	6,424,885	6,424,885
Total liabilities	6,520,753	6,520,753
Deferred inflows	1,878,733	1,878,733
Net Position		
Invested in assets, net of debt	544,256	544,256
Restricted	(2,500,439)	(2,500,439)
Total net position	\$ (1,956,183)	\$ (1,956,183)

The accompanying notes are an integral part of these financial statements

KENTON COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenses, and Changes in Net Position –
Proprietary Funds
Year Ended June 30, 2022**

	Food Service	Total
Operating revenues		
Lunchroom sales	\$ 208,150	\$ 208,150
Other operating revenues	56,145	56,145
Total operating revenues	264,295	264,295
Operating expenses		
Salaries and benefits	3,389,290	3,389,290
Contract services	187,404	187,404
Materials and supplies	3,371,159	3,371,159
Depreciation	106,681	106,681
Other operating expenses	41,291	41,291
Total operating expenses	7,095,825	7,095,825
Operating loss	(6,831,530)	(6,831,530)
Nonoperating revenues (expenses)		
Federal grants	8,877,475	8,877,475
State grants	496,337	496,337
Donated commodities and other donations	675,455	675,455
Gain on sale of assets	(5,433)	(5,433)
Transfers out	(403,732)	(403,732)
Interest income	5,127	5,127
Total nonoperating revenues	9,645,229	9,645,229
Change in net position	2,813,699	2,813,699
Total net position, July 1, 2021	(4,769,882)	(4,769,882)
Total net position, June 30, 2022	\$ (1,956,183)	\$ (1,956,183)

The accompanying notes are an integral part of these financial statements

KENTON COUNTY SCHOOL DISTRICT

**Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2022**

	Food Service Fund	Total
Cash flows from operating activities		
Cash received from lunchroom sales	\$ 208,150	\$ 208,150
Cash received from other activities	13,677	13,677
Cash payments to employees for services	(3,362,058)	(3,362,058)
Cash payments to suppliers for goods and services	(3,692,005)	(3,692,005)
Cash transfers	(403,732)	(403,732)
Net cash used in operating activities	(7,235,968)	(7,235,968)
Cash flows from capital financing activities		
Purchase of capital assets	(68,505)	(68,505)
Net cash used in capital financing activities	(68,505)	(68,505)
Cash flows from noncapital financing activities		
Non-operating revenues received	10,049,267	10,049,267
Net cash provided by noncapital financing activities	10,049,267	10,049,267
Cash flows from investing activities		
Interest on investments	5,127	5,127
Net cash flows provided by investing activities	5,127	5,127
Net increase in cash and cash equivalents	2,749,921	2,749,921
Cash and cash equivalents - beginning	419,160	419,160
Cash and cash equivalents - ending	\$ 3,169,081	\$ 3,169,081
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (6,831,530)	\$ (6,831,530)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	106,681	106,681
Transfers	(403,732)	(403,732)
Changes in assets and liabilities:		
Increase in accounts receivable	(94,825)	(94,825)
Decrease in accounts payable	(58,295)	(58,295)
Decrease in unearned revenue	(43,825)	(43,825)
Increase in accrued payroll and related expenses	18,174	18,174
Increase in accumulated sick leave	9,058	9,058
Decrease in deferred outflows	358,414	358,414
Increase in deferred inflows	1,320,789	1,320,789
Decrease in MIF net OPEB liability	(462,776)	(462,776)
Decrease in CERS net pension liability	(1,215,070)	(1,215,070)
Decrease in inventories	60,969	60,969
Net cash used in operating activities	\$ (7,235,968)	\$ (7,235,968)
Schedule of non-cash transactions:		
Donated commodities received from federal government	\$ 675,455	\$ 675,455
On behalf payments	\$ 429,204	\$ 429,204

The accompanying notes are an integral part of these financial statements

KENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Kenton County Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Kenton 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 account groups relevant to the operation of the Kenton County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Parent-Teacher Associations, etc.

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

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

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

Basis of Presentation

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

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

KENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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

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

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

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant 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 on pages 75-76. This is a major fund of the District.
- (C) Special Revenue Activity Fund is used to support co-curricular activities and are not raised and expended by student groups. District activity funds accounted for in the District bank account are not subject to the Redbook and may be expended with more flexibility than school activity funds but must meet the "educational purpose" standard for all District expenditures.

KENTON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

I. Governmental Fund Types (continued)

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

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.
2. The Facility Support Program of Kentucky Fund (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. The District is committed to construction contracts in the amount of \$51,653,643 for ongoing projects.

(E) The Activity Funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with Uniform Program of Accounting for School Activity Funds.

II. Debt Service Fund

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

III. Proprietary Fund (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). The Food Service fund is a major fund of the District.

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

KENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The GASB is responsible for establishing GAAP for state and local government through its pronouncements (Statements and Interpretations).

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

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

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 – 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.

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 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.

Taxes

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

KENTON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than GAAP of the United States of America. The major differences between the budgetary basis and the GAAP basis are:

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

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

Cash and Cash Equivalents

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

Inventories

Supplies and materials are charged to expenditures when purchased, except for inventories in the Proprietary Fund, which are capitalized at the lower of cost or market.

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 district-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 district-wide statement of net position and in the respective funds.

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

KENTON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

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

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's experience of making termination payments. The entire compensated absence liability is reported on the district-wide financial statements.

Interfund Balances

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.

Accrued Liabilities and Long-Term Obligations

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

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

KENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Reserves

Beginning with fiscal year 2012 the District implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint.

Assigned fund balance – amounts the District intends to use for specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority.

Unassigned fund balance – amounts that are available for purpose; positive amounts are reported only in the General fund.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

Encumbrances are not liabilities and are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance in 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 District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

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

KENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 as non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Pensions

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

Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the District's OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Teachers' Retirement System of the State of Kentucky (TRS) and additions to deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefits 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.

NOTE 2 ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3 CASH AND CASH EQUIVALENTS

The District maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. The amounts exceeding the federally insured limits are covered by a collateral agreement and the collateral is held by the pledging banks' trust departments in the District's name. The District has not experienced any losses in such accounts and the District believes it is not exposed to any significant credit risk on cash and cash equivalents.

KENTON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 4 CAPITAL ASSETS

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

<u>Governmental Activities</u>	Balance June 30, 2021	Additions	Deductions	Balance June 30, 2022
Land	\$ 6,935,338	\$ 284,500	\$ -	\$ 7,219,838
Land improvements	7,006,761	60,833	1,601	7,065,993
Buildings and improvements	322,209,262	2,155,607	143,188	324,221,681
Technology equipment	11,959,710	2,505,016	1,406,783	13,057,943
Vehicles	14,714,693	1,015,504	866,491	14,863,706
General equipment	4,215,976	163,924	71,593	4,308,307
Construction in progress	12,954,660	26,112,839	-	39,067,499
Totals at historical cost	<u>379,996,400</u>	<u>32,298,223</u>	<u>2,489,656</u>	<u>409,804,967</u>
Less: accumulated depreciation				
Land improvements	3,204,253	244,111	1,601	3,446,763
Buildings and improvements	122,936,500	8,148,126	62,294	131,022,332
Technology equipment	7,153,640	1,476,207	1,259,313	7,370,534
Vehicles	7,298,483	1,242,752	866,491	7,674,744
General equipment	2,291,722	215,127	71,051	2,435,798
Total accumulated depreciation	<u>142,884,598</u>	<u>11,326,323</u>	<u>2,260,750</u>	<u>151,950,171</u>
Governmental activities capital assets - net	<u>\$ 237,111,802</u>	<u>\$ 20,971,900</u>	<u>\$ 228,906</u>	<u>\$ 257,854,796</u>
<u>Business - Type Activities</u>				
General equipment	\$ 2,920,506	\$ 32,868	\$ 250,205	\$ 2,703,169
Vehicles	85,757	-	-	85,757
Technology equipment	31,976	35,637	25,150	42,463
Totals at historical cost	<u>3,038,239</u>	<u>68,505</u>	<u>275,355</u>	<u>2,831,389</u>
Less: accumulated depreciation				
General equipment	2,356,891	96,200	244,781	2,208,310
Vehicles	67,068	6,408	-	73,476
Technology equipment	26,415	4,073	25,141	5,347
Total accumulated depreciation	<u>2,450,374</u>	<u>106,681</u>	<u>269,922</u>	<u>2,287,133</u>
Business - type activities capital assets - net	<u>\$ 587,865</u>	<u>\$ (38,176)</u>	<u>\$ 5,433</u>	<u>\$ 544,256</u>

KENTON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 4 CAPITAL ASSETS (CONTINUED)

Depreciation expense by function for the fiscal year ended June 30, 2022 was as follows:

	Governmental	Business-Type
Instruction	\$ 3,409,021	\$ -
Student support services	952	-
Staff support services	14,161	-
District administration	21,666	-
School administration	12,416	-
Business support services	41,547	-
Plant operation and maintenance	6,588,598	-
Food service	-	106,681
Student transportation	1,237,198	-
Community services	764	-
Total	\$ 11,326,323	\$ 106,681

NOTE 5 ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System, certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2022 this amount totaled approximately \$1,672,765 for those employees with twenty-seven or more years of experience.

KENTON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 6 COMMITMENTS UNDER FINANCE LEASES

The District is the lessee of buses and office copiers under finance leases that expire in various years between 2024 and 2032. The assets and liabilities under finance leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lower of their related lease terms or their estimated productive lives. Depreciation of assets under finance leases is included in depreciation expense.

Future minimum lease payments under finance leases as of June 30, 2022, for each of the next five years and in the aggregate are as follows:

Year Ending <u>June 30,</u>	
2022-2023	\$ 1,479,344
2023-2024	1,438,102
2024-2025	1,227,927
2025-2026	1,069,143
2026-2027	900,255
Thereafter	<u>1,962,843</u>
Total minimum payments	8,077,614
Less amount representing interest	<u>718,162</u>
Present value of net minimum lease payments	<u><u>\$ 7,359,452</u></u>

KENTON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 7 LEASE OBLIGATIONS AND BONDED DEBT

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued.

The original amount of each issue, the issue date, and interest rates are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
September 8, 2010	\$ 19,855,000	0.500% - 2.500%
February 28, 2012	43,530,000	2.500% - 6.500%
March 7, 2013	30,545,000	2.000% - 3.000%
May 16, 2013	12,005,000	2.000% - 3.125%
March 5, 2014	4,170,000	1.000% - 4.000%
April 1, 2015	14,445,000	2.000% - 3.000%
April 10, 2015	8,895,000	2.000% - 3.000%
May 28, 2015	17,320,000	3.000% - 3.625%
March 9, 2016	25,190,000	2.000% - 4.000%
April 19, 2016	19,400,000	2.000% - 3.250%
June 5, 2017	5,125,000	2.000% - 3.550%
November 7, 2017	2,280,000	3.000%
April 18, 2018	13,945,000	2.000% - 4.000%
May 7, 2020	12,850,000	1.500% - 3.000%
September 30, 2020	7,670,000	1.500% - 1.750%
November 29, 2021	29,125,000	0.300% - 2.100%
February 2, 2022	48,385,000	0.550% - 2.540%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Kenton County Fiscal Court and the Kenton County School District Finance Corporation to construct school facilities.

The District entered into "participation agreements" with the 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. Note 17 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 has been recorded in the financial statements.

All issues 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 reported in Note 17.

NOTE 8 RETIREMENT PLANS

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

KENTON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 RETIREMENT PLANS (CONTINUED)

General information about the County Employees Retirement System Non-Hazardous

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' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

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 and any age
Tier 2	Participation date	September 1, 2008 - 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	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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. 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. Death benefits after retirement are \$5,000 in lump sum. One month's service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 75% of the decedent's monthly average rate of pay. If the surviving spouse remarries, the monthly rate will be recalculated to 25% of the decedent's monthly average. Any dependent child will receive 50% of the decedent's monthly final rate of pay up to 75% for all dependent children. Five years' service is required for nonservice-related disability benefits.

KENTON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 RETIREMENT PLANS (CONTINUED)

Contributions

Required contributions by the employee are based on the following tier:

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

The contribution requirement for CERS for the year ended June 30, 2022, was \$5,131,621, which consisted of \$4,069,465 from the District and \$1,062,156 from the employees. Total contributions for the year ended June 30, 2021 and 2020 were \$4,581,700 and \$4,767,169, respectively. The contributions have been contributed in full for fiscal years 2022, 2021 and 2020.

General information about the Teachers' Retirement System of the State of Kentucky

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—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. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. TRS is a blended component unit of the Commonwealth of Kentucky Revised Statutes and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at http://www.ktrs.ky.gov/05_publications/index.htm.

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 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.

KENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 8 RETIREMENT PLANS (CONTINUED)

Benefits provided

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. TRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

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

Contributions

Contribution rates are established by Kentucky Revised Statutes. Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 10.400% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 8.185% of their salary to TRS. The contribution requirement for TRS for the year ended June 30, 2022, was \$11,215,587, which consisted of \$2,633,944 from the District and \$8,581,643 from the employees. Total contributions for the year ended June 30, 2021 and 2020 were \$10,694,083 and \$13,175,665, respectively. The contributions have been contributed in full for fiscal years 2022, 2021 and 2020.

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.

Medical Insurance Plan

Plan description

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

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

KENTON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 RETIREMENT PLANS (CONTINUED)

Funding policy

In order to fund the post-retirement healthcare benefit, 6.59% of the gross annual payroll of employees before July 1, 2008 is contributed. 3.75% is paid by member contributions, 0.16% is credited to the Commonwealth, and 3.00% is contributed by the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to 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 TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related 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	\$ 45,652,338
Commonwealth's proportionate share of the TRS net pension liability associated with the District	<u>255,138,437</u>
	<u><u>\$ 300,790,775</u></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 0.716027% percent.

KENTON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 RETIREMENT PLANS (CONTINUED)

For the year ended June 30, 2022, the District recognized a reduction in pension expense of \$3,174,293 related to CERS. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 524,229	\$ 443,087
Net difference between projected and actual earnings on pension plan investments	1,771,007	7,855,698
Changes of assumptions	612,709	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	73,890	1,504,865
District contributions subsequent to the measurement date	4,069,465	-
Total	\$ 7,051,300	\$ 9,803,650

\$4,069,465 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, 2023. 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:	
2023	\$ (1,395,425)
2024	(2,108,494)
2025	(1,412,485)
2026	(1,905,411)
2027	-

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	TRS
Inflation	2.30%	3.00%
Projected salary increases	3.30%	3.5 - 7.3%
Investment rate of return, net of investment expense and inflation	6.25%	7.10%

KENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 8 RETIREMENT PLANS (CONTINUED)

Actuarial assumptions (Continued)

For CERS, mortality rates used for active members for PUB-2010 General Mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on a mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for disabled members was PUB-2010 Disabled Mortality table, with a 4-year set forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

For TRS, mortality rates were based on Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each groups: service, retirees, contingent annuitants, disabled retirees, and active members. The actuarial assumptions used were based on the results of an actuarial experience study for the 6-year period ending June 30, 2020, adopted by the board on September 20, 2021.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2014 through 2018, is outlined in a report dated April 18, 2019. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

For TRS, 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.

KENTON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 RETIREMENT PLANS (CONTINUED)

Actuarial assumptions (Continued)

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

<u>Asset Class</u>	<u>TRS Target Allocation</u>	<u>TRS Long-Term Expected Real Rate of Return</u>	<u>CERS Target Allocation</u>	<u>CERS Long-Term Expected Real Rate of Return</u>
US equity	40.0%	4.20%	21.8%	5.70%
International Equity	22.0%	22.00%	21.8%	6.35%
Core bonds			10.0%	0.00%
Private equity	7.0%	6.90%	10.0%	9.70%
High yield	2.0%	1.70%	15.0%	2.80%
Fixed income	15.0%	-0.10%		
Additional categories	5.0%	2.20%		
Real estate	7.0%	4.00%	10.0%	5.40%
Opportunistic			0.0%	N/A
Real return			10.0%	4.55%
Cash	2.0%	-0.30%	1.5%	-0.60%
Total	100%		100%	

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 TRS, 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 for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

KENTON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 RETIREMENT PLANS (CONTINUED)

Sensitivity of CERS and TRS 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	\$ 58,551,289	\$ 45,652,338	\$ 34,978,758
TRS	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 TRS.

NOTE 9 OPEB PLANS

General information about the Teachers' Retirement System OPEB Plan

Plan description

Teaching-certified employees of the Kenton County 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 and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information>.

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

Medical Insurance Plan

Plan description

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

KENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 9 OPEB PLANS (CONTINUED)

Benefits provided

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

Contributions

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

General information about the County Employees Retirement System Non-Hazardous OPEB Plan

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.

Benefits

CERS provides health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date. See Note 8 for tier classifications.

Contributions

Required contributions by the employee are based on the tier disclosed in Note 8.

KENTON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 9 OPEB PLANS (CONTINUED)

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

At June 30, 2022, the Kenton County School District reported a liability of \$36,025,762 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 a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the District's proportion was 1.04% percent for TRS, which was the same as its proportion measured as of June 30, 2020, and 0.72% percent for CERS, which was a decrease of 0.32% from its proportion measured as of June 30, 2020.

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 OPEB liability	\$ 13,704,762
District's proportionate share of the TRS net OPEB liability	22,321,000
State's proportionate share of the net OPEB liability associated with the District	<u>18,127,000</u>
	<u><u>\$ 54,152,762</u></u>

KENTON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 9 OPEB PLANS (CONTINUED)

For the year ended June 30, 2022, the District recognized OPEB expense of \$211,372 and revenue of \$1,499,548 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual performance	\$ 2,155,078	\$ 17,364,786
Net difference between projected and actual earnings on OPEB plan investments	690,486	5,215,406
Change of assumptions	9,471,393	12,744
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,085,743	1,127,492
District contributions subsequent to the measurement date	3,118,146	-
Total	\$ 16,520,846	\$ 23,720,428

Of the total amount reported as deferred outflows of resources related to OPEB, \$2,960,659 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	
2023	\$ (2,121,439)
2024	(2,459,010)
2025	(2,348,340)
2026	(2,937,939)
2027	(494,000)
Thereafter	43,000

KENTON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 9 OPEB PLANS (CONTINUED)

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:

	TRS	CERS
Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation.	6.25%
Projected salary increases	3.50 - 7.20%, including wage inflation	3.30% to 10.30%, varies by service
Inflation rate	2.50%	2.30%
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	Initial trend starting at 6.25% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Ages 65 and Older	5.00% for FY 2022 decreasing to an ultimate rate of 4.50% by FY 2024	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years
Medicare Part B Premiums	4.40% for FY 2021 with an ultimate rate of 4.50% by 2034	
Municipal Bond Index Rate	2.13%	1.92%
Discount Rate	7.10%	5.20%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including price inflation	

For TRS, mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2020 valuation were based on the results of the most actuarial experience studies, which covered the five-year period ending June 30, 2020, adopted by the Board on September 20, 2021.

For CERS, mortality rates used for active members was PUB-2010 General Mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on a mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2020 valuation.

For TRS, 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.

KENTON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 9 OPEB PLANS (CONTINUED)

Actuarial assumptions (Continued)

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	58.0%	5.1%
Fixed Income	9.0%	-0.1%
Real Estate	6.5%	4.0%
Private Equity	8.5%	6.9%
Other Additional Categories	17.0%	3.9%
Cash (LIBOR)	1.0%	-0.3%
Total	<u>100.0%</u>	

Discount rate

For TRS, 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.

For CERS, 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.

KENTON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 9 OPEB PLANS (CONTINUED)

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate, 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 or 1-percentage-point higher than the current rate:

	<u>1% Decrease (6.10%)</u>	<u>Current Discount Rate (7.10%)</u>	<u>1% Increase (8.10%)</u>
TRS			
Districts' net OPEB liability	\$ 28,576,000	\$ 22,321,000	\$ 17,149,000
	<u>1% Decrease (4.20%)</u>	<u>Current Discount Rate (5.20%)</u>	<u>1% Increase (6.20%)</u>
CERS			
Districts' net OPEB liability	\$ 18,816,535	\$ 13,704,762	\$ 9,509,705

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>
TRS			
Districts' net OPEB liability	\$ 16,216,000	\$ 22,321,000	\$ 29,918,000
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
CERS			
Districts' net OPEB liability	\$ 9,865,800	\$ 13,704,762	\$ 18,338,450

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

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.

KENTON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 9 OPEB PLANS (CONTINUED)

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 funded by the Life Insurance Fund (LIF) is payable upon the death of the member to the member's estate or to a party designated by the member.

Contributions

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

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

At June 30, 2022, the Kenton County School District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with the District		241,000
	\$	241,000

For the year ended June 30, 2022, the District recognized OPEB expense of \$-0-.

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 wage inflation
Inflation rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Municipal Bond Index Rate	2.13%
Discount Rate	7.50%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including price inflation

KENTON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 9 OPEB PLANS (CONTINUED)

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2020 valuation were based on the results of the most actuarial experience studies, which covered the five-year period ending June 30, 2020, adopted by the Board on September 20, 2021.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2020 valuation.

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

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity	40.0%	4.4%
International Equity	23.0%	5.6%
Fixed Income	18.0%	-0.1%
Real Estate	6.0%	4.0%
Private Equity	5.0%	6.9%
Other Additional Categories	6.0%	2.1%
Cash (LIBOR)	2.0%	-0.3%
Total	<u>100.0%</u>	

KENTON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 9 OPEB PLANS (CONTINUED)

Discount rate

The discount rate used to measure the total OPEB liability for life insurance was 7.10%. 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:

	1% Decrease (6.10%)		Current Discount Rate (7.10%)		1% Increase (8.10%)
Districts' net OPEB liability	\$ -	-	\$ -	-	\$ -

OPEB plan fiduciary net position

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

NOTE 10 CONTINGENCIES

Grant Fund Approval

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 the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and 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 the programs.

NOTE 11 INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated, which includes workers' compensation insurance.

KENTON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 12 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days' notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District is self-insured for unemployment insurance benefits. The District reimburses the state for any claims paid. The District purchases workers' compensation insurance through the Kentucky School Boards Insurance Trust. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 13 DEFICIT OPERATING/FUND BALANCES

The District's Food Service Fund currently has a deficit fund balance of \$1,956,183. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures, resulting in a corresponding reduction of fund balance:

District Activity Fund	\$	13,802
Summit View Academy		9,152
Caywood Elementary		1,983
River Ridge Elementary		4,293
Ryland Heights Elementary		64
Taylor Mill Elementary		144

NOTE 14 COBRA

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

KENTON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 15 TRANSFER OF FUNDS

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Food Service Fund	General Fund	Indirect Cost	\$ 403,732
General Fund	Special Revenue Fund	Indirect Cost	278,766
General Fund	Debt Service Fund	Debt Service	796,982
General Fund	Academy Fund	Academy	2,009,660
Special Revenue Fund	General Fund	Indirect Cost	647,855
Special Revenue Fund	Academy Fund	Academy	271,531
School Activity Fund	District Activity Fund	Sweep	273,386
Capital Outlay Fund	Construction Fund	Construction	100,000
Capital Outlay Fund	General Fund	Operating	1,227,457
Building Fund	Construction Fund	Construction	1,556,041
Building Fund	Debt Service Fund	Debt Service	16,054,887

NOTE 16 ON-BEHALF PAYMENTS

For the year ended June 30, 2022, total payments of \$37,661,863 were made for life insurance, health insurance, TRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities.

General Fund	\$ 33,914,130
Debt Service	2,563,617
Food Service	429,204
Academy Fund	<u>754,912</u>
Total On-Behalf	<u><u>\$ 37,661,863</u></u>

KENTON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 17 SCHEDULE OF LONG-TERM OBLIGATIONS

2012 - Ref, 2013, 2013 - Ref, 2014, 2015 A - Ref, 2015 B - Ref, 2015 C, 2016 - Ref, 2016 B, 2017, 2017 -
Ref, 2018, 2020, 2020 - Ref, 2021, 2022

FISCAL YEAR	Kenton COUNTY SCHOOL DISTRICT			KY SCHOOL FACILITIES CONSTRUCTION COMMISSION			TOTAL REQUIREMENTS
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	
2022-2023	\$ 13,293,043	\$ 5,543,583	\$ 18,836,626	\$ 2,051,957	\$ 611,947	\$ 2,663,904	\$ 21,500,530
2023-2024	13,636,873	5,214,387	18,851,260	2,108,127	555,777	2,663,904	21,515,164
2024-2025	14,033,253	4,817,063	18,850,316	1,426,747	496,851	1,923,598	20,773,914
2025-2026	14,520,865	4,396,602	18,917,467	1,469,135	454,462	1,923,597	20,841,064
2026-2027	13,859,476	3,968,053	17,827,529	1,340,524	412,869	1,753,393	19,580,922
2027-2028	13,406,068	3,552,111	16,958,179	1,288,932	373,699	1,662,631	18,620,810
2028-2029	13,610,436	3,086,942	16,697,378	1,329,564	333,066	1,662,630	18,360,008
2029-2030	10,539,277	2,653,226	13,192,503	1,245,723	292,296	1,538,019	14,730,522
2030-2031	9,776,576	2,355,166	12,131,742	1,283,424	254,595	1,538,019	13,669,761
2031-2032	8,973,502	2,088,316	11,061,818	1,321,498	216,520	1,538,018	12,599,836
2032-2033	9,214,934	1,857,995	11,072,929	1,360,066	177,954	1,538,020	12,610,949
2033-2034	8,734,867	1,616,942	10,351,809	1,145,133	137,776	1,282,909	11,634,718
2034-2035	8,685,220	1,387,402	10,072,622	1,179,780	103,128	1,282,908	11,355,530
2035-2036	7,825,128	1,160,576	8,985,704	1,149,872	66,173	1,216,045	10,201,749
2036-2037	7,453,772	956,118	8,409,890	236,228	30,044	266,272	8,676,162
2037-2038	7,262,196	758,343	8,020,539	242,804	23,467	266,271	8,286,810
2038-2039	6,090,923	566,008	6,656,931	209,077	16,473	225,550	6,882,481
2039-2040	6,240,255	416,957	6,657,212	214,745	10,805	225,550	6,882,762
2040-2041	5,222,540	255,166	5,477,706	97,460	4,934	102,394	5,580,100
2041-2042	5,365,104	113,878	5,478,982	99,896	2,497	102,393	5,581,375
	<u>\$ 197,744,308</u>	<u>\$ 46,764,834</u>	<u>\$ 244,509,142</u>	<u>\$ 20,800,692</u>	<u>\$ 4,575,333</u>	<u>\$ 25,376,025</u>	<u>\$ 269,885,167</u>

A summary of the changes in the principal of the outstanding bond obligations, the finance leases and the sick leave liability for the District during the year ended June 30, 2022 is as follows:

Governmental Activities	Balance July 1, 2021	Additions	Payments	Balance June 30, 2022
Bond Obligations	<u>\$ 155,635,000</u>	<u>\$ 77,510,000</u>	<u>\$ 14,600,000</u>	<u>\$ 218,545,000</u>
Bond Premiums, Net	<u>\$ 1,625,071</u>	<u>\$ 2,373,583</u>	<u>\$ 318,317</u>	<u>\$ 3,680,337</u>
Finance Leases	<u>\$ 7,141,214</u>	<u>\$ 1,376,044</u>	<u>\$ 1,157,806</u>	<u>\$ 7,359,452</u>
Sick Leave	<u>\$ 1,389,615</u>	<u>\$ 867,706</u>	<u>\$ 584,556</u>	<u>\$ 1,672,765</u>

NOTE 18 UNDIVIDED INTEREST IN THE IGNITE INSTITUTE

On July 1, 2019, the District acquired an undivided interest in the Ignite Institute ("Ignite"), which is a regional high school at the Roebing Innovation Center in Boone County, Kentucky which provides regional programs.

The District has agreed to contribute \$475,000 annually to Ignite to ensure its balance budget and contribute additional funds for any unforeseen costs needed to be incurred beyond the budget. The District is responsible for the transportation costs of the students in its district, and has contributed 26 initial staff. The District is entitled to 50% of the revenues raised for Ignite to offset its financial obligations. The District does not own any of the fixed assets of Ignite.

KENTON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 18 UNDIVIDED INTEREST IN THE IGNITE INSTITUTE (CONTINUED)

The agreement is in effect until either party desires to terminate its participation, a written notice is required two full school years prior to its termination process. If the other party desires termination, the District has the right to purchase the furniture, fixtures, equipment, and inventory at Ignite and to lease the premises at fair market rent for the purpose of continuing the program at Ignite.

The District has recorded its undivided interest in Ignite in its Academy Fund.

NOTE 19 CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2021, the District elected to adopt Governmental Accounting Standards Board (“GASB”) Statement No. 87, *Leases*, as it relates to accounting and financial reporting for leases. Under this Statement, a single model for lease accounting is established based on the foundational principle that leases are financings of the right to use an underlying asset. Leases are recognized and measured using the facts and circumstances that existed at the beginning of the period of implementation. There was no material impact on the financial statements as a result of this change in accounting principle.

NOTE 20 SUBSEQUENT EVENTS

In July 2022, the District sold a bond in the amount of \$2,490,000. The bond bears interest at a rate of 2.500% - 4.148% and matures in August 2042.

Subsequent events were considered through November 15, 2022, which represents the release date of our report.

SUPPLEMENTARY
INFORMATION

KENTON COUNTY SCHOOL DISTRICT

**Combining Balance Sheet – Nonmajor Governmental Funds
As of June 30, 2022**

	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>District Activity Fund</u>	<u>Debt Service Fund</u>	<u>Student Activity Fund</u>	<u>Academy Fund</u>	<u>Total Non-major Governmental Funds</u>
Assets							
Current:							
Cash and cash equivalents	\$ -	\$ -	\$ 644,460	\$ -	\$ 1,276,052	\$ 394,501	\$ 2,315,013
Accounts receivable	-	-	1,378	-	8,213	-	9,591
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 645,838</u>	<u>\$ -</u>	<u>\$ 1,284,265</u>	<u>\$ 394,501</u>	<u>\$ 2,324,604</u>
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ 17,972	\$ -	\$ 21,650	\$ 394,501	\$ 434,123
Total liabilities	<u>-</u>	<u>-</u>	<u>17,972</u>	<u>-</u>	<u>21,650</u>	<u>394,501</u>	<u>434,123</u>
Fund Balances:							
Restricted:							
Other	-	-	-	-	1,262,615	-	1,262,615
Committed:							
Other	-	-	627,866	-	-	-	627,866
Total fund balances	<u>-</u>	<u>-</u>	<u>627,866</u>	<u>-</u>	<u>1,262,615</u>	<u>-</u>	<u>1,890,481</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 645,838</u>	<u>\$ -</u>	<u>\$ 1,284,265</u>	<u>\$ 394,501</u>	<u>\$ 2,324,604</u>

KENTON COUNTY SCHOOL DISTRICT

**Combining Statement of Revenues, Expenditures and Changes
In Fund Balances – Nonmajor Governmental Funds
Year Ended June 30, 2022**

	Capital Outlay Fund	Building Fund	District Activity Fund	Debt Service Fund	Student Activity Fund	Academy Fund	Total Nonmajor Government Funds
Revenues:							
Taxes	\$ -	\$ 15,725,928	\$ -	\$ -	\$ -	\$ -	\$ 15,725,928
Earnings on investments	-	-	-	-	2,562	-	2,562
State sources	1,327,457	1,885,001	-	2,563,617	-	754,912	6,530,987
Other sources	-	-	158,868	-	2,036,460	-	2,195,328
Total revenues	<u>1,327,457</u>	<u>17,610,929</u>	<u>158,868</u>	<u>2,563,617</u>	<u>2,039,022</u>	<u>754,912</u>	<u>24,454,805</u>
Expenditures:							
Instructional	-	-	434,958	-	1,581,231	2,377,485	4,393,674
Student support services	-	-	1,136	-	-	153,842	154,978
Staff support services	-	-	5,219	-	-	-	5,219
School administration	-	-	-	-	-	504,776	504,776
Plant operation and maintenance	-	-	2,279	-	-	-	2,279
Student transportation	-	-	2,464	-	-	-	2,464
Other	-	-	-	-	39,892	-	39,892
Debt service:							
Principal	-	-	-	14,600,000	-	-	14,600,000
Interest	-	-	-	4,815,487	-	-	4,815,487
Total expenditures	<u>-</u>	<u>-</u>	<u>446,056</u>	<u>19,415,487</u>	<u>1,621,123</u>	<u>3,036,103</u>	<u>24,518,769</u>
Excess (deficit) of revenues over expenditures	<u>1,327,457</u>	<u>17,610,929</u>	<u>(287,188)</u>	<u>(16,851,870)</u>	<u>417,899</u>	<u>(2,281,191)</u>	<u>(63,964)</u>
Other Financing Sources (Uses)							
Operating transfers in	-	-	273,386	16,851,870	-	2,281,191	19,406,447
Operating transfers out	<u>(1,327,457)</u>	<u>(17,610,929)</u>	<u>-</u>	<u>-</u>	<u>(273,386)</u>	<u>-</u>	<u>(19,211,772)</u>
Total other financing sources(uses)	<u>(1,327,457)</u>	<u>(17,610,929)</u>	<u>273,386</u>	<u>16,851,870</u>	<u>(273,386)</u>	<u>2,281,191</u>	<u>194,675</u>
Net change in fund balance	-	-	(13,802)	-	144,513	-	130,711
Fund balance, July 1, 2021	<u>-</u>	<u>-</u>	<u>641,668</u>	<u>-</u>	<u>1,118,102</u>	<u>-</u>	<u>1,759,770</u>
Fund balance, June 30, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 627,866</u>	<u>\$ -</u>	<u>\$ 1,262,615</u>	<u>\$ -</u>	<u>\$ 1,890,481</u>

KENTON COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – General Fund
Year Ended June 30, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Taxes	\$ 58,350,000	\$ 58,350,000	\$ 60,307,458	\$ 1,957,458
Earnings on investments	60,000	60,000	92,012	32,012
State sources	40,656,286	40,656,286	74,791,408	34,135,122
Federal sources	300,000	300,000	438,372	138,372
Other sources	<u>3,010,457</u>	<u>3,010,457</u>	<u>5,007,911</u>	<u>1,997,454</u>
Total revenues	<u>102,376,743</u>	<u>102,376,743</u>	<u>140,637,161</u>	<u>38,260,418</u>
Expenditures				
Instructional	56,374,419	56,309,404	77,263,130	(20,953,726)
Student support services	7,464,677	7,467,584	9,407,632	(1,940,048)
Staff support services	2,890,225	2,901,175	3,985,880	(1,084,705)
District administration	2,332,385	2,332,385	2,587,368	(254,983)
School administration	7,313,498	7,364,656	10,155,251	(2,790,595)
Business support services	3,107,071	3,107,071	3,715,142	(608,071)
Plant operation and maintenance	13,823,525	13,823,525	13,328,061	495,464
Student transportation	9,261,850	9,261,850	9,682,937	(421,087)
Community service operations	2,718	2,718	2,275	443
Other	<u>18,777,179</u>	<u>18,777,179</u>	<u>4,389,612</u>	<u>14,387,567</u>
Total expenditures	<u>121,347,547</u>	<u>121,347,547</u>	<u>134,517,288</u>	<u>(13,169,741)</u>
Net change in fund balance	(18,970,804)	(18,970,804)	6,119,873	25,090,677
Fund balance, July 1, 2021	<u>18,970,804</u>	<u>18,970,804</u>	<u>22,342,344</u>	<u>3,371,540</u>
Fund balance, June 30, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,462,217</u>	<u>\$ 28,462,217</u>

KENTON COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – Special Revenue Fund
Year Ended June 30, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues				
State sources	\$ 4,024,981	\$ 4,070,379	\$ 4,194,670	\$ 124,291
Federal sources	16,524,282	7,476,601	12,814,007	5,337,406
Other sources	<u>367,142</u>	<u>382,820</u>	<u>433,030</u>	<u>50,210</u>
Total revenues	<u>20,916,405</u>	<u>11,929,800</u>	<u>17,441,707</u>	<u>5,511,907</u>
Expenditures				
Instructional	15,027,630	8,255,705	12,121,616	(3,865,911)
Student support services	199,687	388,586	754,940	(366,354)
Staff support services	1,872,353	1,243,111	1,937,309	(694,198)
District administration	81,461	103,496	29,076	74,420
School administration	-	171,000	172,227	(1,227)
Business support services	83,694	-	797	(797)
Plant operation and maintenance	803,646	79,538	152,566	(73,028)
Student transportation	300,000	-	28,118	(28,118)
Food service operation	330,000	-	-	-
Community service operations	1,206,329	1,025,057	1,158,829	(133,772)
Other	<u>1,011,605</u>	<u>663,307</u>	<u>1,086,229</u>	<u>(422,922)</u>
Total expenditures	<u>20,916,405</u>	<u>11,929,800</u>	<u>17,441,707</u>	<u>(5,511,907)</u>
Net change in fund balance	-	-	-	-
Fund balance, July 1, 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2022	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

KENTON COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – Construction Fund
Year Ended June 30, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Earnings on investments	\$ -	\$ (233,473)	\$ 81,655	\$ 315,128
Other sources	-	2,485,000	81,539,624	79,054,624
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	-	2,251,527	81,621,279	79,369,752
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures				
Facility acquisition and construction	-	2,484,960	30,121,279	27,636,319
Other	-	-	259,700	259,700
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	-	2,484,960	30,380,979	27,896,019
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balance	-	(233,433)	51,240,300	51,473,733
Fund balance, July 1, 2021	-	-	413,343	413,343
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance, June 30, 2022	\$ -	\$ (233,433)	\$ 51,653,643	\$ 51,887,076
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

KENTON COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balances
Bond and Interest Redemption Funds
For the Year Ended June 30, 2022**

	<u>Issue of 2010 - Ref</u>	<u>Issue of 2012 - Ref</u>	<u>Issue of 2013</u>	<u>Issue of 2013 - Ref</u>	<u>Issue of 2014</u>	<u>Issue of 2015A - Ref</u>	<u>Issue of 2015B - Ref</u>	<u>Issue of 2015C</u>	<u>Issue of 2016 - Ref</u>
Cash at July 1, 2021	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:									
Transfers and miscellaneous deposits	2,132,000	4,614,625	763,416	3,841,413	288,963	525,325	1,171,975	1,150,155	1,615,300
Disbursements:									
Bonds paid	2,080,000	4,285,000	510,000	3,360,000	185,000	325,000	865,000	705,000	905,000
Interest coupons	52,000	329,625	253,416	481,413	103,963	200,325	306,975	445,155	710,300
Total disbursements	2,132,000	4,614,625	763,416	3,841,413	288,963	525,325	1,171,975	1,150,155	1,615,300
Excess of receipts over disbursements	-	-	-	-	-	-	-	-	-
Cash at June 30, 2022	-	-	-	-	-	-	-	-	-
Fund Balance at June 30, 2022	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

	<u>Issue of 2016B</u>	<u>Issue of 2017</u>	<u>Issue of 2017 - Ref</u>	<u>Issue of 2018</u>	<u>Issue of 2020</u>	<u>Issue of 2020 - Ref</u>	<u>Issue of 2021</u>	<u>Total</u>
Cash at July 1, 2021	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:								
Transfers and miscellaneous deposits	1,118,588	263,456	269,800	493,650	417,699	431,475	317,647	19,415,487
Disbursements:								
Bonds paid	615,000	125,000	220,000	25,000	80,000	315,000	-	14,600,000
Interest coupons	503,588	138,456	49,800	468,650	337,699	116,475	317,647	4,815,487
Total disbursements	1,118,588	263,456	269,800	493,650	417,699	431,475	317,647	19,415,487
Excess of receipts over disbursements	-	-	-	-	-	-	-	-
Cash at June 30, 2022	-	-	-	-	-	-	-	-
Fund Balance at June 30, 2022	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

KENTON COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Scott High School Activity Fund
For the Year Ended June 30, 2022**

	Fund Balance July 1, 2021	Receipts	Disbursements	Transfers, Net	Fund Balance June 30, 2022
Academic Team	\$ 1,073	\$ -	\$ -	\$ -	\$ 1,073
Adventure Crew Club	-	-	348	1,200	852
Archery	4,307	7,129	6,808	-	4,628
Athletics	11,290	146,288	124,466	(20,382)	12,730
Band (Marching Band)	7,080	5,644	7,416	354	5,662
Baseball	-	-	-	-	-
Bowling	181	-	-	-	181
Boys Golf	1,148	-	-	-	1,148
Boys Soccer	1,350	-	1,350	-	-
Boys Tennis	593	-	182	(300)	111
Boys Track	1,456	1,500	1,037	-	1,919
Buddy Club	1,174	409	430	-	1,153
CBI Trips and Activities	-	1,100	1,100	-	-
Choir	1,079	-	396	-	683
CLASS OF 2022	1,926	5,286	10,772	3,560	-
CLASS OF 2023	613	-	10,080	13,691	4,224
CLASS OF 2024	-	-	-	1,000	1,000
CLASS OF 2025	-	-	-	1,000	1,000
College & Career Events	29	-	27	(2)	-
Community Club	-	118	45	-	73
Cross Country	1,702	6,173	3,445	-	4,430
Dance Team	533	-	-	-	533
Drama	8,021	10,040	8,735	-	9,326
Family Assistance	2,677	944	240	-	3,381
Fellowship Christian Athletes	14	-	-	-	14
Field Trips	2,605	-	126	(1,200)	1,279
Flower Fund	278	-	-	-	278
Fund 21/Other Athletic Activities	-	-	8,000	8,000	-
Fund 21/Other Student Activities	-	-	7,810	7,810	-
German NHS	230	-	-	(230)	-
Girls Basketball	11,036	11,470	15,012	(1,325)	6,169
Girls Golf	17	-	-	-	17
Girls Soccer	-	11,889	9,675	(200)	2,014
Girls Tennis	292	1,020	152	(300)	860
Girls Track	1,590	1,500	1,037	-	2,053
JROTC	48	9,682	4,974	-	4,756
Junior Statesman	2,280	2,349	3,902	-	727
Math Club	15	-	-	(15)	-
National Art HS	530	-	525	(5)	-
National Honor Society	60	585	-	-	645
Sale Fund 21/Student Fees	-	2,941	7,518	4,577	-
SHS Scholarship Fund	1,713	31,822	14,000	-	19,535
Softball	3,265	55	3,320	-	-
Spanish Honor Society	123	-	-	(123)	-
Student Council	7,655	14,880	6,177	(4,864)	11,494
Student Fees (to Fund 21)	3,592	985	-	(4,577)	-
Student Support	5,374	2,176	2,558	22	5,014
Summer School	1,300	450	325	-	1,425
Swimming & Diving	3,315	9,696	7,352	-	5,659
Swimming Pool	2,959	1,191	4,150	-	-
Teacher Support	2,585	289	958	-	1,916
Tech Fees	-	250	250	-	-
Volleyball	1,086	64	-	-	1,150
Yearbook Club	50	8,140	231	(7,690)	269
Total	\$ 98,244	\$ 296,065	\$ 274,929	\$ 1	\$ 119,381

KENTON COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Simon Kenton High School Activity Fund
For the Year Ended June 30, 2022**

	Fund Balance July 1, 2021	Receipts	Disbursements	Transfers, Net	Fund Balance June 30, 2022
Academic Team	\$ 1,023	\$ 1,360	\$ 210	\$ -	\$ 2,173
Archery Team	687	-	820	133	-
Art Club	269	-	66	(25)	178
Athletics	35,342	145,713	116,551	(8,186)	56,318
Baseball	3,483	30,560	35,139	1,096	-
Basketball - Boys	13,758	74,347	51,248	(20,270)	16,587
Basketball - Girls	7,172	22,705	20,846	(520)	8,511
Bass Fishing Team	2,479	3,650	3,549	-	2,580
Bi-County FFA Scholarship	49,169	-	-	-	49,169
Bowling Team	4,335	1,150	895	(25)	4,565
Bridge Club	657	-	286	-	371
Change	-	200	200	-	-
Cheerleading	46	38,830	37,233	275	1,918
Choir Club	33	-	-	(33)	-
Chris Girard Memorial Scholarship	12,861	-	1,000	-	11,861
Class of 2022	40	39,926	44,686	4,721	1
Community Based Class	2,879	410	498	-	2,791
Community Based Transportation	1,253	1,260	656	-	1,857
Cross County/Track	1,605	6,285	2,495	(368)	5,027
Dance Team	1,554	9,500	9,178	(1,168)	708
District Tech Fee/Sweep	-	722	722	-	-
Drama Club	4,484	15,228	8,037	(1,823)	9,852
Faculty Fund	3,215	885	2,667	(11)	1,422
FBLA	165	3,009	2,732	(133)	309
Field Trips	1,561	1,469	1,484	-	1,546
Fine Arts Support Fund	592	50	747	750	645
Fire Fund	27,000	-	-	-	27,000
First Priority	5	-	-	-	5
Football	4,086	56,574	38,476	-	22,184
French Club	107	-	-	-	107
Freshman Academy	7,718	2,293	3,632	(885)	5,494
Fund 21 - Fees	-	4,950	4,950	-	-
Fund 21 - Other Ath Activity	-	3,600	33,402	29,802	-
Fund 21 - Other Dist Student Activ	-	3,947	8,829	4,882	-
Future Farmers of America	6,403	18,341	21,223	(533)	2,988
Golf - Boys	708	1,005	1,720	7	-
Golf - Girls	1,082	-	500	-	582
Greenhouse	4,976	671	-	(204)	5,443
Hall of Fame	15,643	-	-	-	15,643
Homecoming	17,914	11,530	8,422	(418)	20,604
Junior Class of 2024	-	354	-	(169)	185
Library Media Center	91	-	-	14	105
Nat'l Art Honor Society	54	-	-	-	54
NHS	845	750	1,728	133	-
Pioneer Pride	1,389	1,654	2,379	(261)	403
Pride Shop	5,304	4,817	6,315	486	4,292
Rising Sun	2,000	-	-	-	2,000
Robert Roden Scholarship	200	171	-	-	371
Scholarship	14,113	9,750	1,750	-	22,113
Scott Scholarship	28,573	28,822	9,000	-	48,395
Soccer - Boys	748	-	24	(25)	699
Soccer - Girls	574	260	821	200	213
Softball	1,641	4,252	4,925	(25)	943
Sr Class of 2023	291	-	-	(291)	-
Strides for Stephanie	2,221	-	-	-	2,221
Student Incentives	25,110	6,914	8,317	(4,530)	19,177
Summer School	503	-	-	-	503
Swimming	2,499	1,060	2,137	(25)	1,397
Tennis - Boys & Girls	533	3,092	3,625	-	-
Testing Fund	23,825	4,336	1,804	-	26,357
Unified Bowling	983	1,622	883	(1,534)	188
Unified Track	1,156	-	-	-	1,156
Volleyball	1,500	1,939	3,439	-	-
Wrestling	2,000	-	-	-	2,000
Yearbook	3,644	55	68	(887)	2,744
Youth Service Center	2,824	3,034	1,720	(150)	3,988
Total	\$ 356,925	\$ 573,052	\$ 512,034	\$ -	\$ 417,943

KENTON COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Dixie Heights High School Activity Fund
For the Year Ended June 30, 2022**

	Fund Balance July 1, 2021	Receipts	Disbursements	Transfers, Net	Fund Balance June 30, 2022
Academic Team	\$ -	\$ 530	\$ 530	\$ -	\$ -
Art Club	427	-	-	-	427
Athletics, General	35,110	178,957	179,599	-	34,468
Band	15,014	27,100	30,321	-	11,793
BETA Club	651	-	-	-	651
Bowling Fund Raising	22	-	-	-	22
Boys Golf fund Raising	2	-	-	-	2
CBI Community Based Edu	394	1,138	1,449	-	83
Cheerleading Fundraising	2	38,416	31,220	-	7,198
Choir Club	504	1,018	346	-	1,176
Dixie Scholars Club	368	-	-	-	368
Drama Club	105	18,054	17,281	-	878
Drug Free Club	443	15	-	-	458
Faculty	632	197	429	-	400
Faculty Flower Fund	13	426	330	-	109
FBLA Club	15	2,135	1,930	-	220
FEA Club	6	-	-	-	6
Fees	60	16,176	16,236	-	-
FFA	587	135	-	-	722
Football fund Raising	26	10,591	408	-	10,209
Foreign Language NHS	702	150	179	4,171	4,844
Forensic Team	2	3,792	3,794	-	-
Fund 21 Sweep Account	-	60	-	-	60
Gaming Club	8	-	-	-	8
Girls BK Fund Raising	2,728	800	1,859	-	1,669
Girls Soccer Fund Raising	3,561	13,220	5,085	-	11,696
Girls Track Fundraising	1,308	-	-	-	1,308
Ham Radio Tech Club	444	330	95	-	679
IMPACT Club	4,171	-	-	(4,171)	-
Jr Class Dance/Activities	8,730	30,900	31,505	85	8,210
Mock Trial Team	65	-	-	-	65
NHS Club	2,017	1,953	2,319	-	1,651
Odyssey of the Mind Team	63	70	100	-	33
Random Acts of Kindness	141	-	87	-	54
Robotics	-	1,000	728	-	272
S.T.L.P. Club	627	-	180	-	447
Scott Scholarship	-	28,822	28,822	-	-
Social Norms Club	78	-	-	-	78
Softball Fundraising	604	-	-	-	604
Sr Class Dance/Activities	900	18,304	18,622	256	838
Startup Cash	-	1,100	1,100	-	-
Student Council	2,179	15,955	12,365	-	5,769
Student Enrichment	20,250	7,158	7,268	-	20,140
Technology Fee	100	-	(50)	-	150
Volleyball Fund Raising	170	-	-	-	170
Yearbook Club	4,433	2,350	3,600	-	3,183
Youth Service Center	2,896	377	1,213	(341)	1,719
Total	\$ 110,558	\$ 421,229	\$ 398,950	\$ -	\$ 132,837

KENTON COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
School Activity Funds
For the Year Ended June 30, 2022**

	<u>Summit View Academy</u>	<u>Turkey Foot Middle School</u>	<u>Twenhofel Middle School</u>	<u>Woodland Middle School</u>	<u>Beechgrove Elementary</u>	<u>Caywood Elementary</u>
Fund balances at July 1, 2021	\$ 109,489	\$ 27,052	\$ 153,384	\$ 32,339	\$ 33,703	\$ 15,018
Add: receipts	117,657	92,855	167,327	45,615	62,623	22,499
Less: disbursements	<u>(126,809)</u>	<u>(81,295)</u>	<u>(128,060)</u>	<u>(39,499)</u>	<u>(60,322)</u>	<u>(24,482)</u>
Fund balance at June 30, 2022	<u>\$ 100,337</u>	<u>\$ 38,612</u>	<u>\$ 192,651</u>	<u>\$ 38,455</u>	<u>\$ 36,004</u>	<u>\$ 13,035</u>

	<u>Fort Wright Elementary</u>	<u>Hinsdale Elementary</u>	<u>Kenton Elementary</u>	<u>Piner Elementary</u>	<u>River Ridge Elementary</u>	<u>Ryland Heights Elementary</u>
Fund balances at July 1, 2021	\$ 11,412	\$ 11,922	\$ 17,704	\$ 30,609	\$ 26,743	\$ 20,129
Add: receipts	50,476	64,421	23,957	12,944	37,875	37,918
Less: disbursements	<u>(46,257)</u>	<u>(60,209)</u>	<u>(21,105)</u>	<u>(7,570)</u>	<u>(42,168)</u>	<u>(37,982)</u>
Fund balance at June 30, 2022	<u>\$ 15,631</u>	<u>\$ 16,134</u>	<u>\$ 20,556</u>	<u>\$ 35,983</u>	<u>\$ 22,450</u>	<u>\$ 20,065</u>

	<u>Taylor Mill Elementary</u>	<u>White's Tower Elementary</u>	<u>Total</u>
Fund balances at July 1, 2021	\$ 20,275	\$ 20,671	\$ 530,450
Add: receipts	16,152	18,833	771,152
Less: disbursements	<u>(16,296)</u>	<u>(17,091)</u>	<u>(709,145)</u>
Fund balance at June 30, 2022	<u>\$ 20,131</u>	<u>\$ 22,413</u>	<u>\$ 592,457</u>

KENTON COUNTY SCHOOL DISTRICT

Schedule of District's Proportionate Share of the Net Pension Liability – TRS

	Last 10 Fiscal Years*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
District's proportion of the net pension liability	0%	0%	0%	0%	0%	0%	0%	*	*	*
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	*	*	*
State's proportionate share of the net pension liability associated with the District	<u>255,138,437</u>	<u>275,146,804</u>	<u>267,672,165</u>	<u>254,678,294</u>	<u>526,022,122</u>	<u>574,248,216</u>	<u>455,140,342</u>	*	*	*
Total	<u><u>\$ 255,138,437</u></u>	<u><u>\$ 275,146,804</u></u>	<u><u>\$ 267,672,165</u></u>	<u><u>\$ 254,678,294</u></u>	<u><u>\$ 526,022,122</u></u>	<u><u>\$ 574,248,216</u></u>	<u><u>\$ 455,140,342</u></u>	<u><u>*</u></u>	<u><u>*</u></u>	<u><u>*</u></u>
District's covered-employee payroll	\$ 64,781,464	\$ 64,392,008	\$ 63,929,795	\$ 62,415,878	\$ 61,542,779	\$ 61,049,646	\$ 57,147,377	*	*	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0%	0%	0%	0%	0%	0%	0%	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	65.59%	58.27%	58.76%	59.27%	39.83%	35.22%	42.49%	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms: None

Changes of assumption: In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Table rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions.

Changes of assumption: In 2014, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.16% to 5.23%

Changes of assumption: In 2015, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.23% to 4.88%

Changes of assumption: In the 2016 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2016 valuation, the Assumed Salary Scale, Price Inflation, and Wage Inflation were adjusted to reflect a decrease. In addition, the calculation for the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.88% to 4.20%.

Changes of assumption: In 2017, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.20% to 4.49%

Changes of assumption: In 2018, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.49% to 7.50%

KENTON COUNTY SCHOOL DISTRICT
Schedule of District Contributions – TRS

Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	*	*
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	-	*	*
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 66,737,323	\$ 64,781,464	\$ 64,392,008	\$ 63,929,795	\$ 62,415,878	\$ 61,542,779	\$ 61,049,646	\$ 57,147,377	*	*
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

KENTON COUNTY SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability – CERS

	Last 10 Fiscal Years*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
District's proportion of net pension liability	0.716027%	0.745789%	0.756928%	0.747597%	0.730802%	0.717592%	0.713744%	*	*	*
District's proportionate share of the net pension liability	\$ 45,652,338	\$ 57,201,399	\$ 53,235,083	\$ 45,530,936	\$ 42,776,088	\$ 35,331,499	\$ 30,687,590	*	*	*
Total net pension liability	\$ 6,375,784,388	\$ 7,669,917,211	\$ 7,033,044,552	\$ 6,090,304,793	\$ 5,853,307,482	\$ 4,923,618,237	\$ 4,299,525,565	*	*	*
District's covered-employee payroll	\$ 18,537,283	\$ 19,236,792	\$ 19,064,764	\$ 18,445,837	\$ 17,847,065	\$ 16,968,535	\$ 16,656,667	*	*	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	246.27%	297.35%	279.23%	246.84%	239.68%	208.22%	184.24%	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tired structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

2014: As cash balance plan was introduced for member whose participation date is on or after January 1, 2014.

Changes of assumption: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2015: The assumed investment rate of return was decreased from 7.75% to 7.50%.

2015: The assumed rate of inflation was reduced from 3.50% to 3.25%.

2015: The assumed rate of wage inflation was reduced from 1.00% to 0.75%.

2015: Payroll growth assumption was reduced from 4.50% to 4.00%.

2015: The mortality table used for active members is RP-2000 Combined Mortality table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

2015: For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

2015: The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2017: The assumed investment rate of return was decreased from 7.5% to 6.25%.

2017: The assumed rate of inflation was reduced from 3.25% to 2.30%.

2017: The assumed rate of salary growth was reduced from 4.00% to 3.05%.

KENTON COUNTY SCHOOL DISTRICT

Schedule of District Contributions – CERS

Last 10 Fiscal Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 4,069,465	\$ 3,564,709	\$ 3,712,733	\$ 3,113,580	\$ 3,425,254	\$ 3,365,129	\$ 2,943,161	\$ 2,944,080	*	*
Contributions in relation to the contractually required contribution	<u>(4,069,465)</u>	<u>(3,564,709)</u>	<u>(3,712,733)</u>	<u>(3,113,580)</u>	<u>(3,425,254)</u>	<u>(3,365,129)</u>	<u>(2,943,161)</u>	<u>(2,944,080)</u>	<u>*</u>	<u>*</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>*</u>	<u>*</u>
District's covered-employee payroll	\$ 19,185,505	\$ 18,537,283	\$ 19,236,792	\$ 19,064,764	\$ 18,445,837	\$ 17,847,065	\$ 16,968,535	\$ 16,656,667	*	*
Contributions as a percentage of covered-employee payroll	21.21%	19.23%	19.30%	16.33%	18.57%	18.86%	17.34%	17.68%	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

KENTON COUNTY SCHOOL DISTRICT

Schedule of District's Proportionate Share of the Net OPEB Liability – LIF

	Last 10 Fiscal Years*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
District's proportion of the collective trust OPEB liability	0%	0%	0%	0%	0%	*	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -	*	*	*	*	*
State's proportionate share of the collective net OPEB liability (asset) associated with the District	241,000	633,000	571,000	513,000	274,000	*	*	*	*	*
Total net OPEB liability	\$ 241,000	\$ 633,000	\$ 571,000	\$ 513,000	\$ 274,000	*	*	*	*	*
District's covered-employee payroll	\$ 64,781,464	\$ 64,392,008	\$ 63,929,795	\$ 62,415,878	\$ 61,542,779	*	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	0.0%	0.0%	0.0%	0.0%	0.0%	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	89.15%	71.57%	73.40%	74.97%	79.99%	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms - None.

Methods and assumptions used in the actuarially determined contributions - The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2021:

Valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	26 years
Asset valuation method	Five-year smoothed value
Inflation	3.50%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.45%
Discount rate	7.50%

KENTON COUNTY SCHOOL DISTRICT
Schedule of District's Contributions – LIF

Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	-	-	-	-	*	*	*	*	*	*
Contribution deficiency	-	-	-	-	*	*	*	*	*	*
District's covered-employee payroll	\$ 66,737,323	\$ 64,781,464	\$ 64,392,008	\$ 63,929,795	*	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	*	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available. No changes were made to the assumptions or benefit terms.

KENTON COUNTY SCHOOL DISTRICT

Schedule of District's Proportionate Share of the Net OPEB Liability – MIF

	Last 10 Fiscal Years*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
District's proportion of the collective trust OPEB liability	1.040249%	1.035769%	1.040797%	1.000033%	1.025238%	*	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ 22,321,000	\$ 26,140,000	\$ 30,462,000	\$ 34,698,000	\$ 36,558,000	*	*	*	*	*
State's proportionate share of the collective net OPEB liability associated with the District	\$ 18,127,000	\$ 20,939,000	\$ 24,600,000	\$ 29,903,000	\$ 29,863,000	*	*	*	*	*
Total net OPEB liability	\$ 40,448,000	\$ 47,079,000	\$ 55,062,000	\$ 64,601,000	\$ 66,421,000	*	*	*	*	*
District's covered-employee payroll	\$ 64,781,464	\$ 64,392,008	\$ 63,929,795	\$ 62,415,878	\$ 61,542,779	*	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	34.5%	40.6%	47.6%	55.6%	59.4%	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	51.74%	39.05%	32.58%	25.54%	21.18%	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes in benefit terms - None

The Health Trust is not funded based on actuarially determined contribution, but instead is funded based on statutorily determined amounts as noted in the assumed asset allocation for MIF.

KENTON COUNTY SCHOOL DISTRICT
Schedule of District's Contributions – MIF

Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 2,003,936	\$ 1,829,240	\$ 1,930,293	\$ 1,916,935	\$ 1,823,422	*	*	*	*	*
Contributions in relation to the contractually required contribution	<u>(2,003,936)</u>	<u>(1,829,240)</u>	<u>(1,930,293)</u>	<u>(1,916,935)</u>	<u>(1,823,422)</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Contribution deficiency	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
District's covered-employee payroll	\$ 66,737,323	\$ 64,781,464	\$ 64,392,008	\$ 63,929,795	\$ 62,415,878	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	3.00%	2.82%	3.00%	3.00%	2.92%	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available. No changes were made to the assumptions or benefit terms.

Changes in benefit terms - None

The Health Trust is not funded based on actuarially determined contribution, but instead is funded based on statutorily determined amounts as noted in the assumed asset allocation for MIF.

KENTON COUNTY SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net OPEB Liability – MIF (CERS)

	Last 10 Fiscal Years*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
District's proportion of the collective trust OPEB liability	0.715859%	0.745573%	0.756739%	0.747575%	0.730802%	*	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ 13,704,762	\$ 18,003,321	\$ 12,728,009	\$ 13,273,046	\$ 14,691,620	*	*	*	*	*
State's proportionate share of the collective net OPEB liability associated with the District	\$ -	\$ -	\$ -	\$ -	\$ -	*	*	*	*	*
Total net OPEB liability	\$ 13,704,762	\$ 18,003,321	\$ 12,728,009	\$ 13,273,046	\$ 14,691,620	*	*	*	*	*
District's covered-employee payroll	\$ 18,537,283	\$ 19,236,792	\$ 19,064,764	\$ 18,445,837	\$ 17,847,065	*	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	73.9%	93.6%	66.8%	72.0%	82.3%	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	62.91%	51.67%	60.44%	57.62%	52.40%	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes in assumptions: None

2018: Updated health care trend rates were implemented.

KENTON COUNTY SCHOOL DISTRICT
Schedule of District Contributions – MIF (CERS)

	Last 10 Fiscal Years*									
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 1,114,210	\$ 879,727	\$ 915,671	\$ 1,002,807	\$ 871,263	*	*	*	*	*
Contributions in relation to the contractually required contribution	<u>(1,114,210)</u>	<u>(879,727)</u>	<u>(915,671)</u>	<u>(1,002,807)</u>	<u>(871,263)</u>	*	*	*	*	*
Contribution deficiency	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	*	*	*	*	*
District's covered-employee payroll	\$ 19,185,505	\$ 18,537,283	\$ 19,236,792	\$ 19,064,764	\$ 18,445,837	*	*	*	*	*
Contributions as a percentage of of covered-employee payroll	5.81%	4.75%	4.76%	5.26%	4.72%	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available. No changes were made to the assumptions or benefit terms.

KENTON COUNTY SCHOOL DISTRICT

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Agreement Number</u>	<u>Federal Expenditures for FYE June 30, 2022</u>
U.S. Department of Education			
Passed through Kentucky Department of Education			
Special Education Cluster			
Special Education_Grants to States	84.027A	3810002 - 19	\$ 34,283
Special Education_Grants to States	84.027A	3810002 - 20	85,949
Special Education_Grants to States	84.027A	3810002 - 21	320,367
Special Education_Grants to States	84.027A	3810002 - 22	3,009,552
Special Education_Preschool Grants	84.173A	3800002 - 19	2,456
Special Education_Preschool Grants	84.173A	3800002 - 20	145,765
Special Education_Preschool Grants	84.173A	3800002 - 22	8,952
Total Special Education Cluster			<u>3,607,324</u>
Special Education_Grants to States (Special Olympics)	84.380	Not provided	301
Special Education_Grants to States (Special Olympics)	84.380	Not provided	1,000
Total ALN #84.380			<u>1,301</u>
Title I Grants to Local Educational Agencies	84.010A	3100002 - 20	21,191
Title I Grants to Local Educational Agencies	84.010A	3100002 - 21	737,232
Title I Grants to Local Educational Agencies	84.010A	3100002 - 22	1,041,717
Total ALN #84.010			<u>1,800,140</u>
Title I-D Neglected and Delinquent Children	84.013	Not provided	24,522
Title I-D Neglected and Delinquent Children	84.013	Not provided	22,323
Total ALN #84.048			<u>46,845</u>
Career and technical Education -Basic Grants to States	84.048	4621132 - 21	19,215
Career and technical Education -Basic Grants to States	84.048	4621132 - 22	144,555
Total ALN #84.048			<u>163,770</u>
English Language Acquisition State Grants	84.365	3300002 - 21	2,265
English Language Acquisition State Grants	84.365	3300002 - 22	58,205
Total ALN #84.365			<u>60,470</u>
Title II Improving Teacher Quality State Grants	84.367	3230002 - 19	873
Title II Improving Teacher Quality State Grants	84.367	3230002 - 20	23,430
Title II Improving Teacher Quality State Grants	84.367	3230002 - 21	21,492
Title II Improving Teacher Quality State Grants	84.367	3230002 - 22	282,522
Total ALN #84.367			<u>328,317</u>
Title IV-Part A Student Support & Academic Enrichment Grant	84.424A	3420002 - 19	2,003
Title IV-Part A Student Support & Academic Enrichment Grant	84.424A	3420002 - 20	12,971
Title IV-Part A Student Support & Academic Enrichment Grant	84.424A	3420002 - 21	74,969
Title IV-Part A Student Support & Academic Enrichment Grant	84.424A	3420002 - 22	61,702
Total ALN #84.424			<u>151,645</u>
Elementary & Secondary School Emergency Relief Fund	84.425D	Not provided	260,552
Governor's Emergency Education Relief Fund	84.425C	Not provided	17,497
Elementary & Secondary School Emergency Relief Fund II	84.425D	Not provided	2,740,938
Elementary & Secondary School Emergency Relief Fund II - Digital Learning Coach Supports	84.425D	Not provided	17,412
Elementary & Secondary School Emergency Relief Fund II - Vaccine Incentive	84.425D	Not provided	127,800
Elementary & Secondary School Emergency Relief Fund III - Kentucky Virtual Library	84.425U	Not provided	11,881
Elementary & Secondary School Emergency Relief Fund III - 20% Learning Loss	84.425U	Not provided	3,477,959
Total ALN #84.425			<u>6,654,039</u>
Promoting Adolescent Health Through School-Based Surveillance	93.079	Not provided	156
Total U.S. Department of Education			<u><u>12,814,007</u></u>

KENTON COUNTY SCHOOL DISTRICT

**Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2022**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Agreement Number</u>	<u>Federal Expenditures for FYE June 30, 2022</u>
U.S. Department of Agriculture			
Child Nutrition Cluster			
Passed through Kentucky Department of Education			
National School Lunch Program	10.555	7750002	6,202,348
National School Lunch Program	10.555	7970000	221,355
National School Lunch Program	10.555	9980000	351,283
School Breakfast Program	10.553	7760005	2,022,981
Summer Food Service Program for Children	10.559	7690024	5,711
Summer Food Service Program for Children	10.559	7740023	55,490
			8,859,168
Passed through Kentucky Department of Agriculture			
National School Lunch Program - Food Donation	10.555	Not provided	675,455
Total Child Nutrition Cluster			9,534,623
Passed through Kentucky Department of Education			
Pandemic EBT Administrative Costs	10.649	9990000	18,307
Total U.S. Department of Agriculture			9,552,930
Total Expenditures of Federal Awards			\$ 22,366,937

KENTON COUNTY SCHOOL DISTRICT

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022**

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Kenton County School District under programs of the federal government for the year ended June 30, 2022 and is reported 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*. Because the schedule presents only a selected portion of the operations of Kenton County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting in accordance with generally accepted accounting principles. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. For the year ended June 30, 2022, the District reported food commodities expended in the amount of \$675,455.

NOTE 4 INDIRECT COST RATE

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

NOTE 5 SUBRECIPIENTS

The District did not have any subrecipients during the year ended June 30, 2022.

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

To the Members of the Board of Education
Kenton County School District
Independence, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kenton County School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Kenton County School District's basic financial statements, and have issued our report thereon dated November 15, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kenton 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 Kenton County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Kenton 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kenton 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*.

We noted other matters that we reported to management of the District on pages 85 to 89.

**INDEPENDENT AUDITORS' 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
(CONTINUED)**

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.

Barnes, Dennig & Co., Ltd.

Crestview Hills, Kentucky
November 15, 2022

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

Members of the Board of Education
Kenton County School District
Independence, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

Management's Responsibility

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

Basis for Opinion on Each Major Federal 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; 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). 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 Kenton County School 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 for each major federal program. Our audit does not provide a legal determination of Kenton County School District's compliance with the compliance requirements referred to above.

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 Kenton County School District's federal programs.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
(CONTINUED)**

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Kenton 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 Kenton 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 Kenton 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 Kenton 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 Kenton 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
(CONTINUED)**

Report on Internal Control Over Compliance (Continued)

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, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not 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.

Barnes, Dennig & Co., Ltd.

Crestview Hills, Kentucky
November 15, 2022

KENTON 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 auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None noted
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None noted

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR Section 200.516(a)? _____ Yes X No

Identification of major programs

ALN No.	Name of Federal Program or Cluster
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes _____ No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

KENTON COUNTY SCHOOL DISTRICT

**Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2022**

SECTION I – SUMMARY OF PRIOR YEAR AUDITOR’S RESULTS

No matters are reportable

SECTION II – PRIOR YEAR FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

KENTON COUNTY SCHOOL DISTRICT

**Management Letter Comments
Year Ended June 30, 2022**

In planning and performing our audit of the financial statements of Kenton 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 financial statements and not to provide assurance on the internal control structure.

This letter summarizes our comments and suggestions regarding those matters. A separate report dated November 15, 2022, contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated November 15, 2022, on the financial statements of the Kenton County School District.

CURRENT YEAR RECOMMENDATIONS

CENTRAL OFFICE

Statement of Deficiency: It was noted that several outstanding checks were carried for longer than 12 months.

Management Response: The district began investigating outstanding checks last year and many have been resolved. This project will continue until all have been resolved.

ACTIVITY FUNDS

Dixie Heights High School

No matters are reportable

Scott High School

No matters are reportable.

Cooper High School

No matters are reportable

Simon Kenton High School

No matters are reportable

Summit View Academy

Statement of Deficiency: It was noted that one outstanding check was carried for longer than 12 months.

Management Response: The schools began investigating outstanding checks last year and many have been resolved. This project will continue until all have been resolved.

Turkey Foot Middle School

No matters are reportable

Twenhofel Middle School

No matters are reportable

KENTON COUNTY SCHOOL DISTRICT

**Management Letter Comments (Continued)
Year Ended June 30, 2022**

CURRENT YEAR RECOMMENDATIONS (Continued)

Woodland Middle School

Statement of Deficiency: It was noted that one outstanding check was carried for longer than 12 months.

Management Response: The schools began investigating outstanding checks last year and many have been resolved. This project will continue until all have been resolved.

Beechgrove Elementary School

Statement of Deficiency: It was noted that multiple outstanding checks were carried for longer than 12 months.

Management Response: The schools began investigating outstanding checks last year and many have been resolved. This project will continue until all have been resolved.

Caywood Elementary School

No matters are reportable

Fort Wright Elementary School

No matters are reportable

R.C. Hinsdale Elementary School

Statement of Deficiency: It was noted that multiple outstanding checks were carried for longer than 12 months.

Management Response: The schools began investigating outstanding checks last year and many have been resolved. This project will continue until all have been resolved.

Kenton Elementary School

Statement of Deficiency: It was noted that multiple outstanding checks were carried for longer than 12 months.

Management Response: The schools began investigating outstanding checks last year and many have been resolved. This project will continue until all have been resolved.

Piner Elementary School

No matters are reportable

River Ridge Elementary School

Statement of Deficiency: It was noted that multiple outstanding checks were carried for longer than 12 months.

Management Response: The schools began investigating outstanding checks last year and many have been resolved. This project will continue until all have been resolved.

KENTON COUNTY SCHOOL DISTRICT
Management Letter Comments (Continued)
Year Ended June 30, 2022

CURRENT YEAR RECOMMENDATIONS (Continued)

Ryland Heights Elementary

No matters are reportable

Taylor Mill Elementary

Statement of Deficiency: It was noted that multiple outstanding checks were carried for longer than 12 months.

Management Response: The schools began investigating outstanding checks last year and many have been resolved. This project will continue until all have been resolved.

White's Tower Elementary

No matters are reportable

KENTON COUNTY SCHOOL DISTRICT

**Management Letter Comments (Continued)
Year Ended June 30, 2022**

STATUS OF PRIOR YEAR RECOMMENDATIONS

CENTRAL OFFICE

No matters are reportable

ACTIVITY FUNDS

Dixie Heights High School

No matters are reportable

Scott High School

No matters are reportable.

Cooper High School

No matters are reportable

Simon Kenton High School

No matters are reportable

Summit View Academy

No matters are reportable

Turkey Foot Middle School

No matters are reportable

Twenhofel Middle School

No matters are reportable

Woodland Middle School

No matters are reportable

Beechgrove Elementary School

No matters are reportable

Caywood Elementary School

No matters are reportable

Fort Wright Elementary School

No matters are reportable

KENTON COUNTY SCHOOL DISTRICT
Management Letter Comments (Continued)
Year Ended June 30, 2022

STATUS OF PRIOR YEAR RECOMMENDATIONS (Continued)

R.C. Hinsdale Elementary School

No matters are reportable

Kenton Elementary School

No matters are reportable

Piner Elementary School

No matters are reportable

River Ridge Elementary School

No matters are reportable

Ryland Heights Elementary

No matters are reportable

Taylor Mill Elementary

No matters are reportable

White's Tower Elementary

No matters are reportable