

Covington Independent School District

**Financial Statements
With Supplementary Information
Year Ended June 30, 2025
With Independent Auditors' Report**

COVINGTON INDEPENDENT SCHOOL DISTRICT

Year Ended June 30, 2025

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COVINGTON INDEPENDENT SCHOOL DISTRICT

Year Ended June 30, 2025

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Year Ended June 30, 2025

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Independent Auditors' Report

To the Members of the Board of Education
Covington Independent School District
Covington, 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 Covington Independent School District as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Covington Independent 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 Covington Independent School District, as of June 30, 2025, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Covington Independent 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.

Effect of Adopting New Accounting Standard

As discussed in Note 19 to the financial statements, the District adopted Governmental Accounting Standards Board ("GASB") Statement No. 101, *Compensated Absences*, effective as of July 1, 2024. The implementation of this accounting standard resulted in a restatement of prior year net position. Our opinion is not modified with respect to this matter.

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 Covington Independent 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.

**Independent Auditors' Report
(Continued)**

Auditors' 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 auditors' 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.

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 Covington Independent 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 Covington Independent 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.

**Independent Auditors' Report
(Continued)**

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on pages 4-12, 57-59, and 64-73 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 Covington Independent School District's basic financial statements. The information on pages 55-56, 60, and 74-76 as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The information on pages 55-56, 60, and 74-76 as listed in the table of contents is 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 information on pages 55-56, 60, and 74-76 as listed in the table of contents is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2026 on our consideration of the Covington Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Covington Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Covington Independent School District's internal control over financial reporting and compliance.



Crestview Hills, Kentucky
January 27, 2026

COVINGTON INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2025

As management of the Covington Independent 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, 2025. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was \$2,765,849.
- Covington Independent Public Schools entered into another construction project for the Holmes Campus which started in FY23 and continued into FY25. Contract Price \$10,812,232.

Scope of Work:

- Renovate and update all bathrooms in Holmes High School, Holmes Middle School, and Chapman Vocational
- Paint, replace flooring, patch and / or replace ceilings in Holmes High and Holmes Middle School Classrooms.
- Renovate Physical Education locker rooms, weight room, sr. gym interior finishes, flooring, lighting, goals.
- Renovate auditorium stage floor, sound, lighting, etc.
- Install new electrical switchgear and service at Holmes High School.
- Reconstruct the softball field to comply with ADA and Title IX to include lights, dugout, fencing, press box, bleachers, scoreboard, netting, poles, electrical feeds, etc. on the Holmes Campus.
- Replace front entry into the Holmes High School Cafeteria; steps, landing, porch, etc.
- Replace damaged storm line on the west side of Holmes Middle School.

- Covington Independent Public Schools entered into another construction project for the Central Bus Garage Complex and Glenn O. Swing Elementary which started in FY23 and continued into FY25. Contract price \$1,351,818.

Scope of Work:

- Replace Central Bus Garage Complex roof on the garage and house/offices
- Replace Central Bus Garage Complex windows, doors, covered deck, paint interior, replace sidewalks, and replace flooring
- Renovate all restrooms and replace the physical education gym floor.

- Covington Independent Public Schools entered into another construction project for Holmes Campus Ventilation Upgrades which started in FY23 and continued into FY25. Contract price \$4,808,685.

Scope of Work:

- Replace air handlers, condensing units, transformer, uni-vents, switchgear, electric heaters, and heat pumps throughout Holmes High School.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2025

FINANCIAL HIGHLIGHTS (CONTINUED)

- Covington Independent Public Schools entered into another construction project for the Chapman Vocational Building Renovation during FY23 & FY24 and is continuing into FY25. Starting contract price \$5,417,500.

Scope of Work:

Renovate labs for the following:

- Health/Science
- Construction - Carpentry
- Welding – Relocate lab
- MJROTC
- Business
- Media Arts
- Computer Programming

Additional Renovations to include:

- Security Camera Upgrades
- Door and Door Hardware Upgrades
- IT Upgrades
- HVAC Renovation – Replace all heat-pumps
- Upgrade Building Signage
- Water Fountain Upgrades
- Waterproofing – Foundation Repairs
- Covington Independent Public Schools entered into another construction project for the Glenn O'Swing Softball Field during FY24 and is continuing into FY25. Starting contract price \$2,975,000.

Scope of Work:

- New Turf Softball infield with fencing and netting
- New Softball Dugouts
- New Softball Bullpens
- New Entry Signage
- New Press box / Restroom / Concessions with provisions for winterizing
- New Grandstand spectator seating, scoreboards & sound system
- New Storage Building not to exceed 600 square feet
- Resurface Existing Parking Lot
- New Batting Cage for Softball
- New parking lot lighting for parking areas.
- New field lighting
- New pedestrian Site lighting for all walking paths

COVINGTON INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2025

FINANCIAL HIGHLIGHTS (CONTINUED)

- We are proud to serve a diverse group of learners in Covington Independent Public Schools. The School Board generously allocates funds yearly to provide a range of programs and support services to address our students' needs.
- Nearly 95% of our students qualify for free/reduced lunch prices. About 32% of our students are homeless and approximately 22% have a learning need that qualifies them for special education services. We have a mobility rate of about 33%, meaning one third of our students move in and out of school during the academic year. Our school mental health staff members estimate that about 75% of our students have been impacted directly or indirectly by a traumatic event. Additionally, many of our families do not have a medical home and use the local hospital emergency room for their primary medical needs.

Because of these factors, our Board members provide the following positions:

- A full-time school nurse in each school
- One school counselor at each elementary school, two at the middle school and four at the high school
- Nearly a full-time school psychologist in each school

These services help remove barriers to learning so that our students can focus on the instruction they receive and continue to grow academically and personally.

- During the 2024-25 school year, Covington Independent Schools continued to refine and improve the districtwide curriculum as well as work on aligning it to our high-quality instructional resources. The district curriculum was developed to provide teachers with a deep understanding of the Kentucky Academic Standards in all content areas. The curriculum revision process is led by district experts in their respective areas, considering input from all teachers in the district. This process this year continued the focus with a deep understanding of the standards, but really shifted focus to helping teachers understand how to teach these standards. We did this through the study of our high-quality instructional resources in each of our core areas. Teachers met collaboratively with district content leaders to study the HQIRs and how to best implement the content in the classrooms. The district curriculum department continues to support principals with maintaining the fidelity of implementation of the curriculum to the intended rigor of the standards and supports leadership teams with communication with teachers about implementation concerns, monitoring of assessment performance of all schools and further professional development for teachers and administrators around all components of curriculum implementation.
- A concerted effort remains in place for purchasing in the areas of supplies, food and travel by using effective management strategies to reduce cost for the District. All purchase requests must be budgetary.
- District Staffing Policy is reviewed annually to monitor student reductions and staff per available funding. Any open positions are reviewed to determine if the need is still there to fill the position or restructure the position with another position already in the District.
- The District continues to educate and train the Board of Education in regard to all of the District's budgets.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2025

FINANCIAL HIGHLIGHTS (CONTINUED)

- The District continues to train the schools' SBDM councils on spending the allocations within the current fiscal year.
- The District continues to strive to maintain a healthy contingency.
- The District has continued to look into ways to invest the District's money until the money is needed. By doing this, the district can earn more interest. Toward the end of FY22 interest rates continued to rise. Toward the end of FY23 interest rates started to decrease. The District was able to start moving money into their investment accounts to earn additional interest. The District will continue to monitor the economy to see if investments can be done in the future. The district continued to move money into their investment accounts in FY25 to earn additional interest.
- Budgets in the District besides the SBDM budgets provided by the schools have gone through a review process with the Budget Committee to address needs/priorities of each area and adjusted accordingly.
- The District continues to work with our Insurance Providers developing a Safety Committee. This committee also provides additional safety training to our employees. There has been a steady decline in Worker Compensation claims saving the District money on insurance premiums.
- The district had an enrollment for the 2024-25 school year of 3,330, which is the highest enrollment the district has seen since the 2021-22 school year, and the first increase in enrollment the district has seen since 2019-20. This enrollment is an increase of 46 students. The ADA for the 24-25 school year was 3,079.13. This is an increase of 305.27. Not only has our enrollment increased, but students are attending school at a much better rate as well. Although the district has worked to decrease FTE positions over the past 7 years, the district did increase our FTE positions by 16.55 positions compared to 2023-24. In 2024-25, the district employed 699.89 FTE positions, compared to 683.34 positions the year before. While the district has been working to align its positions with student enrollment, there is also an emphasis on best serving our students, especially in special education and with our English language learners, which is where more of our positions have been coming from. The district must continue to balance how to best serve all of our students while still maintaining appropriate staffing numbers as we build the budget for the 2025-26 school year.
- The District administered \$15,507,903 in Federal, State and local grants during the year.
- The average teacher's salary in the District for 2025 was \$54,445. The Covington Board of Education remains committed to maintaining teachers' salaries at competitive levels.
- The General Fund had \$47,684,410 in revenue excluding interfund transfers and proceeds from sale of assets of \$1,842,611 and \$800, respectively. General Fund revenues primarily consisted of the state program (SEEK), property, franchise tax, motor vehicle taxes, as well as on-behalf benefits from the state. There was \$52,536,648 in General Fund expenditures, excluding interfund transfers of \$148,140 and including the on-behalf benefit payments made by the state.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2025

FINANCIAL HIGHLIGHTS (CONTINUED)

- Our primary financial concern continues to be state funding which has not kept up with the increases in operating expenses due to inflation, increased salaries - some of which are a direct result of mandates by the state, and an increasing portion of the retirement shortfall that we have been asked to fund. After many years of not making the necessary contributions to fully fund the Kentucky Teachers' Retirement System (TRS), the legislature passed along a portion of the funding shortfall to employees and a larger portion to school districts. As a result, our district has paid hundreds of thousands of dollars into the retirement system over the past five years and will pay millions of dollars in the future in an effort to help stabilize the fund. For the first time this year we are also being required to record the portion of the unfunded state liability in our financial statements attributable to our employees, as determined by TRS. While it remains to be seen if districts, including our own, will end up shouldering more this deficit over the years to come, if the state does not start responsibly funding the system it can be safely assumed that we will. This will continue to shift more of the responsibility for funding our education system onto the backs of school districts and subsequently local tax payers. The continual erosion of state funding makes it increasingly difficult to maintain the high standard of education and programming that our students deserve without increasing taxes locally. In this climate of shrinking state support the Covington Independent School District will maintain fiscally responsible policies in order to continue providing quality academic, extra-curricular and community service programs to all of its students.

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.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2025

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 may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$15,800,172 as of June 30, 2025.

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

The District's financial position is the product of several financial transactions, including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2025

DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Net Position as of June 30, 2025 and 2024

The following is a summary of net position for the fiscal years ended June 30:

	2025	2024
Current assets	\$ 25,786,922	\$ 24,486,375
Noncurrent assets	61,530,824	51,111,382
Total assets	<u>87,317,746</u>	<u>75,597,757</u>
Total deferred outflows	11,399,909	13,774,881
Current liabilities	5,146,128	4,866,255
Noncurrent liabilities	61,420,724	51,520,824
Total liabilities	<u>66,566,852</u>	<u>56,387,079</u>
Total deferred inflows	16,350,631	20,155,049
Net position		
Investment in capital assets (net of debt)	26,303,927	27,076,914
Restricted	(9,330,179)	(13,363,655)
Unrestricted	(1,173,576)	(882,749)
Total net position	<u>\$ 15,800,172</u>	<u>\$ 12,830,510</u>

Comments on General Fund Budget Comparisons

- The District's total revenues in the General Fund for the fiscal year ended June 30, 2025, were \$47,684,410 in revenue excluding interfund transfers and proceeds from sale of assets of \$1,842,611 and \$800, respectively.
- General Fund budgeted revenue compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$3,894,195 less than budget or approximately 7% of General Fund Budget. The majority of this variance is the result of lower tax revenue than budgeted.
- General Fund actual expenditures were \$52,536,648, net of inter-fund transfers of \$148,140.
- General Fund actual expenditures excluding contingency were less than budgeted expenditures by \$9,359,104. This is the result less instructional expenditures than originally budgeted.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2025

DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2025 and 2024.

	2025	2024
Revenues		
Program revenues		
Charges for services	\$ 271,830	\$ 269,437
Operating grants	<u>19,119,002</u>	<u>28,065,976</u>
Total grant revenues	<u>19,390,832</u>	<u>28,335,413</u>
General Revenues		
Property taxes	22,776,462	21,996,731
Grants and entitlements	32,805,076	33,823,563
Earnings on investments	846,375	1,323,672
Miscellaneous	<u>(1,260,723)</u>	<u>(1,347,720)</u>
Total general revenues	<u>55,167,190</u>	<u>55,796,246</u>
Total revenues	<u>74,558,022</u>	<u>84,131,659</u>
Expenses		
Instructional	37,801,971	36,590,933
Student support services	4,922,847	4,923,022
Staff support	1,647,646	1,544,745
District administration	2,779,879	2,583,702
School administration	5,055,639	4,873,812
Business support	2,608,446	2,660,194
Plant operations	7,026,104	7,035,335
Student transportation	2,719,087	2,647,146
Community service	1,765,341	2,012,143
Facilities acquisition and construction	77,388	17,337
Food service	3,714,186	3,513,872
Daycare	470,596	529,173
Interest on long-term debt	<u>846,061</u>	<u>670,793</u>
Total expenses	<u>71,435,191</u>	<u>69,602,207</u>
Excess of revenues over expenses	<u>\$ 3,122,831</u>	<u>\$ 14,529,452</u>

COVINGTON INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2025

DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Capital Assets and Long-Term Debt Activity (in thousands)

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
Governmental				
Capital assets	\$ 85,088	\$ 14,244	\$ 2,021	\$ 97,311
Accumulated depreciation	35,001	1,470	-	36,471
Business-type				
Capital assets	389	-	-	389
Accumulated depreciation	369	19	-	388
Bonds payable	23,022	13,133	1,643	34,512

BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal programs, operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget with \$6,696,555 in contingency (9.7%).

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Questions regarding this report should be directed to Mr. Alvin L. Garrison, Superintendent (859) 392-1001 or to his representative Mrs. Annette Burtschy, Director of Financial Services/Finance Officer (859) 392-1016 or by mail to: Covington Board of Education, 25 East 7th Street, Covington, KY 41011.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Statement of Net Position – District Wide As of June 30, 2025

	Governmental Activities	Business-type Activities	<u>Total</u>
Assets			
Current			
Cash and cash equivalents	\$ 15,156,927	\$ 189,592	\$ 15,346,519
Investments	6,639,117	-	6,639,117
Accounts receivable	3,733,228	36,319	3,769,547
Inventories for consumption	-	31,739	31,739
Total current	<u>25,529,272</u>	<u>257,650</u>	<u>25,786,922</u>
Noncurrent			
Right of use asset	1,739,708	-	1,739,708
Less: Right of use asset - accumulated amortization	(1,050,482)	-	(1,050,482)
Construction in progress	16,309,735	-	16,309,735
Nondepreciated capital assets			
Land	1,393,260	-	1,393,260
Depreciated capital assets			
Land improvements	1,103,291	-	1,103,291
Buildings and improvements	71,510,086	-	71,510,086
Furniture and equipment	6,994,853	389,240	7,384,093
Less: accumulated depreciation	(36,471,041)	(387,826)	(36,858,867)
Total noncurrent	<u>61,529,410</u>	<u>1,414</u>	<u>61,530,824</u>
Total assets	<u>87,058,682</u>	<u>259,064</u>	<u>87,317,746</u>
Deferred outflows	<u>10,941,164</u>	<u>458,745</u>	<u>11,399,909</u>
Liabilities			
Current			
Current portion of bonds payable	1,700,000	-	1,700,000
Current portion of lease liability	312,865	-	312,865
Accounts payable	1,290,424	2,519	1,292,943
Accrued interest	278,246	-	278,246
Accrued compensated absences	509,059	-	509,059
Accrued payroll and related expenses	767	-	767
Unearned revenues	1,052,248	-	1,052,248
Total current	<u>5,143,609</u>	<u>2,519</u>	<u>5,146,128</u>
Noncurrent			
Accrued compensated absences	386,271	-	386,271
MIF net OPEB liability	5,308,607	222,593	5,531,200
CERS net pension liability	21,391,717	896,964	22,288,681
Lease liability	401,801	-	401,801
Bond obligations	32,812,771	-	32,812,771
Total noncurrent	<u>60,301,167</u>	<u>1,119,557</u>	<u>61,420,724</u>
Total liabilities	<u>65,444,776</u>	<u>1,122,076</u>	<u>66,566,852</u>
Deferred inflows	<u>15,692,633</u>	<u>657,998</u>	<u>16,350,631</u>
Net position			
Invested in capital assets, net of related debt	26,302,513	1,414	26,303,927
Restricted	(8,266,500)	(1,063,679)	(9,330,179)
Unrestricted	(1,173,576)	-	(1,173,576)
Total net position	<u>\$ 16,862,437</u>	<u>\$ (1,062,265)</u>	<u>\$ 15,800,172</u>

The accompanying notes are an integral part of these financial statements

COVINGTON INDEPENDENT SCHOOL DISTRICT

Statement of Activities – District Wide Year Ended June 30, 2025

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Governmental Activities:							
Instructional	\$ 37,801,971	\$ -	\$ 11,811,430	\$ -	\$ (25,990,541)	\$ -	\$ (25,990,541)
Student support services	4,922,847	-	519,716	-	(4,403,131)	-	(4,403,131)
Staff support services	1,647,646	-	982,061	-	(665,585)	-	(665,585)
District administration	2,779,879	-	468	-	(2,779,411)	-	(2,779,411)
School administration	5,055,639	-	261,997	-	(4,793,642)	-	(4,793,642)
Business support services	2,608,446	-	-	-	(2,608,446)	-	(2,608,446)
Plant operation and maintenance	7,026,104	-	149,239	-	(6,876,865)	-	(6,876,865)
Student transportation	2,719,087	-	17,502	-	(2,701,585)	-	(2,701,585)
Community service operations	1,765,341	-	1,764,990	-	(351)	-	(351)
Day care operations	500	-	500	-	-	-	-
Facility acquisition and construction	77,388	-	-	-	(77,388)	-	(77,388)
Interest on long-term debt	846,061	-	-	-	(846,061)	-	(846,061)
Total governmental activities	<u>67,250,909</u>	<u>-</u>	<u>15,507,903</u>	<u>-</u>	<u>(51,743,006)</u>	<u>-</u>	<u>(51,743,006)</u>
Business-type Activities							
Food service	3,714,186	59,831	3,535,921	-	-	(118,434)	(118,434)
Daycare	470,096	211,999	75,178	-	-	(182,919)	(182,919)
Total business-type activities	<u>4,184,282</u>	<u>271,830</u>	<u>3,611,099</u>	<u>-</u>	<u>-</u>	<u>(301,353)</u>	<u>(301,353)</u>
Total school district	<u>\$ 71,435,191</u>	<u>\$ 271,830</u>	<u>\$ 19,119,002</u>	<u>\$ -</u>	<u>(51,743,006)</u>	<u>(301,353)</u>	<u>(52,044,359)</u>
General revenues:							
Taxes			22,776,462		-	22,776,462	
State and federal sources			32,805,076		-	32,805,076	
Investment earnings			828,892		17,483	846,375	
Miscellaneous			(1,261,523)		-	(1,261,523)	
Special items:							
Gain on disposal of fixed assets			800		-	800	
Fund transfer			140,789		(140,789)	-	
Total general revenues			<u>55,290,496</u>		<u>(123,306)</u>	<u>55,167,190</u>	
Change in net position			3,547,490		(424,659)	3,122,831	
Net position - beginning			13,468,116		(637,606)	12,830,510	
Net position adjustment (Note 19)			(153,169)		-	(153,169)	
Net position - ending			<u>\$ 16,862,437</u>		<u>\$ (1,062,265)</u>	<u>\$ 15,800,172</u>	

The accompanying notes are an integral part of these financial statements

COVINGTON INDEPENDENT SCHOOL DISTRICT

Balance Sheet – Governmental Funds
As of June 30, 2025

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Current					
Cash (overdraft) and cash equivalents	\$ 5,310,568	\$ (1,803,457)	\$ 10,063,116	\$ 1,586,700	\$ 15,156,927
Investments	6,639,117	-	-	-	6,639,117
Accounts receivable	553,890	3,179,338	-	-	3,733,228
Interfund receivable	282,759	-	-	-	282,759
 Total current	 <u>\$ 12,786,334</u>	 <u>\$ 1,375,881</u>	 <u>\$ 10,063,116</u>	 <u>\$ 1,586,700</u>	 <u>\$ 25,812,031</u>
Liabilities and Fund Balance					
Current					
Accounts payable	\$ 624,103	\$ 40,874	\$ 625,070	\$ 377	\$ 1,290,424
Accrued payroll and related expenses	767	-	-	-	767
Interfund payable	-	282,759	-	-	282,759
Unearned revenues	-	1,052,248	-	-	1,052,248
 Total current	 <u>624,870</u>	 <u>1,375,881</u>	 <u>625,070</u>	 <u>377</u>	 <u>2,626,198</u>
Fund Balance					
Restricted:					
Capital projects	-	-	9,438,046	-	9,438,046
Other	-	-	-	1,586,323	1,586,323
Committed:					
Other	12,105,002	-	-	-	12,105,002
Site-Based carryforward	22,719	-	-	-	22,719
Assigned - Purchase obligations	33,743	-	-	-	33,743
Unassigned	-	-	-	-	-
 Total fund balance	 <u>12,161,464</u>	 <u>-</u>	 <u>9,438,046</u>	 <u>1,586,323</u>	 <u>23,185,833</u>
 Total liabilities and fund balance	 <u>\$ 12,786,334</u>	 <u>\$ 1,375,881</u>	 <u>\$ 10,063,116</u>	 <u>\$ 1,586,700</u>	 <u>\$ 25,812,031</u>

The accompanying notes are an integral part of these financial statements

COVINGTON INDEPENDENT SCHOOL DISTRICT

Reconciliation of the Balance Sheet Governmental Funds to the Statement of Net Position As of June 30, 2025

Total governmental fund balance	\$ 23,185,833
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	97,311,225
Cost of right of use assets	1,739,708
Right of use asset accumulated amortization	(1,050,482)
Accumulated depreciation	<u>(36,471,041)</u>
	61,529,410
Deferred outflows	
Bond refinancing	540
Related to MIF	5,084,172
MIF contributions made after the measurement date	551,594
Related to CERS	3,926,787
CERS contributions made after the measurement date	<u>1,378,071</u>
	10,941,164
Deferred inflows	
Related to CERS	(3,810,988)
Related to OPEB	<u>(11,881,645)</u>
	(15,692,633)
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	(34,370,000)
Lease liability	(714,666)
Premiums on bonds, net	(397,089)
Discounts on bonds, net	254,318
Accrued interest on bonds	(278,246)
Net OPEB liability	(5,308,607)
Net pension liability	(21,391,717)
Accrued sick leave	<u>(895,330)</u>
	\$ 16,862,437

The accompanying notes are an integral part of these financial statements

COVINGTON INDEPENDENT SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds Year Ended June 30, 2025

	<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	\$ 20,299,537	\$ -	\$ -	\$ 2,476,925	\$ 22,776,462
Earnings on investments	803,566	14,726	-	10,600	828,892
State sources	25,561,631	2,186,467	-	1,883,916	29,632,014
Federal sources	358,904	12,405,082	-	-	12,763,986
Other sources	660,772	916,354	353,041	-	1,930,167
Total revenues	47,684,410	15,522,629	353,041	4,371,441	67,931,521
Expenditures					
Instructional	27,813,468	8,416,705	-	107,882	36,338,055
Student support services	4,401,985	519,716	-	-	4,921,701
Staff support services	612,366	982,061	-	52,961	1,647,388
District administration	2,776,299	468	-	-	2,776,767
School administration	4,786,287	261,997	-	-	5,048,284
Business support services	2,608,446	-	-	-	2,608,446
Plant operation and maintenance	6,513,618	149,239	-	-	6,662,857
Student transportation	2,909,781	17,502	-	-	2,927,283
Community service operations	351	1,764,990	-	-	1,765,341
Day care operations	-	500	-	-	500
Facility acquisition and construction	114,047	-	11,711,141	-	11,825,188
Debt service:					
Principal	-	-	-	1,635,000	1,635,000
Interest	-	-	-	772,391	772,391
Total expenditures	52,536,648	12,113,178	11,711,141	2,568,234	78,929,201
Deficit of revenues over expenditures	(4,852,238)	3,409,451	(11,358,100)	1,803,207	(10,997,680)
Other financing sources (uses)					
Loan and bond proceeds	-	-	13,045,000	-	13,045,000
Bond discount	-	-	(210,353)	-	(210,353)
Bond premium	-	-	298,196	-	298,196
Proceeds from sale of assets	800	-	-	-	800
Operating transfers in	1,842,611	329,425	3,206,626	1,783,623	7,162,285
Operating transfers out	(148,140)	(3,738,876)	23,000	(3,157,480)	(7,021,496)
Total other financing sources (uses)	1,695,271	(3,409,451)	16,362,469	(1,373,857)	13,274,432
Net change in fund balance	(3,156,967)	-	5,004,369	429,350	2,276,752
Fund balance, July 1, 2024	15,318,431	-	4,433,677	1,156,973	20,909,081
Fund balance, June 30, 2025	\$ 12,161,464	\$ -	\$ 9,438,046	\$ 1,586,323	\$ 23,185,833

The accompanying notes are an integral part of these financial statements

COVINGTON INDEPENDENT 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, 2025

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

Net changes-governmental funds	\$ 2,276,752
<p>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.</p>	
Amortization expense	(315,124)
Depreciation expense	(1,470,066)
Capital outlays	<u>12,223,168</u>
	10,437,978
<p>Bond proceeds and leases 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.</p>	
Bond proceeds	(13,045,000)
Lease proceeds	-
Lease principal paid	341,469
Premiums on sale of bonds	(298,196)
Discounts on sale of bonds	210,353
Bond principal paid	1,635,000
Amortization of deferred outflow from bond refinancing	(5,235)
Amortization of bond premium and discount, net	7,715
Deferred outflows related to pensions	(819,854)
Deferred outflows related to OPEB	(1,457,962)
Deferred inflows related to pensions	1,301,078
Deferred inflows related to OPEB	2,347,926
<p>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.</p>	
	<u>615,466</u>
Changes in net position of governmental activities	<u><u>\$ 3,547,490</u></u>

The accompanying notes are an integral part of these financial statements

COVINGTON INDEPENDENT SCHOOL DISTRICT

Statement of Net Position – Proprietary Funds
As of June 30, 2025

	Food Service	Day Care Funds	Total
Assets			
Current:			
Cash and cash equivalents	\$ 189,592	\$ -	\$ 189,592
Accounts receivable	36,319	-	36,319
Inventories for consumption	31,739	-	31,739
 Total current	 257,650	 -	 257,650
Noncurrent			
Furniture and fixtures	389,240	-	389,240
Less: accumulated depreciation	(387,826)	-	(387,826)
 Total noncurrent	 1,414	 -	 1,414
 Total assets	 259,064	 -	 259,064
 Deferred outflows	 376,070	 82,675	 458,745
Liabilities and Net Position			
Current:			
Accounts payable	2,519	-	2,519
 Total current	 2,519	 -	 2,519
Noncurrent			
MIF net OPEB liability	182,477	40,116	222,593
CERS net pension liability	735,313	161,651	896,964
 Total noncurrent	 917,790	 201,767	 1,119,557
 Total liabilities	 920,309	 201,767	 1,122,076
 Deferred inflows	 539,414	 118,584	 657,998
Net Position			
Invested in assets, net of debt	1,414	-	1,414
Restricted	(826,003)	(237,676)	(1,063,679)
 Total net position	 \$ (824,589)	 \$ (237,676)	 \$ (1,062,265)

The accompanying notes are an integral part of these financial statements

COVINGTON INDEPENDENT SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds
Year Ended June 30, 2025

	Food Service	Day Care Funds	Total
Operating revenues			
Other operating revenues	\$ 59,831	\$ 211,999	\$ 271,830
Total operating revenues	<u>59,831</u>	<u>211,999</u>	<u>271,830</u>
Operating expenses			
Salaries and benefits	1,446,169	385,597	1,831,766
Contract services	58,646	-	58,646
Materials and supplies	1,956,394	31,087	1,987,481
Depreciation	18,536	-	18,536
Other operating expenses	<u>234,441</u>	<u>53,412</u>	<u>287,853</u>
Total operating expenses	<u>3,714,186</u>	<u>470,096</u>	<u>4,184,282</u>
Operating loss	<u>(3,654,355)</u>	<u>(258,097)</u>	<u>(3,912,452)</u>
Nonoperating revenues (expenses)			
Federal grants	3,100,669	16,955	3,117,624
State grants	248,606	58,223	306,829
Donated commodities and other donations	186,646	-	186,646
Transfers	(245,117)	104,328	(140,789)
Loss on disposal of capital assets	-	-	-
Interest income	<u>17,483</u>	<u>-</u>	<u>17,483</u>
Total nonoperating revenues	<u>3,308,287</u>	<u>179,506</u>	<u>3,487,793</u>
Change in net position	<u>(346,068)</u>	<u>(78,591)</u>	<u>(424,659)</u>
Total net position, July 1, 2024	<u>(478,521)</u>	<u>(159,085)</u>	<u>(637,606)</u>
Total net position, June 30, 2025	<u>\$ (824,589)</u>	<u>\$ (237,676)</u>	<u>\$ (1,062,265)</u>

The accompanying notes are an integral part of these financial statements

COVINGTON INDEPENDENT SCHOOL DISTRICT

Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2025

	Service Fund	Day Care Fund	Total
Cash flows from operating activities			
Cash received from other activities	\$ 59,369	\$ 211,999	\$ 271,368
Cash payments to employees for services	(1,580,286)	(346,356)	(1,926,642)
Cash payments to suppliers for goods and services	<u>(2,226,755)</u>	<u>(84,547)</u>	<u>(2,311,302)</u>
Net cash used in operating activities	<u>(3,747,672)</u>	<u>(218,904)</u>	<u>(3,966,576)</u>
Cash flows from capital financing activities			
Transfers	<u>(245,117)</u>	<u>104,328</u>	<u>(140,789)</u>
Net cash provided by (used in) capital financing activities	<u>(245,117)</u>	<u>104,328</u>	<u>(140,789)</u>
Cash flows from noncapital financing activities			
Non-operating revenues received	<u>3,535,921</u>	<u>75,178</u>	<u>3,611,099</u>
Net cash provided by noncapital financing activities	<u>3,535,921</u>	<u>75,178</u>	<u>3,611,099</u>
Cash flows from investing activities			
Interest on investments	<u>17,483</u>	<u>-</u>	<u>17,483</u>
Net cash provided by investing activities	<u>17,483</u>	<u>-</u>	<u>17,483</u>
Net change in cash and cash equivalents	<u>(439,385)</u>	<u>(39,398)</u>	<u>(478,783)</u>
Cash and cash equivalents - beginning	<u>628,977</u>	<u>39,398</u>	<u>668,375</u>
Cash and cash equivalents - ending	<u>\$ 189,592</u>	<u>\$ -</u>	<u>\$ 189,592</u>
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	<u>\$ (3,654,355)</u>	<u>\$ (258,097)</u>	<u>\$ (3,912,452)</u>
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation	<u>18,536</u>	<u>-</u>	<u>18,536</u>
Changes in assets and liabilities:			
(Increase) decrease in deferred outflows	<u>101,802</u>	<u>(4,645)</u>	<u>97,157</u>
Increase in deferred inflows	<u>(159,822)</u>	<u>4,408</u>	<u>(155,414)</u>
Increase (decrease) in MIF net OPEB liability	<u>(55,098)</u>	<u>1,323</u>	<u>(53,775)</u>
Increase (decrease) in CERS net pension liability	<u>(20,999)</u>	<u>38,155</u>	<u>17,156</u>
Increase in accounts payable	<u>1,989</u>	<u>(48)</u>	<u>1,941</u>
Decrease in accounts receivable	<u>(462)</u>	<u>-</u>	<u>(462)</u>
Increase in inventories	<u>20,737</u>	<u>-</u>	<u>20,737</u>
Net cash used in operating activities	<u><u>\$ (3,747,672)</u></u>	<u><u>\$ (218,904)</u></u>	<u><u>\$ (3,966,576)</u></u>
Schedule of non-cash transactions			
Donated commodities received from federal government	<u>\$ 186,646</u>	<u>\$ -</u>	<u>\$ 186,646</u>
On behalf payments	<u><u>\$ 228,951</u></u>	<u><u>\$ 50,333</u></u>	<u><u>\$ 279,284</u></u>

The accompanying notes are an integral part of these financial statements

COVINGTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Covington Independent 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 Covington Independent 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 Covington Independent 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:

Covington Independent School District Finance Corporation - The Board authorized the establishment of the Covington Independent 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 Covington Independent 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.

COVINGTON INDEPENDENT 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 74 and 75. This is a major fund of the District.
- (C) 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.

COVINGTON INDEPENDENT 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. This District is committed to construction contracts in the amount of \$9,438,046 for ongoing projects. This is a major fund of the District

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 Daycare Fund is used to support the daycare programs at the individual schools. These funds are used to support the resources needed to actively manage these programs.

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.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

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.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Process

The District prepares its budgets on the modified accrual basis of account, which is the same basis as used to prepare the statement of revenues, expenditures and changes in fund balances – governmental funds.

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

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.

Fair Value Measurements

Generally accepted accounting principles has established a three-level hierarchy for fair value measurements based on transparency of valuation inputs as of the measurement date. The hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows: Level 1 inputs are unadjusted quoted prices for identical assets in active markets; Level 2 inputs are observable quoted prices for similar assets in active markets; Level 3 inputs are unobservable and reflect management's best estimate of what market participants would use as fair value.

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

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.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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.

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</u> <u>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 Compensated Absences

The District accrues a liability for compensated absences in accordance with GASB Statement No. 101, Compensated Absences. Under this standard, a liability is recognized for leave that is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid or settled, including termination payments.

Upon retirement from the school system, eligible employees may receive up to 30% of the value of accumulated compensated absences. The District estimates the liability for compensated absences based on historical usage patterns and the probability that earned leave will be used or paid, including both termination payments and leave expected to be used during employment.

The District has elected to apply the last-in, first-out (LIFO) method for determining which leave is expected to be used. Under this method, the most recently earned leave is assumed to be used first. This election affects the measurement of the liability by prioritizing the use of higher-rate leave when applicable.

The liability is measured using the pay rates in effect as of the financial statement date and includes salary-related payments directly and incrementally associated with compensated absences (e.g., payroll taxes). The entire compensated absence liability is reported in the district-wide financial statements.

This policy reflects the unified recognition and measurement framework introduced by GASB 101 and supersedes prior guidance under GASB Statement No. 16.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Reserves (Continued)

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.

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.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Postemployment Benefits Other than Pensions (OPEB)

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

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.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 4 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2025 was as follows:

Governmental Activities	Balance June 30, 2024	Additions	Deductions	Balance June 30, 2025
Land	\$ 1,393,260	\$ -	\$ -	\$ 1,393,260
Land improvements	1,103,291	-	-	1,103,291
Buildings and improvements	69,440,254	2,069,832	-	71,510,086
Technology equipment	3,048,379	16,179	-	3,064,558
Vehicles	2,856,275	409,490	-	3,265,765
General equipment	614,831	49,699	-	664,530
Construction in progress	6,631,767	11,698,619	2,020,651	16,309,735
Totals at historical cost	85,088,057	14,243,819	2,020,651	97,311,225
Less: accumulated depreciation				
Land improvements	702,275	9,782	-	712,057
Buildings and improvements	28,916,441	1,105,813	-	30,022,254
Technology equipment	2,973,568	126,355	-	3,099,923
Vehicles	1,940,681	206,692	-	2,147,373
General equipment	468,010	21,424	-	489,434
Total accumulated depreciation	35,000,975	1,470,066	-	36,471,041
Governmental activities capital assets - net	\$ 50,087,082	\$ 12,773,753	\$ 2,020,651	\$ 60,840,184
<u>Business - Type Activities</u>				
General equipment	\$ 386,840	\$ -	\$ -	\$ 386,840
Technology equipment	2,400	-	-	2,400
Totals at historical cost	389,240	-	-	389,240
Less: accumulated depreciation				
General equipment	366,891	18,536	-	385,427
Technology equipment	2,399	-	-	2,399
Total accumulated depreciation	369,290	18,536	-	387,826
Business - type activities capital assets - net	\$ 19,950	\$ (18,536)	\$ -	\$ 1,414

COVINGTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 4 CAPITAL ASSETS (CONTINUED)

Depreciation expense by function for the fiscal year ended June 30, 2025 was as follows:

	<u>Governmental</u>	<u>Business-Type</u>
Instructional	\$ 893,654	\$ -
Student support services	1,146	-
Staff support services	258	-
District administration	3,112	-
School administration	7,355	-
Plant operation and maintenance	363,247	-
Student transportation	201,294	-
Food service	<u>-</u>	<u>18,536</u>
Total	<u>\$ 1,470,066</u>	<u>\$ 18,536</u>

NOTE 5 ACCUMULATED UNPAID SICK LEAVE BENEFITS

The District estimates the liability for compensated absences based on historical usage patterns and the probability that earned leave will be used or paid, including both termination payments and leave expected to be used during employment. At June 30, 2025 this amount totaled approximately \$895,330.

NOTE 6 BONDED DEBT

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

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

Issue Date	Proceeds	Rates
October 1, 2012	\$ 1,090,000	1.100% - 2.625%
October 1, 2014	2,835,000	2.000% - 3.125%
March 1, 2015	2,530,000	2.000% - 3.000%
July 1, 2016	8,300,000	2.000% - 2.750%
October 1, 2016	1,635,000	2.000% - 3.000%
September 1, 2017	3,245,000	1.100% - 3.150%
August 6, 2019	1,110,000	3.000%
November 14, 2019	1,350,000	2.000%
July 1, 2020	3,750,000	2.000%
July 14, 2022	2,990,000	3.500% - 5.000%
July 11, 2023	2,125,000	4.250% - 5.000%
August 28, 2024	6,275,000	4.000% - 5.000%
April 17, 2025	6,770,000	3.150% - 4.250%

COVINGTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 6 BONDED DEBT (CONTINUED)

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 Covington Independent 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 16 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, 2025 for debt service (principal and interest) are reported in Note 16.

NOTE 7 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 covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

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/>.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 7 RETIREMENT PLANS (CONTINUED)

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
	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

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 spouse 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.

Contributions

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

	Required contribution
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

COVINGTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 7 RETIREMENT PLANS (CONTINUED)

The contribution requirement for CERS for the year ended June 30, 2025, was \$1,847,434, which consisted of \$1,435,854 from the District and \$411,580 from the employees. Total contributions for the year ended June 30, 2024 and 2023 were \$3,131,655 and \$3,359,988, respectively. The contributions have been contributed in full for fiscal years 2025, 2024 and 2023.

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 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/employers/gasb-65-67/>.

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. New employees hired after July 1, 2008 but before December 31, 2021 who retire with less than ten years will receive monthly benefits equal to 1.7% of their final average salary for each year of service. New employees hired between July 1, 2008 and December 31, 2021 with between 10 to 20 years of service will receive monthly benefits equal to 2% of their final average salary for each year of service. New employees hired between July 1, 2008 and December 31, 2021 with between 20 to 26 years of service will receive monthly benefits equal to 2.3% of their final average salary for each year of service. Lastly, new employees hired between July 1, 2008 and December 31, 2021 with between 26 to 30 years of service will receive monthly benefits equal to 2.5% of their final average salary for each year of service. Effective January 1, 2022, the System has been amended to change the benefit structure for employees hired on or after that date.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 7 RETIREMENT PLANS (CONTINUED)

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, 2025, was \$4,877,124, which consisted of \$1,349,826 from the District and \$3,527,298 from the employees. Total contributions for the year ended June 30, 2024 and 2023 were \$4,648,078 and \$4,274,724, respectively. The contributions have been contributed in full for fiscal years 2025, 2024 and 2023.

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 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.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 7 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, 2025, 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	\$ 22,288,681
Commonwealth's proportionate share of the TRS net pension liability associated with the District	<u>87,559,031</u>
	<u>\$ 109,847,712</u>

The net pension liability for each plan was measured as of June 30, 2024, 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, 2024, the District's proportion was 0.372694%.

For the year ended June 30, 2025, the District recognized an increase of pension expense of \$2,976,756 related to CERS. The District recognized an expense of \$5,015,951 for TRS support provided by the Commonwealth. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

COVINGTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 7 RETIREMENT PLANS (CONTINUED)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 1,078,813	\$ -
Difference between expected and actual experience	1,530,731	2,963,773
Changes of assumptions	-	1,007,011
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,481,895	-
District contributions subsequent to the measurement date	1,435,854	-
Total	\$ 5,527,293	\$ 3,970,784

\$1,435,854 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, 2025. 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:
2026 \$ 73,084
2027 917,816
2028 (550,878)
2029 (319,367)
2030 -

Actuarial assumptions

The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>CERS</u>	<u>TRS</u>
Inflation	2.30%	2.50%
Projected salary increases	3.3 - 10.3%	3.0 - 7.5%
Investment rate of return, net of investment expense and inflation	6.50%	7.10%

COVINGTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 7 RETIREMENT PLANS (CONTINUED)

For CERS, mortality rates used for active members 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 group: 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 10, 2021. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

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 2018 through 2022, is outlined in a report dated May 9, 2023. 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. 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:

COVINGTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 7 RETIREMENT PLANS (CONTINUED)

Asset Class	TRS Target Allocation	TRS Long-Term Expected Real Rate of Return	CERS Target Allocation	CERS Long-Term Expected Real Rate of Return
US equity	38.0%	5.25%	50.0%	4.15%
Developed international equity	15.7%	5.50%		
Emerging markets equity	5.3%	6.10%		
Private equity	7.0%	8.00%	10.0%	9.10%
Core bonds			10.0%	2.85%
Fixed income	15.0%	1.90%		
Specialty Credit			10.0%	3.82%
High yield	2.0%	3.80%		
Additional categories	8.0%	3.60%		
Real estate	7.0%	3.20%	7.0%	4.90%
Real return			13.0%	5.35%
Cash	2.0%	1.60%	0.0%	1.70%
Total	<u><u>100%</u></u>	<u><u>100%</u></u>	<u><u>100%</u></u>	

Discount rate

For CERS, the discount rate used to measure the total pension liability was 6.50%. 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 6.50%. 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.

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:

	1% Decrease	Current Discount Rate	1% Increase
CERS	5.50%	6.50%	7.50%
District's proportionate share of net pension liability	\$ 28,733,751	\$ 22,288,681	\$ 16,940,970
TRS	6.10%	7.10%	8.10%
District's proportionate share of net pension liability	-	-	-

COVINGTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 7 RETIREMENT PLANS (CONTINUED)

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 8 OPEB PLANS

General information about the Teachers' Retirement System OPEB Plan

Plan description

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

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

Medical Insurance Plan

Plan description

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

Benefits provided

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

COVINGTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 8 OPEB PLANS (CONTINUED)

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 provided

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 7 for tier classifications.

Contributions

Required contributions by the employee are based on the tier disclosed in Note 7.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 8 OPEB PLANS (CONTINUED)

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

At June 30, 2025, the Covington Independent School District reported a liability of \$5,531,200 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, 2024, 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, 2024 and 2023 the District's proportion was .60% and .58% for TRS, respectively. At June 30, 2024 and 2023 the District's proportion was .37% and .34% for CERS, respectively.

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	\$ (637,800)
District's proportionate share of the TRS net OPEB liability	6,169,000
State's proportionate share of the net OPEB liability associated with the District	5,496,000
	<u><u>\$ 11,027,200</u></u>

For the year ended June 30, 2025, the District recognized an increase of OPEB expense of \$3,764,891 and revenue of \$512,001 for support provided by the State. At June 30, 2025, 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 experience	\$ 353,844	\$ 6,871,232
Net difference between projected and actual earnings on OPEB plan investments	560,643	1,340,673
Change of Assumptions	2,148,924	450,035
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,233,942	3,717,907
District contributions subsequent to the measurement date	574,723	-
Total	<u><u>\$ 5,872,076</u></u>	<u><u>\$ 12,379,847</u></u>

COVINGTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 8 OPEB PLANS (CONTINUED)

Of the total amount reported as deferred outflows of resources related to OPEB, \$574,723 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, 2025. 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:	
2026	\$ (2,106,803)
2027	(2,182,283)
2028	(1,507,122)
2029	(292,285)
2030	(514,000)
Thereafter	(480,001)

Actuarial assumptions

The total OPEB liability in the June 30, 2024 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	3.00 - 7.50%, including 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	6.50% for FY 2024 decreasing to an ultimate rate of 4.50% by FY 2031	Initial trend starting at 6.20% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Ages 65 and Older		Initial trend starting at 9.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Medicare Part B Premiums	5.92% for FY 2024 with an ultimate rate of 4.50% by 2035	
Municipal Bond Index Rate	3.94%	3.97%
Discount Rate	7.10%	5.99%
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.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 8 OPEB PLANS (CONTINUED)

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2022 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, 2022 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.

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
Large Cap U.S. Equity	35.4%	5.0%
Small Cap U.S. Equity	2.6%	5.5%
Developed International Equity	15.0%	5.5%
Emerging Markets Equity	5.0%	6.1%
Fixed Income	9.0%	1.9%
High Yield Bonds	8.0%	3.8%
Other Additional Categories	9.0%	3.7%
Real Estate	6.5%	3.2%
Private Equity	8.5%	8.0%
Cash	1.0%	1.6%
Total	<u>100.0%</u>	

The target allocation for the medical insurance plan is the same as the target allocation for the CERS pension plan in note 7

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.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 8 OPEB PLANS (CONTINUED)

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 5.99%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate, 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:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
TRS			
District's net OPEB liability	\$ 8,196,000	\$ 6,169,000	\$ 4,490,000
	1% Decrease (4.99%)	Current Discount Rate (5.99%)	1% Increase (6.99%)
CERS			
District's net OPEB liability	\$ 862,378	\$ (637,800)	\$ (1,899,153)

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates

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

	1% Decrease	Current Trend Rate	1% Increase
TRS			
District's net OPEB liability	\$ 4,167,000	\$ 6,169,000	\$ 8,657,000
	1% Decrease	Current Trend Rate	1% Increase
CERS			
District's net OPEB liability	\$ (1,534,470)	\$ (637,800)	\$ 406,757

COVINGTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 8 OPEB PLANS (CONTINUED)

OPEB plan fiduciary net position

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

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.

Benefits provided

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

Contributions

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

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

At June 30, 2025, the Covington Independent 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		<u>125,000</u>
	\$	<u>125,000</u>

For the year ended June 30, 2025, the District recognized OPEB expense of \$-0- and revenue of \$15,326 for support provided by the State.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 8 OPEB PLANS (CONTINUED)

Actuarial assumptions

The total OPEB liability in the June 30, 2024 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	3.94%
Discount Rate	7.10%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including price inflation

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, 2022 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, 2022 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.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 8 OPEB PLANS (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
U.S. Equity	40.0%	5.2%
International Equity	20.0%	5.8%
Fixed Income	21.0%	1.9%
Real Estate	7.0%	3.2%
Private Equity	5.0%	8.0%
Other Additional Categories	5.0%	4.0%
Cash	2.0%	1.6%
Total	<u>100.0%</u>	

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%)
District's 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.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 9 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 10 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.

NOTE 11 RISK MANAGEMENT

The District is self-insured for unemployment insurance benefits. The District purchases workers' compensation insurance through the Harford Mutual Insurance Company. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulted from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 12 DEFICIT OPERATING/FUND BALANCES

At June 30, 2025 the Food Service Fund and Day Care Fund have deficit fund balances of \$824,589 and \$237,676, respectively. The following funds have operations that resulted in a current year deficit of revenues over expenditures, resulting in a corresponding reduction of fund balance:

General Fund	\$ 3,156,967
Food Service Fund	346,068
Day Care Fund	78,591
Holmes Middle School	4,493
Sixth District Elementary School	14,971
John G. Carlisle Elementary School	161

NOTE 13 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).

NOTE 14 TRANSFER OF FUNDS

The following transfers were made during the year.

From Fund	To Fund	Purpose	Amount
General Fund	Daycare Fund	Operations	\$ 104,328
General Fund	School Activity Fund	AP Transfer	131
General Fund	Special Revenue Fund	Matching	43,681
Special Revenue Fund	Construction Fund	Construction	3,064,032
Special Revenue Fund	Special Revenue Fund	Flex Funds	285,744
Special Revenue Fund	General Fund	Indirect Costs Transfer	389,100
Construction Fund	Construction Fund	Indirect Costs Transfer	(23,000)
Capital Outlay Fund	Debt Service Fund	Debt Service	305,570
Building Fund	Construction Fund	Construction	165,594
Building Fund	General Fund	Capital Funds	1,208,394
Building Fund	Debt Service Fund	Debt Service	1,477,922
Food Service Fund	General Fund	Indirect Costs Transfer	245,117

COVINGTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 15 ON-BEHALF PAYMENTS

For the year ended June 30, 2025 total payments of \$12,494,574 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	\$ 11,591,391
Debt Service	623,899
Day Care	50,333
Food Service	<u>228,951</u>
 Total On-Behalf	 <u>\$ 12,494,574</u>

NOTE 16 SCHEDULE OF LONG-TERM OBLIGATIONS

2012, 2014, 2015, 2016, 2016B, 2017, 2019, 2019REF, 2020, 2022, 2023A, 2024A and 2025 Bonds

Fiscal Year	Covington Independent School District			KY School Facilities Construction Commission			Total Requirements
	Principal	Interest	Total	Principal	Interest	Total	
2025-2026	\$ 1,010,267	\$ 978,688	\$ 1,988,955	\$ 689,733	\$ 318,707	\$ 1,008,440	\$ 2,997,395
2026-2027	1,121,707	953,726	2,075,433	648,293	304,749	953,042	3,028,475
2027-2028	1,150,934	916,914	2,067,848	669,066	207,793	876,859	2,944,707
2028-2029	1,180,840	878,742	2,059,582	624,160	205,639	829,799	2,889,381
2029-2030	1,206,563	838,666	2,045,229	573,437	115,242	688,679	2,733,908
2030-2031	1,240,672	796,201	2,036,873	599,328	100,047	699,375	2,736,248
2031-2032	1,276,437	749,850	2,026,287	498,563	83,559	582,122	2,608,409
2032-2033	1,430,455	701,917	2,132,372	514,545	70,197	584,742	2,717,114
2033-2034	1,291,480	647,281	1,938,761	483,520	56,750	540,270	2,479,031
2034-2035	1,325,248	602,246	1,927,494	509,752	43,050	552,802	2,480,296
2035-2036	1,417,600	558,399	1,975,999	537,400	28,296	565,696	2,541,695
2036-2037	1,453,592	511,346	1,964,938	561,408	12,579	573,987	2,538,925
2037-2038	1,236,137	468,107	1,704,244	113,863	2,731	116,594	1,820,838
2038-2039	1,278,398	426,133	1,704,531	16,602	648	17,250	1,721,781
2039-2040	1,321,704	379,951	1,701,655	13,296	199	13,495	1,715,150
2040-2041	1,370,000	333,259	1,703,259	-	-	-	1,703,259
2041-2042	1,420,000	285,806	1,705,806	-	-	-	1,705,806
2042-2043	1,100,000	228,863	1,328,863	-	-	-	1,328,863
2043-2044	1,145,000	183,931	1,328,931	-	-	-	1,328,931
2044-2045	1,135,000	136,963	1,271,963	-	-	-	1,271,963
2045-2046	520,000	89,563	609,563	-	-	-	609,563
2046-2047	540,000	68,325	608,325	-	-	-	608,325
2047-2048	560,000	46,275	606,275	-	-	-	606,275
2048-2049	585,000	23,400	608,400	-	-	-	608,400
	<u>\$ 27,317,034</u>	<u>\$ 11,804,552</u>	<u>\$ 39,121,586</u>	<u>\$ 7,052,966</u>	<u>\$ 1,550,186</u>	<u>\$ 8,603,152</u>	<u>\$ 47,724,738</u>

COVINGTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 16 SCHEDULE OF LONG-TERM OBLIGATIONS (CONTINUED)

A summary of the changes in the outstanding principal and accrued sick leave for the District during the fiscal year ended June 30, 2025, is as follows:

Governmental Activities	Balance			
	July 1, 2024	Additions	Payments	June 30, 2025
Bond Obligations	\$ 22,960,000	\$ 13,045,000	\$ 1,635,000	\$ 34,370,000
Bond premium	\$ 119,402	\$ 298,196	\$ 20,509	\$ 397,089
Bond discount	\$ (56,759)	\$ (210,353)	\$ (12,794)	\$ (254,318)
Sick Leave	\$ 831,342	\$ 63,988	\$ -	\$ 895,330

* The change in the compensated absences liability is presented as a net change

NOTE 17 INVESTMENTS AT FAIR VALUE

Current accounting and reporting standards define fair value, establish a three-level hierarchy for fair value measurements based on transparency of valuation inputs and require disclosures about fair value measurements. The hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows:

Level 1 - Inputs are unadjusted quoted prices for identical assets in active markets.

Level 2 - Inputs are observable quoted prices for similar assets in active markets.

Level 3 - Inputs are unobservable and reflect our best estimate of what market participants would use as fair value.

Investments consisted of the following at June 30, 2025:

	Level 1	Level 2	Level 3	Total
Brokered certificates of deposit	\$ 6,639,117	\$ -	\$ -	\$ 6,639,117
Total investments	<u>\$ 6,639,117</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,639,117</u>

The following is a description of the valuation methodologies used for investments measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification pursuant to the valuation hierarchy. There were no valuations using Level 2 or 3 inputs.

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include brokered certificates of deposit. If quoted market prices are not available, then fair values are estimated by using pricing models or quoted prices of securities with similar characteristics.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 18 LEASES

The district also has a lease agreement for office equipment that expires October 2028. Monthly payments are required. For fiscal year 2025, monthly payments are \$4,780.

The district has a lease agreement for office space that expires July 2027. This lease requires quarterly payments of \$71,027.

Interest rates range from 4.4% to 8.6% to calculate the lease liabilities.

The following table shows the District's change in lease accounts for the year ended June 30, 2025:

Governmental Activities	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025
ROU Asset	\$ 1,739,708	\$ -	\$ -	\$ 1,739,708
ROU Accum. Amort.	\$ 735,358	\$ 315,124	\$ -	\$ 1,050,482
Lease liability	\$ 1,012,365	\$ -	\$ 297,699	\$ 714,666

Future minimum payments related to these leases are shown below:

	Principal	Interest	Total
2026	\$ 312,865	\$ 28,604	\$ 341,469
2027	328,874	12,595	341,469
2028	53,807	3,553	57,360
2029	19,120	155	19,275
	<u>\$ 714,666</u>	<u>\$ 44,907</u>	<u>\$ 759,573</u>

NOTE 19 CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2024, the District adopted Governmental Accounting Standards Board ("GASB") Statement No. 101, *Compensated Absences*, as it relates to the measurement and recognition of accrued compensated absences. GASB 101 required retrospective application. Since the District only presents one year of financial information, the beginning net position balance was adjusted to reflect the retrospective application. The adjustment resulted in a \$153,169 reduction to the beginning net position on the Statement of Activities – District Wide.

NOTE 20 SUBSEQUENT EVENTS

Subsequent events were considered through January 27, 2026, which represents the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

COVINGTON INDEPENDENT SCHOOL DISTRICT

Combining Balance Sheet – Nonmajor Governmental Funds
As of June 30, 2025

	Capital Outlay Fund	Building Fund	Debt Service Fund	School Activity Fund	Total Non-major Government Funds
Assets					
Current:					
Cash and cash equivalents	\$ -	\$ 1,339,901	\$ -	\$ 246,799	\$ 1,586,700
Total current	\$ -	\$ 1,339,901	\$ -	\$ 246,799	\$ 1,586,700
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 377	\$ 377
Total current	\$ -	\$ -	\$ -	\$ 377	\$ 377
Fund Balances:					
Restricted:					
Other	\$ -	\$ 1,339,901	\$ -	\$ 246,422	\$ 1,586,323
Total fund balances	\$ -	\$ 1,339,901	\$ -	\$ 246,422	\$ 1,586,323
Total liabilities and fund balances	\$ -	\$ 1,339,901	\$ -	\$ 246,799	\$ 1,586,700

COVINGTON INDEPENDENT SCHOOL DISTRICT

**Combining Statement of Revenues, Expenditures and
Changes in Fund Balances – Nonmajor Governmental Funds**
Year Ended June 30, 2025

	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Debt Service Fund</u>	<u>School Activity Fund</u>	<u>Total Nonmajor Government Funds</u>
Revenues:					
Taxes	\$ -	\$ 2,476,925	\$ -	\$ -	\$ 2,476,925
Earnings on investments	-	-	-	10,600	10,600
State sources	305,570	764,706	623,899	189,741	1,883,916
Total revenues	<u>305,570</u>	<u>3,241,631</u>	<u>623,899</u>	<u>200,341</u>	<u>4,371,441</u>
Expenditures:					
Instructional	-	-	-	107,882	107,882
Staff support services	-	-	-	52,961	52,961
Debt service:					
Principal	-	-	1,635,000	-	1,635,000
Interest	-	-	772,391	-	772,391
Total expenditures	<u>-</u>	<u>-</u>	<u>2,407,391</u>	<u>160,843</u>	<u>2,568,234</u>
Excess (deficit) of revenues over expenditures	<u>305,570</u>	<u>3,241,631</u>	<u>(1,783,492)</u>	<u>39,498</u>	<u>1,803,207</u>
Other Financing Sources (Uses)					
Operating transfers in	-	-	1,783,492	131	1,783,623
Operating transfers out	<u>(305,570)</u>	<u>(2,851,910)</u>	<u>-</u>	<u>-</u>	<u>(3,157,480)</u>
Total other financing sources(uses)	<u>(305,570)</u>	<u>(2,851,910)</u>	<u>1,783,492</u>	<u>131</u>	<u>(1,373,857)</u>
Net change in fund balance	-	389,721	-	39,629	429,350
Fund balance, July 1, 2024	<u>-</u>	<u>950,180</u>	<u>-</u>	<u>206,793</u>	<u>1,156,973</u>
Fund balance, June 30, 2025	<u>\$ -</u>	<u>\$ 1,339,901</u>	<u>\$ -</u>	<u>\$ 246,422</u>	<u>\$ 1,586,323</u>

COVINGTON INDEPENDENT SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – General Fund Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
				Positive (Negative)
Revenues				
Taxes	\$ 22,426,823	\$ 22,426,823	\$ 20,299,537	\$ (2,127,286)
Other local sources	617,200	617,200	1,464,338	847,138
State sources	25,604,505	27,240,214	25,561,631	(1,678,583)
Federal sources	478,172	478,172	358,904	(119,268)
Other sources	1,451,213	2,659,607	1,843,411	(816,196)
Total revenues	50,577,913	53,422,016	49,527,821	(3,894,195)
Expenditures				
Instructional	37,776,620	38,523,607	27,813,468	10,710,139
Student support services	3,420,281	3,379,009	4,401,985	(1,022,976)
Staff support services	421,489	421,558	612,366	(190,808)
District administration	3,471,882	4,146,597	2,776,299	1,370,298
School administration	3,582,856	3,603,386	4,786,287	(1,182,901)
Business support services	2,241,256	2,265,453	2,608,446	(342,993)
Plant operation and maintenance	6,260,823	6,371,703	6,513,618	(141,915)
Student transportation	2,718,774	2,893,620	2,909,781	(16,161)
Central office				-
Food service operation	15,000	15,000	-	15,000
Community service operations	2,547	2,547	351	2,196
Facility acquisition and construction	15,000	15,000	114,047	(99,047)
Other	5,969,816	7,102,967	148,140	6,954,827
Total expenditures	65,896,344	68,740,447	52,684,788	16,055,659
Net change in fund balance	(15,318,431)	(15,318,431)	(3,156,967)	12,161,464
Fund balance, July 1, 2024	15,318,431	15,318,431	15,318,431	-
Fund balance, June 30, 2025	\$ -	\$ -	\$ 12,161,464	\$ 12,161,464

COVINGTON INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget to Actual – Special Revenue Fund
Year Ended June 30, 2025**

	Original Budget	Final Budget	Actual	Variance with Final Budget
				Positive (Negative)
Revenues:				
Other local sources	\$ 1,550	\$ 144,510	\$ 931,080	\$ 786,570
State sources	2,185,686	2,249,061	2,186,467	(62,594)
Federal sources	7,694,508	7,764,176	12,405,082	4,640,906
Other sources	360,744	375,744	329,425	(46,319)
Total revenues	10,242,488	10,533,491	15,852,054	5,318,563
Expenditures:				
Instructional	6,549,549	6,528,872	8,416,705	(1,887,833)
Student support services	441,827	445,552	519,716	(74,164)
Staff support services	892,042	876,668	982,061	(105,393)
District administration	-	22,300	468	21,832
School administration	262,079	262,079	261,997	82
Business support services	-	-	-	-
Plant operation and maintenance	65,549	145,549	149,239	(3,690)
Student transportation	-	-	17,502	(17,502)
Central office	-	-	-	-
Food service operation	-	-	-	-
Day Care Operations	-	300	500	(200)
Community service operations	1,556,485	1,600,754	1,764,990	(164,236)
Facility acquisition and construction	-	-	-	-
Other	474,957	511,061	3,738,876	(3,227,815)
Total expenditures	10,242,488	10,393,135	15,852,054	(5,458,919)
Net change in fund balance	-	140,356	-	(140,356)
Fund balance, July 1, 2024	-	-	-	-
Fund balance, June 30, 2025	\$ -	\$ 140,356	\$ -	\$ (140,356)

COVINGTON INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget to Actual – Construction Fund
Year Ended June 30, 2025**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget
				Positive (Negative)
Revenues				
Other sources	\$ -	\$ 181,380	\$ 16,362,469	\$ 16,181,089
Total revenues	<u>-</u>	<u>181,380</u>	<u>16,715,510</u>	<u>16,534,130</u>
Expenditures				
Facility acquisition and construction	<u>-</u>	<u>181,380</u>	<u>11,711,141</u>	<u>(11,529,761)</u>
Total expenditures	<u>-</u>	<u>181,380</u>	<u>11,711,141</u>	<u>(11,529,761)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>5,004,369</u>	<u>5,004,369</u>
Fund balance, July 1, 2024	<u>-</u>	<u>-</u>	<u>4,433,677</u>	<u>4,433,677</u>
Fund balance, June 30, 2025	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,438,046</u>	<u>\$ 9,438,046</u>

COVINGTON INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balances –
Bond and Interest Redemption Funds
Year Ended June 30, 2025**

	<u>Issue of 2012</u>	<u>Issue of 2014</u>	<u>Issue of 2015</u>	<u>Issue of 2016 Energy</u>	<u>Issue of 2016B</u>	<u>Issue of 2017</u>
Cash at July 1, 2023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:						
Transfers and miscellaneous deposits	67,938	262,450	232,175	528,859	108,100	214,528
Disbursements:						
Bonds paid	55,000	220,000	205,000	375,000	75,000	145,000
Interest coupons	12,938	42,450	27,175	153,859	33,100	69,528
Total disbursements	67,938	262,450	232,175	528,859	108,100	214,528
Excess of receipts over disbursements	- -	- -	- -	- -	- -	- -
Cash at July 1, 2024	- -	- -	- -	- -	- -	- -
Fund Balance at June 30, 2024	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>Issue of 2019 Ref</u>	<u>Issue of 2020</u>	<u>Issue of 2022</u>	<u>Issue of 2023A</u>	<u>Issue of 2024A</u>	<u>Total</u>
Cash at July 1, 2023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:						
Transfers and miscellaneous deposits	158,688	215,631	162,788	99,656	284,053	2,407,391
Disbursements:						
Bonds paid	145,000	150,000	50,000	10,000	160,000	1,635,000
Interest coupons	13,688	65,631	112,788	89,656	124,053	772,391
Total disbursements	158,688	215,631	162,788	99,656	284,053	2,407,391
Excess of receipts over disbursements	- -	- -	- -	- -	- -	- -
Cash at July 1, 2024	- -	- -	- -	- -	- -	- -
Fund Balance at June 30, 2024	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COVINGTON INDEPENDENT SCHOOL DISTRICT

Statement of Receipts, Disbursements and Fund Balances
Holmes High School Activity Funds
Year Ended June 30, 2025

	Fund Balance July 1, 2024	Receipts	Disbursements	Fund Balance June 30, 2025
Annual	\$ 312	\$ 160	\$ -	\$ 472
Art department	514	-	-	514
Athletic office	19,907	49,862	26,963	42,806
Baseball fundraiser	375	795	-	1,170
Boys Basketball	-	100	-	100
Cheer	749	-	749	-
Cheerleaders	565	2,184	715	2,034
Chess Team	1,348	-	-	1,348
Child care development center	1,388	-	204	1,184
Class of 2025	185	548	424	309
Concession	552	12,431	11,901	1,082
Cross country fundraiser	3,467	-	-	3,467
Don Conrad family scholarship	4,453	28,000	24,300	8,153
FASFA Education	-	3,000	2,040	960
G & R Reed scholarship	116	-	-	116
General fund	22,458	10,426	5,109	27,775
Heisel, DR medallion	4,606	-	4,606	-
Holmes Leadership Academy	1,754	4,693	6,447	-
Holmes marching band	1,774	400	382	1,792
Library	240	279	377	142
Marine Corp adm	3,128	307	1,164	2,271
Media Arts Fundraiser	5,000	5,050	1,962	8,088
Mitchell, H & S scholarship	2,201	200	2,401	-

COVINGTON INDEPENDENT SCHOOL DISTRICT

Statement of Receipts, Disbursements and Fund Balances
Holmes High School Activity Funds
Year Ended June 30, 2025
(Continued)

	Fund Balance July 1, 2024	Receipts	Disbursements	Fund Balance June 30, 2025
PBIS	396	-	-	396
Petty cash	50	-	-	50
R&J Sargent scholarship	6,000	-	2,000	4,000
Records office	5,445	-	5,445	-
Robert & Wanda Carr Scholarship	1,025	1,550	1,500	1,075
Roth-Morgan scholarship	110	-	-	110
S.B.E. Small Business Center	1,769	1,373	90	3,052
SCG Fundraiser	362	-	-	362
SCR Fundraiser	1,953	-	-	1,953
Shelly Duncan Scholarship	2,470	500	-	2,970
Skills USA executive	939	-	-	939
Softball fast fundraiser	1,864	913	1,260	1,517
Student council	11,882	11,605	11,326	12,161
Student Incentive	382	10,917	113	11,186
Student of the Month	776	-	250	526
Supply store	14,746	11,794	15,690	10,850
Teacher incentive	323	82	187	218
Textbooks	3,597	22	71	3,548
Track fundraiser	766	235	-	1,001
Tudor scholarship	1,325	-	-	1,325
Unity N Community	200	1,492	198	1,494
Vogt Family Scholarship	2,500	1,900	2,500	1,900
Volleyball fundraiser	1,743	-	-	1,743
Welding	222	-	-	222
Woodrow Lane scholarship	5,000	10,000	5,000	10,000
Wrestling fundraiser	583	-	-	583
Youth service center	102	-	-	102
YSC Sr. welfare	1,002	-	832	170
YSC tobacco education	461	-	300	161
Total	\$ 143,085	\$ 170,818	\$ 136,506	\$ 177,397

COVINGTON INDEPENDENT SCHOOL DISTRICT

Statement of Receipts, Disbursements and Fund Balances – School Activity Funds Year Ended June 30, 2025

	Covington Adult High School	Holmes Middle School	Sixth District Elementary School	Ninth District Elementary School	John G. Carlisle Elementary School
Fund balances at July 1, 2024	\$ -	\$ 7,295	\$ 14,971	\$ 9,051	\$ 11,776
Add: receipts	-	1,932	8,448	10,880	1,663
Less: disbursements	-	(6,425)	(23,419)	(2,828)	(1,824)
Fund balances at June 30, 2025	<u>\$ -</u>	<u>\$ 2,802</u>	<u>\$ -</u>	<u>\$ 17,103</u>	<u>\$ 11,615</u>

	Glenn O. Swing Elementary School	Latonia Elementary School	James E. Biggs Early Childhood Education Center	Total
Fund balances at July 1, 2024	\$ 17,044	\$ 4,582	\$ -	\$ 64,719
Add: receipts	10,028	13,517	-	46,468
Less: disbursements	(7,646)	(10,158)	-	(52,300)
Fund balances at June 30, 2025	<u>\$ 19,426</u>	<u>\$ 7,941</u>	<u>\$ -</u>	<u>\$ 58,887</u>

COVINGTON INDEPENDENT SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability – TRS

	Last 10 Fiscal Years*									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
District's proportion of the net pension liability	0%	0%	0%	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	87,559,031	97,242,216	104,191,008	82,775,633	92,257,808	88,589,472	84,710,626	178,677,034	198,749,602	156,727,344
Total	\$ 87,559,031	\$ 97,242,216	\$ 104,191,008	\$ 82,775,633	\$ 92,257,808	\$ 88,589,472	\$ 84,710,626	\$ 178,677,034	\$ 198,749,602	\$ 156,727,344
District's covered-employee payroll	\$ 26,738,294	\$ 23,148,306	\$ 23,457,826	\$ 19,798,478	\$ 18,212,653	\$ 22,657,437	\$ 21,943,037	\$ 22,406,306	\$ 22,494,557	\$ 21,596,543
District's proportionate share of the net pension 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 pension liability	60.36%	57.68%	56.41%	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: A new benefit tier was added for members joining the System on and after January 1, 2022

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%.

Changes of assumption: In the 2020 experience study, rates of withdrawal, retirement, disability, mortality, and rates of salary increases were adjusted to reflect actual experience more close. The expectation of mortality was changed to the Pub2010 Mortality Tables 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 actives. The assumed long-term investment rate of return was changed from 7.50% to 7.10% and the price inflation assumption was lowered from 3% to 2.50%. In addition, the calculation of the SEIR results in an assumption change from 7.50% to 7.10%.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – TRS

	Last 10 Fiscal Years*									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 1,349,826	\$ 1,427,723	\$ 1,266,322	\$ 1,331,442	\$ 1,095,026	\$ 846,257	\$ 1,063,408	\$ 994,604	\$ 1,032,979	\$ 1,026,311
Contributions in relation to the contractually required contribution	(1,349,826)	(1,427,723)	(1,266,322)	(1,331,442)	(1,095,026)	(846,257)	(1,063,408)	(994,604)	(1,032,979)	(1,026,311)
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 26,738,294	\$ 24,659,830	\$ 23,148,306	\$ 23,457,826	\$ 19,798,478	\$ 18,212,653	\$ 22,657,437	\$ 21,943,037	\$ 22,406,306	\$ 22,494,557
Contributions as a percentage of covered-employee payroll	5.05%	5.79%	5.47%	5.68%	5.53%	4.65%	4.69%	4.53%	4.61%	4.56%

* 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.

COVINGTON INDEPENDENT SCHOOL DISTRICT

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

	Last 10 Fiscal Years*									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
District's proportion of net pension liability	0.372694%	0.330739%	0.358648%	0.374577%	0.365720%	0.352104%	0.342321%	0.350383%	0.344818%	0.347687%
District's proportionate share of the net pension liability	\$ 22,288,681	\$ 23,909,167	\$ 22,866,623	\$ 28,729,746	\$ 25,721,251	\$ 21,444,207	\$ 20,037,101	\$ 17,251,501	\$ 14,825,559	\$ 11,280,000
Total net pension liability	\$ 5,980,423,768	\$ 6,416,508,407	\$ 7,229,013,496	\$ 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	\$ 7,369,730	\$ 10,386,870	\$ 9,766,811	\$ 9,147,649	\$ 7,903,847	\$ 9,223,519	\$ 8,892,640	\$ 8,478,926	\$ 8,520,633	\$ 8,195,123
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	302.4%	230.2%	234.1%	314.1%	325.4%	232.5%	225.3%	203.5%	174.0%	137.6%
Plan fiduciary net position as a percentage of the total pension liability	61.61%	57.48%	52.42%	57.33%	47.81%	50.54%	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:

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 7.50% 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%.

2023: The assumed investment rate of return was increased from 6.25% to 6.50%.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – CERS

	Last 10 Fiscal Years*									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 1,435,854	\$ 2,782,867	\$ 2,629,882	\$ 2,202,404	\$ 1,901,582	\$ 1,981,277	\$ 1,695,634	\$ 1,583,863	\$ 1,453,521	\$ 1,447,873
Contributions in relation to the contractually required contribution	(1,435,854)	(2,782,867)	(2,629,882)	(2,202,404)	(1,901,582)	(1,981,277)	(1,695,634)	(1,583,863)	(1,453,521)	(1,447,873)
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 7,369,730	\$ 10,386,870	\$ 9,766,811	\$ 9,147,649	\$ 7,903,847	\$ 9,223,519	\$ 8,892,640	\$ 8,478,926	\$ 8,520,633	\$ 8,195,123
Contributions as a percentage of covered-employee payroll	19.48%	26.79%	26.93%	24.08%	24.06%	21.48%	19.07%	18.68%	17.06%	17.67%

* 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.

COVINGTON INDEPENDENT SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net OPEB Liability – LIF

	Last 10 Fiscal Years*									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
District's proportion of the collective trust OPEB liability	0%	0%	0%	0%	0%	0%	0%	0%	100%	*
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	125,000	153,000	178,000	78,000	211,000	188,000	169,000	134,000	*	*
Total net OPEB liability	\$ 125,000	\$ 153,000	\$ 178,000	\$ 78,000	\$ 211,000	\$ 188,000	\$ 169,000	\$ 134,000	*	*
District's covered-employee payroll	\$ 26,738,294	\$ 24,659,830	\$ 23,148,306	\$ 23,457,826	\$ 19,798,478	\$ 18,212,653	\$ 22,657,437	\$ 21,943,037	*	*
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%	0.0%	0.0%	0.0%	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	76.91%	76.91%	73.97%	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, 2024:

Valuation date	June 30, 2021
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	23 Years
Asset valuation method	Five-year smoothed value
Inflation	2.50%
Real wage growth	0.50%
Wage inflation	2.750%
Salary increases, including wage inflation	3.00% - 7.50%
Discount rate	7.10%

COVINGTON INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – LIF

	Last 10 Fiscal Years*									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	*	*
Contributions in relation to the contractually required contribution	_____ -	_____ -	_____ -	_____ -	_____ -	_____ -	_____ -	_____ -	*	*
Contribution deficiency	_____ -	_____ -	_____ -	_____ -	_____ -	_____ -	_____ -	_____ -	*	*
District's covered-employee payroll	\$ 26,738,294	\$ 24,659,830	\$ 23,148,306	\$ 23,457,826	\$ 19,798,478	\$ 18,212,653	\$ 22,657,437	\$ 21,943,037	*	*
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. No changes were made to the assumptions or benefit terms.

COVINGTON INDEPENDENT SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net OPEB Liability – MIF

	Last 10 Fiscal Years*									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
District's proportion of the collective trust OPEB liability	0.276770%	0.300416%	0.437942%	0.334582%	0.344555%	0.341841%	0.329210%	0.344001%	*	*
District's proportionate share of the collective net OPEB liability	\$ 6,169,000	\$ 7,317,000	\$ 10,872,000	\$ 7,179,000	\$ 8,696,000	\$ 10,005,000	\$ 11,423,000	\$ 12,266,000	*	*
State's proportionate share of the collective net OPEB liability associated with the District	\$ 5,496,000	\$ 6,167,000	\$ 3,572,000	\$ 5,830,000	\$ 6,966,000	\$ 8,080,000	\$ 9,844,000	\$ 10,020,000	*	*
Total net OPEB liability	\$ 11,665,000	\$ 13,484,000	\$ 14,444,000	\$ 13,009,000	\$ 15,662,000	\$ 18,085,000	\$ 21,267,000	\$ 22,286,000	*	*
District's covered-employee payroll	\$ 26,738,294	\$ 24,659,830	\$ 23,148,306	\$ 23,457,826	\$ 19,798,478	\$ 18,212,653	\$ 22,657,437	\$ 21,943,037	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	23.1%	29.7%	47.0%	30.6%	43.9%	54.9%	50.4%	55.9%	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	59.81%	52.97%	47.75%	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 of benefit terms - None

Changes to assumptions

2023: The health care trend rates, as well as the TRS 4 retirement decrements, were updated to reflect future anticipated experience.

2024: The health care trend rates, as well as the morbidity factors, were updated to reflect future anticipated experience.

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.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – MIF

	Last 10 Fiscal Years*									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 574,723	\$ 569,239	\$ 581,094	\$ 593,885	\$ 608,508	\$ 595,239	\$ 586,427	\$ 589,370	*	*
Contributions in relation to the contractually required contribution	(574,723)	(569,239)	(581,094)	(593,885)	(608,508)	(595,239)	(586,427)	(589,370)	*	*
Contribution deficiency	-	-	-	-	-	-	-	-	*	*
District's covered-employee payroll	\$ 26,738,294	\$ 24,659,830	\$ 23,148,306	\$ 23,457,826	\$ 19,798,478	\$ 18,212,653	\$ 22,657,437	\$ 21,943,037	*	*
Contributions as a percentage of covered-employee payroll	2.15%	2.31%	2.51%	2.53%	3.07%	3.27%	2.59%	2.69%	*	*

* 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

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

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

	Last 10 Fiscal Years*									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
District's proportion of the collective trust OPEB liability	0.368713%	0.339732%	0.330686%	0.358564%	0.374469%	0.365658%	0.352096%	0.342321%	*	*
District's proportionate share of the collective net OPEB liability	\$ (637,800)	\$ (469,057)	\$ 6,526,133	\$ 6,864,528	\$ 9,042,288	\$ 6,150,203	\$ 6,251,394	\$ 6,881,823	*	*
State's proportionate share of the collective net OPEB liability associated with the District	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	*	*
Total net OPEB liability	\$ (637,800)	\$ (469,057)	\$ 6,526,133	\$ 6,864,528	\$ 9,042,288	\$ 6,150,203	\$ 6,251,394	\$ 6,881,823	*	*
District's covered-employee payroll	\$ 7,369,730	\$ 10,386,870	\$ 9,766,811	\$ 9,147,649	\$ 7,903,847	\$ 9,223,519	\$ 8,892,640	\$ 8,478,926	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	-8.7%	-4.5%	66.8%	75.0%	114.4%	66.7%	70.3%	81.2%	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	104.89%	104.23%	60.95%	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.

2023: The health care trend rates were increased to reflect future anticipated experience.

2024: The discount rate used to calculate total OPEB liability increased from 5.93% to 5.99%

COVINGTON INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – MIF (CERS)

	Last 10 Fiscal Years*									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ -	\$ 334,321	\$ 381,380	\$ 436,053	\$ 456,711	\$ 485,279	\$ 410,169	\$ 394,230	*	*
Contributions in relation to the contractually required contribution	-	(334,321)	(381,380)	(436,053)	(456,711)	(485,279)	(410,169)	(394,230)	*	*
Contribution deficiency	-	-	-	-	-	-	-	-	*	*
District's covered-employee payroll	\$ 7,369,730	\$ 10,386,870	\$ 9,766,811	\$ 9,147,649	\$ 7,903,847	\$ 9,223,519	\$ 8,892,640	\$ 8,478,926	*	*
Contributions as a percentage of covered-employee payroll	0.00%	3.22%	3.90%	4.77%	5.78%	5.26%	4.61%	4.65%	*	*

* 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.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Agreement Number	Federal Expenditures for FYE 6/30/2025
U.S. Department of Education			
Passed through Kentucky Department of Education			
Special Education Cluster			
Special Education_Grants to States	84.027	3810002 22	\$ 17,166
Special Education_Grants to States	84.027	3810002 23	554,663
Special Education_Grants to States	84.027	3810002 24	1,198,278
Special Education_Preschool Grants	84.173	3810002 22	6,371
Special Education_Preschool Grants	84.173	3810002 23	37,549
Total Special Education Cluster			1,814,027
Title I Grants to Local Educational Agencies	84.010A	3100002 22	14,061
Title I Grants to Local Educational Agencies	84.010A	3100002 23	566,323
Title I Grants to Local Educational Agencies	84.010A	3100002 24	2,797,447
Title I Grants to Local Educational Agencies	84.010A	3100202 22	103,030
Title I Grants to Local Educational Agencies	84.010A	3100102 23	415,985
Title I Grants to Local Educational Agencies	84.010A	N/A	
Total for ALN #84.010			3,896,846
Career and technical Education -Basic Grants to States	84.048	3710002 23	8,261
Career and technical Education -Basic Grants to States	84.048	3710002 24	104,049
Total for ALN #84.048			112,310
Title II Improving Teacher Quality State Grants	84.367	3230002 22	12,484
Title II Improving Teacher Quality State Grants	84.367	3230002 23	255,945
Title II Improving Teacher Quality State Grants	84.367	3230002 24	79,321
Total for ALN #84.367			347,750
English Language Acquisition State Grants	84.365	3300002 22	2,283
English Language Acquisition State Grants	84.365	3300002 23	75,579
English Language Acquisition State Grants	84.365	3300002 24	4,560
Total for ALN #84.365			82,422
Twenty-First Century Community Learning Centers	84.287C	3400002 22	139,302
Twenty-First Century Community Learning Centers	84.287C	3400002 23	568,098
Total for ALN #84.287			707,400
Title IV Student Support and Academic Enrichment Grant	84.424A	3420002 24	285,744
Total for ALN #84.424A			285,744
Stewart B. McKinney Homeless Grant	84.196A	3990002 23	27,093
Stewart B. McKinney Homeless Grant	84.196A	3990002 24	190,672
Total for ALN #84.196A			217,765
COVID CARES Act Education Stabilization Fund - ESSER III	84.425U	4300002-21	4,092,723
COVID American Rescue Plan - Before/After School Program	84.425U	4300006-21	181,923
COVID American Rescue Plan - Summer school grant	84.425U	4300007-21	46,207
COVID American Relief program - SBH Homeless	84.425W	S425W210018	93,673
Total for ALN #84.425			4,414,526
Kentucky Community School Initiative	84.215J	S215J220173	197,850
Total for ALN #84.215			197,850
GEAR UP	84.334S	N/A	1,883
Total for ALN #84.334			1,883
Passed through Erlanger/Elsmere School District			
Violence Prevention Pyramid Project	84.184M	N/A	61,170
Total for ALN #84.184			61,170
Total U.S. Department of Education			12,139,693

COVINGTON INDEPENDENT SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Agreement Number	Federal Expenditures for FYE 6/30/2025
U.S. Department of Health and Human Services			
<i>Passed through Kentucky Department of Education</i>			
Promoting Adolescent Health Thru School based surveillance	93.575	N/A	21
Promoting Adolescent Health Thru School based surveillance	93.575	N/A	300
Promoting Adolescent Health Thru School based surveillance	93.575	N/A	450
Total for ALN #93.575			<u>771</u>
FEMA COVID - 19	97.036	N/A	32,531
Total U.S. Department of Health and Human Services			<u>33,302</u>
U.S. Department of Agriculture			
<i>Passed through Kentucky Department of Education</i>			
National School Lunch Program	10.555	7750002 24	286,937
National School Lunch Program	10.555	7750002 25	1,635,671
School Breakfast Program	10.553	7760005 23	123,222
School Breakfast Program	10.553	7760005 24	686,002
Summer Food Program	10.559	7690024 24	6,829
Summer Food Program	10.559	7740023 24	<u>66,662</u>
Total U.S. Department of Education			<u>2,805,323</u>
<i>Passed through Kentucky Department of Agriculture</i>			
National School Lunch Program - Food Donation	10.555	059-0203	<u>186,646</u>
Total Child Nutrition Cluster			<u>2,991,969</u>
Other			
<i>Passed through Kentucky Department of Education</i>			
Child and Adult Care Food Program	10.558	7790021 24	31,012
Child and Adult Care Food Program	10.558	7790021 25	262,332
Child and Adult Care Food Program	10.558	7800016 24	1,746
Child and Adult Care Food Program	10.558	7800016 25	<u>14,558</u>
Total Other U.S. Department of Agriculture			<u>309,648</u>
Total U.S. Department of Agriculture			<u>3,301,617</u>
U.S. Department of Defense			
<i>Passed through Kentucky Department of Education</i>			
Junior ROTC	12.357	N/A	<u>86,611</u>
Total U.S. Department of Defense			<u>86,611</u>
Total Expenditures of Federal Awards			<u><u>\$ 15,561,223</u></u>

See accompanying notes to Schedule of Expenditures of Federal Awards

COVINGTON INDEPENDENT SCHOOL DISTRICT

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2025

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Covington Independent School District under programs of the federal government for the year ended June 30, 2025, 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* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Covington Independent 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, 2025, the District reported food commodities expended in the amount of \$186,646.

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, 2025.

**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
Covington Independent School District
Covington, 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 Covington Independent School District, as of and for the year ended June 30, 2025 and the related notes to the financial statements, which collectively comprise Covington Independent School District's basic financial statements, and have issued our report thereon dated January 27, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Covington Independent School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Covington Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Covington Independent 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 were not identified.

**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)

Report on Compliance and Other Matters

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

We noted other matters that we reported to management of the District on page 84 to 86.

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, 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.



Crestview Hills, Kentucky
January 27, 2026

**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
Covington Independent School District
Covington, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Covington Independent 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 Covington Independent School District's major federal programs for the year ended June 30, 2025. Covington Independent 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, Covington Independent 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, 2025.

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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Covington Independent 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 Covington Independent 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 Covington Independent 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)

Auditors' 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 Covington Independent 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 Covington Independent 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 Covington Independent 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 Covington Independent 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 Covington Independent 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.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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.

**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 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.



Crestview Hills, Kentucky
January 27, 2026

COVINGTON INDEPENDENT SCHOOL DISTRICT

Schedule of Findings and Questioned Costs Year Ended June 30, 2025

SECTION I -SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditors' 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?

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 auditors' 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)?

Identification of major programs

Assistance Listing Number **Name of Federal Program or Clusters**

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

Auditee qualified as low-risk auditee? Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters are reportable

COVINGTON INDEPENDENT SCHOOL DISTRICT

Summary Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2025

SECTION I – SUMMARY OF PRIOR YEAR AUDITOR’S RESULTS

No matters are reportable

SECTION II – PRIOR YEAR FINANCIAL STATEMENT FINDINGS

Statement of prior year deficiency: It was noted that controls surrounding payroll were not followed by the district.

Current year follow up: no such instances noted.

SECTION III – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

COVINGTON INDEPENDENT SCHOOL DISTRICT

Management Letter Comments Year Ended June 30, 2025

In planning and performing our audit of the financial statements of Covington Independent School District for the year ended June 30, 2025, 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 January 27, 2026, 2026 contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated January 27, 2026, on the financial statements of the Covington Independent School District.

CURRENT YEAR RECOMMENDATIONS

CENTRAL OFFICE

No matters are reportable

ACTIVITY FUNDS

Holmes High School

No matters are reportable

Holmes Middle School

No matters are reportable

Covington Independent Adult High School

No matters are reportable

Sixth District Elementary

No matters are reportable

Ninth District Elementary

No matters are reportable

Latonia Elementary

No matters are reportable

John G. Carlisle Elementary

No matters are reportable

COVINGTON INDEPENDENT SCHOOL DISTRICT

**Management Letter Comments
Year Ended June 30, 2025**

CURRENT YEAR RECOMMENDATIONS (Continued)

Glenn O. Swing Elementary

No matters are reportable

James E. Biggs Early Childhood Education Center

No matters are reportable

COVINGTON INDEPENDENT SCHOOL DISTRICT

Management Letter Comments (Continued) Year Ended June 30, 2025

STATUS OF PRIOR YEAR RECOMMENDATIONS

CENTRAL OFFICE

No matters are reportable

ACTIVITY FUNDS

Holmes High School

No matters are reportable

Holmes Middle School

No matters are reportable

Covington Independent Adult High School

No matters are reportable

Sixth District Elementary

No matters are reportable

Ninth District Elementary

No matters are reportable

John G. Carlisle Elementary

No matters are reportable

Latonia Elementary

No matters are reportable

Glenn O. Swing Elementary

No matters are reportable

James E. Biggs Early Childhood Education Center

No matters are reportable