

Covington Independent School District

**Financial Statements
With Supplementary Information
Year Ended June 30, 2023
With Independent Auditors' Report**

COVINGTON INDEPENDENT SCHOOL DISTRICT

Year Ended June 30, 2023

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COVINGTON INDEPENDENT SCHOOL DISTRICT

Year Ended June 30, 2023

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COVINGTON INDEPENDENT SCHOOL DISTRICT

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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, 2023, 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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.

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

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.

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.

**Independent Auditors' Report
(Continued)**

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 November 9, 2023 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.

Change In Accounting Principle

As discussed in Note 19 to the financial statements, the District adopted Governmental Accounting Standards Board ("GASB") Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective as of July 1, 2022. Our opinion is not modified with respect to this matter.



Crestview Hills, Kentucky
November 9, 2023

COVINGTON INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2023

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, 2023. 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 \$2,427,824.
- The District continues to be provided with ESSER II/ESSER III-ARP funds along with various other ESSER funds such as Homeless ARP, Special Education IDEA-B ARP, Special Education IDEA-B Preschool ARP, Daycare CRRSA child care aid, and FRYSC GEER funds during the FY23 school year to be used to meet the needs of our students during the COVID-19 pandemic.
- Cognia Performance Accreditation and the Engagement Review is pivotal in leveraging education quality and continuous improvement. Using a set of rigorous research-based standards, the Cognia Accreditation Process examines the whole institution—the program, the cultural context, and the community of stakeholders—to determine how well the parts work together to meet the needs of learners. Through the accreditation process, highly skilled and trained Engagement Review Teams gather first-hand evidence and information pertinent to evaluating an institution's performance against the research-based Cognia Performance Standards. Review teams use these Standards to assess the quality of learning environments to gain valuable insights and target improvements in teaching and learning. Cognia provides Standards that are tailored for all education providers so that the benefits of accreditation are universal across the education community.

Through a comprehensive review of evidence and information, our experts gain a broad understanding of institution quality. Using the Standards, the review team provides valuable feedback to institutions, which helps to focus and guide each institution's improvement journey. Valuable evidence and information from other stakeholders, including students, also are obtained through interviews, surveys, and additional activities.

In Covington Independent Public School's most recent Cognia Accreditation Report:

CIPS was rated Improving (2nd highest rating) in 7 of 30 categories, and Impacting (Top score) in 23 of those 30 categories.

NO Initiating scores or Insufficient (bottom 2 scores) in any of our report.

We improved our overall Index of Education Quality score from 243.90 to 355.97- this score is higher than the NATIONAL average.

Covington posted a 100-point gain over the past 5 years. The average Index of Education Quality ranges from 278.34 – 283.33 this average is taken from all institutions Cognia has accredited over the past 5 years.

According to this world-renowned accrediting institution, we are poised to see major gains in student achievement in all levels of schooling.

COVINGTON INDEPENDENT SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2023
(Continued)**

FINANCIAL HIGHLIGHTS (CONTINUED)

- Covington Independent Public Schools began construction in August 2021 on a second guaranteed energy savings contract (GESG) that will save the district \$276,466 in energy, telecommunications, and maintenance costs annually by improving the energy efficiency and environmental quality of a number of the district's facilities. Just like the previous GESG phase, Covington utilized the Kentucky Educational Development Cooperative (KEDC) guaranteed energy savings price contract. Through this transparent, competitive selection process, CIPS awarded the \$10,788,608 project to Performance Services. Substantial completion is scheduled for December 31, 2023.

Total Contract: \$10,788,608

Guaranteed Annual Energy Savings: \$276,466

Number of Buildings Impacted: 13

Scope of Work:

- Interior LED lighting improvements
- Building envelope weatherization upgrades
- New energy efficient transformers at three (3) buildings
- Complete HVAC renovation at James E. Biggs Early Childhood Education Center
- Replace rooftop units at two (2) buildings: Latonia and Glenn O. Swing Elementary
- Replace boilers at John G. Carlisle Elementary
- Replace main mechanical room equipment at Sixth District Elementary: boilers, chiller, and pumps
- Digital control system upgrade at buildings where HVAC equipment is being replaced
- District-wide telecommunications upgrade: new hosted cloud phone system
- New exterior doors and windows at two (2) buildings: Glenn O. Swing Elementary and Ninth District Elementary
- Three (3) new solar photovoltaic systems. Energy generated by these solar PV arrays will be used to offset the electrical energy cost for three (3) buildings: Glenn O. Swing Elementary, Latonia Elementary, and Sixth District Elementary.
- Covington Independent Public Schools entered into another construction project for the Holmes Campus during FY23. 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.

COVINGTON INDEPENDENT SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2023
(Continued)**

FINANCIAL HIGHLIGHTS (CONTINUED)

- 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 during FY23. 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 during FY23. 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.
- 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 90% of our students qualify for free/reduced lunch prices. About 16% of our students are homeless and approximately 20% 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

COVINGTON INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2023 (Continued)

FINANCIAL HIGHLIGHTS (CONTINUED)

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 2019-2020 school year the Covington Independent Schools has been developing a district wide curriculum for grades K-12. The district curriculum will cover the new Kentucky Academic Standards in all content areas. The curriculum development process has been led by district leadership in collaboration with school administrators and teacher leads. Those involved in the process include all teachers K-12 in all 5 elementary schools, HMS, HHS and TLC. The process will be ongoing until its initial completion. After its initial completion we will develop a review/revision process in order to maintain the curriculum. We will also develop monitoring systems which will monitor schools fidelity of implementation of the curriculum, communication with teachers regarding implementation concerns, monitoring of assessment performance of all schools and further professional development for teachers and administrators around all components of curriculum implementation. This has continued during the 2020-2021 and 2021-2022 school year as well. The process will include Biggs preschool.
- 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.
- 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 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 and during FY23, interest rates started to rise. 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.
- 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.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2023 (Continued)

FINANCIAL HIGHLIGHTS (CONTINUED)

- Due to COVID-19, attendance data for the 2021-22 school year could not be used to fund districts for 2022-23. Many districts across the state are struggling with a decline in enrollment due to students opting for virtual learning opportunities. Funding for virtual students is completely different than funding for students who are not virtual. All funding across the state 2022-23 school year was based on attendance from the 2018-19 school year. That year was the last year that schools in Kentucky completed a normal year of attendance. In 2018-19 we had an increase in 64 students from the previous year. It is important that we continue to monitor these trends so that we can fill our staff needs as close to the actual student count as possible. The district staff totals have decreased 43.24 FTE's from 2018-19 to 2022-23. This has been a priority for district leadership to continue to look at all positions when vacancies occur before they are automatically refilled. The reality is that our student count is decreasing gradually since 2018-19 while our English Language Learner population continues to grow which also means an increase in staff support of that population. The district will continue to look at all these factors as we build our budget moving forward.
- The District administered \$16,833,157 in Federal, State and local grants during the year.
- The average teacher's salary in the District for 2023 was \$49,379. The Covington Board of Education remains committed to maintaining teachers' salaries at competitive levels.
- The General Fund had \$51,695,370 in revenue excluding interfund transfers and proceeds from sale of assets of \$1,279,521 and \$5,349, 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 \$49,562,166 in General Fund expenditures, excluding interfund transfers of \$72,101 and including the on-behalf benefit payments made by the state.
- 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.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2023 (Continued)

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

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

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.

COVINGTON INDEPENDENT SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2023
(Continued)**

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, liabilities and deferred inflows exceeded assets and deferred outflows by \$1,698,942 as of June 30, 2023.

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.

Net Position as of June 30, 2023 and 2022

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

	2023	2022
Current assets	\$ 23,706,043	\$ 16,363,531
Noncurrent assets	38,823,132	35,582,838
Total assets	62,529,175	51,946,369
Total deferred outflows	15,834,333	11,125,056
Current liabilities	3,728,819	5,212,682
Noncurrent liabilities	62,989,776	57,399,712
Total liabilities	66,718,595	62,612,394
Total deferred inflows	13,343,855	14,122,182
Net position		
Investment in capital assets (net of debt)	16,130,299	13,900,199
Restricted	(16,876,522)	(26,638,565)
Unrestricted	(952,719)	(924,785)
Total net position	\$ (1,698,942)	\$ (13,663,151)

Comments on General Fund Budget Comparisons

- The District's total revenues in the General Fund for the fiscal year ended June 30, 2023, were \$51,695,370 in revenue excluding interfund transfers and proceeds from sale of assets of \$1,279,521 and \$5,349, respectively.

COVINGTON INDEPENDENT SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2023
(Continued)**

DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Comments on General Fund Budget Comparisons (Continued)

- General Fund budgeted revenue compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$6,043,214 more than budget or approximately 13% of General Fund Budget. The majority of this variance is the result of the District recording "on-behalf" payments made by the state.
- General Fund actual expenditures were \$49,562,166, net of inter-fund transfers of \$72,101.
- General Fund actual expenditures excluding contingency were more than budgeted expenditures by \$2,488,218. This is the result of more "on-behalf" payments than originally budgeted.

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Revenues		
Program revenues		
Charges for services	\$ 230,045	\$ 194,645
Operating grants	<u>20,294,582</u>	<u>19,103,922</u>
Total grant revenues	<u>20,524,627</u>	<u>19,298,567</u>
General Revenues		
Property taxes	21,186,108	19,466,934
Grants and entitlements	31,268,314	9,890,250
Earnings on investments	780,651	37,910
Miscellaneous	<u>5,169,511</u>	<u>(696,307)</u>
Total general revenues	<u>58,404,584</u>	<u>28,698,787</u>
Total revenues	<u>78,929,211</u>	<u>47,997,354</u>
Expenses		
Instructional	34,544,040	14,703,706
Student support services	4,942,753	4,646,091
Staff support	1,384,832	823,592
District administration	2,377,169	2,343,872
School administration	5,288,002	4,792,627
Business support	2,829,709	2,652,342
Plant operations	6,959,844	6,604,291
Student transportation	2,128,622	2,414,034
Food service operation	-	-
Community service	1,876,251	1,680,060
Facilities acquisition and construction	303,061	650,474
Food service	3,560,696	3,347,674
Daycare	165,483	265,404
Interest on long-term debt	<u>604,540</u>	<u>520,542</u>
Total expenses	<u>66,965,002</u>	<u>45,444,709</u>
Excess (deficit) of revenues over expenses	<u>\$ 11,964,209</u>	<u>\$ 2,552,645</u>

COVINGTON INDEPENDENT SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2023
(Continued)**

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 \$5,280,000 in contingency (9.2%).

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, 2023**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Current			
Cash and cash equivalents	\$ 529,841	\$ 1,058,186	\$ 1,588,027
Investments	18,291,971	-	18,291,971
Accounts receivable	3,451,467	50,214	3,501,681
Interfund receivable	282,759	-	282,759
Inventories for consumption	-	41,605	41,605
	<hr/>	<hr/>	<hr/>
Total current	22,556,038	1,150,005	23,706,043
Noncurrent			
Right of use asset	1,911,349	-	1,911,349
Less Right of use asset - accumulated amortization	(1,657,897)	-	(1,657,897)
Construction in progress	4,746,888	-	4,746,888
Nondepreciated capital assets			
Land	1,393,260	-	1,393,260
Depreciated capital assets			
Land improvements	1,103,291	-	1,103,291
Buildings and improvements	58,435,138	-	58,435,138
Furniture and equipment	6,572,820	389,240	6,962,060
Less: accumulated depreciation	(33,722,480)	(348,477)	(34,070,957)
	<hr/>	<hr/>	<hr/>
Total noncurrent	38,782,369	40,763	38,823,132
Total assets	<hr/>	<hr/>	<hr/>
	61,338,407	1,190,768	62,529,175
Deferred outflows	<hr/>	<hr/>	<hr/>
	15,263,038	571,295	15,834,333
Liabilities			
Current			
Current portion of bonds payable	1,425,000	-	1,425,000
Current portion of lease liability	282,134	-	282,134
Accounts payable	608,022	528	608,550
Interfund payable	282,759	-	282,759
Accrued interest	179,122	-	179,122
Accrued sick leave	77,360	-	77,360
Accrued payroll and related expenses	3,693	-	3,693
Unearned revenues	870,201	-	870,201
	<hr/>	<hr/>	<hr/>
Total current	3,728,291	528	3,728,819
Noncurrent			
Accrued sick leave	696,237	-	696,237
MIF net OPEB liability	16,770,395	627,738	17,398,133
CERS net pension liability	23,046,506	862,661	23,909,167
Bond obligations	20,986,239	-	20,986,239
	<hr/>	<hr/>	<hr/>
Total noncurrent	61,499,377	1,490,399	62,989,776
Total liabilities	<hr/>	<hr/>	<hr/>
	65,227,668	1,490,927	66,718,595
Deferred inflows	<hr/>	<hr/>	<hr/>
	12,862,398	481,457	13,343,855
Net position			
Invested in capital assets, net of related debt	16,089,536	40,763	16,130,299
Restricted	(16,625,438)	(251,084)	(16,876,522)
Unrestricted	(952,719)	-	(952,719)
	<hr/>	<hr/>	<hr/>
Total net position	\$ (1,488,621)	\$ (210,321)	\$ (1,698,942)

The accompanying notes are an integral part of these financial statements

COVINGTON INDEPENDENT SCHOOL DISTRICT

**Statement of Activities – District Wide
Year Ended June 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	
Governmental Activities:							
Instructional	\$ 34,544,040	\$ -	\$ 12,849,441	\$ -	\$ (21,694,599)	\$ -	\$ (21,694,599)
Student support services	4,942,753	-	582,182	-	(4,360,571)	-	(4,360,571)
Staff support services	1,384,832	-	761,312	-	(623,520)	-	(623,520)
District administration	2,377,169	-	7,052	-	(2,370,117)	-	(2,370,117)
School administration	5,288,002	-	253,772	-	(5,034,230)	-	(5,034,230)
Business support services	2,829,709	-	48,110	-	(2,781,599)	-	(2,781,599)
Plant operation and maintenance	6,959,844	-	17,796	-	(6,942,048)	-	(6,942,048)
Student transportation	2,128,622	-	155,355	-	(1,973,267)	-	(1,973,267)
Food service operation	-	-	-	-	-	-	-
Community service operations	1,876,251	-	1,876,251	-	-	-	-
Day care operations	281,886	-	281,886	-	-	-	-
Facility acquisition and construction	303,061	-	-	-	(303,061)	-	(303,061)
Interest on long-term debt	604,540	-	-	-	(604,540)	-	(604,540)
Total governmental activities	63,520,709	-	16,833,157	-	(46,687,552)	-	(46,687,552)
Business-type Activities							
Food service	3,560,696	77,081	3,433,496	-	-	(50,119)	(50,119)
Daycare	(116,403)	152,964	27,929	-	-	297,296	297,296
Total business-type activities	3,444,293	230,045	3,461,425	-	-	247,177	247,177
Total school district	\$ 66,965,002	\$ 230,045	\$ 20,294,582	\$ -	(46,687,552)	247,177	(46,440,375)
			General revenues:				
			Taxes		21,186,108	-	21,186,108
			State and federal sources		31,268,314	-	31,268,314
			Investment earnings		709,959	70,692	780,651
			Miscellaneous		5,196,176	-	5,196,176
			Special items:				
			Loss on disposal of fixed assets		(26,665)	-	(26,665)
			Fund transfer		255,588	(255,588)	-
			Total general and special revenues		58,589,480	(184,896)	58,404,584
			Change in net position		11,901,928	62,281	11,964,209
			Net position - beginning		(13,390,549)	(272,602)	(13,663,151)
			Net position - ending		\$ (1,488,621)	\$ (210,321)	\$ (1,698,942)

The accompanying notes are an integral part of these financial statements

COVINGTON INDEPENDENT SCHOOL DISTRICT

**Balance Sheet – Governmental Funds
As of June 30, 2023**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Current					
Cash (overdraft) and cash equivalents	\$ (5,106,172)	\$ (1,529,504)	\$ 6,027,660	\$ 1,137,857	\$ 529,841
Investments	18,291,971	-	-	-	18,291,971
Accounts receivable	720,019	2,731,448	-	-	3,451,467
Interfund receivable	<u>282,759</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>282,759</u>
Total current	<u>\$ 14,188,578</u>	<u>\$ 1,201,944</u>	<u>\$ 6,027,660</u>	<u>\$ 1,137,857</u>	<u>\$ 22,556,039</u>
Liabilities and Fund Balance					
Current					
Accounts payable	\$ 373,453	\$ 48,984	\$ 180,947	\$ 4,639	\$ 608,023
Accrued payroll and related expenses	3,693	-	-	-	3,693
Interfund payable	-	282,759	-	-	282,759
Unearned revenues	<u>-</u>	<u>870,201</u>	<u>-</u>	<u>-</u>	<u>870,201</u>
Total current	<u>377,146</u>	<u>1,201,944</u>	<u>180,947</u>	<u>4,639</u>	<u>1,764,676</u>
Fund Balance					
Restricted:					
Capital projects	-	-	5,846,713	-	5,846,713
Other	-	-	-	1,133,218	1,133,218
Committed:					
Other	13,733,458	-	-	-	13,733,458
Site-Based carryforward	20,691	-	-	-	20,691
Assigned - Purchase obligations	57,283	-	-	-	57,283
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>13,811,432</u>	<u>-</u>	<u>5,846,713</u>	<u>1,133,218</u>	<u>20,791,363</u>
Total liabilities and fund balance	<u>\$ 14,188,578</u>	<u>\$ 1,201,944</u>	<u>\$ 6,027,660</u>	<u>\$ 1,137,857</u>	<u>\$ 22,556,039</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, 2023**

Total governmental fund balance		\$ 20,791,363
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets	72,251,397	
Cost of right of use assets	1,911,349	
Right of use asset accumulated amortization	(1,657,897)	
Accumulated depreciation	<u>(33,722,480)</u>	38,782,369
Deferred outflows		
Bond refinancing	540	
Related to MIF	8,464,740	
MIF contributions made after the measurement date	927,748	
Related to CERS	3,187,552	
CERS contributions made after the measurement date	<u>2,682,458</u>	15,263,038
Deferred inflows		
Related to CERS	(4,307,465)	
Related to OPEB	<u>(8,554,933)</u>	(12,862,398)
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		(22,305,000)
Lease liability		(282,134)
Premiums on bonds, net		(129,242)
Discounts on bonds, net		23,003
Accrued interest on bonds		(179,122)
Net OPEB liability		(16,770,395)
Net pension liability		(23,046,506)
Accrued sick leave		<u>(773,597)</u>
Total net position - governmental		<u>\$ (1,488,621)</u>

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, 2023**

	<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	\$ 20,038,171	\$ -	\$ -	\$ 1,147,937	\$ 21,186,108
Earnings on investments	688,489	15,453	-	6,017	709,959
State sources	29,758,622	2,628,299	4,925,000	1,710,281	39,022,202
Federal sources	594,233	13,766,803	-	-	14,361,036
Other sources	615,855	438,055	-	-	1,053,910
Total revenues	<u>51,695,370</u>	<u>16,848,610</u>	<u>4,925,000</u>	<u>2,864,235</u>	<u>76,333,215</u>
Expenditures					
Instructional	25,513,130	10,159,343	-	172,989	35,845,462
Student support services	4,360,000	582,182	-	-	4,942,182
Staff support services	551,897	761,312	-	71,365	1,384,574
District administration	2,343,902	7,052	-	-	2,350,954
School administration	5,024,905	253,772	-	-	5,278,677
Business support services	2,781,599	48,110	-	-	2,829,709
Plant operation and maintenance	6,493,095	17,796	-	-	6,510,891
Student transportation	2,365,600	155,355	-	-	2,520,955
Central office	-	-	-	-	-
Food service operation	-	-	-	-	-
Community service operations	-	1,876,251	-	-	1,876,251
Day care operations	-	281,886	-	-	281,886
Facility acquisition and construction	128,038	-	4,894,560	-	5,022,598
Debt service:					
Principal	-	-	-	1,537,386	1,537,386
Interest	-	-	-	614,202	614,202
Total expenditures	<u>49,562,166</u>	<u>14,143,059</u>	<u>4,894,560</u>	<u>2,395,942</u>	<u>70,995,727</u>
Deficit of revenues over expenditures	<u>2,133,204</u>	<u>2,705,551</u>	<u>30,440</u>	<u>468,293</u>	<u>5,337,488</u>
Other financing sources (uses)					
Loan and bond proceeds	-	-	2,987,518	-	2,987,518
Bond premium	-	-	84,378	-	84,378
Proceeds from sale of assets	5,349	-	-	-	5,349
Operating transfers in	1,279,521	281,287	2,744,377	2,106,264	6,411,449
Operating transfers out	(72,101)	(2,986,838)	(710,486)	(2,386,436)	(6,155,861)
Total other financing sources (uses)	<u>1,212,769</u>	<u>(2,705,551)</u>	<u>5,105,787</u>	<u>(280,172)</u>	<u>3,332,833</u>
Net change in fund balance	3,345,973	-	5,136,227	188,121	8,670,321
Fund balance, July 1, 2022	10,465,459	-	710,486	945,097	12,121,042
Fund balance, June 30, 2023	<u>\$ 13,811,432</u>	<u>\$ -</u>	<u>\$ 5,846,713</u>	<u>\$ 1,133,218</u>	<u>\$ 20,791,363</u>

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, 2023**

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

Net changes-governmental funds		\$ 8,670,321
<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	(511,012)	
Depreciation expense	(1,502,234)	
Capital outlays	5,309,758	
Retirement of capital assets	<u>(32,014)</u>	
		3,775,510
<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		(2,990,000)
Lease principal paid		536,478
Premiums on sale of bonds		(84,378)
Bond principal paid		1,540,000
Amortization of deferred outflow from bond refinancing		(5,235)
Amortization of bond premium and discount, net		1,190
Deferred outflows related to pensions		1,626,211
Deferred outflows related to OPEB		2,932,384
Deferred inflows related to pensions		368,132
Deferred inflows related to OPEB		364,096
<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>(4,832,781)</u>
Changes in net position of governmental activities		<u><u>\$ 11,901,928</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, 2023**

	<u>Food Service</u>	<u>Day Care Funds</u>	<u>Total</u>
Assets			
Current:			
Cash and cash equivalents	\$ 949,689	\$ 108,497	\$ 1,058,186
Accounts receivable	40,361	9,853	50,214
Inventories for consumption	41,605	-	41,605
	<u>1,031,655</u>	<u>118,350</u>	<u>1,150,005</u>
Total current			
Noncurrent			
Furniture and fixtures	389,240	-	389,240
Less: accumulated depreciation	<u>(348,477)</u>	<u>-</u>	<u>(348,477)</u>
Total noncurrent	<u>40,763</u>	<u>-</u>	<u>40,763</u>
Total assets	<u>1,072,418</u>	<u>118,350</u>	<u>1,190,768</u>
Deferred outflows	<u>560,832</u>	<u>10,463</u>	<u>571,295</u>
Liabilities and Net Position			
Current:			
Accounts payable	<u>488</u>	<u>40</u>	<u>528</u>
Total current	<u>488</u>	<u>40</u>	<u>528</u>
Noncurrent			
MIF net OPEB liability	616,242	11,496	627,738
CERS net pension liability	<u>846,862</u>	<u>15,799</u>	<u>862,661</u>
Total noncurrent	<u>1,463,104</u>	<u>27,295</u>	<u>1,490,399</u>
Total liabilities	<u>1,463,592</u>	<u>27,335</u>	<u>1,490,927</u>
Deferred inflows	<u>472,639</u>	<u>8,818</u>	<u>481,457</u>
Net Position			
Invested in assets, net of debt	40,763	-	40,763
Restricted	<u>(343,744)</u>	<u>92,660</u>	<u>(251,084)</u>
Total net position	<u>\$ (302,981)</u>	<u>\$ 92,660</u>	<u>\$ (210,321)</u>

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, 2023**

	Food Service	Day Care Funds	Total
Operating revenues			
Other operating revenues	\$ 77,081	\$ 152,964	\$ 230,045
Total operating revenues	77,081	152,964	230,045
Operating expenses			
Salaries and benefits	1,678,842	(151,526)	1,527,316
Contract services	57,713	404	58,117
Materials and supplies	1,603,821	30,322	1,634,143
Depreciation	24,204	-	24,204
Other operating expenses	196,116	4,397	200,513
Total operating expenses	3,560,696	(116,403)	3,444,293
Operating loss	(3,483,615)	269,367	(3,214,248)
Nonoperating revenues (expenses)			
Federal grants	3,043,193	15,300	3,058,493
State grants	217,202	12,629	229,831
Donated commodities and other donations	173,101	-	173,101
Transfers	(255,588)	-	(255,588)
Loss on disposal of capital assets	-	-	-
Interest income	70,692	-	70,692
Total nonoperating revenues	3,248,600	27,929	3,276,529
Change in net position	(235,015)	297,296	62,281
Total net position, July 1, 2022	(67,966)	(204,636)	(272,602)
Total net position, June 30, 2023	\$ (302,981)	\$ 92,660	\$ (210,321)

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, 2023**

	<u>Food Service Fund</u>	<u>Day Care Fund</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from other activities	\$ 415,202	\$ 143,111	\$ 558,313
Cash payments to employees for services	(1,590,308)	(27,460)	(1,617,768)
Cash payments to suppliers for goods and services	<u>(1,851,887)</u>	<u>(35,083)</u>	<u>(1,886,970)</u>
Net cash used in operating activities	<u>(3,026,993)</u>	<u>80,568</u>	<u>(2,946,425)</u>
Cash flows from capital financing activities			
Transfers	<u>(255,589)</u>	<u>-</u>	<u>(255,589)</u>
Net cash used in capital financing activities	<u>(255,589)</u>	<u>-</u>	<u>(255,589)</u>
Cash flows from noncapital financing activities			
Non-operating revenues received	<u>3,433,496</u>	<u>27,929</u>	<u>3,461,425</u>
Net cash provided by noncapital financing activities	<u>3,433,496</u>	<u>27,929</u>	<u>3,461,425</u>
Cash flows from investing activities			
Interest on investments	<u>70,692</u>	<u>-</u>	<u>70,692</u>
Net cash provided by investing activities	<u>70,692</u>	<u>-</u>	<u>70,692</u>
Net change in cash and cash equivalents	221,606	108,497	330,103
Cash and cash equivalents - beginning	<u>728,083</u>	<u>-</u>	<u>728,083</u>
Cash and cash equivalents - ending	<u>\$ 949,689</u>	<u>\$ 108,497</u>	<u>\$ 1,058,186</u>
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	\$ (3,483,615)	\$ 269,367	\$ (3,214,248)
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation	24,204	-	24,204
Changes in assets and liabilities:			
(Increase) decrease in deferred outflows	(202,463)	46,547	(155,916)
Increase (decrease) in deferred inflows	17,488	(63,587)	(46,099)
Increase (decrease) in MIF net OPEB liability	163,626	(60,506)	103,120
Increase (decrease) in CERS net pension liability	109,883	(101,440)	8,443
Increase (decrease) in accounts payable	(1,322)	40	(1,282)
(Increase) decrease in accounts receivable	338,121	(9,853)	328,268
Decrease in inventories	<u>7,085</u>	<u>-</u>	<u>7,085</u>
Net cash used in operating activities	<u>\$ (3,026,993)</u>	<u>\$ 80,568</u>	<u>\$ (2,946,425)</u>
Schedule of non-cash transactions			
Donated commodities received from federal government	<u>\$ 173,101</u>	<u>\$ -</u>	<u>\$ 173,101</u>
On behalf payments	<u>\$ 196,116</u>	<u>\$ -</u>	<u>\$ 196,116</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 \$5,846,713 for ongoing projects.

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

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

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

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

Cash and Cash Equivalents

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

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

Accumulated Unpaid Sick Leave Benefits

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

Interfund Balances

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

Accrued Liabilities and Long-Term Obligations

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

COVINGTON INDEPENDENT SCHOOL DISTRICT

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Liabilities and Long-Term Obligations (Continued)

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.

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.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

COVINGTON INDEPENDENT SCHOOL DISTRICT

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

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.

NOTE 4 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2023 was as follows:

<u>Governmental Activities</u>	Balance June 30, 2022	Additions	Deductions	Balance June 30, 2023
Land	\$ 1,393,260	\$ -	\$ -	\$ 1,393,260
Land improvements	1,103,291	-	-	1,103,291
Buildings and improvements	58,435,138	-	-	58,435,138
Technology equipment	3,281,621	27,832	207,739	3,101,714
Vehicles	2,391,968	525,612	61,305	2,856,275
General equipment	578,054	36,777	-	614,831
Construction in progress	27,351	4,719,537	-	4,746,888
Totals at historical cost	<u>67,210,683</u>	<u>5,309,758</u>	<u>269,044</u>	<u>72,251,397</u>
Less: accumulated depreciation				
Land improvements	682,711	9,782	-	692,493
Buildings and improvements	27,075,337	936,096	-	28,011,433
Technology equipment	2,632,079	354,482	175,725	2,810,836
Vehicles	1,645,991	176,063	61,305	1,760,749
General equipment	421,158	25,811	-	446,969
Total accumulated depreciation	<u>32,457,276</u>	<u>1,502,234</u>	<u>237,030</u>	<u>33,722,480</u>
Governmental activities capital assets - net	<u>\$ 34,753,407</u>	<u>\$ 3,807,524</u>	<u>\$ 32,014</u>	<u>\$ 38,528,917</u>
<u>Business - Type Activities</u>				
General equipment	\$ 386,840	\$ -	\$ -	\$ 386,840
Technology equipment	2,400	-	-	2,400
Totals at historical cost	<u>389,240</u>	<u>-</u>	<u>-</u>	<u>389,240</u>
Less: accumulated depreciation				
General equipment	321,874	24,204	-	346,078
Technology equipment	2,399	-	-	2,399
Total accumulated depreciation	<u>324,273</u>	<u>24,204</u>	<u>-</u>	<u>348,477</u>
Business - type activities capital assets - net	<u>\$ 64,967</u>	<u>\$ (24,204)</u>	<u>\$ -</u>	<u>\$ 40,763</u>

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, 2023 was as follows:

	<u>Governmental</u>	<u>Business-Type</u>
Instructional	\$ 883,633	\$ -
Student support services	571	-
Staff support services	258	-
District administration	26,215	-
School administration	9,325	-
Plant operation and maintenance	448,953	-
Student transportation	133,279	-
Food service	-	24,204
Total	<u>\$ 1,502,234</u>	<u>\$ 24,204</u>

NOTE 5 ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System, certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2023 this amount totaled approximately \$773,597 for those employees with twenty-seven or more years of experience.

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:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
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%

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.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 6 BONDED DEBT (CONTINUED)

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, 2023 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 Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. One month's service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's 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:

	<u>Required contribution</u>
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, 2023, was \$3,359,988, which consisted of \$2,782,866 from the District and \$577,122 from the employees. Total contributions for the year ended June 30, 2022 and 2021 were \$3,165,798 and \$2,701,362, respectively. The contributions have been contributed in full for fiscal years 2023, 2022 and 2021.

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, 2023, was \$4,274,724, which consisted of \$1,266,322 from the District and \$3,008,402 from the employees. Total contributions for the year ended June 30, 2022 and 2021 were \$4,348,098 and \$4,040,071, respectively. The contributions have been contributed in full for fiscal years 2023, 2022 and 2021.

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, 2023, 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	\$ 23,909,167
Commonwealth's proportionate share of the TRS net pension liability associated with the District	<u>104,191,008</u>
	<u><u>\$ 128,100,175</u></u>

The net pension liability for each plan was measured as of June 30, 2022, 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, 2022, the District's proportion was 0.330739%.

For the year ended June 30, 2023, the District recognized a reduction of pension expense of \$654,205 related to CERS. The District also recognized an expense of \$5,706,263 and revenue of \$5,706,263 for TRS support provided by the Commonwealth due to a change in assumptions. At June 30, 2021, 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)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 3,253,321	\$ 2,640,377
Difference between expected and actual experience	25,562	212,921
Changes of assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	27,983	1,615,402
District contributions subsequent to the measurement date	2,782,867	-
Total	\$ 6,089,733	\$ 4,468,700

\$2,782,867 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2023	\$ (1,019,079)
2024	(621,043)
2025	(200,919)
2026	679,207
2027	-

Actuarial assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	CERS	TRS
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	6.25%	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 groups: service, retirees, contingent annuitants, disabled retirees, and active members. The actuarial assumptions used were based on the results of an actuarial experience study for the 6-year period ending June 30, 2020, adopted by the board on September 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 2014 through 2018, is outlined in a report dated April 18, 2019. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

<u>Asset Class</u>	<u>TRS Target Allocation</u>	<u>TRS Long-Term Expected Real Rate of Return</u>	<u>CERS Target Allocation</u>	<u>CERS Long-Term Expected Real Rate of Return</u>
US equity	40.0%	4.23%	50.0%	4.45%
Developed international equity	16.5%	5.30%		
Emerging markets equity	5.5%	5.40%		
Core bonds			10.0%	0.28%
Private equity	7.0%	6.90%	10.0%	10.15%
High yield	2.0%	1.70%	10.0%	2.28%
Fixed income	15.0%	-0.10%		
Additional categories	5.0%	2.20%		
Real estate	7.0%	4.00%	7.0%	3.87%
Real return			13.0%	4.07%
Cash	2.0%	-0.30%	0.0%	-0.91%
Total	<u>100%</u>		<u>100%</u>	

Discount rate

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

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

Sensitivity of CERS and TRS proportionate share of net pension liability to changes in the discount rate

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 29,883,492	\$ 23,909,167	\$ 18,967,904
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, 2023, the Covington Independent School District reported a liability of \$17,398,133 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, 2022, 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, 2022 and 2021 the District's proportion was .58 and .64 percent for TRS, respectively. At June 30, 2022 and 2021 the District's proportion was .33% and .36% 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	\$ 6,526,133
District's proportionate share of the TRS net OPEB liability	10,872,000
State's proportionate share of the net OPEB liability associated with the District	<u>3,572,000</u>
	<u><u>\$ 20,970,133</u></u>

COVINGTON INDEPENDENT SCHOOL DISTRICT

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

NOTE 8 OPEB PLANS (CONTINUED)

For the year ended June 30, 2023, the District recognized a reduction of OPEB expense of \$2,833,079 and revenue of \$401,999 for support provided by the State. At June 30, 2023, 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	\$ 656,910	\$ 6,066,594
Net difference between projected and actual earnings on OPEB plan investments	1,793,233	950,354
Change of Assumptions	3,240,154	850,489
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,091,289	1,007,718
District contributions subsequent to the measurement date	962,474	-
Total	\$ 9,744,060	\$ 8,875,155

Of the total amount reported as deferred outflows of resources related to OPEB, \$962,474 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	
2024	\$ (355,481)
2025	(302,637)
2026	(631,327)
2027	512,876
2028	473,000
Thereafter	210,000

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, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	TRS	CERS
Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation.	6.25%
Projected salary increases	3.00 - 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	7.00% for FY 2022 decreasing to an ultimate rate of 4.50% by FY 2032	Initial trend starting at 6.40% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Ages 65 and Older	5.125% for FY 2022 decreasing to an ultimate rate of 4.50% by FY 2025	
Medicare Part B Premiums	6.97% for FY 2022 with an ultimate rate of 4.50% by 2034	Initial trend starting at 6.30% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Municipal Bond Index Rate	3.37%	3.69%
Discount Rate	7.10%	5.70%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including price inflation	

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

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

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2021 valuation.

COVINGTON INDEPENDENT SCHOOL DISTRICT

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

NOTE 8 OPEB PLANS (CONTINUED)

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
Global Equity	58.0%	5.1%
Fixed Income	9.0%	-0.1%
Real Estate	6.5%	4.0%
Private Equity	8.5%	6.9%
Other Additional Categories	17.0%	1.7%
Cash (LIBOR)	1.0%	-0.3%
Total	100.0%	

Discount rate

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

For CERS, the discount rate used to measure the total OPEB liability was 5.70%. 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.

COVINGTON INDEPENDENT SCHOOL DISTRICT

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

NOTE 8 OPEB PLANS (CONTINUED)

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

	<u>1% Decrease (6.10%)</u>	<u>Current Discount Rate (7.10%)</u>	<u>1% Increase (8.10%)</u>
TRS			
District's net OPEB liability	\$ 13,641,000	\$ 10,872,000	\$ 8,580,000
CERS			
District's net OPEB liability	\$ 8,724,399	\$ 6,526,133	\$ 4,708,899

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

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
TRS			
District's net OPEB liability	\$ 8,150,000	\$ 10,872,000	\$ 14,257,000
CERS			
District's net OPEB liability	\$ 4,852,035	\$ 6,526,133	\$ 8,536,409

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.

COVINGTON INDEPENDENT SCHOOL DISTRICT

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

NOTE 8 OPEB PLANS (CONTINUED)

Life Insurance Plan

Plan description

TRS administers the life insurance plan as provide 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, 2023, 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>178,000</u>
	<u>\$ 178,000</u>

For the year ended June 30, 2023, the District recognized OPEB expense of \$-0- and revenue of \$13,559 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, 2022 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	3.37%
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, 2021 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, 2021 valuation.

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

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. Large Cap Equity	40.0%	4.4%
International Equity	23.0%	5.6%
Fixed Income	18.0%	-0.1%
Real Estate	6.0%	4.0%
Private Equity	5.0%	6.9%
Other Additional Categories	6.0%	2.1%
Cash (LIBOR)	2.0%	-0.3%
Total	<u>100.0%</u>	

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

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

COVINGTON INDEPENDENT SCHOOL DISTRICT

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

NOTE 12 DEFICIT OPERATING/FUND BALANCES

The Food Service Fund currently has a deficit fund balance of \$302,981 at fiscal year-end. The following funds have operations that resulted in a current year deficit of revenues over expenditures, resulting in a corresponding reduction of fund balance:

Food Service Fund	\$	235,015
Holmes Middle School		9,457
Ninth District Elementary School		3,157
John G. Carlisle Elementary School		1,951
Holmes High School		23,470

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	Special Revenue Fund	Matching	\$ 72,101
Special Revenue Fund	Construction Fund	Construction	2,130,827
Special Revenue Fund	Special Revenue Fund	Flex Funds	209,186
Special Revenue Fund	General Fund	Indirect Cost Transfer	646,825
Building Fund	General Fund	Operating	377,108
Construction Fund	Building Fund	Construction	522,983
Building Fund	Construction Fund	Construction	426,046
Construction Fund	Construction Fund	Construction	66,454
Construction Fund	Construction Fund	Construction	121,050
Building Fund	Debt Service Fund	Debt Service	1,239,945
Capital Outlay Fund	Debt Service Fund	Debt Service	343,336
Food Service Fund	General Fund	Indirect Cost Transfer	255,588

COVINGTON INDEPENDENT SCHOOL DISTRICT

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

NOTE 15 ON-BEHALF PAYMENTS

For the year ended June 30, 2023 total payments of \$14,748,150 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	\$ 13,980,068
Debt Service	568,307
Day Care	3,659
Food Service	<u>196,116</u>
 Total On-Behalf	 <u><u>\$ 14,748,150</u></u>

NOTE 16 SCHEDULE OF LONG-TERM OBLIGATIONS

2012, 2014, 2015, 2016, 2016B, 2017, 2019, 2019REF, 2020 and 2022 Bonds

Fiscal Year	Covington Independent School District			KY School Facilities Construction Commission			Total Requirements
	Principal	Interest	Total	Principal	Interest	Total	
2023-2024	\$ 765,220	\$ 383,927	\$ 1,149,147	\$ 659,780	\$ 339,529	\$ 999,309	\$ 2,148,456
2024-2025	782,147	365,939	1,148,086	682,853	326,529	1,009,382	2,157,468
2025-2026	800,267	346,310	1,146,577	689,733	318,707	1,008,440	2,155,017
2026-2027	821,707	326,126	1,147,833	648,293	304,749	953,042	2,100,875
2027-2028	840,934	304,314	1,145,248	669,066	207,793	876,859	2,022,107
2028-2029	865,840	281,642	1,147,482	624,160	205,639	829,799	1,977,281
2029-2030	891,563	257,316	1,148,879	573,437	115,242	688,679	1,837,558
2030-2031	765,672	230,601	996,273	599,328	100,047	699,375	1,695,648
2031-2032	741,437	208,000	949,437	498,563	83,559	582,122	1,531,559
2032-2033	760,455	186,817	947,272	514,545	70,197	584,742	1,532,014
2033-2034	781,480	165,681	947,161	483,520	56,750	540,270	1,487,431
2034-2035	805,248	143,896	949,144	509,752	43,050	552,802	1,501,946
2035-2036	827,600	120,849	948,449	537,400	28,296	565,696	1,514,145
2036-2037	848,592	97,396	945,988	561,408	12,579	573,987	1,519,975
2037-2038	496,137	78,357	574,494	113,863	2,731	116,594	691,088
2038-2039	508,398	65,983	574,381	16,602	648	17,250	591,631
2039-2040	521,704	50,601	572,305	13,296	199	13,495	585,800
2040-2041	535,000	35,909	570,909	-	-	-	570,909
2041-2042	550,000	22,000	572,000	-	-	-	572,000
	<u>\$ 13,909,401</u>	<u>\$ 3,671,664</u>	<u>\$ 17,581,065</u>	<u>\$ 8,395,599</u>	<u>\$ 2,216,244</u>	<u>\$ 10,611,843</u>	<u>\$ 28,192,908</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, 2023, is as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2023</u>
Bond Obligations	\$ 20,855,000	\$ 2,990,000	\$ 1,540,000	\$ 22,305,000
Bond premium	\$ 47,492	\$ 84,378	\$ 2,628	\$ 129,242
Bond discount	\$ (24,441)	\$ -	\$ (1,438)	\$ (23,003)
Sick Leave	\$ 736,001	\$ 170,656	\$ 133,060	\$ 773,597

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, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Brokered certificates of deposit	\$ 18,291,971	\$ -	\$ -	\$ 18,291,971
Total investments	\$ 18,291,971	\$ -	\$ -	\$ 18,291,971

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.

NOTE 18 LEASES

The district has a lease agreement for IT equipment that expires in July 2025. Annual payments of \$173,361 are required. There are no variable payments within the lease agreements.

COVINGTON INDEPENDENT SCHOOL DISTRICT

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

NOTE 18 LEASES (CONTINUED)

The district also has a lease agreement for office equipment that expires June 2023. Monthly payments are required. For fiscal year 2023, monthly payments are \$7,274.

The district has a lease agreement for office space. This lease requires quarterly payments of \$68,959 for fiscal year 2023 and \$71,027 for fiscal year 2024.

An interest rate of 2.0% was utilized to calculate the lease liability.

The following table shows the District's change in lease accounts for the year ended June 30, 2023:

<u>Governmental Activities</u>	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2023</u>
ROU Asset	<u>\$ 1,911,349</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,911,349</u>
ROU Accum. Amort.	<u>\$ 1,146,885</u>	<u>\$ 511,012</u>	<u>\$ -</u>	<u>\$ 1,657,897</u>
Lease liability	<u>\$ 810,363</u>	<u>\$ -</u>	<u>\$ 528,229</u>	<u>\$ 282,134</u>

Future minimum payments related to these leases are shown below:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
FY2024	<u>\$ 282,134</u>	<u>\$ 1,975</u>	<u>\$ 284,109</u>

NOTE 19 CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2022, the District elected to adopt Governmental Accounting Standards Board ("GASB") Statement no. 96, *Subscription-Based Information Technology Arrangements*, as it relates to accounting and financial reporting for subscription-based information technology arrangements (SBITAs). Under this Statement, contracts that provide the District with IT software and associated tangible capital assets for subscription payments without granting governments perpetual license or title to the IT software and associated tangible capital assets are recognized as a right of use subscription asset and a corresponding subscription liability. The implementation of this Statement did not have a material impact on the financial statements.

NOTE 20 SUBSEQUENT EVENTS

Subsequent events were considered through November 9, 2023, 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, 2023**

	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Debt Service Fund</u>	<u>School Activity Fund</u>	<u>Total Non-major Government Funds</u>
Assets					
Current:					
Cash and cash equivalents	\$ -	\$ 937,150	\$ -	\$ 200,707	\$ 1,137,857
Total current	<u>\$ -</u>	<u>\$ 937,150</u>	<u>\$ -</u>	<u>\$ 200,707</u>	<u>\$ 1,137,857</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 4,639	\$ 4,639
Total current	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,639</u>	<u>4,639</u>
Fund Balances:					
Restricted:					
Capital projects fund	\$ -	\$ -	\$ -	\$ -	\$ -
Other	\$ -	\$ 937,150	\$ -	\$ 196,068	\$ 1,133,218
Debt service fund	-	-	-	-	-
Unrestricted	-	-	-	-	-
Total fund balances	<u>-</u>	<u>937,150</u>	<u>-</u>	<u>196,068</u>	<u>1,133,218</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 937,150</u>	<u>\$ -</u>	<u>\$ 200,707</u>	<u>\$ 1,137,857</u>

COVINGTON INDEPENDENT SCHOOL DISTRICT

**Combining Statement of Revenues, Expenditures and
Changes in Fund Balances – Nonmajor Governmental Funds
Year Ended June 30, 2023**

	Capital Outlay Fund	Building Fund	Debt Service Fund	School Activity Fund	Total Nonmajor Government Funds
Revenues:					
Taxes	\$ -	\$ 1,147,937	\$ -	\$ -	\$ 1,147,937
Earnings on investments	-	-	-	6,017	6,017
State sources	343,336	596,207	568,307	202,431	1,710,281
Total revenues	<u>343,336</u>	<u>1,744,144</u>	<u>568,307</u>	<u>208,448</u>	<u>2,864,235</u>
Expenditures:					
Instructional	-	-	-	172,989	172,989
Staff support services	-	-	-	71,365	71,365
Debt service:					
Principal	-	-	1,537,386	-	1,537,386
Interest	-	-	614,202	-	614,202
Total expenditures	<u>-</u>	<u>-</u>	<u>2,151,588</u>	<u>244,354</u>	<u>2,395,942</u>
Excess (deficit) of revenues over expenditures	<u>343,336</u>	<u>1,744,144</u>	<u>(1,583,281)</u>	<u>(35,906)</u>	<u>468,293</u>
Other Financing Sources (Uses)					
Operating transfers in	-	522,983	1,583,281	-	2,106,264
Operating transfers out	<u>(343,336)</u>	<u>(2,043,100)</u>	<u>-</u>	<u>-</u>	<u>(2,386,436)</u>
Total other financing sources(uses)	<u>(343,336)</u>	<u>(1,520,117)</u>	<u>1,583,281</u>	<u>-</u>	<u>(280,172)</u>
Net change in fund balance	-	224,027	-	(35,906)	188,121
Fund balance, July 1, 2022	<u>-</u>	<u>713,123</u>	<u>-</u>	<u>231,974</u>	<u>945,097</u>
Fund balance, June 30, 2023	<u><u>\$ -</u></u>	<u><u>\$ 937,150</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 196,068</u></u>	<u><u>\$ 1,133,218</u></u>

COVINGTON INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget to Actual – General Fund
Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Taxes	\$ 18,438,571	\$ 18,438,571	\$ 20,038,171	\$ 1,599,600
Other local sources	882,743	862,743	1,304,344	441,601
State sources	25,632,461	26,635,343	29,758,622	3,123,279
Federal sources	304,000	304,000	594,233	290,233
Other sources	781,622	696,369	1,284,870	588,501
	<u>46,039,397</u>	<u>46,937,026</u>	<u>52,980,240</u>	<u>6,043,214</u>
Expenditures				
Instructional	31,694,080	31,696,358	25,513,130	6,183,228
Student support services	3,015,229	3,070,223	4,360,000	(1,289,777)
Staff support services	405,869	409,954	551,897	(141,943)
District administration	2,648,798	3,303,170	2,343,902	959,268
School administration	3,439,033	3,454,092	5,024,905	(1,570,813)
Business support services	2,093,185	2,211,765	2,781,599	(569,834)
Plant operation and maintenance	5,768,213	5,916,601	6,493,095	(576,494)
Student transportation	1,911,699	1,811,392	2,365,600	(554,208)
Food service operation	15,000	15,000	-	15,000
Facility acquisition and construction	45,000	45,000	128,038	(83,038)
Other	5,475,000	5,468,930	72,101	5,396,829
	<u>56,511,106</u>	<u>57,402,485</u>	<u>49,634,267</u>	<u>7,768,218</u>
Net change in fund balance	(10,471,709)	(10,465,459)	3,345,973	13,811,432
Fund balance, July 1, 2022	10,471,709	10,465,459	10,465,459	-
Fund balance, June 30, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,811,432</u>	<u>\$ 13,811,432</u>

COVINGTON INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget to Actual – Special Revenue Fund
Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Other local sources	\$ 400	\$ 72,518	\$ 453,508	\$ 380,990
State sources	2,665,448	2,644,488	2,628,299	(16,189)
Federal sources	6,054,059	8,284,141	13,766,803	5,482,662
Other sources	<u>284,186</u>	<u>284,186</u>	<u>281,287</u>	<u>(2,899)</u>
Total revenues	<u>9,004,093</u>	<u>11,285,333</u>	<u>17,129,897</u>	<u>5,844,564</u>
Expenditures:				
Instructional	6,578,259	7,411,271	10,159,343	(2,748,072)
Student support services	316,555	366,774	582,182	(215,408)
Staff support services	703,593	755,716	761,312	(5,596)
District administration	-	-	7,052	(7,052)
School administration	213,580	207,357	253,772	(46,415)
Business support services	-	-	48,110	(48,110)
Plant operation and maintenance	-	-	17,796	(17,796)
Student transportation	164,050	154,308	155,355	(1,047)
Day Care Operations	-	500	281,886	(281,386)
Community service operations	807,113	2,120,061	1,876,251	243,810
Other	<u>220,943</u>	<u>269,346</u>	<u>2,986,838</u>	<u>(2,717,492)</u>
Total expenditures	<u>9,004,093</u>	<u>11,285,333</u>	<u>17,129,897</u>	<u>(5,844,564)</u>
Net change in fund balance	-	-	-	-
Fund balance, July 1, 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2023	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

COVINGTON INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget to Actual – Construction Fund
Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
State sources	\$ -	\$ 4,925,000	\$ 4,925,000	\$ -
Total revenues	<u>-</u>	<u>4,925,000</u>	<u>4,925,000</u>	<u>-</u>
Expenditures				
Facility acquisition and construction	-	23,522,235	4,894,560	18,627,675
Other	<u>-</u>	<u>(18,597,235)</u>	<u>(5,105,787)</u>	<u>(13,491,448)</u>
Total expenditures	<u>-</u>	<u>4,925,000</u>	<u>(211,227)</u>	<u>5,136,227</u>
Net change in fund balance	-	-	5,136,227	5,136,227
Fund balance, July 1, 2022	<u>-</u>	<u>-</u>	<u>710,486</u>	<u>710,486</u>
Fund balance, June 30, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,846,713</u>	<u>\$ 5,846,713</u>

COVINGTON INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balances –
Bond and Interest Redemption Funds
Year Ended June 30, 2023**

	<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, 2022	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:						
Transfers and miscellaneous deposits	65,069	256,644	230,950	513,463	111,100	215,269
Disbursements:						
Bonds paid	50,000	205,000	195,000	345,000	75,000	140,000
Interest coupons	15,069	51,644	35,950	168,463	36,100	75,269
Total disbursements	65,069	256,644	230,950	513,463	111,100	215,269
Excess of receipts over disbursements	-	-	-	-	-	-
Cash at July 1, 2023	-	-	-	-	-	-
Fund Balance at June 30, 2023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>Issue of 2019</u>	<u>Issue of 2019 Ref</u>	<u>Issue of 2020</u>	<u>Issue of 2022</u>	<u>Total</u>	
Cash at July 1, 2022	\$ -	\$ -	\$ -		\$ -	
Receipts:						
Transfers and miscellaneous deposits	75,225	159,288	211,431	315,763	2,154,202	
Disbursements:						
Bonds paid	45,000	140,000	140,000	205,000	1,540,000	
Interest coupons	30,225	19,288	71,431	110,763	614,202	
Total disbursements	75,225	159,288	211,431	315,763	2,154,202	
Excess of receipts over disbursements	-	-	-		-	
Cash at July 1, 2023	-	-	-		-	
Fund Balance at June 30, 2023	\$ -	\$ -	\$ -		\$ -	

COVINGTON INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balances
Holmes High School Activity Funds
Year Ended June 30, 2023**

	Fund Balance July 1, 2022	Receipts	Disbursements	Fund Balance June 30, 2023
Academic team	\$ 10	\$ -	\$ -	\$ 10
Alumni fund	705	-	-	705
Annual	1,022	45	-	1,067
Art department	514	-	-	514
Athletic office	19,873	57,202	56,361	20,714
Baseball fundraiser	2,191	-	-	2,191
Basketball fundraiser	38	-	-	38
Cheer	1,086	1,575	1,999	662
Cheerleaders	399	1,404	914	889
Chess Team	1,348	-	-	1,348
Child care development center	1,178	260	405	1,033
Class of 2022	922	-	922	-
Class of 2023	-	631	631	-
Class of 2024	-	202	-	202
Concession	3,337	31,266	34,198	405
Cross country fundraiser	3,467	-	-	3,467
Don Conrad family scholarship	16,143	28,000	36,750	7,393
FBLA	198	-	-	198
Fine arts enrichment	624	-	-	624
Football fundraiser	225	-	-	225
G & R Reed scholarship	116	-	-	116
General fund	11,756	9,647	8,274	13,129
Girls' soccer fundraiser	-	500	500	-
Heisel, DR medallion	4,606	-	-	4,606
Holmes broadcasting	283	-	-	283
Holmes Leadership Academy	7,972	11,649	19,027	594
Holmes marching band	74	1,300	-	1,374
Honor Society - Sr.	176	-	-	176
Library	901	60	283	678
Marine Corp adm	1,941	-	1,450	491
Mitchell, H & S scholarship	8,201	-	4,000	4,201
Needy student fund	584	-	-	584
PBIS	396	-	-	396
Petty cash	50	-	-	50
R&J Sargent scholarship	8,000	-	2,000	6,000

COVINGTON INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balances
Holmes High School Activity Funds
Year Ended June 30, 2023
(Continued)**

	Fund Balance July 1, 2022	Receipts	Disbursements	Fund Balance June 30, 2023
R&J Sargent scholarship	8,000	-	2,000	6,000
Records office	\$ 5,445	\$ -	\$ -	\$ 5,445
Robert & Wanda Carr Scholarship	1,175	-	-	1,175
Roth-Morgan scholarship	110	-	-	110
S.B.E. Small Business Center	865	-	-	865
SCR Fundraiser	246	2,202	-	2,448
Senior Legacy Project	350	-	-	350
Shelly Duncan Scholarship	2,470	500	-	2,970
Skills USA executive	939	-	-	939
Softball fast fundraiser	3,250	246	1,322	2,174
Spanish N.H.S.	150	-	-	150
Student council	306	13,955	5,514	8,747
Student Incentive	7,870	159	8,029	-
Student of the Month	376	-	50	326
Supply store	17,649	18,566	18,314	17,901
Swimming fundraiser	1,210	-	-	1,210
Teacher incentive	418	1,459	1,356	521
Textbooks	4,046	2,450	-	6,496
Track fundraiser	1,891	-	1,125	766
Tudor scholarship	2,925	-	800	2,125
Unity N Community	69	3,563	3,632	-
Varsity club	33	-	-	33
Virginia Chapman scholarship	500	-	500	-
Vogt Family Scholarship	3,000	2,750	4,000	1,750
Volleyball fundraiser	2,213	1,001	1,196	2,018
Welding	222	-	-	222
Woodrow Lane scholarship	10,000	5,000	5,000	10,000
Wrestling fundraiser	718	-	135	583
Youth service center	117	-	15	102
YSC Sr. welfare	1,162	-	360	802
YSC tobacco education	711	-	-	711
Total	\$ 168,772	\$ 195,592	\$ 219,062	\$ 145,302

COVINGTON INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balances – School Activity Funds
Year Ended June 30, 2023**

	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, 2022	\$ -	\$ 14,579	\$ 8,446	\$ 10,104	\$ 15,729
Add: receipts	-	4,269	13,686	2,067	615
Less: disbursements	-	(13,726)	(12,400)	(5,224)	(2,566)
Fund balances at June 30, 2023	<u>\$ -</u>	<u>\$ 5,122</u>	<u>\$ 9,732</u>	<u>\$ 6,947</u>	<u>\$ 13,778</u>

	Glenn O. Swing Elementary School	Latonia Elementary School	James E. Biggs Early Childhood Education Center	Total
Fund balances at July 1, 2022	\$ 7,829	\$ 6,647	\$ -	\$ 63,334
Add: receipts	8,558	8,010	-	37,205
Less: disbursements	(3,013)	(8,010)	-	(44,939)
Fund balances at June 30, 2023	<u>\$ 13,374</u>	<u>\$ 6,647</u>	<u>\$ -</u>	<u>\$ 55,600</u>

COVINGTON INDEPENDENT SCHOOL DISTRICT

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

	Last 10 Fiscal Years*									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension liability	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	<u>104,191,008</u>	<u>82,775,633</u>	<u>92,257,808</u>	<u>88,589,472</u>	<u>84,710,626</u>	<u>178,677,034</u>	<u>198,749,602</u>	<u>156,727,344</u>	<u>141,611,269</u>	*
Total	<u>\$ 104,191,008</u>	<u>\$ 82,775,633</u>	<u>\$ 92,257,808</u>	<u>\$ 88,589,472</u>	<u>\$ 84,710,626</u>	<u>\$ 178,677,034</u>	<u>\$ 198,749,602</u>	<u>\$ 156,727,344</u>	<u>\$ 141,611,269</u>	*
District's covered-employee payroll	\$ 23,457,826	\$ 19,798,478	\$ 18,212,653	\$ 22,657,437	\$ 21,943,037	\$ 22,406,306	\$ 22,494,557	\$ 21,828,578	\$ 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%	*
Plan fiduciary net position as a percentage of the total pension liability	56.41%	65.59%	58.27%	58.76%	59.27%	39.83%	35.22%	42.49%	45.59%	*

* 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*									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 1,266,322	\$ 1,331,442	\$ 1,095,026	\$ 846,257	\$ 1,063,408	\$ 994,604	\$ 1,032,979	\$ 1,026,311	\$ 807,615	\$ 629,373
Contributions in relation to the contractually required contribution	<u>(1,266,322)</u>	<u>(1,331,442)</u>	<u>(1,095,026)</u>	<u>(846,257)</u>	<u>(1,063,408)</u>	<u>(994,604)</u>	<u>(1,032,979)</u>	<u>(1,026,311)</u>	<u>(807,615)</u>	<u>(629,373)</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 23,148,306	\$ 23,457,826	\$ 19,798,478	\$ 18,212,653	\$ 22,657,437	\$ 21,943,037	\$ 22,406,306	\$ 22,494,557	\$ 21,828,578	\$ 21,596,543
Contributions as a percentage of covered-employee payroll	5.47%	5.68%	5.53%	4.65%	4.69%	4.53%	4.61%	4.56%	3.70%	2.91%

* 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*									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of net pension liability	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	\$ 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	\$ 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	\$ 3,244,377,000	*
District's covered-employee payroll	\$ 9,766,811	\$ 9,147,649	\$ 7,903,847	\$ 9,223,519	\$ 8,892,640	\$ 8,478,926	\$ 8,520,633	\$ 8,195,123	\$ 8,098,732	65.03
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	244.8%	250.0%	363.5%	278.9%	241.1%	236.3%	202.5%	180.9%	139.3%	*
Plan fiduciary net position as a percentage of the total pension liability	52.42%	57.33%	47.81%	50.54%	53.54%	53.30%	55.50%	59.97%	66.80%	*

* 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%.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – CERS

	Last 10 Fiscal Years*									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 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	\$ 1,529,852
Contributions in relation to the contractually required contribution	<u>(2,782,867)</u>	<u>(2,629,882)</u>	<u>(2,202,404)</u>	<u>(1,901,582)</u>	<u>(1,981,277)</u>	<u>(1,695,634)</u>	<u>(1,583,863)</u>	<u>(1,453,521)</u>	<u>(1,447,873)</u>	<u>(1,529,852)</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 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	\$ 8,098,732
Contributions as a percentage of covered-employee payroll	26.79%	26.93%	24.08%	24.06%	21.48%	19.07%	18.68%	17.06%	17.67%	18.89%

* 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*									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the collective trust OPEB liability	0%	0%	0%	0%	0%	0%	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	*	*	*	*
State's proportionate share of the collective net OPEB liability (asset) associated with the District	178,000	78,000	211,000	188,000	169,000	134,000	*	*	*	*
Total net OPEB liability	\$ 178,000	\$ 78,000	\$ 211,000	\$ 188,000	\$ 169,000	\$ 134,000	*	*	*	*
District's covered-employee payroll	\$ 23,457,826	\$ 19,798,478	\$ 18,212,653	\$ 22,657,437	\$ 21,943,037	\$ 22,406,306	*	*	*	*
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%	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	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, 2022:

Valuation date	June 30, 2019
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	25 Years
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Discount rate	7.50%

COVINGTON INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – LIF

	Last 10 Fiscal Years*									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	*	*	*	*
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	*	*	*	*
Contribution deficiency	-	-	-	-	-	-	*	*	*	*
District's covered-employee payroll	\$ 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%	*	*	*	*

* 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*									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the collective trust OPEB liability	43.794200%	0.334582%	0.344555%	0.341841%	0.329210%	0.344001%	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ 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	\$ 3,572,000	\$ 5,830,000	\$ 6,966,000	\$ 8,080,000	\$ 9,844,000	\$ 10,020,000	*	*	*	*
Total net OPEB liability	\$ 14,444,000	\$ 13,009,000	\$ 15,662,000	\$ 18,085,000	\$ 21,267,000	\$ 22,286,000	*	*	*	*
District's covered-employee payroll	\$ 23,457,826	\$ 19,798,478	\$ 18,212,653	\$ 22,657,437	\$ 21,943,037	\$ 22,406,306	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	46.3%	36.3%	47.7%	44.2%	52.1%	54.7%	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	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

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*									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 581,094	\$ 593,885	\$ 608,508	\$ 595,239	\$ 586,427	\$ 589,370	*	*	*	*
Contributions in relation to the contractually required contribution	<u>(581,094)</u>	<u>(593,885)</u>	<u>(608,508)</u>	<u>(595,239)</u>	<u>(586,427)</u>	<u>(589,370)</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Contribution deficiency	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>*</u></u>	<u><u>*</u></u>	<u><u>*</u></u>	<u><u>*</u></u>
District's covered-employee payroll	\$ 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	2.51%	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 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 the District's Proportionate Share of the Net OPEB Liability – MIF (CERS)

	Last 10 Fiscal Years*									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the collective trust OPEB liability	0.330686%	0.358564%	0.374469%	0.365658%	0.352096%	0.342321%	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ 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	\$ 6,526,133	\$ 6,864,528	\$ 9,042,288	\$ 6,150,203	\$ 6,251,394	\$ 6,881,823	*	*	*	*
District's covered-employee payroll	\$ 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	66.8%	75.0%	114.4%	66.7%	70.3%	81.2%	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	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.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – MIF (CERS)

	Last 10 Fiscal Years*									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 381,380	\$ 436,053	\$ 456,711	\$ 485,279	\$ 410,169	\$ 394,230	*	*	*	*
Contributions in relation to the contractually required contribution	(381,380)	(436,053)	(456,711)	(485,279)	(410,169)	(394,230)	*	*	*	*
Contribution deficiency	-	-	-	-	-	-	*	*	*	*
District's covered-employee payroll	\$ 10,386,870	\$ 9,766,811	\$ 9,147,649	\$ 7,903,847	\$ 9,223,519	\$ 8,892,640	*	*	*	*
Contributions as a percentage of covered-employee payroll	3.67%	4.46%	4.99%	6.14%	4.45%	4.43%	*	*	*	*

* 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, 2023**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Agreement Number	Federal Expenditures for FYE 6/30/2023
U.S. Department of Education			
Passed through Kentucky Department of Education			
Special Education Cluster			
Special Education_Grants to States	84.027	3810002 20	\$ 6,017
Special Education_Grants to States	84.027	3810002 21	328,588
Special Education_Grants to States	84.027	3810002 22	731,275
Special Education_Preschool Grants	84.173	3810002 21	174
Special Education_Preschool Grants	84.173	3810002 22	43,626
COVID Special Education_Grants to States	84.027X	4910002-21	133,794
Total Special Education Cluster			<u>1,243,474</u>
Title I Grants to Local Educational Agencies	84.010A	3100002 20	65,234
Title I Grants to Local Educational Agencies	84.010A	3100002 21	652,120
Title I Grants to Local Educational Agencies	84.010A	3100002 22	2,266,008
Title I Grants to Local Educational Agencies	84.010A	3100102 20	52,148
Title I Grants to Local Educational Agencies	84.010A	3100202 18	28,589
Title I Grants to Local Educational Agencies	84.010A	3100202 19	45,333
Title I Grants to Local Educational Agencies	84.010A	3100202 20	222,314
Total for CFDA #84.010			<u>3,331,746</u>
Career and technical Education -Basic Grants to States	84.048	3710002 21	6,767
Career and technical Education -Basic Grants to States	84.048	3710002 22	76,616
Total for CFDA #84.048			<u>83,383</u>
Title II Improving Teacher Quality State Grants	84.367	3230002 20	12,643
Title II Improving Teacher Quality State Grants	84.367	3230002 21	256,933
Title II Improving Teacher Quality State Grants	84.367	3230002 22	169,232
Total for CFDA #84.367			<u>438,808</u>
English Language Acquisition State Grants	84.365	3300002 20	3,141
English Language Acquisition State Grants	84.365	3300002 21	98,858
English Language Acquisition State Grants	84.365	3300002 22	13,540
Total for CFDA #84.365			<u>115,539</u>
Twenty-First Century Community Learning Centers	84.287C	3400002 20	109,382
Twenty-First Century Community Learning Centers	84.287C	3400002 21	598,549
Total for CFDA #84.287			<u>707,931</u>
Title IV Student Support and Academic Enrichment Grant	84.424A	3420002 19	36
Title IV Student Support and Academic Enrichment Grant	84.424A	3420002 21	209,186
Total for CFDA #84.424A			<u>209,222</u>
Stewart B. McKinney Homeless Grant	84.196A	3990002 19	8,254
Stewart B. McKinney Homeless Grant	84.196A	3990002 20	64,487
Total for CFDA #84.196A			<u>72,741</u>
COVID CARES Act Education Stabilization Fund - ESSER I	84.425D	4000002-20	4,815
COVID CARES Act Education Stabilization Fund - GEERS	84.425C	CARES-20	2,593
COVID CARES Act Education Stabilization Fund - ESSER II	84.425D	4200002-21	3,549,127
COVID Digital Learning Coaches	84.425U	4000003-20	4,504
COVID American Rescue Plan - ESSER III	84.425U	4300003-21	2,086,968
COVID American Rescue Plan - CTE Showcase	84.425U	4300005-21	7,390
COVID American Rescue Plan - ESSER STEPP grant	84.425U	4300003-21	1,200
COVID American Rescue Plan - Summer school grant	84.425U	4300007-21	25,048
COVID FRYSC GEER II	84.425C	PON2 730 2000001722	298,461
COVID American Relief program - SBH Homeless	84.425W	S425W210018	277,102
Total for CFDA #84.425			<u>6,257,208</u>
Passed through Erlanger/Elsmere School District			
Violence Prevention Pyramid Project	84.184M	N/A	351,991
Total U.S. Department of Education			<u><u>12,812,043</u></u>

COVINGTON INDEPENDENT SCHOOL DISTRICT

**Schedule of Expenditures of Federal Awards
(Continued)
Year Ended June 30, 2023**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Agreement Number	Federal Expenditures for FYE 6/30/2023
<u>Federal Communications Commission</u>			
<i>Direct Award</i>			
Emergency Connectivity Fund Program	32.009	N/A	<u>640,000</u>
Total Federal Communications Commission			<u>640,000</u>
<u>U.S. Department of Health and Human Services</u>			
<i>Passed through Kentucky Department of Education</i>			
COVID CRRSA Child Care Aid	93.575	N/A	111
COVID American Rescue Plan Act Child Care Sustainment	93.575	N/A	<u>281,775</u>
Total for CFDA #93.575			<u>281,886</u>
Promoting Adolescent Health Thru School Based Surveillance	93.079	N/A	377
Promoting Adolescent Health Thru School Based Surveillance	93.079	N/A	<u>424</u>
Total U.S. Department of Health and Human Services			<u>282,687</u>
<u>U.S. Department of Agriculture</u>			
<i>Child Nutrition Cluster</i>			
<i>Passed through Kentucky Department of Education</i>			
National School Lunch Program	10.555	7750002 22	568,515
National School Lunch Program	10.555	7750002 23	1,689,274
School Breakfast Program	10.553	7760005 22	194,958
School Breakfast Program	10.553	7760005 23	616,741
Summer Food Program	10.559	7690024 22	6,840
Summer Food Program	10.559	7740023 22	<u>66,497</u>
Total U.S. Department of Education			3,142,825
<i>Passed through Kentucky Department of Agriculture</i>			
National School Lunch Program - Food Donation	10.555	059-0203	<u>173,101</u>
Total Child Nutrition Cluster			<u>3,315,926</u>
Other			
<i>Passed through Kentucky Department of Education</i>			
Child and Adult Care Food Program	10.558	7790021 22	20,448
Child and Adult Care Food Program	10.558	7790021 23	216,285
Child and Adult Care Food Program	10.558	7800016 22	1,281
Child and Adult Care Food Program	10.558	7800016 23	<u>13,323</u>
Total Other U.S. Department of Agriculture			<u>251,337</u>
Total U.S. Department of Agriculture			<u>3,567,263</u>
<u>U.S. Department of Defense</u>			
<i>Passed through Kentucky Department of Education</i>			
Junior ROTC	12.357	N/A	<u>26,186</u>
Total U.S. Department of Defense			<u>26,186</u>
Total Expenditures of Federal Awards			<u>\$ 17,328,179</u>

COVINGTON INDEPENDENT SCHOOL DISTRICT

**Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023**

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, 2023, 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, 2023, the District reported food commodities expended in the amount of \$173,101.

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, 2023.

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, 2023 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 November 9, 2023.

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. 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.

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 87.

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

Purpose of this Report

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



Crestview Hills, Kentucky
November 9, 2023

**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, 2023. 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of 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)**

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

**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.

Barnes, Dennig & Co., Ltd.

Crestview Hills, Kentucky
November 9, 2023

COVINGTON INDEPENDENT SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

SECTION I -SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs

CFDA No.	Name of Federal Program or Clusters
84.010	Title I Grants to Local Educational Agencies
84.425	Education Stabilization Fund

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

COVINGTON INDEPENDENT SCHOOL DISTRICT

**Summary Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2023**

SECTION I – SUMMARY OF PRIOR YEAR AUDITOR’S RESULTS

No matters are reportable

SECTION II – PRIOR YEAR FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

COVINGTON INDEPENDENT SCHOOL DISTRICT

**Management Letter Comments
Year Ended June 30, 2023**

In planning and performing our audit of the financial statements of Covington Independent School District for the year ended June 30, 2023, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

This letter summarizes our comments and suggestions regarding those matters. A separate report dated November 9, 2023 contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated November 9, 2023, 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

COVINGTON INDEPENDENT SCHOOL DISTRICT

**Management Letter Comments
Year Ended June 30, 2023**

John G. Carlisle Elementary

2023-01: Untimely deposits

Criteria – Per best practices recommended by the Kentucky Department of Education, deposits should be completed daily, or at least on the last workday of the week.

Condition – During the testing of activity funds, it was noted that one deposit was not made in a timely manner.

Effect – Proper procedures over reporting were not properly followed.

Cause – Internal controls were not properly followed as designed by the District.

Recommendation – We recommend that deposits be made on a daily basis to avoid receipts being held at the school. If this is not feasible, at a minimum, deposits should be made weekly to ensure receipts are timely deposited into the school bank account.

Board Response – The school bookkeeper will work with the administrative team for the school to ensure that receipts are deposited on at least a weekly basis, if not more frequent, to avoid risks around undeposited school funds.

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, 2023**

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

Statement of prior year deficiency: It was noted that monthly financials were not being submitted within 15 days of month end.

Current year follow up: No such instances noted.

James E. Biggs Early Childhood Education Center

No matters are reportable