

Covington Independent School District

**Financial Statements
With Supplementary Information
Year Ended June 30, 2021
With Independent Auditors' Report**

COVINGTON INDEPENDENT SCHOOL DISTRICT

Year Ended June 30, 2021

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COVINGTON INDEPENDENT SCHOOL DISTRICT

Year Ended June 30, 2021

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Independent Auditors' Report

To the Members of the Board of Education
Covington Independent School District
Covington, Kentucky

Report on the Financial Statements

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, 2021, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Kentucky Public School Districts' Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2021, 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.

**Independent Auditors' Report
(Continued)**

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on pages 3-10, 55-56, and 61-70 as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Covington Independent School District's basic financial statements. The information on page 53-54, 57, and 71-72 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 page 53-54, 57, and 71-72 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 page 53-54, 57, and 71-72 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 10, 2021 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 Schools' 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 Covington Independent School District's internal control over financial reporting and compliance.



Crestview Hills, Kentucky
November 10, 2021

COVINGTON INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2021

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, 2021. 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 \$3,652,741.
- For the ninth year in a row, Covington Independent Public Schools has taken the compensating tax rate versus taking the 4% tax rate. The District continually looks at ways to save money to help keep the tax rate at the compensating rate.
- The District was provided with CARES ACT funds/ESSER I funds during the FY21 school year to be used to meet the needs of our students during the COVID-19 pandemic

Grades 6-12

Facing the uncertainty of returning to school in the fall, the focus of the committee was to provide devices and WIFI access to as many families as the District could. The high school was already 1:1. The middle school was also 1:1 with I-Pads (grade 6-7) and the 8th graders had MAC Book Airs like the high school. The difference was that the high school students have been taking their devices home with them every day while the middle school devices remained at school for day use only. That needed to change for the 2020-21 school year, all students 6 – 12 needed to have their devices at home so that if we were back in NTI, we could continue instruction.

Grades K- 5

Principals were asked to look at the number of devices in their school. The District wanted to have enough devices to send home with the students in grades 3-5. Then it was decided that the District had a place where we could rent additional devices for the schools to ensure all students had a device at home.

This only solved half the problem. Many of the students did not have internet access. The District then worked with the City of Covington, Cincinnati Bell, and 4 other partners to increase free wireless internet throughout the city. The reality of this is that if you were not close enough to one of the free internet devices in your neighborhood, we need to look at finding a way to get you a personal hotspot. The hotspots were coming from two sources:

- T Mobile (District Purchased)
- United Way of Greater Cincinnati

The leadership of Covington Partners managed the distribution of the Hotspots for the whole district so there was no duplication.

The next task was effective instruction using the devices. EDGENUITY was a learning management system the District was already using at the middle school and high school. The District looked into adding something for the elementary school students. ODYSSEWARE was selected for that purpose. The District continued to look for things that could support our teachers with the large number of students who ended up needing virtual learning.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2021 (Continued)

FINANCIAL HIGHLIGHTS (CONTINUED)

- We are proud to serve a diverse group of learners in Covington Independent Public Schools. The School Board generously allocates funds yearly to provide a range of programs and support services to address our students' needs.
- Nearly 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.

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 school year as well.
- 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.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2021 (Continued)

FINANCIAL HIGHLIGHTS (CONTINUED)

- The District continues to strive to maintain a healthy contingency.
- The District has continued to look into ways to invest the District's money until the money is needed. By investing the money until it is needed, the district can earn more interest. Due to the economy in FY21, interest rates were at their lowest in years. Toward the end of FY21, the District took the money out of their investment account as the interest rate was lower than what the District was earning in their regular bank account. 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.
- Due to COVID-19, attendance data for the 2019-20 school year could not be used. All schools in the State of Kentucky closed to in person instruction on March 13, 2020. Because of that, all average daily attendance data for the 2020-21 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. Another factor in looking at these trends is the number of students who have English as a second language. In 2012 our district had 2 staff members who were responsible for serving this population in the district. Since 2012 the staff has increased to 15 staff members. This includes interpreters, EL teachers, and EL instructional assistants. This is a result of going from 20 EL students in the district to over 445 during this seven-year period. The increase from 2017-18 to 2018-19 was 95 EL students. The district will continue to monitor these factors and adjust our staff to best serve the needs of our students.
- The District administered \$12,664,520 in Federal, State and local grants during the year.
- The average teacher's salary in the District for 2021 was \$51,335. The Covington Board of Education remains committed to maintaining teachers' salaries at competitive levels.
- The General Fund had \$44,595,422 in revenue excluding interfund transfers and proceeds from sale of assets of \$888,377 and \$3,289, 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 \$43,798,123 in General Fund expenditures, excluding interfund transfers of \$518,735 and including the on-behalf benefit payments made by the state.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2021 (Continued)

FINANCIAL HIGHLIGHTS (CONTINUED)

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

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The district-wide financial statements can be found on pages 11 and 12 of this report.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2021 (Continued)

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

The basic governmental fund financial statements can be found on pages 13 through 19 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 20 through 52 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows exceeded assets and deferred outflows by \$16,215,796 as of June 30, 2021.

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

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

COVINGTON INDEPENDENT SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2021
(Continued)**

Net Position for the periods ending June 30, 2021 and 2020 and 2020

The following is a summary of net position for the fiscal years ended **June 30, 2021 and 2020**.

	<u>2021</u>	<u>2020</u>
Current assets	\$ 14,721,168	\$ 12,040,243
Noncurrent assets	35,852,452	32,916,596
Total assets	<u>50,573,620</u>	<u>44,956,839</u>
Total deferred outflows	<u>12,282,676</u>	<u>10,347,593</u>
Current liabilities	4,792,139	3,319,623
Noncurrent liabilities	68,051,620	60,889,029
Total liabilities	<u>72,843,759</u>	<u>64,208,652</u>
Total deferred inflows	<u>6,228,333</u>	<u>6,040,627</u>
Net position		
Investment in capital assets (net of debt)	13,637,463	13,317,300
Restricted	(28,930,257)	(27,456,611)
Unrestricted	(923,002)	(805,536)
Total net position	<u>\$ (16,215,796)</u>	<u>\$ (14,944,847)</u>

Comments on General Fund Budget Comparisons

- The District's total revenues in the General Fund for the fiscal year ended June 30, 2021, were \$44,595,422, net of interfund transfers and proceeds from sale of assets of \$888,377 and \$3,289, respectively.
- General Fund budgeted revenue compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$12,554,031 more than budget or approximately 38% of General Fund Budget. The majority of this variance is the result of the District recording "on-behalf" payments made by the state.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2021
(Continued)

DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)

- General Fund actual expenditures were \$43,798,123, net of inter-fund transfers of \$518,735.
- General Fund actual expenditures were more than budgeted expenditures by \$3,532,116. 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, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Revenues		
Program revenues		
Charges for services	\$ 148,252	\$ 200,355
Operating grants	<u>14,695,897</u>	<u>11,331,225</u>
Total grant revenues	<u>14,844,149</u>	<u>11,531,580</u>
 General Revenues		
Property taxes	18,593,369	18,012,961
Grants and entitlements	11,147,103	12,451,450
Earnings on investments	17,296	204,110
Miscellaneous	<u>2,339,707</u>	<u>2,254,280</u>
Total general revenues	<u>32,097,475</u>	<u>32,922,801</u>
 Total revenues	<u>46,941,624</u>	<u>44,454,381</u>
 Expenses		
Instructional	20,398,042	21,466,665
Student support services	4,300,775	4,143,671
Staff support	727,218	790,523
District administration	2,407,981	2,216,255
School administration	4,798,545	4,676,838
Business support	2,607,104	2,547,575
Plant operations	2,492,374	6,220,974
Student transportation	2,034,083	1,942,954
Food service operation	411,436	7,431
Community service	1,298,712	1,177,473
Facilities acquisition and construction	3,606,623	201,339
Food service	2,128,247	3,256,252
Daycare	465,057	441,297
Interest on long-term debt	<u>536,376</u>	<u>491,297</u>
Total expenses	<u>48,212,573</u>	<u>49,580,544</u>
 Excess (deficit) of revenues over expenses	<u>\$ (1,270,949)</u>	<u>\$ (5,126,163)</u>

COVINGTON INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2021 (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 \$2,254,125 in contingency (5.5%).

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 Burtshy, 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 Activities – District Wide
Year Ended June 30, 2021**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Current			
Cash and cash equivalents	\$ 4,290,719	\$ 373,039	\$ 4,663,758
Investments	5,001,064	-	5,001,064
Accounts receivable	4,365,350	355,760	4,721,110
Interfund receivable	282,759	-	282,759
Inventories for consumption	<u>-</u>	<u>52,477</u>	<u>52,477</u>
Total current	<u>13,939,892</u>	<u>781,276</u>	<u>14,721,168</u>
Noncurrent			
Construction in progress	4,891,951	-	4,891,951
Nondepreciated capital assets			
Land	1,393,260	-	1,393,260
Depreciated capital assets			
Land improvements	671,391	-	671,391
Buildings and improvements	53,537,892	-	53,537,892
Furniture and equipment	6,355,716	389,240	6,744,956
Less: accumulated depreciation	<u>(31,087,237)</u>	<u>(299,761)</u>	<u>(31,386,998)</u>
Total noncurrent	<u>35,762,973</u>	<u>89,479</u>	<u>35,852,452</u>
Total assets	<u>49,702,865</u>	<u>870,755</u>	<u>50,573,620</u>
Deferred outflows	<u>11,815,669</u>	<u>467,007</u>	<u>12,282,676</u>
Liabilities			
Current			
Current portion of bonds payable	1,295,000	-	1,295,000
Accounts payable	436,021	1,023	437,044
Interfund payable	282,759	-	282,759
Accrued interest	197,905	-	197,905
Accrued sick leave	72,510	-	72,510
Accrued payroll and related expenses	1,581	-	1,581
Current portion of capital leases payable	-	-	-
Unearned revenues	<u>2,505,340</u>	<u>-</u>	<u>2,505,340</u>
Total current	<u>4,791,116</u>	<u>1,023</u>	<u>4,792,139</u>
Noncurrent			
Accrued sick leave	652,587	-	652,587
Capital leases payable	-	-	-
MIF net OPEB liability	17,063,244	675,044	17,738,288
CERS net pension liability	27,636,414	1,093,332	28,729,746
Bond obligations	<u>20,930,999</u>	<u>-</u>	<u>20,930,999</u>
Total noncurrent	<u>66,283,244</u>	<u>1,768,376</u>	<u>68,051,620</u>
Total liabilities	<u>71,074,360</u>	<u>1,769,399</u>	<u>72,843,759</u>
Deferred inflows	<u>5,991,309</u>	<u>237,024</u>	<u>6,228,333</u>
Net position			
Invested in capital assets, net of related debt	13,547,984	89,479	13,637,463
Restricted	(28,172,117)	(758,140)	(28,930,257)
Unrestricted	<u>(923,002)</u>	<u>-</u>	<u>(923,002)</u>
Total net position	<u>\$ (15,547,135)</u>	<u>\$ (668,661)</u>	<u>\$ (16,215,796)</u>

COVINGTON INDEPENDENT SCHOOL DISTRICT

**Statement of Activities – District Wide
Year Ended June 30, 2021**

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	\$ 20,398,042	\$ -	\$ 8,921,678	\$ -	\$ (11,476,364)	\$ -	\$ (11,476,364)
Student support services	4,300,775	-	358,277	-	(3,942,498)	-	(3,942,498)
Staff support services	727,218	-	185,665	-	(541,553)	-	(541,553)
District administration	2,407,981	-	449,337	-	(1,958,644)	-	(1,958,644)
School administration	4,798,545	-	231,777	-	(4,566,768)	-	(4,566,768)
Business support services	2,607,104	-	422,115	-	(2,184,989)	-	(2,184,989)
Plant operation and maintenance	2,492,374	-	279,853	-	(2,212,521)	-	(2,212,521)
Student transportation	2,034,083	-	95,733	-	(1,938,350)	-	(1,938,350)
Food service operation	411,436	-	411,436	-	-	-	-
Community service operations	1,298,712	-	1,298,712	-	-	-	-
Day care Operations	13,790	-	13,790	-	-	-	-
Facility acquisition and construction	3,606,623	-	-	-	(3,606,623)	-	(3,606,623)
Interest on long-term debt	536,376	-	-	-	(536,376)	-	(536,376)
Total governmental activities	45,633,059	-	12,668,373	-	(32,964,686)	-	(32,964,686)
Business-type Activities							
Food service	2,128,247	23,630	1,895,350	-	-	(209,267)	(209,267)
Daycare	451,267	124,622	132,174	-	-	(194,471)	(194,471)
Total business-type activities	2,579,514	148,252	2,027,524	-	-	(403,738)	(403,738)
Total school district	<u>\$ 48,212,573</u>	<u>\$ 148,252</u>	<u>\$ 14,695,897</u>	<u>\$ -</u>	<u>(32,964,686)</u>	<u>(403,738)</u>	<u>(33,368,424)</u>
General revenues:							
Taxes					18,593,369	-	18,593,369
State and federal sources					11,147,103	-	11,147,103
Investment earnings					16,559	737	17,296
Miscellaneous					2,341,982	-	2,341,982
Special items:							
Loss on disposal of fixed assets					(2,275)	-	(2,275)
Fund transfer					37,821	(37,821)	-
Total general and special revenues					32,134,559	(37,084)	32,097,475
Change in net position					(830,127)	(440,822)	(1,270,949)
Net position - beginning					(14,717,008)	(227,839)	(14,944,847)
Net position - ending					<u>\$ (15,547,135)</u>	<u>\$ (668,661)</u>	<u>\$ (16,215,796)</u>

COVINGTON INDEPENDENT SCHOOL DISTRICT

**Balance Sheet – Governmental Funds
As of June 30, 2021**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Current				
Cash (overdraft) and cash equivalents	\$ 3,715,999	\$ (1,123,470)	\$ 1,698,190	\$ 4,290,719
Investments	5,001,064	-	-	5,001,064
Accounts receivable	432,036	3,933,314	-	4,365,350
Interfund receivable	282,759	-	-	282,759
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total current	<u>\$ 9,431,858</u>	<u>\$ 2,809,844</u>	<u>\$ 1,698,190</u>	<u>\$ 13,939,892</u>
Liabilities and Fund Balance				
Current				
Accounts payable	\$ 408,362	\$ 21,745	\$ 5,914	\$ 436,021
Accrued payroll and related expenses	1,581	-	-	1,581
Interfund payable	-	282,759	-	282,759
Unearned revenues	-	2,505,340	-	2,505,340
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total current	<u>409,943</u>	<u>2,809,844</u>	<u>5,914</u>	<u>3,225,701</u>
Fund Balance				
Restricted:				
Other	-	-	1,692,276	1,692,276
Committed:				
Other	8,898,842	-	-	8,898,842
Site-Based carryforward	23,366	-	-	23,366
Assigned - Purchase obligations	99,707	-	-	99,707
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>9,021,915</u>	<u>-</u>	<u>1,692,276</u>	<u>10,714,191</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	<u>\$ 9,431,858</u>	<u>\$ 2,809,844</u>	<u>\$ 1,698,190</u>	<u>\$ 13,939,892</u>

COVINGTON INDEPENDENT SCHOOL DISTRICT

**Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
As of June 30, 2021**

Total governmental fund balance		\$ 10,714,191
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets	66,850,210	
Accumulated depreciation	<u>(31,087,237)</u>	35,762,973
Deferred outflows		
Bond refinancing	11,010	
Related to MIF	4,905,565	
MIF contributions made after the measurement date	1,024,682	
Related to CERS	3,755,823	
CERS contributions made after the measurement date	<u>2,118,589</u>	11,815,669
Deferred inflows		
Related to CERS	(506,379)	
Related to OPEB	<u>(5,484,930)</u>	(5,991,309)
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		(22,150,000)
Premiums on bonds, net		(50,120)
Discounts on bonds, net		(25,879)
Accrued interest on bonds		(197,905)
Net OPEB liability		(17,063,244)
Net pension liability		(27,636,414)
Accrued sick leave		<u>(725,097)</u>
Total net position - governmental		<u><u>\$ (15,547,135)</u></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, 2021**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 17,702,722	\$ -	\$ 890,647	\$ 18,593,369
Earnings on investments	16,106	110	343	16,559
State sources	25,967,530	3,634,835	1,671,631	31,273,996
Federal sources	432,701	8,805,525	-	9,238,226
Other sources	476,363	228,013	-	704,376
Total revenues	<u>44,595,422</u>	<u>12,668,483</u>	<u>2,562,621</u>	<u>59,826,526</u>
Expenditures				
Instructional	23,120,265	8,917,825	168,204	32,206,294
Student support services	3,942,304	358,277	-	4,300,581
Staff support services	496,848	185,665	44,662	727,175
District administration	1,919,667	449,337	-	2,369,004
School administration	4,559,995	231,777	-	4,791,772
Business support services	2,184,726	422,115	-	2,606,841
Plant operation and maintenance	5,496,649	279,853	-	5,776,502
Student transportation	2,076,933	95,733	-	2,172,666
Food service operation	-	411,436	-	411,436
Community service operations	-	1,298,712	-	1,298,712
Day care operations	-	13,790	-	13,790
Facility acquisition and construction	736	-	3,605,887	3,606,623
Debt service:				
Principal	-	-	1,165,000	1,165,000
Interest	-	-	519,525	519,525
Total expenditures	<u>43,798,123</u>	<u>12,664,520</u>	<u>5,503,278</u>	<u>61,965,921</u>
Deficit of revenues over expenditures	<u>797,299</u>	<u>3,963</u>	<u>(2,940,657)</u>	<u>(2,139,395)</u>
Other financing sources (uses)				
Loan and bond proceeds	-	-	3,750,000	3,750,000
Bond premium	-	-	28,118	28,118
Proceeds from sale of assets	3,289	-	-	3,289
Operating transfers in	888,377	302,536	1,248,286	2,439,199
Operating transfers out	<u>(518,735)</u>	<u>(306,499)</u>	<u>(1,576,144)</u>	<u>(2,401,378)</u>
Total other financing sources (uses)	<u>372,931</u>	<u>(3,963)</u>	<u>3,450,260</u>	<u>3,819,228</u>
Net change in fund balance	1,170,230	-	509,603	1,679,833
Fund balance, July 1, 2020	<u>7,851,685</u>	<u>-</u>	<u>1,182,673</u>	<u>9,034,358</u>
Fund balance, June 30, 2021	<u>\$ 9,021,915</u>	<u>\$ -</u>	<u>\$ 1,692,276</u>	<u>\$ 10,714,191</u>

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, 2021

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

Net changes-governmental funds		\$ 1,679,833
Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense for the year.		
Depreciation expense	(1,645,912)	
Capital outlays	4,611,845	
Retirement of capital assets	<u>(5,564)</u>	
		2,960,369
Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.		
Bond proceeds		(3,750,000)
Premiums on sale of bonds		(28,118)
Discounts on sale of bonds		-
Principal paid		1,165,000
Amortization of deferred outflow from bond refinancing		(5,235)
Amortization of bond premium and discount, net		2,660
Deferred outflows related to pensions		(301,805)
Deferred outflows related to OPEB		2,169,999
Deferred inflows related to pensions		515,226
Deferred inflows related to OPEB		(696,791)
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.		
		<u>(4,541,265)</u>
Changes in net position of governmental activities		<u>\$ (830,127)</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, 2021**

	<u>Food Service</u>	<u>Day Care Funds</u>	<u>Total</u>
Assets			
Current:			
Cash (overdraft) and cash equivalents	\$ 381,423	\$ (8,384)	\$ 373,039
Accounts receivable	347,335	8,425	355,760
Inventories for consumption	<u>52,477</u>	<u>-</u>	<u>52,477</u>
Total current	<u>781,235</u>	<u>41</u>	<u>781,276</u>
Noncurrent			
Furniture and fixtures	389,240	-	389,240
Less: accumulated depreciation	<u>(299,761)</u>	<u>-</u>	<u>(299,761)</u>
Total noncurrent	<u>89,479</u>	<u>-</u>	<u>89,479</u>
Total assets	<u>870,714</u>	<u>41</u>	<u>870,755</u>
Deferred outflows	<u>368,814</u>	<u>98,193</u>	<u>467,007</u>
Liabilities and Net Position			
Current:			
Accounts payable	<u>982</u>	<u>41</u>	<u>1,023</u>
Total current	<u>982</u>	<u>41</u>	<u>1,023</u>
Noncurrent			
MIF net OPEB liability	533,109	141,935	675,044
CERS net pension liability	<u>863,448</u>	<u>229,884</u>	<u>1,093,332</u>
Total noncurrent	<u>1,396,557</u>	<u>371,819</u>	<u>1,768,376</u>
Total liabilities	<u>1,397,539</u>	<u>371,860</u>	<u>1,769,399</u>
Deferred inflows	<u>187,187</u>	<u>49,837</u>	<u>237,024</u>
Net Position			
Invested in assets, net of debt	89,479	-	89,479
Restricted	<u>(434,677)</u>	<u>(323,463)</u>	<u>(758,140)</u>
Total net position	<u>\$ (345,198)</u>	<u>\$ (323,463)</u>	<u>\$ (668,661)</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, 2021**

	Food Service	Day Care Funds	Total
Operating revenues			
Lunchroom sales	\$ 23,630	\$ -	\$ 23,630
Other operating revenues	<u>-</u>	<u>124,622</u>	<u>124,622</u>
Total operating revenues	<u>23,630</u>	<u>124,622</u>	<u>148,252</u>
Operating expenses			
Salaries and benefits	1,326,286	372,703	1,698,989
Contract services	52,776	63	52,839
Materials and supplies	544,689	29,576	574,265
Depreciation	24,513	-	24,513
Other operating expenses	<u>179,983</u>	<u>48,925</u>	<u>228,908</u>
Total operating expenses	<u>2,128,247</u>	<u>451,267</u>	<u>2,579,514</u>
Operating loss	<u>(2,104,617)</u>	<u>(326,645)</u>	<u>(2,431,262)</u>
Nonoperating revenues (expenses)			
Federal grants	1,558,937	75,500	1,634,437
State grants	201,876	56,674	258,550
Donated commodities and other donations	134,537	-	134,537
Transfers	(194,959)	157,138	(37,821)
Interest income	<u>737</u>	<u>-</u>	<u>737</u>
Total nonoperating revenues	<u>1,701,128</u>	<u>289,312</u>	<u>1,990,440</u>
Change in net position	(403,489)	(37,333)	(440,822)
Total net position, July 1, 2020	<u>58,291</u>	<u>(286,130)</u>	<u>(227,839)</u>
Total net position, June 30, 2021	<u><u>\$ (345,198)</u></u>	<u><u>\$ (323,463)</u></u>	<u><u>\$ (668,661)</u></u>

The accompanying notes are an integral part of these financial statements

COVINGTON INDEPENDENT SCHOOL DISTRICT

**Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2021**

	Food Service Fund	Day Care Fund	Total
Cash flows from operating activities			
Cash received from lunchroom sales	\$ 23,630	\$ -	\$ 23,630
Cash received from other activities	(346,543)	122,497	(224,046)
Cash payments to employees for services	(1,261,821)	(335,370)	(1,597,191)
Cash payments to suppliers for goods and services	(769,921)	(78,523)	(848,444)
Net cash used in operating activities	<u>(2,354,655)</u>	<u>(291,396)</u>	<u>(2,646,051)</u>
Cash flows from capital financing activities			
Transfers	<u>(194,960)</u>	157,138	<u>(37,822)</u>
Net cash provided by (used in) capital financing activities	<u>(194,960)</u>	157,138	<u>(37,822)</u>
Cash flows from noncapital financing activities			
Non-operating revenues received	<u>1,895,350</u>	132,174	<u>2,027,524</u>
Net cash provided by noncapital financing activities	<u>1,895,350</u>	132,174	<u>2,027,524</u>
Cash flows from investing activities			
Interest on investments	<u>737</u>	-	<u>737</u>
Net cash flows provided by investing activities	<u>737</u>	-	<u>737</u>
Net change in cash (overdraft) and cash equivalents	(653,528)	(2,084)	(655,612)
Cash (overdraft) and cash equivalents - beginning	<u>1,034,951</u>	<u>(6,300)</u>	<u>1,028,651</u>
Cash (overdraft) and cash equivalents - ending	<u><u>\$ 381,423</u></u>	<u><u>\$ (8,384)</u></u>	<u><u>\$ 373,039</u></u>
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	\$ (2,104,617)	\$ (326,645)	\$ (2,431,262)
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation	24,513	-	24,513
Changes in assets and liabilities:			
Decrease in deferred outflows	(52,581)	(19,543)	(72,124)
(Decrease) in deferred inflows	2,289	3,852	6,141
(Decrease) in accounts payable	194	41	235
Decrease/(increase) in accounts receivable	(346,543)	(2,125)	(348,668)
(Increase) in inventories	<u>7,333</u>	<u>-</u>	<u>7,333</u>
Net cash used in operating activities	<u><u>\$ (2,354,655)</u></u>	<u><u>\$ (291,396)</u></u>	<u><u>\$ (2,646,051)</u></u>
Schedule of non-cash transactions			
Donated commodities received from federal government	<u>\$ 134,537</u>	<u>\$ -</u>	<u>\$ 134,537</u>
On behalf payments	<u><u>\$ 178,687</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 178,687</u></u>

The accompanying notes are an integral part of these financial statements

COVINGTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Covington Independent Board of Education (Board), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Covington Independent School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Covington Independent Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Parent-Teacher Associations, etc.

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

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

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

Basis of Presentation

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

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

COVINGTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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

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

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

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the schedule of expenditures of federal awards included in this report on page 71. 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 \$679,516 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>	Governmental Activities
	<u>Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
General equipment	10 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Other	10 years

Accumulated Unpaid 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)

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, 2021 was as follows:

<u>Governmental Activities</u>	Balance June 30, 2020	Additions	Deductions	Balance June 30, 2021
Land	\$ 1,393,260	\$ -	\$ -	\$ 1,393,260
Land improvements	671,391	-	-	671,391
Buildings and improvements	47,987,056	5,550,836	-	53,537,892
Technology equipment	2,824,380	561,450	56,286	3,329,544
Vehicles	2,453,318	248,000	160,786	2,540,532
General equipment	485,640	-	-	485,640
Construction in progress	6,640,392	3,977,865	5,726,306	4,891,951
Totals at historical cost	62,455,437	10,338,151	5,943,378	66,850,210
Less: accumulated depreciation				
Land improvements	671,662	1,218	-	672,880
Buildings and improvements	25,073,082	989,350	-	26,062,432
Technology equipment	1,919,221	431,752	50,722	2,300,251
Vehicles	1,606,647	206,127	160,786	1,651,988
General equipment	382,221	17,465	-	399,686
Total accumulated depreciation	29,652,833	1,645,912	211,508	31,087,237
Governmental activities capital assets - net	<u>\$ 32,802,604</u>	<u>\$ 8,692,239</u>	<u>\$ 5,731,870</u>	<u>\$ 35,762,973</u>
<u>Business - Type Activities</u>				
General equipment	\$ 386,840	\$ -	\$ -	\$ 386,840
Technology equipment	2,400	-	-	2,400
Totals at historical cost	389,240	-	-	389,240
Less: accumulated depreciation				
General equipment	272,849	24,513	-	297,362
Technology equipment	2,399	-	-	2,399
Total accumulated depreciation	275,248	24,513	-	299,761
Business - type activities capital assets - net	<u>\$ 113,992</u>	<u>\$ (24,513)</u>	<u>\$ -</u>	<u>\$ 89,479</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, 2021 was as follows:

	<u>Governmental</u>	<u>Business-Type</u>
Instructional	\$ 971,978	\$ -
Student support services	194	-
Staff support services	43	-
District administration	38,977	-
School administration	6,773	-
Business support services	263	-
Plant operation and maintenance	518,267	-
Student transportation	109,417	-
Food service	-	24,513
Total	<u>\$ 1,645,912</u>	<u>\$ 24,513</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, 2021 this amount totaled approximately \$725,097 for those employees with twenty-seven or more years of experience.

NOTE 6 LEASE OBLIGATIONS AND 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%
July 1, 2012	265,448	2.000% - 2.750%
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%

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 LEASE OBLIGATIONS AND 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 17 sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal has been recorded in the financial statements.

All issues may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2021 for debt service (principal and interest) are reported in Note 17.

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, 2021, was \$2,701,362, which consisted of \$2,202,404 from the District and \$498,958 from the employees. Total contributions for the year ended June 30, 2020 and 2019 were \$2,333,677 and \$2,481,009, respectively. The contributions have been contributed in full for fiscal years 2021, 2020 and 2019.

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/administration/financial-reports-information/>.

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. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. TRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

COVINGTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 7 RETIREMENT PLANS (CONTINUED)

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, 2021, was \$4,040,071, which consisted of \$1,095,026 from the District and \$2,945,045 from the employees. Total contributions for the year ended June 30, 2020 and 2019 were \$3,182,967 and 3,975,944, respectively. The contributions have been contributed in full for fiscal years 2021, 2020 and 2019.

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.

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.

COVINGTON INDEPENDENT SCHOOL DISTRICT

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

NOTE 7 RETIREMENT PLANS (CONTINUED)

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

At June 30, 2021, 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	\$ 28,729,746
Commonwealth's proportionate share of the TRS net pension liability associated with the District	<u>92,257,808</u>
	<u><u>\$ 120,987,554</u></u>

The net pension liability for each plan was measured as of June 30, 2020, 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, 2020, the District's proportion was 0.374577%.

For the year ended June 30, 2021, the District recognized pension expense of \$2,472,703 related to CERS. The District also recognized a reduction of expense of \$16,914,617 and a reduction of revenue of \$16,914,617 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)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 1,245,338	\$ 526,412
Difference between expected and actual experience	716,429	-
Changes of assumptions	1,121,848	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	820,792	-
District contributions subsequent to the measurement date	<u>2,202,404</u>	<u>-</u>
Total	<u><u>\$ 6,106,811</u></u>	<u><u>\$ 526,412</u></u>

\$2,202,404 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2022	\$ 1,657,141
2023	1,056,316
2024	375,800
2025	288,738
2026	-

Actuarial assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>CERS</u>	<u>TRS</u>
Inflation	2.30%	3.00%
Projected salary increases	3.05%	3.5-7.3%
Investment rate of return, net of investment expense and inflation	6.25%	7.50%

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 the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025 set forward two years for males and one year for females. The actuarial assumptions used were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015 adopted by the Board on November 19, 2016.

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 2008 through 2013, is outlined in a report dated April 30, 2014. 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's and CERS's investment consultant, are summarized in the following table:

COVINGTON INDEPENDENT SCHOOL DISTRICT

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

NOTE 7 RETIREMENT PLANS (CONTINUED)

Asset Class	KTRS Target Allocation	KTRS Long-Term Expected Real Rate of Return	CERS Target Allocation	CERS Long-Term Expected Real Rate of Return
US equity	40.0%	4.60%	18.8%	4.50%
International Equity	22.0%	22.00%	18.8%	5.25%
Core bonds			13.5%	-0.25%
Private equity	7.0%	7.70%	10.0%	6.65%
High yield			15.0%	3.90%
Fixed income	15.0%	0.00%		
Additional categories	8.0%	2.50%		
Real estate	6.0%	4.30%	5.0%	5.30%
Opportunistic			3.0%	2.25%
Real return			15.0%	3.95%
Cash	2.0%	-0.50%	1.0%	-0.75%
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 7.50%. 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, adjusted by 95%, 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	\$ 35,430,028	\$ 28,729,746	\$ 23,181,657
TRS	6.50%	7.50%	8.50%
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, 2021, the Covington Independent School District reported a liability of \$17,738,288 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, 2020, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021 and 2020 the District's proportion was .34 percent for TRS. At June 30, 2021, the District's proportion was .37% for CERS, which was .01% higher than measured as of June 30, 2020.

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

District's proportionate share of the CERS net OPEB liability	\$ 9,042,288
District's proportionate share of the TRS net OPEB liability	8,696,000
State's proportionate share of the net OPEB liability associated with the District	<u>6,966,000</u>
	<u><u>\$ 24,704,288</u></u>

COVINGTON INDEPENDENT SCHOOL DISTRICT

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

NOTE 8 OPEB PLANS (CONTINUED)

For the year ended June 30, 2021, the District recognized OPEB expense of \$2,306,583 and revenue of \$487,439 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual performance	\$ 1,510,774	\$ 5,218,953
Net difference between projected and actual earnings on OPEB plan investments	768,053	184,508
Change of Assumptions	2,099,824	9,565
Changes in proportion and differences between employer contributions and proportionate share of contributions	720,985	288,895
District contributions subsequent to the measurement date	<u>1,065,219</u>	<u>-</u>
Total	<u><u>\$ 6,164,855</u></u>	<u><u>\$ 5,701,921</u></u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$1,065,219 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, 2021. 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:		
2021	\$	(6,959)
2022		102,985
2023		(71,578)
2024		(28,043)
2025		(427,690)
Thereafter		(171,000)

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, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	TRS	CERS
Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation.	6.25%
Projected salary increases	3.50 - 7.20%, including inflation	3.30% to 11.55%, varies by service
Inflation rate	3.00%	2.30%
Real Wage Growth	0.50%	
Wage Inflation	3.50%	
Healthcare cost trend rates		
Under 65	7.25% for FY 2020 decreasing to an ultimate rate of 5.00% by FY 2029	Initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Ages 65 and Older	5.25% for FY 2020 decreasing to an ultimate rate of 5.00% by FY 2022	Initial trend starting at 5.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.
Medicare Part B Premiums	6.49% for FY 2020 with an ultimate rate of 5.00% by 2031	
Municipal Bond Index Rate	2.19%	2.45%
Discount Rate	8.00%	5.34%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation	

For TRS, mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

For CERS, mortality rates were based on RP-2000 Combined Mortality Table projected to 2013 with projection scale BB and set back 1 year for females.

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, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2015 valuation.

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

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
Global Equity	58.0%	5.4%
Fixed Income	9.0%	0.0%
Real Estate	6.5%	4.3%
Private Equity	8.5%	7.7%
Other Additional Categories	17.0%	2.5%
Cash (LIBOR)	1.0%	-0.5%
Total	<u>100.0%</u>	

Discount rate

For TRS, the discount rate used to measure the total OPEB liability was 8.00%. 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 5.34%. 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 (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
TRS			
District's net OPEB liability	\$ 10,510,000	\$ 8,696,000	\$ 7,181,000
	<u>1% Decrease (4.34%)</u>	<u>Current Discount Rate (5.34%)</u>	<u>1% Increase (6.34%)</u>
CERS			
District's net OPEB liability	\$ 11,616,685	\$ 9,042,288	\$ 6,927,849

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	\$ 6,892,000	\$ 8,696,000	\$ 10,918,000
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
CERS			
District's net OPEB liability	\$ 7,000,991	\$ 9,042,288	\$ 11,591,450

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 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, 2021, 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>211,000</u>
	<u><u>\$ 211,000</u></u>

For the year ended June 30, 2021, the District recognized OPEB expense of \$-0- and revenue of \$10,142 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, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 - 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Municipal Bond Index Rate	3.89%
Discount Rate	7.50%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2015 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%	4.6%
International Equity	23.0%	5.6%
Fixed Income	18.0%	0.0%
Real Estate	6.0%	4.3%
Private Equity	5.0%	7.7%
Other Additional Categories	6.0%	2.5%
Cash (LIBOR)	2.0%	-0.5%
Total	<u>100.0%</u>	

** As the LIF investment policy is to change, the above reflects the pension allocation and returns that achieve the target 8.0% long-term rate of return*

Discount rate

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

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
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 Day Care Fund and Food Service Fund currently have a deficit fund balance of \$323,463 and \$345,198, respectively, 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	\$ 403,489
Day Care Funds	37,333
Holmes Middle School	875
Ninth District Elementary School	3,765
Latonia Elementary School	20,562
John G. Carlisle Elementary School	15,128
Glenn O. Swing Elementary School	2,401

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 CONTINGENT LIABILITY

The District is a participant in the Kentucky School Board Insurance Trust in which the District purchases general liability and workers' compensation insurance. As of June 30, 2021, the District has paid its portion of the deficit in the trust. No contingent liability needs to be recorded in the District Wide Financial Statements.

NOTE 15 TRANSFER OF FUNDS

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Debt Service Fund	Debt Service	\$ 273,204
General Fund	Day Care Fund	Operations	157,138
General Fund	Special Revenue Fund	Matching	88,393
Special Revenue Fund	Construction Fund	Construction	92,356
Special Revenue Fund	Special Revenue Fund	Flex Funds	214,143
Building Fund	Debt Service Fund	Debt Service	517,329
Building Fund	General Fund	Operating	693,418
Building Fund	Construction Fund	Construction	39,712
Capital Outlay Fund	Debt Service Fund	Debt Service	325,685
Food Service Fund	General Fund	Indirect Cost Transfer	194,959

COVINGTON INDEPENDENT SCHOOL DISTRICT

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

NOTE 16 ON-BEHALF PAYMENTS

For the year ended June 30, 2021 total payments of \$12,544,324 were made for life insurance, health insurance, TRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities.

General Fund	\$ 11,749,756
Debt Service	568,307
Day Care	47,574
Food Service	<u>178,687</u>
 Total On-Behalf	 <u><u>\$ 12,544,324</u></u>

NOTE 17 SCHEDULE OF LONG-TERM OBLIGATIONS

2012, 2014, 2015, 2016, 2016B, 2017, 2019, 2019REF, 2020 and KISTA Bus Loans

Fiscal Year	Covington Independent School District			KY School Facilities Construction Commission			Total Requirements
	Principal	Interest	Total	Principal	Interest	Total	
2021-2022	\$ 677,678	\$ 297,278	\$ 974,956	\$ 617,322	\$ 232,385	\$ 849,707	\$ 1,824,663
2022-2023	697,092	283,197	980,289	637,908	351,824	989,732	1,970,021
2023-2024	710,220	268,390	978,610	659,780	339,529	999,309	1,977,919
2024-2025	732,147	253,151	985,298	682,853	326,529	1,009,382	1,994,680
2025-2026	760,267	236,022	996,289	689,733	318,707	1,008,440	2,004,729
2026-2027	741,707	217,839	959,546	648,293	304,749	953,042	1,912,588
2027-2028	765,934	200,027	965,961	669,066	207,793	876,859	1,842,820
2028-2029	775,840	181,105	956,945	624,160	205,639	829,799	1,786,744
2029-2030	756,563	161,279	917,842	573,437	115,242	688,679	1,606,521
2030-2031	650,672	141,314	791,986	599,328	100,047	699,375	1,491,361
2031-2032	601,437	124,463	725,900	498,563	83,559	582,122	1,308,022
2032-2033	625,455	108,879	734,334	514,545	70,197	584,742	1,319,076
2033-2034	651,480	92,469	743,949	483,520	56,750	540,270	1,284,219
2034-2035	675,248	75,234	750,482	509,752	43,050	552,802	1,303,284
2035-2036	707,600	57,061	764,661	537,400	28,296	565,696	1,330,357
2036-2037	723,592	38,108	761,700	561,408	12,579	573,987	1,335,687
2037-2038	386,137	23,757	409,894	113,863	2,731	116,594	526,488
2038-2039	293,398	15,783	309,181	16,602	648	17,250	326,431
2039-2040	311,704	9,001	320,705	13,296	199	13,495	334,200
2040-2041	255,000	2,709	257,709				
	<u>\$ 12,499,171</u>	<u>\$ 2,787,066</u>	<u>\$ 15,286,237</u>	<u>\$ 9,650,829</u>	<u>\$ 2,800,453</u>	<u>\$ 12,451,282</u>	<u>\$ 27,737,519</u>

COVINGTON INDEPENDENT SCHOOL DISTRICT

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

NOTE 17 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, 2021, is as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2021</u>
Bond Obligations	<u>\$ 19,565,000</u>	<u>\$ 3,750,000</u>	<u>\$ 1,165,000</u>	<u>\$ 22,150,000</u>
Bond premium	<u>\$ 23,224</u>	<u>\$ 28,118</u>	<u>\$ 1,222</u>	<u>\$ 50,120</u>
Bond discount	<u>\$ (27,317)</u>	<u>\$ -</u>	<u>\$ (1,438)</u>	<u>\$ (25,879)</u>
Sick Leave	<u>\$ 624,482</u>	<u>\$ 192,221</u>	<u>\$ 91,606</u>	<u>\$ 725,097</u>

NOTE 18 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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Brokered certificates of deposit	<u>\$ 5,001,064</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,001,064</u>
Total investments	<u>\$ 5,001,064</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,001,064</u>

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

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

COVINGTON INDEPENDENT SCHOOL DISTRICT

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

NOTE 19 OPERATING LEASES

The District entered into two lease agreements for technology equipment expiring in 2023 and 2025 . Expenditures for the operating leases totaled \$265,791 for the year ended June 30, 2021. Future minimum annual payments required under the operating lease at June 30, 2021 are as follows:

Year Ending June 30,	Operating Lease Payable
2021-2022	\$ 265,791
2022-2023	265,791
2023-2024	92,160
2024-2025	<u>92,160</u>
Total minimum payments	<u><u>\$ 715,902</u></u>

NOTE 20 COVID-19 PANDEMIC

The COVID-19 outbreak in the United States has caused disruption through limited district activities. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the disruption. At this time, the District is uncertain on the disruption's impact on its operating results.

NOTE 21 SUBSEQUENT EVENTS

Subsequent events were considered through November 10, 2021, which represents the release date of our report.

SUPPLEMENTARY
INFORMATION

COVINGTON INDEPENDENT SCHOOL DISTRICT

**Combining Balance Sheet – Nonmajor Governmental Funds
As of June 30, 2021**

	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Construction 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	\$ -	\$ 713,123	\$ 682,578	\$ -	\$ 302,489	\$ 1,698,190
Total current	<u>\$ -</u>	<u>\$ 713,123</u>	<u>\$ 682,578</u>	<u>\$ -</u>	<u>\$ 302,489</u>	<u>\$ 1,698,190</u>
 Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 3,062	\$ -	\$ 2,852	\$ 5,914
Total current	<u>-</u>	<u>-</u>	<u>3,062</u>	<u>-</u>	<u>2,852</u>	<u>5,914</u>
Fund Balances:						
Restricted:						
Other	-	713,123	679,516	-	299,637	1,692,276
Total fund balances	<u>-</u>	<u>713,123</u>	<u>679,516</u>	<u>-</u>	<u>299,637</u>	<u>1,692,276</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 713,123</u>	<u>\$ 682,578</u>	<u>\$ -</u>	<u>\$ 302,489</u>	<u>\$ 1,698,190</u>

COVINGTON INDEPENDENT SCHOOL DISTRICT

**Combining Statement of Revenues, Expenditures and
Changes in Fund Balances – Nonmajor Governmental Funds
Year Ended June 30, 2021**

	Capital Outlay Fund	Building Fund	Construction Fund	Debt Service Fund	School Activity Fund	Total Nonmajor Government Funds
Revenues:						
Taxes	\$ -	\$ 890,647	\$ -	\$ -	\$ -	\$ 890,647
Earnings on investments	-	-	-	-	343	343
State sources	325,685	600,987	-	568,307	176,652	1,671,631
Total revenues	325,685	1,491,634	-	568,307	176,995	2,562,621
Expenditures:						
Instructional	-	-	-	-	168,204	168,204
Staff support services	-	-	-	-	44,662	44,662
Facility acquisition and construction	-	-	3,605,887	-	-	3,605,887
Debt service:						
Principal	-	-	-	1,165,000	-	1,165,000
Interest	-	-	-	519,525	-	519,525
Total expenditures	-	-	3,605,887	1,684,525	212,866	5,503,278
Excess (deficit) of revenues over expenditures	325,685	1,491,634	(3,605,887)	(1,116,218)	(35,871)	(2,940,657)
Other Financing Sources (Uses)						
Proceeds from sale of bonds	-	-	3,750,000	-	-	3,750,000
Refinanced bonds	-	-	-	-	-	-
Bond premium	-	-	28,118	-	-	28,118
Proceeds from sale of assets	-	-	-	-	-	-
Operating transfers in	-	-	132,068	1,116,218	-	1,248,286
Operating transfers out	(325,685)	(1,250,459)	-	-	-	(1,576,144)
Total other financing sources(uses)	(325,685)	(1,250,459)	3,910,186	1,116,218	-	3,450,260
Net change in fund balance	-	241,175	304,299	-	(35,871)	509,603
Fund balance, July 1, 2020	-	471,948	375,217	-	335,508	1,182,673
Fund balance, June 30, 2021	\$ -	\$ 713,123	\$ 679,516	\$ -	\$ 299,637	\$ 1,692,276

COVINGTON INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget to Actual – Special Revenue Fund
Year Ended June 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Taxes	\$ 17,423,000	\$ 17,423,000	\$ 17,702,722	\$ 279,722
Other local sources	35,000	35,000	492,469	457,469
State sources	14,225,256	14,309,639	25,967,530	11,657,891
Federal sources	254,000	254,000	432,701	178,701
Other sources	911,418	911,418	891,666	(19,752)
Total revenues	<u>32,848,674</u>	<u>32,933,057</u>	<u>45,487,088</u>	<u>12,554,031</u>
Expenditures				
Instructional	19,809,392	19,793,292	23,120,265	(3,326,973)
Student support services	3,055,635	3,044,924	3,942,304	(897,380)
Staff support services	378,993	378,080	496,848	(118,768)
District administration	2,643,764	2,744,484	1,919,667	824,817
School administration	3,302,543	3,326,921	4,559,995	(1,233,074)
Business support services	2,123,584	2,131,965	2,184,726	(52,761)
Plant operation and maintenance	5,245,003	5,242,896	5,496,649	(253,753)
Student transportation	1,723,255	1,717,555	2,076,933	(359,378)
Food service operation	15,000	15,000	-	15,000
Facility acquisition and construction	-	-	736	(736)
Other	2,320,735	2,389,625	518,735	1,870,890
Total expenditures	<u>40,617,904</u>	<u>40,784,742</u>	<u>44,316,858</u>	<u>(3,532,116)</u>
Net change in fund balance	(7,769,230)	(7,851,685)	1,170,230	9,021,915
Fund balance, July 1, 2020	<u>7,769,230</u>	<u>7,851,685</u>	<u>7,851,685</u>	<u>-</u>
Fund balance, June 30, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,021,915</u>	<u>\$ 9,021,915</u>

COVINGTON INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget to Actual – Special Revenue Fund
Year Ended June 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Other local sources	\$ 900	\$ 68,279	\$ 228,123	\$ 159,844
State sources	2,672,635	3,547,607	3,634,835	87,228
Federal sources	5,794,557	13,635,392	8,805,525	(4,829,867)
Other sources	<u>95,000</u>	<u>88,393</u>	<u>302,536</u>	<u>214,143</u>
Total revenues	<u>8,563,092</u>	<u>17,339,671</u>	<u>12,971,019</u>	<u>(4,368,652)</u>
Expenditures:				
Instructional	6,742,279	12,386,040	8,917,825	3,468,215
Student support services	177,375	527,755	358,277	169,478
Staff support services	281,433	281,854	185,665	96,189
School administration	209,611	193,278	231,777	(38,499)
Plant operation and maintenance	-	64,420	279,853	(215,433)
Student transportation	170,500	154,966	95,733	59,233
Food service operation	-	1,000,000	411,436	588,564
Day Care Operations	3,000	103,430	13,790	89,640
Community service operations	978,894	1,184,139	1,298,712	(114,573)
Other	<u>-</u>	<u>1,479,517</u>	<u>306,499</u>	<u>1,173,018</u>
Total expenditures	<u>8,563,092</u>	<u>17,375,399</u>	<u>12,971,019</u>	<u>4,404,380</u>
Net change in fund balance	-	(35,728)	-	35,728
Fund balance, July 1, 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2021	<u>\$ -</u>	<u>\$ (35,728)</u>	<u>\$ -</u>	<u>\$ 35,728</u>

COVINGTON INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balances
Bond and Interest Redemption Funds
Year Ended June 30, 2021**

	<u>Issue of 2012</u>	<u>Issue of 2012 KISTA</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, 2020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Transfers and miscellaneous deposits	66,169	66,787	285,244	228,550	496,562	88,750	180,369
Disbursements:							
Bonds paid	50,000	65,000	225,000	185,000	315,000	50,000	100,000
Interest coupons	16,169	1,787	60,244	43,550	181,562	38,750	80,369
Transfers and miscellaneous	-	-	-	-	-	-	-
Call fee	-	-	-	-	-	-	-
Total disbursements	66,169	66,787	285,244	228,550	496,562	88,750	180,369
Excess of receipts over disbursements	-	-	-	-	-	-	-
Cash at July 1, 2021	-	-	-	-	-	-	-
Fund Balance at June 30, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>Issue of 2019</u>	<u>Issue of 2019 Ref</u>	<u>Issue of 2020</u>	<u>Total</u>			
Cash at July 1, 2020	\$ -	\$ -	\$ -	\$ -			
Receipts:							
Transfers and miscellaneous deposits	72,700	159,688	39,706	1,840,126			
Disbursements:							
Bonds paid	40,000	135,000	-	1,165,000			
Interest coupons	32,700	24,688	39,706	519,525			
Transfers and miscellaneous	-	-	-	-			
Call fee	-	-	-	-			
Total disbursements	72,700	159,688	39,706	1,840,126			
Excess of receipts over disbursements	-	-	-	-			
Cash at July 1, 2021	-	-	-	-			
Fund Balance at June 30, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			

COVINGTON INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balances
Holmes High School Activity Funds
Year Ended June 30, 2021**

	Balance July 1, 2020	Receipts	Disbursements	Balance June 30, 2021
385 Academic team	\$ 10	\$ -	\$ -	\$ 10
101 Alumni fund	755	-	100	655
3000 Annual	1,262	1,280	-	2,542
190 Art department	150	-	150	-
106 Athletic deposits	-	-	-	-
105 Athletic expenses	-	6,775	6,775	-
200 Athletic office	18,508	82,101	73,825	26,784
301 Baseball fundraiser	2,211	-	-	2,211
300 Basketball fundraiser	281	-	180	101
205 Cheerleaders	1,359	432	685	1,106
375 Chess Team	1,348	-	-	1,348
5030 Child care development center	325	540	-	865
103 Citi Group best partner	4,542	-	4,532	10
2020 Class of 2020	261	-	261	-
2021 Class of 2021	2,154	856	3,010	-
2022 Class of 2022	-	6,673	5,570	1,103
7015 Clinton Harvey	1,986	-	1,000	986
104 Concession	7,235	9,480	7,675	9,040
313 Cross country fundraiser	5,067	-	-	5,067
7080 Don Conrad family scholarship	47,183	30,000	30,440	46,743
30025 Eighth Grade Girls Basketball	1	-	1	-
520 Faculty lounge Sr.	-	-	-	-
383 FBLA	-	48	-	48
920 Fine arts enrichment	624	-	-	624
388 Football fundraiser	225	-	-	225
7010 G & R Reed scholarship	116	-	-	116
100 General fund	25,894	6,594	7,396	25,092
306 Girls' soccer fundraiser	1,027	-	-	1,027
7045 Heisel, DR medallion	4,606	-	-	4,606
8020 Holmes broadcasting	283	-	-	283
295 Holmes marching band	768	300	301	767
355 Honor Society - Sr.	176	-	-	176
8030 Library	1,072	27	-	1,099
5100 Marine Corp adm	1,691	250	-	1,941
400 Media Arts Fundraiser	44	-	-	44
7040 Mitchell, H & S scholarship	13,801	200	2,000	12,001
30040 MS cheerleading	-	-	-	-
30055 MS sweats	880	-	880	-
1500 Needy student fund	584	-	-	584
155 PBIS	400	-	4	396

COVINGTON INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balances
Holmes High School Activity Funds
Year Ended June 30, 2021
(Continued)**

	Fund Balance July 1, 2020	Receipts	Disbursements	Fund Balance June 30, 2021
111 Petty cash	\$ 50	\$ -	-	\$ 50
7025 R&J Sargent scholarship	6,000	2,000	-	8,000
550 Records office	5,790	180	-	5,970
7050 Robert & Wanda Carr Scholarship	925	125	1,000	50
7030 Roth-Morgan scholarship	110	-	-	110
390 S.B.E. Small Business Center	1,079	111	610	580
304 SCR Fundraiser	246	-	-	246
176 Senior Legacy Project	350	-	-	350
30005 Seventh Grade Boys Basketball	13	-	13	-
7095 Shelly Duncan Scholarship	1,275	1,695	-	2,970
5060 Skills USA executive	939	-	-	939
312 Softball fast fundraiser	4,447	561	2,678	2,330
378 Spanish club	-	-	-	-
380 Spanish N.H.S.	150	-	-	150
108 Student behavior mod	5,455	133	4,703	885
387 Student council	2,867	-	-	2,867
165 Student of the Month	185	531	210	506
110 Supply store	22,252	14,026	13,029	23,249
309 Swimming fundraiser	1,210	-	-	1,210
107 Teacher incentive	2,380	523	2,208	695
109 Textbooks	4,570	24	257	4,337
307 Track fundraiser	1,428	229	-	1,657
7035 Tudor scholarship	3,325	400	-	3,725
405 Unity N Community	-	276	-	276
170 Varsity club	2,698	-	-	2,698
7005 Virginia Chapman scholarship	-	500	-	500
7085 Vogt Family Scholarship	2,000	1,500	-	3,500
314 Volleyball fundraiser	2,408	85	-	2,493
180 Washington DC	6,046	-	-	6,046
5070 Welding	222	-	-	222
7090 Woodrow Lane scholarship	-	4,500	-	4,500
315 Wrestling fundraiser	2,593	-	308	2,285
1200 Youth service center	838	-	240	598
1202 Youth service center postage	-	-	-	-
1201 YSC Sr. welfare	1,217	-	15	1,202
1203 YSC tobacco education	711	-	-	711
Total	\$ 230,608	\$ 172,955	\$ 170,056	\$ 233,507

COVINGTON INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balances – School Activity Funds
Year Ended June 30, 2021**

	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, 2020	\$ -	\$ 9,726	\$ 4,482	\$ 12,638	\$ 32,893
Add: receipts	-	1,254	5,787	3,335	8,114
Less: disbursements	-	(2,129)	(3,185)	(7,100)	(23,242)
Fund balances at June 30, 2021	<u>\$ -</u>	<u>\$ 8,851</u>	<u>\$ 7,084</u>	<u>\$ 8,873</u>	<u>\$ 17,765</u>

	Glenn O. Swing Elementary School	Latonia Elementary School	James E. Biggs Early Childhood Education Center	Total
Fund balances at July 1, 2020	\$ 12,866	\$ 36,507	\$ -	\$ 109,112
Add: receipts	1,541	4,249	-	24,280
Less: disbursements	(3,942)	(24,811)	-	(64,409)
Fund balances at June 30, 2021	<u>\$ 10,465</u>	<u>\$ 15,945</u>	<u>\$ -</u>	<u>\$ 68,983</u>

COVINGTON INDEPENDENT SCHOOL DISTRICT

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

	Last 10 Fiscal Years*									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
District's proportion of the net pension liability	0%	0%	0%	0%	0%	0%	0%	*	*	*
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	*	*	*
State's proportionate share of the net pension liability associated with the District	92,257,808	88,589,472	84,710,626	178,677,034	198,749,602	156,727,344	141,611,269	*	*	*
Total	<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>	<u>*</u>	<u>*</u>	<u>*</u>
District's covered-employee payroll	\$ 18,212,653	\$ 22,657,437	\$ 21,943,037	\$ 22,406,306	\$ 22,494,557	\$ 21,828,578	\$ 21,596,543	\$ 21,473,319	\$ 20,714,102	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0%	0%	0%	0%	0%	0%	0%	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	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: None

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

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

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

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

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

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

COVINGTON INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – TRS

	Last 10 Fiscal Years*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 1,095,026	\$ 846,257	\$ 1,063,408	\$ 994,604	\$ 1,032,979	\$ 1,026,311	\$ 807,615	\$ 629,373	\$ 603,614	\$ 593,963
Contributions in relation to the contractually required contribution	<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>	<u>(603,614)</u>	<u>(593,963)</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 19,798,478	\$ 18,212,653	\$ 22,657,437	\$ 21,943,037	\$ 22,406,306	\$ 22,494,557	\$ 21,828,578	\$ 21,596,543	\$ 21,473,319	\$ 20,714,102
Contributions as a percentage of of covered-employee payroll	5.53%	4.65%	4.69%	4.53%	4.61%	4.56%	3.70%	2.91%	2.81%	2.87%

* 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*									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
District's proportion of net pension liability	0.374577%	0.365720%	0.352104%	0.342321%	0.350383%	0.344818%	0.347687%	*	*	*
District's proportionate share of the net pension liability	\$ 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	\$ 7,669,917,211	\$ 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	\$ 7,903,847	\$ 9,223,519	\$ 8,892,640	\$ 8,478,926	\$ 8,520,633	\$ 8,195,123	\$ 8,098,732	\$ 8,131,534	\$ 8,842,053	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	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	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*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 2,202,404	\$ 1,901,582	\$ 1,981,277	\$ 1,695,634	\$ 1,583,863	\$ 1,453,521	\$ 1,447,873	\$ 1,529,852	\$ 1,589,713	\$ 1,508,323
Contributions in relation to the contractually required contribution	<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>	<u>(1,589,713)</u>	<u>(1,508,323)</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	\$ 9,147,649	\$ 7,903,847	\$ 9,223,519	\$ 8,892,640	\$ 8,478,926	\$ 8,520,633	\$ 8,195,123	\$ 8,098,732	\$ 8,131,534	\$ 8,842,053
Contributions as a percentage of covered-employee payroll	24.08%	24.06%	21.48%	19.07%	18.68%	17.06%	17.67%	18.89%	19.55%	17.06%

* 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*									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
District's proportion of the collective trust OPEB liability	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	211,000	188,000	169,000	134,000	*	*	*	*	*	*
Total net OPEB liability	\$ 211,000	\$ 188,000	\$ 169,000	\$ 134,000	*	*	*	*	*	*
District's covered-employee payroll	\$ 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%	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	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, 2020:

Valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	27 years, Closed
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% - 7.45%
Discount rate	7.50%

COVINGTON INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – LIF

	Last 10 Fiscal Years*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	-	-	-	-	*	*	*	*	*	*
Contribution deficiency	-	-	-	-	*	*	*	*	*	*
District's covered-employee payroll	\$ 19,798,478	\$ 18,212,653	\$ 22,657,437	\$ 21,943,037	*	*	*	*	*	*
Contributions as a percentage of of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	*	*	*	*	*	*

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

COVINGTON INDEPENDENT SCHOOL DISTRICT

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

	Last 10 Fiscal Years*									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
District's proportion of the collective trust OPEB liability	0.344555%	0.341841%	0.329210%	0.344001%	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ 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	\$ 6,966,000	\$ 8,080,000	\$ 9,844,000	\$ 10,020,000	*	*	*	*	*	*
Total net OPEB liability	\$ 15,662,000	\$ 18,085,000	\$ 21,267,000	\$ 22,286,000	*	*	*	*	*	*
District's covered-employee payroll	\$ 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	47.7%	44.2%	52.1%	54.7%	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	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

Methods and assumptions used in the actuarially determined contributions - The actuarially determined contributions 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, 2020:

Valuation date	June 30, 2019
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	21 years, Closed
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	8.00%
Health care cost trends	
Under 65	7.25% for FY 2020 decreasing to an ultimate rate of 5.00% by FY 2029
Ages 65 and older	5.25% for FY 2020 decreasing to an ultimate rate of 5.00% by FY 2022
Medicare Part B premiums	0.49% for FY 2020 with an ultimate rate of 5.00% by 2032
Under age 65 claims	The current premium charged by KEHP is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized).

COVINGTON INDEPENDENT SCHOOL DISTRICT

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

	Last 10 Fiscal Years*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 608,508	\$ 595,239	\$ 586,427	\$ 589,370	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	(608,508)	(595,239)	(586,427)	(589,370)	*	*	*	*	*	*
Contribution deficiency	-	-	-	-	*	*	*	*	*	*
District's covered-employee payroll	\$ 19,798,478	\$ 18,212,653	\$ 22,657,437	\$ 21,943,037	*	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	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

Methods and assumptions used in the actuarially determined contributions - The actuarially determined contributions 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, 2020:

Valuation date	June 30, 2019
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	21 years, Closed
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	8.00%
Health care cost trends	
Under 65	7.25% for FY 2020 decreasing to an ultimate rate of 5.00% by FY 2029
Ages 65 and older	5.25% for FY 2020 decreasing to an ultimate rate of 5.00% by FY 2022
Medicare Part B premiums	0.49% for FY 2020 with an ultimate rate of 5.00% by 2032
Under age 65 claims	the current premium charged by KEHP is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized).

COVINGTON INDEPENDENT SCHOOL DISTRICT

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

	Last 10 Fiscal Years*									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
District's proportion of the collective trust OPEB liability	0.374469%	0.365658%	0.352096%	0.342321%	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ 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	\$ 9,042,288	\$ 6,150,203	\$ 6,251,394	\$ 6,881,823	*	*	*	*	*	*
District's covered-employee payroll	\$ 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	114.4%	66.7%	70.3%	81.2%	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	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*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 456,711	\$ 485,279	\$ 410,169	\$ 394,230	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	<u>(456,711)</u>	<u>(485,279)</u>	<u>(410,169)</u>	<u>(394,230)</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Contribution deficiency	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
District's covered-employee payroll	\$ 9,147,649	\$ 7,903,847	\$ 9,223,519	\$ 8,892,640	*	*	*	*	*	*
Contributions as a percentage of of covered-employee payroll	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, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Agreement Number	Federal Expenditures for FYE 6/30/2021
<u>U.S. Department of Education</u>			
<i>Passed through Kentucky Department of Education</i>			
Special Education Cluster			
Special Education_ Grants to States	84.027	3810002 19	\$ 173,899
Special Education_ Grants to States	84.027	3810002 20	924,946
Special Education_Preschool Grants	84.173	3810002 20	62,014
Total Special Education Cluster			1,160,859
Title I Grants to Local Educational Agencies	84.010A	3100002 17	94,281
Title I Grants to Local Educational Agencies	84.010A	3100002 18	180,366
Title I Grants to Local Educational Agencies	84.010A	3100002 19	91,673
Title I Grants to Local Educational Agencies	84.010A	3100002 20	21,180
Title I Grants to Local Educational Agencies	84.010A	3100002 18	55,084
Title I Grants to Local Educational Agencies	84.010A	3100002 19	489,793
Title I Grants to Local Educational Agencies	84.010A	3100002 20	2,068,135
Total for CFDA #84.010			3,000,512
Career and technical Education -Basic Grants to States	84.048	3710002 18	2,652
Career and technical Education -Basic Grants to States	84.048	3710002 19	39,187
Career and technical Education -Basic Grants to States	84.048	3710002 20	58,940
Total for CFDA #84.048			100,779
Title II Improving Teacher Quality State Grants	84.367	3230002 19	62,833
Title II Improving Teacher Quality State Grants	84.367	3230002 20	74,105
Total for CFDA #84.367			136,938
English Language Acquisition State Grants	84.365	3300002 18	34,614
English Language Acquisition State Grants	84.365	3300002 19	14,535
English Language Acquisition State Grants	84.365	3300002 20	858
Total for CFDA #84.365			50,007
Twenty-First Century Community Learning Centers	84.287C	3400002 18	160,513
Twenty-First Century Community Learning Centers	84.287C	3400002 19	299,606
Total for CFDA #84.287			460,119
Title IV Student Support and Academic Enrichment Grant	84.424A	3420002 18	8,078
Title IV Student Support and Academic Enrichment Grant	84.424A	3420002 19	98,024
Title IV Student Support and Academic Enrichment Grant	84.424A	3420002 20	214,143
Total for CFDA #84.424A			320,245
Stewart B. McKinney Homeless Grant	84.196A	3990002 19	30,668
Stewart B. McKinney Homeless Grant	84.196A	3990002 20	63,679
Total for CFDA #84.196A			94,347
Coronavirus Relief Fund	21.019	CARES-20	838,672
Last Mile Internet	21.019	CARES-20	64,605
Total for CFDA #20.019			903,277
CARES Act Education Stabilization Fund - ESSER I	84.425D	4000002-20	2,113,620
CARES Act Education Stabilization Fund - GEERS	84.425C	CARES-20	380,837
CARES Act Education Stabilization Fund - ESSER II	84.425D	4200002-21	460,774
Digital Learning Coaches	84.425D	4000003-20	4,429
Total for CFDA #84.425			2,959,660
GEAR UP (Memorandum of Agreement with Commonwealth of KY)	84.334S	N/A	15,219
CARES Act - Child Care Development Funds	93.575	N/A	10,790
CARES Act - Child Care Development Funds Reopening Stipend	93.575	N/A	3,000
			13,790
<i>Passed through Erlanger/Elsmere School District</i>			
Violence Prevention Pyramid Project	84.184M	N/A	350,007
Total U.S. Department of Education			9,565,759
<u>U.S. Department of Agriculture</u>			
Child Nutrition Cluster			
<i>Passed through Kentucky Department of Education</i>			
National School Lunch Program	10.555	7750002 20	7,139
School Breakfast Program	10.553	7760005 20	4,484
Child and Adult Care Food Program	10.558	7790021 20	68,349
Child and Adult Care Food Program	10.558	7790021 21	245,406
Child and Adult Care Food Program	10.558	7800016 20	3,755
Child and Adult Care Food Program	10.558	7800016 21	11,307
Child and Adult Care Food Program	10.559	7690024 20	10,027
Summer Food Program	10.559	7690024 21	67,693
Summer Food Program	10.559	7740023 20	97,705
Summer Food Program	10.559	7740023 21	659,902
State Administrative Expenses for Child Nutrition	10.560	7700001 19	1,834
Total U.S. Department of Education			1,177,601
<i>Passed through Kentucky Department of Agriculture</i>			
National School Lunch Program - Food Donation	10.555	059-0203	134,537
Total Child Nutrition Cluster			1,312,138
Other			
<i>Passed through Kentucky Department of Agriculture</i>			
Fresh Fruit and Vegetable Program	10.582	7720012 21	45,003
Total Other U.S. Department of Agriculture			45,003
<u>U.S. Department of Defense</u>			
<i>Passed through Kentucky Department of Education</i>			
Junior ROTC	12.357	N/A	78,434
Total U.S. Department of Defense			78,434
Total Expenditures of Federal Awards			\$ 11,001,334

COVINGTON INDEPENDENT SCHOOL DISTRICT

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2021

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, 2021, 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, 2021, the District reported food commodities expended in the amount of \$134,537.

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, 2021.

**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, 2021, 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 10, 2021.

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 have not been identified.

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 79 to 81.

**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.

A handwritten signature in black ink that reads "Barnes, Dennig & Co., Ltd." in a cursive script.

Crestview Hills, Kentucky
November 10, 2021

**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

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, 2021. 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.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Covington Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Covington Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Covington Independent School District's compliance.

Opinion on Each Major Federal Program

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, 2021.

**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

Management of Covington Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Covington Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance.

Accordingly, we do not express an opinion on the effectiveness of Covington Independent School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Crestview Hills, Kentucky
November 10, 2021

COVINGTON INDEPENDENT SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

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
10.553/10.555/10.559	Child Nutrition Cluster
84.425	Education Stabilization Fund
21.019	Coronavirus Relief 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, 2021**

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, 2021

In planning and performing our audit of the financial statements of Covington Independent School District for the year ended June 30, 2021, 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 10, 2021 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 10, 2021, 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

COVINGTON INDEPENDENT SCHOOL DISTRICT

**Management Letter Comments (Continued)
Year Ended June 30, 2021**

CURRENT YEAR RECOMMENDATIONS (CONTINUED)

Latonia Elementary

2021-01: Signature lines removed from voided checks

Criteria – Per best practices recommended by the Kentucky Department of Education, signature lines on checks that are voided should be removed.

Condition – During testing of activity funds, it was noted that the word “VOID” was being written on the signature lines and instead of being removed.

Effect – Proper controls surrounding cash disbursements were not followed.

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

Recommendation – We recommend that all voided checks get the signature lines cut out of them per Redbook Guidelines that were established by the Kentucky Department of Education.

Board response – The school bookkeeper will remove signature lines from any voided checks moving forward.

John G. Carlisle Elementary

No matters are reportable

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, 2021**

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

Statement of prior year deficiency: It was noted that the financial secretary opens mail not addressed to someone specifically at the school.

Current year follow up: No such instances noted.

Latonia Elementary

No matters are reportable

Glenn O. Swing Elementary

No matters are reportable

James E. Biggs Early Childhood Education Center

No matters are reportable