



Kenton County School District | *It's about ALL kids.*

Issue Paper

DATE:

January 28, 2022

AGENDA ITEM (ACTION ITEM):

Receive: Revised Audited Financial Report for FY 2021

APPLICABLE BOARD POLICY:

4.9 Fiscal Management - Audits

HISTORY/BACKGROUND:

The Audited Financial Report for FY 2021 was submitted to KDE on November 15, 2021 and presented to the Board on December 7, 2021. The report has been amended by the auditor to include specific audit of the Coronavirus Relief Fund (SEEK Replacement) and include a few minor wording changes. Strothman & Co., the auditor, completed the revisions and is submitting the revised Audit Report at this time.

FISCAL/BUDGETARY IMPACT:

None

RECOMMENDATION:

Receive: Revised Audited Financial Report for FY 2021 as presented

CONTACT PERSON:

Susan Bentle

Principal

Susan Bentle

District Administrator

[Signature]

Superintendent

Financial Statements, Supplementary
Information and Reports Required
by the Single Audit Act

2021

Kenton County School District

June 30, 2021



**KENTON COUNTY SCHOOL DISTRICT
FINANCIAL STATEMENTS
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June 30, 2021**

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Independent Auditors' Report

Members of the Board
Kenton County School District
Fort Wright, 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 Kenton County School District (the "District") as of and for the year ended June 30, 2021 and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the accompanying 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 of 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 auditors' 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 auditors consider internal control relevant to the District'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 District'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 District as of June 30, 2021, and the respective changes in financial position and cash flows of its proprietary funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle - Adoption of Governmental Accounting Standards Board Pronouncement

As discussed in Note T to the financial statements, the Fund implemented the requirements of Governmental Accounting Standards Board's ("GASB") Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (Unaudited) on pages 4 through 12 and the budgetary comparison information on pages 58 through 59 and the pension and other post-employment benefits liability and contributions information on pages 60 through 70 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 to provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The activity funds financial information on pages 74 through 77 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for the purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* 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 other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Strothman and Company

Louisville, Kentucky
November 13, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

**Kenton County School District
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021
Unaudited**

As management of the Kenton County Board of Education ("Board"), the governing body for the Kenton County School District ("District"), we offer readers of the District's financial statements 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 report.

FINANCIAL HIGHLIGHTS

- Kenton County Schools served 14,113 enrolled students during the 2020-21 fiscal year through 19 schools including 3 high schools, a technology academy, 4 middle schools and 11 elementary schools. More than half of the District's schools are operating at their student capacity.
- District facility activity during 2021 included continued progress on addition/renovation to Scott High School and building enhancements to improve safety and security in several District schools. The Board also approved building renovation projects for five schools to address student population needs and eliminate temporary classroom facilities.
- In September 2020, the obligation on a 2011 Bond Issue was refinanced for the remaining 10 years on the debt with a projected \$1.06 million interest savings over the remaining term of the bonds.
- The Board approved a Lease & Security Agreement with the Kentucky Interlocal School Transportation Association ("KISTA") resulting in the issuance of \$1.045 million in bonds to finance the purchase of 8 new school buses.
- Net Position increased \$5.4 million reflecting an increase in tax revenue as well as operating grants during 2021.
- Total Revenues were \$173 million for the year. General revenues accounted for \$154 million, 89 percent of the total, while program specific revenues, in the form of charges for services and sales, grants, and contributions, accounted for \$19 million or 11 percent of total revenues. The District incurred \$167.8 million in total expenses.
- Governmental Fund Revenues were \$168 million with \$130.8 million accounted for in the General Fund. Local tax revenues increased to \$71.5 million while state SEEK revenues decreased from \$43.2 to \$ 41.6 million. Both Federal and state grant program revenues increased in amounts comparable to 2020. Federal grant revenue includes \$1.8 million from federal Cares/Coronavirus Relief Act funding.
- Governmental Fund Expenditures totaled \$170.1 million during 2021 with General Fund expenditures comprising \$126.6 million of that total. Per state mandates related to the COVID-19 pandemic, all District schools were closed to in-person instruction for ten weeks during the 2021 school year. As a result, expenditures for contract services, utilities and student transportation were lower than the previous year.
- The General Fund ended the year with a reserve balance of \$22.3 million which represents 19% of the non-construction budget for the year. \$4.1 million of the Total Fund Balance is either restricted or committed to capital/construction projects or operating obligations. The Unassigned Fund Balance at the end of the year is \$18 million.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to 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. This financial perspective is provided via the Statement of Net position and the Statement of Activities.

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. Net Position is one indication of financial health and position to support future operations. 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. Other non-financial factors, such as changes in the District's property tax base and the condition of school facilities, also contribute to evaluating the District's overall financial position.

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, the revenues and expenses reported in this statement for some items will result in cash flows in future fiscal periods.

The District-wide financial statements are divided into two categories, governmental activities and business-type activities. Governmental activities include functions of the District that are principally supported by property taxes and intergovernmental revenues and include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues. Business-type activities are those that charge a fee to assist in covering the cost of the service. Food Service is the only business-type activity reported in these financial statements. The District-wide financial statements can be found on pages 13 and 14 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Kentucky public school Districts utilize a state mandated uniform system and chart of accounts with all financial transactions processed by the MUNIS administrative software. All funds of the District can be divided into two categories: governmental funds and proprietary funds. Proprietary funds, also known as business-type activities in the government-wide reports, include the District's food service operations. All other activities of the District are included in the governmental funds. The basic governmental fund financial statements can be found on pages 15 through 22 of this report.

Notes to Financial Statements

The notes provide additional information essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to financial statements can be found on pages 23 through 57 of this report.

**Kenton County School District
Management's Discussion and Analysis--Continued
Fiscal Year Ended June 30, 2021
Unaudited (Continued)**

DISTRICT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

The perspective of the Statement of Net Position is of the District as a whole. Table 1 provides a summary of the District's net position as of June 30, 2021 and 2020.

**Table 1
Kenton County School District
Net Position
June 30, 2021 and 2020**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets						
Current Assets	\$ 29,163,103	\$ 29,530,130	\$ 1,528,803	\$ 1,348,825	\$ 30,691,906	\$ 30,878,955
Noncurrent Assets	237,111,802	239,657,690	587,865	668,977	237,699,667	240,326,667
Total Assets	266,274,905	269,187,820	2,116,668	2,017,802	268,391,573	271,205,622
Deferred Outflows of Resources						
Bond Refunding Savings	3,713,467	4,361,298			3,713,467	4,361,298
Pension & OPEB Contributions	21,719,276	19,625,177	1,944,881	1,864,385	23,664,157	21,489,562
Total Deferred Outflows	25,432,743	23,986,475	1,944,881	1,864,385	27,377,624	25,850,860
Total Assets and Deferred Outflows of Resources	\$ 291,707,648	\$ 293,174,295	\$ 4,061,549	\$ 3,882,187	\$ 295,769,197	\$ 297,056,482
Liabilities						
Current Liabilities	\$ 21,522,187	\$ 21,591,366	\$ 179,814	\$ 148,414	\$ 21,702,001	\$ 21,739,780
Noncurrent Liabilities	243,284,151	254,108,836	8,093,673	7,184,810	251,377,824	261,293,646
Total Liabilities	\$ 264,806,338	\$ 275,700,202	\$ 8,273,487	\$ 7,333,224	\$ 273,079,825	\$ 283,033,426
Deferred Inflows of Resources						
Pension & OPEB Contributions	\$ 16,262,435	\$ 13,910,965	\$ 557,944	\$ 725,900	\$ 16,820,379	\$ 14,636,865
Net Position						
Invested in Capital Assets, Net of Related Debt	\$ 72,710,517	\$ 61,155,670	\$ 587,865	\$ 668,977	\$ 73,298,382	\$ 61,824,647
Nonspendable - inventories	131,443	134,354			131,443	134,354
Restricted	2,195,022	5,510,768	(5,357,747)	(4,845,914)	(3,162,725)	664,854
Unrestricted	(64,398,107)	(63,237,664)			(64,398,107)	(63,237,664)
Total Net Position	\$ 10,638,875	\$ 3,563,128	\$ (4,769,882)	\$ (4,176,937)	\$ 5,868,993	\$ (613,809)
Total Liabilities and Net Position	\$ 291,707,648	\$ 293,174,295	\$ 4,061,549	\$ 3,882,187	\$ 295,769,197	\$ 297,056,482

**Kenton County School District
Management's Discussion and Analysis--Continued
Fiscal Year Ended June 30, 2021
Unaudited (Continued)**

Due to state pension plan and OPEB liabilities reflected on the District's balance sheet, Net Position may not be the best indicator of a government's financial position. In the case of the District, assets plus deferred outflows exceeded liabilities plus deferred inflow of resources by \$5,868,993 as of June 30, 2021. Unrestricted Net Position is (\$64,398,107) which includes the recognition of the District's proportionate share of the pension and other post-employment benefits (OPEB) liabilities at year end. Without the effect of the pension and OPEB net liabilities, unrestricted net position would be approximately \$30.1 million.

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

Capital Assets

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

The renovation process continues at Scott High School which is the facility identified in the District facility plan with the greatest needs. The fifth and final phase has been designed and involves the renovation of the auditorium, gymnasium, and all other remaining interior spaces. The project also includes construction of a new practice gym and replacement of the existing natatorium. All remaining site work will be completed with expanded parking, improved site circulation, new tennis courts, and baseball field renovations.

The District has other school building projects that are in the design and bid phase. These projects include the addition of classrooms, gymnasium addition, media center addition, kitchen/cafeteria additions, and/or overall interior renovations at each of the five elementary schools. Mobile classroom units will be removed from these campuses as soon as the projects are complete. Revenue bond sales are scheduled for November, 2021 to fund the Scott Phase V and the elementary school building renovation projects.

Work continued in 2021 on the security and safety upgrades at all school locations. This project involves the construction of a new secure vestibule entrance at Ryland Elementary and River Ridge Elementary schools. The work also involves upgrades to all existing secure vestibule designs now in place at all other school locations. The upgrades to all existing secure entrance designs will reflect the latest technology in school security.

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

Eight new buses were purchased through the Kentucky Intermodal School Transportation System bond program. The order included eight 84 passenger buses to replace buses that were over ten years old. Approved by the Board in December 2020, the new buses were delivered in June, 2021 and all are reflected in the Capital Assets Schedule as of June 30, 2021.

**Kenton County School District
Management's Discussion and Analysis--Continued
Fiscal Year Ended June 30, 2021
Unaudited (Continued)**

Debt

At June 30, 2021, the District had \$155.6 million in outstanding bonds. The bonds are being paid from the Debt Service Fund. A portion of this debt, \$21.2 million is serviced by the Kentucky School Facility Construction Commission. See Note E – Bonded Debt in the Notes to Financial Statements.

Participation in the KISTA bus lease/purchase program was approved by the Board and bonds were issued in March 2021 for the purchase of eight new buses for the District fleet. The total amount of bonds issued was \$1,045,194. The entire lease/bond debt of \$1,117,760 is reflected in liabilities at June 30, 2021 and will be serviced by the General Fund.

The Board approved school building refunding revenue bonds in the amount of \$7,670,000 for the purpose of refinancing existing 2011 School Revenue Bonds. The bonds sold on September 30, 2020 with present value savings to be realized over the remaining life of the debt of approximately \$1.06 million. The debt will be serviced by the District through the Debt Service Fund.

Statement of Activities (Changes In Net Position)

The Statement of Activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. Table 2 presents a summary of revenue and expense for the fiscal years ended June 30, 2021 and 2020.

GOVERNMENTAL ACTIVITY

Governmental Revenues were higher than 2020 with increases in General Revenue taxes and Grant revenue in 2021. Property tax collections were up due to a rate increase and state motor vehicle collections. Grant revenues reflected the additional federal grant reimbursements from the CARES/Coronavirus Relief funds.

On August 10, 2020, Kentucky Governor Andy Beshear recommended that in-person instruction be delayed until September 28, 2020 in response to the COVID-19 national health emergency. Then again in November, 2020 only remote learning was permitted until mid-January, 2021. While instruction continued via online methods through the end of the school year, other revenue activities such as building and school bus rentals ceased for approximately 12 weeks during the 2021 school year.

Total expenses reflected a reduction of \$2.2 million in utility and student transportation operating costs as result of school building closures described above. Interest on long-term debt was also lower in 2021. With the increase in revenue and reduction of expenses, the 2021 fiscal year ended by adding \$6.0 million to net position from current year activities.

BUSINESS-TYPE ACTIVITY

The only business-type activity of the District is the food service operation. This program experienced revenues of \$5.5 million and expenditures of \$6.1 million during fiscal year 2021. The USDA authorized meal reimbursement under the summer feeding program for all meals served during the entire school year, but some families did not participate due to transportation and access barriers. Due to closure of in-person instruction at the schools, breakfast and lunch sale revenue decreased but was replaced by the federal meal reimbursement revenue. The District continued operation of the food service program to serve as many students as possible. The 2021 fiscal year ended by using \$600 thousand of its net position during the current year due to required expenditure recognition under Government Accounting Board Statements 68 and 75.

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

**Kenton County School District
Management's Discussion and Analysis--Continued
Fiscal Year Ended June 30, 2021
Unaudited (Continued)**

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

**Table 2
Kenton County School District
Changes In Net Position
June 30, 2021 and 2020**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues:						
Operating grants and contributions	\$ 7,593,103	\$ 6,089,488	\$ 4,729,668	\$ 3,806,478	\$ 12,322,771	\$ 9,895,966
Capital grants and contributions	5,891,371	5,431,190	223,631	206,092	6,115,002	5,637,282
Charges for services	552,125	826,210	83,855	1,110,217	635,980	1,936,427
Total Program Revenues	14,036,599	12,346,888	5,037,154	5,122,787	19,073,753	17,469,675
General Revenues:						
Taxes	71,529,550	67,293,446			71,529,550	67,293,446
Grants and entitlements	79,494,827	81,281,694	476,582	431,157	79,971,409	81,712,851
Earnings on investments	65,498	482,177	1,022	18,870	66,520	501,047
Miscellaneous	2,605,645	1,500,819			2,605,645	1,500,819
Total General Revenues	153,695,520	150,558,136	477,604	450,027	154,173,124	151,008,163
Total Revenues	167,732,119	162,905,024	5,514,758	5,572,814	173,246,877	168,477,838
Expenses:						
Instructional	91,582,487	91,165,809			91,582,487	91,165,809
Student Support	9,480,450	9,606,138			9,480,450	9,606,138
Instructional Support	5,327,570	5,176,143			5,327,570	5,176,143
District Administration	2,256,012	2,185,214			2,256,012	2,185,214
School Administration	10,827,559	10,745,461			10,827,559	10,745,461
Business Support	3,367,348	3,204,091			3,367,348	3,204,091
Plant Operations	21,580,277	20,619,803			21,580,277	20,619,803
Student transportation	10,908,477	12,623,613			10,908,477	12,623,613
Community Support	1,084,050	1,039,341			1,084,050	1,039,341
Interest - Long term debt	5,291,943	5,870,004			5,291,943	5,870,004
Food Service Operations			6,107,703	7,130,105	6,107,703	7,130,105
Total Expenses	161,706,173	162,235,617	6,107,703	7,130,105	167,813,876	169,365,722
Change in Net Position	\$ 6,025,946	\$ 669,407	\$ (592,945)	\$ (1,557,291)	\$ 5,433,001	\$ (887,884)

**Kenton County School District
Management's Discussion and Analysis--Continued
Fiscal Year Ended June 30, 2021
Unaudited (Continued)**

THE DISTRICT'S FUNDS

The District's governmental funds are accounted for using the modified accrual basis of accounting. Fund financial statements are included on pages 15 – 22. The District accounts include eight different funds with the General Fund reflecting the most activity. Total governmental fund revenues, including on-behalf payments, were \$168 million with expenditures of \$170.1 million. Table 3 reflects the 2021 and 2020 fund revenues by type. Chart 1 reflects the percentage for each collected revenue type.

**Table 3
Kenton County School District
Revenues
June 30, 2021 and June 30, 2020**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Local Sources:						
Property Taxes	\$ 59,160,089	\$ 56,192,287			\$ 59,160,089	\$ 56,192,287
Motor Vehicle Taxes	6,402,194	5,359,877			6,402,194	5,359,877
Utility Taxes	5,967,267	5,741,282			5,967,267	5,741,282
Other Local Revenues	2,770,990	1,885,325	\$ 20,765	\$ 52,828	2,791,755	1,938,153
State Sources:						
SEEK Program	41,593,102	43,195,049			41,593,102	43,195,049
State Grants	9,659,446	8,734,280	67,408	75,820	9,726,854	8,810,100
Federal Revenues	7,771,364	6,288,085	4,953,299	3,936,750	12,724,663	10,224,835
Lunchroom Sales			63,090	1,057,389	63,090	1,057,389
Other Revenues	536,521	1,062,002	990	18,870	537,511	1,080,872
Collected Revenue	133,860,973	128,458,187	5,105,552	5,141,657	138,966,525	133,599,844
State On-Behalf	34,133,650	34,446,837	409,174	431,157	34,542,824	34,877,994
Total Revenue	\$ 167,994,623	\$ 162,905,024	\$ 5,514,726	\$ 5,572,814	\$ 173,509,349	\$ 168,477,838

Chart 1
2021 Collected Fund Revenues



**Kenton County School District
Management's Discussion and Analysis--Continued
Fiscal Year Ended June 30, 2021
Unaudited (Continued)**

General Fund revenues decreased slightly to \$130.8 million in 2021. Local property tax increases in 2021 and higher motor vehicle tax collections added \$3.2 million revenue in 2021 while the General Fund portion of Kentucky SEEK revenue decreased by \$3.9 million. \$2.2 million of SEEK revenue was reflected in the Special Revenue Fund in 2021 following the state funding source. The District's property tax base remains strong and increased by \$519 million providing a stable source of operating revenue. Two major tax revenues (real estate and motor vehicle) experienced increased collections during 2021. As mentioned earlier, other local revenue items such as transportation and building rentals decreased during the health emergency shutdown.

General Fund 2021 expenditures totaled \$126.6 million, a decrease of \$3.8 million from 2020 primarily due to \$2.2 million of operating expenses recorded in the Special Revenue following the SEEK revenue recorded in that fund. The District also experienced lower utility and transportation costs due to fewer in-person instruction days. Lease and debt payments were slightly higher in 2021 and will continue to rise with energy project bond obligations and new bus lease purchases. The 2021 salary schedules included a 1% increase for each position as well as the experience step increase of approximately 1.3%. Salary and benefits cost represent approximately 85% of the General Fund expenditures each year. The District is committed to hiring and retaining the most qualified personnel. The current compensation schedule is competitive with other Northern Kentucky Districts as well as Ohio and Indiana. This has helped attract highly qualified applicants and retain staff who have been trained by the District.

The General Fund ended the year with a fund balance at June 30, 2021 of \$22.3 million. The General Fund receives approximately 97% of annual cash revenue from local taxes and state SEEK revenue which can vary with the local economic environment and state budget issues. The fund balance will be critical in maintaining instructional programs and facilities as state funding priorities could shift given the current status of the health pandemic and state pension funding deficiencies.

The Special Revenue Fund received funds from the CARES Act and American Rescue Plan in the amounts of \$1,415,989 and \$393,723, respectively. The funds paid for cleaning/sanitizing supplies, PPE, health supplies, and instructional programs and materials to provide or continue instruction throughout the 2021 school year. The District has been allocated an additional \$ 7,017,205 and \$13,911,799 from the American Rescue Plan to support instruction and operating needs through 2024.

In accordance with Government Accounting Board Statement 84, *Fiduciary Activities*, the School Activity Fund was added to the government funds of the District. This fund includes the financial activity for student activity accounts maintained by each school. Revenues in the amount of \$1,215,721 and expenditures of \$1,147,420 are included in the 2021 governmental activity in this report. This activity was reported in prior years as fiduciary funds.

GENERAL FUND BUDGETING HIGHLIGHTS

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

The most significant budgeted fund is the General Fund. By law, this fund budget must include a minimum 2% contingency. The Board adopted a working budget for 2021 with \$10.8 million in contingency (9%). The 2021 General Fund budget is included in the Supplementary Information section of this report. It should be noted that state on-behalf revenues and expenditures of \$33.3 million are not budgeted but are included in the actual results column of the report.

For the General Fund, total budgeted revenues and other financing sources were \$99.4 million and actual revenues, excluding on-behalf payments were \$98.8 million. General Fund budgeted expenditures, excluding contingency, were \$100.9 million while actual expenditures, excluding on-behalf totaled \$96.5 million. The favorable variances in actual revenue and expenditures resulted in a \$22.3 million fund balance at the end of the year versus a budgeted ending fund balance of \$14.3 million.

On-Behalf Payments

The District recorded on-behalf payments in the General Fund in 2021 totaling \$33.3 million and \$800 thousand in the District Academy Fund as required by KDE. On-behalf payments represent amounts paid on behalf of the Kenton County School District by the Commonwealth of Kentucky for employee health insurance, Teachers' Retirement, post-employment benefits and technology services. These revenues and expenditures are not budgeted but are required to be reflected in the annual financial fund reports as a revenue and expenditure. As a result, it should be noted that large variances between budgeted and actual amounts for the General Fund are the result of this inconsistency.

CURRENT ISSUES

The COVID-19 national health emergency continues as the largest issue facing school Districts throughout the country. The District started the 2022 school year providing both in-person and virtual instruction. The goal is to provide in-person instruction in all schools to all students/parents interested in that option. Regional, local, and school virus infection rates are monitored and drive decisions concerning in-person learning for the 2022 school year. A Test to Stay Program has been effective and allowed numerous students to safely remain at school during quarantine situations. Funding from the CARES Act and American Rescue Plan are expected to cover any increased costs related to virtual and in-person staffing and instruction. The USDA has authorized meal reimbursement under the summer feeding program for all meals served through the end of the 2022 school year and has stabilized the financial support that the program requires. Meals are prepared and provided for all students each day regardless of student attendance at school. CARES Act and American Rescue Plan resources can be used to support student meal operations as well.

SEEK revenues account for another 31% of government fund revenue at \$4,100 per student, same as last year. State revenue is calculated using the 2019 school year attendance data to help curb the effect of student attendance due to the pandemic. The Kentucky General Assembly added 2022 SEEK funding for full day Kindergarten during the 2021 Special Session. The District has been providing full day instruction for Kindergarten students since 2019 and added full day Preschool instruction in 2022. Rising property values will add to local revenue streams but continue to reduce the state SEEK contribution.

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to Dr. Henry Webb, Superintendent, or Ms. Susan Bentle, Treasurer, at 859-344-8888, or by mail at 1055 Eaton Drive, Fort Wright, Kentucky 41017.

DISTRICT-WIDE FINANCIAL STATEMENTS

KENTON COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 26,000,138	\$ 419,160	\$ 26,419,298
Accounts Receivable	3,031,522	916,677	3,948,199
Inventories	131,443	192,966	324,409
Land and other nondepreciable assets	19,889,998		19,889,998
Capital assets, net of accumulated depreciation	217,221,804	587,865	217,809,669
Total Assets	\$ 266,274,905	\$ 2,116,668	\$ 268,391,573
Deferred Outflows of Resources			
Deferred savings from refunding bonds	\$ 3,713,467		\$ 3,713,467
Deferred Outflows from Pension Contributions	9,004,219	\$ 1,067,613	10,071,832
Deferred Outflows from OPEB Contributions	12,715,057	877,268	13,592,325
Total Deferred Outflows	\$ 25,432,743	\$ 1,944,881	\$ 27,377,624
Liabilities			
Accounts Payable	\$ 3,738,560	\$ 75,171	\$ 3,813,731
Accrued interest payable	1,116,745		1,116,745
Unearned Revenue	909,086	104,643	1,013,729
Net Pension Liability	51,138,051	6,063,348	57,201,399
Net OPEB Liability	42,182,689	1,960,632	44,143,321
Current maturities of			
school building revenue bonds	14,600,000		14,600,000
capital lease obligations	1,157,796		1,157,796
Long-term maturities of			
school building revenue bonds	142,660,071		142,660,071
capital lease obligations	5,983,418		5,983,418
compensated absences	1,319,922	69,693	1,389,615
Total Liabilities	\$ 264,806,338	\$ 8,273,487	\$ 273,079,825
Deferred Inflows of Resources			
Deferred Inflows from Pension Contributions	\$ 1,277,421	\$ 151,461	\$ 1,428,882
Deferred Inflows from OPEB Contributions	14,985,014	406,483	15,391,497
Total Deferred Inflows	\$ 16,262,435	\$ 557,944	\$ 16,820,379
Net Position			
Net investment in capital assets	\$ 72,710,517	\$ 587,865	\$ 73,298,382
Nonspendable fund balance - inventories	131,443		131,443
Restricted for			
Capital projects and construction	413,343		413,343
Grants and awards	21,909		21,909
District Activities	641,668		641,668
School Activities	1,118,102		1,118,102
Food Service		(5,357,747)	(5,357,747)
Unrestricted	(64,398,107)		(64,398,107)
Total Net Position	\$ 10,638,875	\$ (4,769,882)	\$ 5,868,993

See Accompanying Notes to Financial Statements

**KENTON COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Functions/Programs	Total District-wide Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
Instruction	\$ 91,422,481	\$ 137,000	\$ 7,370,963		\$ (83,914,518)		\$ (83,914,518)
Support Services:							
Student	9,480,450				(9,480,450)		(9,480,450)
Instructional staff	5,327,570				(5,327,570)		(5,327,570)
District administrative	2,256,012				(2,256,012)		(2,256,012)
School administrative	10,827,559				(10,827,559)		(10,827,559)
Business support services	3,367,348				(3,367,348)		(3,367,348)
Plant operation and maintenance	21,580,277	14,411			(21,565,866)		(21,565,866)
Transportation	10,908,477	400,714			(10,507,763)		(10,507,763)
Community services	1,084,050		222,140		(861,910)		(861,910)
Other instructional	160,006				(160,006)		(160,006)
Facilities acquisition & construction				\$ 5,891,371	5,891,371		5,891,371
Interest	5,291,943				(5,291,943)		(5,291,943)
Total Governmental Activities	161,706,173	552,125	7,593,103	5,891,371	(147,669,574)		(147,669,574)
Business-type activities							
School food services	6,107,703	83,855	4,729,668	223,631		\$ (1,070,549)	(1,070,549)
Total business-type activities	6,107,703	83,855	4,729,668	223,631		(1,070,549)	(1,070,549)
Total Activities	\$ 167,813,876	\$ 635,980	\$ 12,322,771	\$ 6,115,002	\$ (147,669,574)	\$ (1,070,549)	\$ (148,740,123)
General revenues:							
Taxes							
Property taxes							
					\$ 65,562,283		\$ 65,562,283
Utility taxes							
					5,967,267		5,967,267
State sources							
SEEK program revenues							
					40,315,943		40,315,943
On behalf revenues							
					34,133,650	\$ 409,174	34,542,824
Other state revenues and grants							
					5,045,234	67,408	5,112,642
Interest and investment earnings							
					65,498	1,022	66,520
Gain on disposition of capital assets							
					84,183		84,183
Miscellaneous							
					2,521,462		2,521,462
Total General Revenues							
					153,695,520	477,604	154,173,124
Change in Net Position							
					6,025,946	(592,945)	5,433,001
Net Position, Beginning of Year, as Restated							
					4,612,929	(4,176,937)	435,992
Net Position, End of Year							
					\$ 10,638,875	\$ (4,769,882)	\$ 5,868,993

See Accompanying Notes to Financial Statements

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

**KENTON COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENT FUNDS
JUNE 30, 2021**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Gov't Funds</u>	<u>Total Governmental Funds</u>
Assets						
Cash and cash equivalents	\$ 22,631,656	\$ 49,875	\$ 1,210,990		\$ 2,107,617	\$ 26,000,138
Inventory	131,443					131,443
Accounts and grants receivable	1,770,432	1,233,713			27,377	3,031,522
Total Assets	<u>\$ 24,533,531</u>	<u>\$ 1,283,588</u>	<u>\$ 1,210,990</u>	<u>\$ -</u>	<u>\$ 2,134,994</u>	<u>\$ 29,163,103</u>
Liabilities						
Accounts Payable	\$ 2,177,187	\$ 388,502	\$ 797,647		\$ 375,224	\$ 3,738,560
Unearned Revenue	14,000	895,086				909,086
Total Liabilities	<u>2,191,187</u>	<u>1,283,588</u>	<u>797,647</u>		<u>375,224</u>	<u>4,647,646</u>
Fund Balances						
NonSpendable	131,443					131,443
Restricted	21,909		413,343		1,118,102	1,553,354
Committed	1,381,192				641,668	2,022,860
Assigned	2,729,238					2,729,238
Unassigned	18,078,562					18,078,562
Total Fund Balances	<u>22,342,344</u>		<u>413,343</u>		<u>1,759,770</u>	<u>24,515,457</u>
Total Liabilities and Fund Balances	<u>\$ 24,533,531</u>	<u>\$ 1,283,588</u>	<u>\$ 1,210,990</u>	<u>\$ -</u>	<u>\$ 2,134,994</u>	<u>\$ 29,163,103</u>

See Accompanying Notes to Financial Statements

**KENTON COUNTY SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2021**

Total Governmental Fund Balances	\$ 24,515,457
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental fund balance sheet.	237,111,802
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Deferred savings from refunding bonds are not financial resources and therefore are not reported as assets in the governmental funds balance sheet.	3,713,467
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Deferred outflows and inflows from pension are not financial resources and therefore are not reported as assets in the governmental funds balance sheet.	7,726,798
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Deferred outflows and inflows from OPEB are not financial resources and therefore are not reported as assets in the governmental funds balance sheet.	(2,269,957)
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Long-term liabilities, including bonds payable, are not due and payable in the government funds balance sheet. Long-term liabilities at year-end consist of:

Bonds & Leases Payable	(164,401,285)
Accrued Interest - Bonds Payable	(1,116,745)
Compensated Absences	(1,319,922)
Net Pension Liability	(51,138,051)
Net OPEB Liability	(42,182,689)
	(260,158,692)

Net Position of Governmental Activities	\$ 10,638,875
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See Accompanying Notes to Financial Statements

KENTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Gov't Funds</u>	<u>Total Governmental Funds</u>
Revenues						
Local sources						
Property taxes	\$ 44,318,342				\$ 14,841,747	\$ 59,160,089
Motor Vehicle taxes	6,402,194					6,402,194
Utilities taxes	5,967,267					5,967,267
Tuition and fees	137,000					137,000
Transportation Revenue	400,714					400,714
Other local revenues	750,867				1,260,269	2,011,136
Grants from local agencies and donors		\$ 222,140				222,140
State sources						
SEEK program	38,024,936	2,291,007			1,277,159	41,593,102
FSPK program					2,029,817	2,029,817
KSFCC allocation				\$ 2,584,395		2,584,395
Other state revenues	33,872,891	4,505,733			800,260	39,178,884
Federal sources - indirect	400,401	7,370,963				7,771,364
Interest Income on Investments	65,498					65,498
Other sources	471,023					471,023
Total Revenues	<u>130,811,133</u>	<u>14,389,843</u>		<u>2,584,395</u>	<u>20,209,252</u>	<u>167,994,623</u>
Expenditures						
Instruction	78,036,140	7,982,331			3,544,684	89,563,155
Student support services	8,848,300	719,592			147,352	9,715,244
Instructional staff support services	4,002,334	1,331,770			7,777	5,341,881
District administrative support services	1,210,275	1,042,097				2,252,372
School administrative support services	10,021,987				522,581	10,544,568
Business support services	2,587,245	619,082				3,206,327
Plant operations and maintenance	12,214,525	1,340,769			1,809	13,557,103
Transportation	8,473,953	30,648			104	8,504,705
Community services	10,786	1,098,299				1,109,085
Educational Specific		139,628				139,628
Building renovations			\$ 5,716,056			5,716,056

Continued

KENTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Gov't Funds</u>	<u>Total Governmental Funds</u>
Expenditures (Continued)						
Other					20,378	20,378
Debt Service						
Principal	1,024,376			14,330,000		15,354,376
Interest	179,719			4,771,238		4,950,957
Bond Issuance Costs				167,495		167,495
Total Expenditures	<u>126,609,640</u>	<u>14,304,216</u>	<u>5,716,056</u>	<u>19,268,733</u>	<u>4,244,685</u>	<u>170,143,330</u>
Excess (Deficit) of Revenues Over Expenditures	4,201,493	85,627	(5,716,056)	(16,684,338)	15,964,567	(2,148,707)
Other Financing Sources (Uses)						
Proceeds of revenue refunding bonds				7,670,000		7,670,000
Payments to bond Escrow Agent				(7,547,163)		(7,547,163)
Premium on Bonds Sold				44,658		44,658
Proceeds from Capital Leases	1,045,194					1,045,194
Transfers in	1,364,208	268,203	1,139,926	16,516,843	2,727,593	22,016,773
Transfers out	<u>(3,179,684)</u>	<u>(353,830)</u>			<u>(18,483,259)</u>	<u>(22,016,773)</u>
Total Other Financing Sources (Uses)	<u>(770,282)</u>	<u>(85,627)</u>	<u>1,139,926</u>	<u>16,684,338</u>	<u>(15,755,666)</u>	<u>1,212,689</u>
Net Change in Fund Balances	3,431,211		(4,576,130)		208,901	(936,018)
Fund Balances, Beginning of Year, as Restated	<u>18,911,133</u>		<u>4,989,473</u>		<u>1,550,869</u>	<u>25,451,475</u>
Fund Balances, End of Year	<u>\$ 22,342,344</u>	<u>\$ -</u>	<u>\$ 413,343</u>	<u>\$ -</u>	<u>\$ 1,759,770</u>	<u>\$ 24,515,457</u>

Continued from Previous Page

See Accompanying Notes to Financial Statements

KENTON COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Net Change in Fund Balances - Total Governmental Funds	\$	(936,018)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation expense exceeds capital outlays for the year as well as differences in gains and losses on capital asset sales		(2,545,888)
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Bond proceeds are recorded as revenues in the fund financial statements but are additions to liabilities in the statement of net position.		(430,000)
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Capital lease proceeds are recorded as revenues in the fund financial statements but are additions to liabilities in the statement of net position.		(1,045,194)
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Capital lease payments and bond payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.		15,354,376
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Accrued bond interest payable is not reported as a liability in the fund financial statements but is recorded in the statement of net position		107,567
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Bond premiums are not reported as a part of long-term debt in the fund financial statements but are recorded in the statement of net position		205,060
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Capitalized savings from bond refundings are not reported in the fund financial statements but must be amortized over the remaining life of the bonds in the statement of activities.		(647,831)
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Net Pension Liability is not reported as a liability in the fund financial statements but is recorded in the statement of net position		(5,022,457)
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Net OPEB Liability is not reported as a liability in the fund financial statements but is recorded in the statement of net position		757,060
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Capital Lease Liability is not reported as a liability in the fund financial statements but is recorded in the statement of net position		16,493
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Noncurrent accrued sick leave is not reported as a liability in the fund financial statements but is recorded in the statement of net position		212,778
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Change in Net Position of Governmental Activities	\$	6,025,946
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See Accompanying Notes to Financial Statements

PROPRIETARY FUND FINANCIAL STATEMENTS

KENTON COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2021

	Food Service
Assets	
Cash and cash equivalents	\$ 419,160
Accounts receivable	916,677
Inventories	192,966
Total Current Assets	1,528,803
Noncurrent Assets	
Capital assets	3,038,239
Less: accumulated depreciation	(2,450,374)
Total Noncurrent Assets	587,865
Deferred Outflows of Resources	
Pension contributions	1,067,613
OPEB contributions	877,268
Total Deferred Outflows	1,944,881
Total Assets	\$ 4,061,549
Liabilities	
Accounts payable	\$ 75,171
Unearned revenue	104,643
Long-term maturities of compensated absences	69,693
Net pension liability	6,063,348
Net OPEB liability	1,960,632
Total Liabilities	8,273,487
Deferred Inflows of Resources	
Deferred inflows from pension contributions	151,461
Deferred inflows from OPEB contributions	406,483
Total Deferred Inflows	557,944
Net Position	
Net investment in capital assets	587,865
Restricted	(5,357,747)
Total Net Position	(4,769,882)
Total Liabilities and Net Position	\$ 4,061,549

See Accompanying Notes to Financial Statements

**KENTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Food Service
Operating Revenues	
Lunchroom sales	\$ 63,090
Other operating revenues	20,765
Total Operating Revenues	83,855
Operating Expenses	
Salaries and wages	3,787,539
Contract services	131,592
Materials and supplies	1,678,275
Depreciation	111,751
Other expenses	398,514
Total Operating Expenses	6,107,671
Operating Loss	(6,023,816)
Non-operating Revenues (Expenses)	
Federal grants	4,729,668
Donated commodities	223,631
On-behalf revenues	409,174
State grants	67,408
Investment income	1,022
Loss on disposal of fixed assets	(32)
Total Non-operating Revenues	5,430,871
Change in Net Position	(592,945)
Net Position, Beginning of Year	(4,176,937)
Net Position, End of Year	\$ (4,769,882)

See Accompanying Notes to Financial Statements

**KENTON COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2021**

Cash Flows from Operating Activities	
Cash Received From:	
Lunchroom sales	\$ 63,090
Other activities	20,765
Cash Paid To/For:	
Employees	(2,717,954)
Supplies	(1,912,867)
Net Cash Used in Operating Activities	<u>(4,546,966)</u>
Cash Flows from Capital and Related Financing Activities	
Purchases of capital assets	(30,671)
Cash Flows from Investing Activities	
Investment income	1,022
Cash Flows from Noncapital Financing Activities	
Cash received from non-operating revenues	<u>4,031,274</u>
Net Decrease in Cash and Cash Equivalents	(545,341)
Balances - Beginning of Year	<u>964,501</u>
Balances - End of Year	<u><u>\$ 419,160</u></u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	\$ (6,023,816)
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:	
Commodities Used	223,631
On-behalf payments	409,174
Depreciation	111,751
Change in Assets and Liabilities:	
Inventory	33,562
Accounts payable	38,321
Accrued sick leave	(2,739)
Pension deferrals and net liability	552,232
OPEB deferrals and net liability	110,918
Net Cash Used in Operating Activities	<u><u>\$ (4,546,966)</u></u>
SCHEDULE OF NON-CASH TRANSACTIONS	
Donated commodities received from federal government	\$ 223,631
On-behalf payments	\$ 409,174

See Accompanying Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

Note A--Nature of Organization and Operations

The Kenton County Board of Education (the "Board"), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Kenton County School District (the "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 as a component unit in any other governmental "reporting entity". Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

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

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

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

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

Note B--Summary of Significant Accounting Policies

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 District's financial activities. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

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 reconciliations with brief explanations to better identify the relationship between the district-wide financial statements and the statements for governmental funds.

Continued

Note B--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 for 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--The financial transactions of the District are reported in individual funds in the fund financial statements. Funds are organized into two major categories: governmental and proprietary. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a 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 sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources.

Proprietary funds are reported using the economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position. The Statement of Cash Flows provides information about how the District finances and meets the cash flow of the proprietary activities.

In the fund financial statements, governmental funds and agency funds are presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when paid.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used.

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

Continued

Note B--Summary of Significant Accounting Policies--Continued

Basis of Presentation--Continued

The District has the following funds:

I. Governmental Fund Types

Major Funds

- A. The General Fund is the primary operating fund of the District. It accounts for all activities except those legally or administratively required to be accounted for in other funds. 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 Funds 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 the specified project period as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. This is a major fund of the District.
- C. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- D. 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.

Nonmajor Funds

- A. 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.
- B. The Facility Support Program of Kentucky Fund ("FSPK") Building Fund 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.
- C. District Activity Fund is a special revenue fund used to account for revenue and expenditures related to co-curricular and extra-curricular student activities. The funds have been restricted by the Board for specific purposes.
- D. Student Activity Fund is a special revenue fund to account for revenue and expenditures related to student activities that are legally restricted to expenditure for specified purposes. These funds are accounted for in accordance with the Kentucky Department of Education Publication, Uniform Program of Accounting for School Activity Funds.
- E. Academy Fund is a special revenue fund to account for academy funds that are legally restricted to expenditure for specified purposes imposed by external parties, enabling legislation, or by board action.

Continued

Note B--Summary of Significant Accounting Policies--Continued

Basis of Presentation--Continued

II. Proprietary Funds Types (Enterprise Fund)

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

Basis of Accounting and Financial Statement Presentation--The financial statements of the District have been prepared in accordance with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for government accounting and financial reporting.

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.

Accounts Receivable--Receivables consist of all revenues earned at year-end and likely received within 90 days from end of the fiscal period. Major receivable amounts consist of tax revenue earned through June 30, 2021 as well as federal and state grant reimbursement revenue.

Investments--In accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are reported at fair value.

Inventories--Government Fund inventory consists of expendable transportation supplies and materials held for consumption and are stated at the lower of cost or market. Inventory accounted for in the Proprietary Fund consists of donated and purchased foods held for resale. Purchased food is valued at cost and U.S. Government donated commodities value is determined by the U.S. Department of Agriculture. All other supplies and materials are charged to expenses/expenditures when purchased. The Proprietary Fund inventories use the specific identification method and the Government Fund inventories use the first-in, first-out method.

Bond Issue Costs--Costs associated with the issuance of bond obligations are expensed as incurred.

Capital Assets--Governmental fund capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported as 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 governmental funds balance sheet. 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 proprietary fund statement of net position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000 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 expensed.

Continued

Note B--Summary of Significant Accounting Policies--Continued

Basis of Accounting and Financial Statement Presentation--Continued

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	25-50 Years
Land improvements	20 Years
Technology equipment	5 Years
Vehicles	5 - 10 Years
Audio-visual equipment	15 Years
Food service equipment	10 - 12 Years
Furniture and fixtures	7 Years
Other	10 Years

Deferred Savings on Bond Refundings--Deferred savings on bond refunding represents losses equal to the principal amount borrowed to refund the principal amount outstanding on previous bond issues. These amounts are recognized as deferred outflows of resources on the accompanying statement of net position. The amounts are amortized over the life of the new bond or the life of the refunded bond (whichever is shorter), and included in interest expense on the accompanying Statement of Activities.

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 expenses/expenditures during the reporting period. Actual results could differ from those estimates.

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 and accrued liabilities from proprietary funds are reported on the proprietary fund financial statements.

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

Note B--Summary of Significant Accounting Policies--Continued

Basis of Accounting and Financial Statement Presentation--Continued

Compensated Absences Liability--Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated compensated absences. Compensated absences benefits are accrued as a liability using the termination payment method. An accrual for earned compensated absences 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.

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 ("TRS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by these 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 (OPEBs)--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 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 these 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, 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.

Equity Classifications--In the district-wide financial statements, equity is classified as net position and displayed in the following three components:

- Net Investment in Capital Assets – Capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of the capital assets.
- Restricted Net Position – Net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, or laws or regulations or 2) law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – All other net assets that do not meet the definition of "restricted" or "net investment in capital assets".

Continued

Note B--Summary of Significant Accounting Policies--Continued

Basis of Accounting and Financial Statement Presentation--Continued

Government Fund Balance Reserves--The District follows GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which defines 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 Board, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the Board 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--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.

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.

Note B--Summary of Significant Accounting Policies--Continued

Basis of Accounting and Financial Statement Presentation--Continued

Unearned Grant Revenue--Unearned grant 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 grant revenue.

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.

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.

Donated Commodities--The fair value of donated commodities received during the year is reported in the Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position as an expense and as donated commodities revenue (nonoperating revenue).

Taxes--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. The property tax rates assessed for the year ended June 30, 2021 were \$0.671 per \$100 valuation for real property and \$0.673 per \$100 valuation for tangible personal property. Motor vehicle tax was \$0.635 for \$100 valuation of motor vehicles.

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

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

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

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

Interfund Activity--Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Note C--Cash, Cash Equivalents and Investments

District funds are required to be deposited and invested under the terms of a depository contract pursuant to Kentucky Revised Statutes (“KRS”) 160.570 and 702 Kentucky Administrative Regulations (“KAR”) 3:090. The depository bank holds for safekeeping with the District’s third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may be lost. The District's cash deposits are covered by Federal Depository Insurance up to \$250,000 per financial institution, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name.

Cash equivalents are funds temporarily invested in securities with an original maturity of 90 days or less.

Cash and cash equivalents at June 30, 2021 consisted of the following:

	Bank Balance	Book Balance
First Financial Bank	<u>\$ 29,673,449</u>	<u>\$ 26,419,298</u>
 <u>Amounts per financial statements:</u>		
Governmental funds		\$ 26,000,138
Proprietary funds		419,160
Total		<u>\$ 26,419,298</u>

During the year, the District invested excess cash into short-term repurchase agreements, collateralized by U.S. Government securities and highly rated commercial paper instruments. These investments are either insured or securities are held by the pledging financial institution’s trust department in the District’s name. District policy limits investment in non U.S. government backed securities to no more than twenty percent of the total amount invested at any one time. Fiduciary funds utilize certificate of deposit instruments in Kenton County financial institutions at various interest rates and maturity dates. These amounts are included in the Cash and Cash Equivalents amounts on the fiduciary financial statements.

Kentucky statutes authorize the District to invest in the following:

1. Obligations of the United States Government and of its agencies and instrumentalities, repurchase agreements and specially approved AAA rated corporate bonds;
2. Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and municipalities;
3. Any savings and loan associations insured by an agency of the United States Government up to the amount insured;
4. Interest bearing deposits in national and state banks chartered in Kentucky and insured by an agency of the United States Government up to the amount so insured, and in larger amounts providing such bank shall pledge securities having a current quoted market value at least equal to any uninsured deposits.

Continued

Note C--Cash, Cash Equivalents and Investments--Continued

As of June 30, 2021, the District had \$0 in investments.

Fair Value Measurement - The District's investments are measured and reported at fair value and classified according to the following hierarchy:

Level 1 – Investments reflected prices quoted in active markets.

Level 2 – Investments reflected priced that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.

Level 3 – Investments reflect prices based upon unobservable sources.

Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2021

Note D--Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	Balance June 30, 2020	Additions	Dispositions	Balance June 30, 2021
<u>Governmental activities</u>				
Cost				
Land	\$ 6,337,338	\$ 598,000		\$ 6,935,338
Construction in progress	19,985,056	5,683,618	\$ 12,714,014	12,954,660
Land improvements	7,144,373	22,490	160,102	7,006,761
Buildings & building improvements	310,854,244	11,570,076	215,058	322,209,262
Technology equipment	11,188,834	1,804,735	1,033,859	11,959,710
Vehicles	15,045,697	1,126,175	1,457,179	14,714,693
General equipment	3,614,331	669,699	68,054	4,215,976
Total Assets at Historical Cost	\$ 374,169,873	\$ 21,474,793	\$ 15,648,266	\$ 379,996,400
	Balance June 30, 2020	Depreciation	Dispositions	Balance June 30, 2021
Accumulated Depreciation				
Land improvements	\$ 3,128,435	\$ 235,920	\$ 160,102	\$ 3,204,253
Buildings & building improvements	114,888,972	8,143,012	95,484	122,936,500
Technology equipment	6,802,632	1,271,956	920,948	7,153,640
Vehicles	7,551,202	1,200,979	1,453,698	7,298,483
General equipment	2,140,942	218,213	67,433	2,291,722
Total Accumulated Depreciation	\$ 134,512,183	\$ 11,070,080	\$ 2,697,665	\$ 142,884,598
Governmental Activities				
Depreciable capital assets	\$ 213,335,296			\$ 217,221,804
Non-depreciable capital assets	26,322,394			19,889,998
Capital Assets, net of accumulated depreciation	\$ 239,657,690			\$ 237,111,802
	Balance June 30, 2020	Additions	Dispositions	Balance June 30, 2021
<u>Business-Type activities</u>				
Cost				
Food service equipment	\$ 2,960,313	\$ 26,739	\$ 66,546	\$ 2,920,506
Vehicles	85,757			85,757
Technology equipment	30,707	3,932	2,663	31,976
Total Assets at Historical Cost	\$ 3,076,777	\$ 30,671	\$ 69,209	\$ 3,038,239
	Balance June 30, 2020	Depreciation	Dispositions	Balance June 30, 2021
Accumulated Depreciation				
Food service equipment	\$ 2,319,888	\$ 103,549	\$ 66,546	\$ 2,356,891
Vehicles	60,660	6,408		67,068
Technology equipment	27,252	1,794	2,631	26,415
Total accumulated depreciation	\$ 2,407,800	\$ 111,751	\$ 69,177	\$ 2,450,374
Business-Type Activities				
Capital Assets, net of accumulated depreciation	\$ 668,977			\$ 587,865

Continued

Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2021

Note D--Capital Assets--Continued

Depreciation expense for the year ended June 30, 2021 for governmental activities by function is summarized below:

Instruction	\$ 3,186,119
Student Support Services	844
Instructional staff support services	11,067
District administration support services	40,523
School Admin Support	13,852
Business support services	38,692
Plant operation and maintenance	6,586,937
Transportation	1,191,258
Community services	788
Total Depreciation Expense	\$ 11,070,080

Note E--Bonded Debt

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

Issue	Purpose of Issue	Original Issue	Interest Rate	Final Maturity	Amount Outstanding
2010 Refinancing Bonds	Improvements at Scott High School and Refinance 2002 bond obligations	19,855,000	0.5-2.5%	4/1/2022	\$ 2,080,000
2012R Revenue Bonds	Refinance 2004 bond obligations	43,530,000	2.5%-6.5%	6/1/2024	13,185,000
2013R Revenue Bonds	Refinance 2005 bond obligations	30,545,000	2.0-3.0%	2/1/2025	18,025,000
2013 Revenue Bonds	Scott High School Renovations	12,005,000	2.0-3.125%	5/1/2033	8,975,000
2014 Conservation Bonds	Energy Conservation Improvements	4,170,000	1.0-4.0%	2/1/2034	2,950,000
2015A Refinancing Bonds	Refinance 2009D bond obligations	8,895,000	2.0-3.0%	9/1/2029	6,840,000
2015B Refinancing Bonds	Refinance 2006A, 2006B & 2006C bond obligations	14,445,000	2.0-3.0%	10/1/2026	10,665,000
2015C Revenue Bonds	Scott High School Renovations	17,320,000	3.0-3.625%	5/1/2035	13,440,000
2016R Refinancing Bonds	Refinance 2009 bond obligations	25,190,000	2.0-4.0%	2/1/2029	22,880,000
2016 Revenue Bonds	Ft. Wright School Renovations	19,400,000	2.0-3.25%	4/1/2036	16,485,000
2017 Conservation Bonds	Energy Conservation Improvements	5,125,000	2.0-3.55%	5/1/2037	4,515,000
2017R Refinancing Bonds	Refinance 2008 Conservation bonds	2,280,000	3.00%	4/1/2028	1,660,000
2018 Revenue Bonds	Scott High School Renovations, Transportation Bus Garage & School Entry Renovations	13,945,000	2.0-4.0%	4/1/2038	13,870,000
2020 Revenue Bonds	School Safety & Security Renovations	12,850,000	1.50 -3.0 %	5/1/2040	12,770,000
2020R Refinancing Bonds	Refinance 2011 bond obligations	7,670,000	1.5-1.75%	5/1/2031	7,295,000
Total					155,635,000
Unamortized Bond Premium					1,625,071
Bonds Payable, Net					\$ 157,260,071

Continued

Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2021

Note E--Bonded Debt--Continued

Bonds payable activity for the year ended June 30, 2021 was as follows:

	Balance			Balance	Amounts Due in
	June 30, 2020	Increases	Decreases	June 30, 2021	One Year
2009C Revenue Bonds	\$ 790,000		\$ (790,000)		
2010R Revenue Bonds	4,105,000		(2,025,000)	\$ 2,080,000	\$ 2,080,000
2011 Revenue Bonds	7,240,000		(7,240,000)		
2012R Revenue Bonds	17,375,000		(4,190,000)	13,185,000	4,285,000
2013R Revenue Bonds	20,480,000		(2,455,000)	18,025,000	3,360,000
2013 Revenue Bonds	9,475,000		(500,000)	8,975,000	510,000
2014 Energy Bonds	3,130,000		(180,000)	2,950,000	185,000
2015A Refinancing Bonds	7,185,000		(345,000)	6,840,000	325,000
2015B Refinancing Bonds	11,510,000		(845,000)	10,665,000	865,000
2015C Revenue Bonds	14,135,000		(695,000)	13,440,000	705,000
2016R Refinancing Bonds	23,780,000		(900,000)	22,880,000	905,000
2016 Revenue Bonds	17,085,000		(600,000)	16,485,000	615,000
2017 Energy Bonds	4,630,000		(115,000)	4,515,000	125,000
2017R Refinancing Bonds	1,870,000		(210,000)	1,660,000	220,000
2018 Revenue Bonds	13,895,000		(25,000)	13,870,000	25,000
2020 Revenue Bonds	12,850,000		(80,000)	12,770,000	80,000
2020R Refinancing Bonds		\$ 7,670,000	(375,000)	7,295,000	315,000
	<u>\$ 169,535,000</u>	<u>\$ 7,670,000</u>	<u>\$ (21,570,000)</u>	<u>\$ 155,635,000</u>	<u>\$ 14,600,000</u>

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

Bondholders are protected against default by a mechanism whereby the Commonwealth of Kentucky would withhold state SEEK payments and remit required debt service payments directly to the debt service paying agent.

The District entered into "participation agreements" with the Kentucky School Facility Construction Commission ("KSFCC"). The KSFCC was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the KSFCC 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.

Continued

Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2021

Note E--Bonded Debt--Continued

The bonds may be called prior to maturity and redemption premiums are specified in each issue. As of June 30, 2021, the total bond principal and interest due was \$155,635,000 and \$32,239,158, respectively. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the KSFCC, at June 30, 2021 for debt service (principal and interest) are as follows:

	Kenton County Board of Education		Kentucky School Facility Construction Commission		Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 12,651,425	\$ 3,882,797	\$ 1,948,575	\$ 615,041	\$ 14,600,000	\$ 4,497,838
2023	12,971,554	3,564,763	1,998,446	563,063	14,970,000	4,127,826
2024	13,317,923	3,238,437	2,052,077	509,433	15,370,000	3,747,870
2025	13,707,106	2,847,711	1,367,894	453,309	15,075,000	3,301,020
2026	11,242,659	2,443,957	1,407,341	413,863	12,650,000	2,857,820
2027-2031	42,014,609	7,872,573	6,130,391	1,512,331	48,145,000	9,384,904
2032-2036	21,217,368	3,298,378	5,737,632	616,593	26,955,000	3,914,971
2037-2041	7,335,199	375,939	534,801	30,970	7,870,000	406,909
	<u>\$134,457,843</u>	<u>\$ 27,524,555</u>	<u>\$21,177,157</u>	<u>\$ 4,714,603</u>	155,635,000	<u>\$ 32,239,158</u>
Plus Unamortized Premiums					1,625,071	
Total School Revenue Bonds					<u>\$157,260,071</u>	

Note F--Capital Lease Obligations

The District leases several buses and office copiers under long-term capital leases. Future minimum lease payments are as follows:

Years Ending June 30	Amount
2022	\$ 1,330,052
2023	1,286,964
2024	1,248,113
2025	1,068,179
2026	909,087
2027-2031	1,974,751
Total	<u>7,817,146</u>
Less amounts representing interest	(675,932)
Present Value of Minimum Lease Payments	7,141,214
Capital lease obligations, due within one year	<u>(1,157,796)</u>
Capital Lease Obligations, Due After One Year	<u>\$ 5,983,418</u>
Leased property under capital leases at June 30, 2021 consists of:	
Equipment	\$ 11,867,171
Less accumulated depreciation	<u>(4,799,069)</u>
Net Property Under Capital Lease	<u>\$ 7,068,102</u>

Note G--Commitments Under Operating Leases

The District entered into a five-year operating lease for office and parking space on June 1, 2016. Annual lease payments for 2021 were \$108,144 and will continue at that rate each year per the annual renewal provisions in the lease. A second five-year operating lease was entered into for other office space on July 1, 2017. Annual lease payments under this lease during 2021 were \$157,404. In accordance with the terms of the lease, annual payments under the second lease increase three percent (3%) each year through June 30, 2022. Both leases contain an open-ended option to renew.

Minimum future lease payments as of June 30, 2021, are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2022	<u>\$ 270,270</u>

Note H--On-Behalf Payments

For the year ended June 30, 2021, total payments of \$37,127,219 were made for life insurance, health insurance, Teacher’s Retirement System matching, administrative and technology fees by the Commonwealth of Kentucky (the “Commonwealth”) on behalf of the District. This amount also includes \$2,584,395 related to the KSFCC debt service payments contributed by the Commonwealth. These payments were recognized as on-behalf payments and are recorded in the appropriate revenue and expense accounts on the District-wide statement of activities and in the governmental funds statement of revenues, expenditures and changes in fund balances. In addition, for the year ended June 30, 2021, total payments of \$409,173 for the items noted above were made by the Commonwealth on behalf of the District for the proprietary fund. Breakdown of total On-Behalf Payments for the year ended June 30, 2021 is as follows:

Retirement Contribution to TRS	\$ 19,915,692
Other post-employment benefits	1,495,776
Health insurance and other payroll-related payments	12,920,721
Technology	210,635
Debt service	<u>2,584,395</u>
Total On-Behalf Payments	<u>\$ 37,127,219</u>

Note I--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 Non-Hazardous (“CERS”) covers employees whose position does not require a college degree or teaching certification. The Teachers’ Retirement System (“TRS”) 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. 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>.

Continued

**Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2021**

Note I--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 Unreduced retirement Reduced retirement	Before September 1, 2008 27 years service of 65 years old At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date Unreduced retirement Reduced retirement	September 1, 2008 - December 31, 2013 At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87 At least 10 years service and 60 years old
Tier 3	Participation date Unreduced retirement Reduced retirement	After December 31, 2013 At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87 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.

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

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

General Information About the Teachers' Retirement System

Plan description--Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the TRS - 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 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>.

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.

Continued

**Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2021**

Note I--Retirement Plans--Continued

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. Employees hired on or after July 1, 2008, will receive monthly benefits equal to the average of their top three salary years multiplied by a sliding scale rate from 1.7% up to 2.5% based on years of service up to 30 years. Beyond 30 years of service, the rate increases to 3.0%.

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

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

Contributions--Contribution rates are established by Kentucky Revised Statutes ("KRS"). Non-university employees are required to contribute 12.855% of their salaries to the System.

The Commonwealth, 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.

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	\$ 57,201,399
Commonwealth's proportionate share of the TRS net pension liability associated with the District	<u>275,146,804</u>
	<u>\$ 332,348,203</u>

Continued

Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2021

Note I--Retirement Plans--Continued

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 0.745789% percent.

For the year ended June 30, 2021, the District recognized pension expense of \$9,113,601 related to CERS and \$30,529,922 related to TRS. The District also recognized revenue of \$19,915,692 for TRS support provided by the Commonwealth.

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,426,421	
Changes of assumptions	2,233,618	
Net difference between projected and actual earnings on pension plan investments	2,479,489	\$ 1,048,096
Changes in proportion and differences between District contributions and proportionate share of contributions	367,595	380,786
District contributions subsequent to the measurement date	<u>3,564,709</u>	
Total	<u><u>\$ 10,071,832</u></u>	<u><u>\$ 1,428,882</u></u>

An amount of \$3,564,709 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 Ending June 30:</u>	
2021	\$2,422,168
2022	1,413,595
2023	667,598
2024	574,880

Continued

Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2021

Note I--Retirement Plans--Continued

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	3.30 - 11.55%	3.50 – 7.30%
Investment rate of return, net of investment expense and inflation	6.25%	7.50%

For CERS, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females).

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.

For CERS, the long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	18.75%	4.50%
International Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	<u>15.00%</u>	3.95%
Total	<u><u>100.0%</u></u>	

Continued

Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2021

Note I--Retirement Plans--Continued

For TRS, 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 2011 through 2015, is outlined in a report dated November 19, 2016. 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 investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	40.00%	4.60%
International Equity	22.00%	5.60%
Fixed Income	15.00%	0.00%
Additional Categories*	7.00%	2.50%
Real Estate	7.00%	4.30%
Private Equity	7.00%	7.70%
Cash	<u>2.00%</u>	-0.50%
Total	<u>100.0%</u>	

* Includes High Yield, Non-US Development Bonds and Private Credit Strategies

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 6.26%. 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 was assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at the actuarially determined contribution rates for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

Continued

**Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2021**

Note I--Retirement Plans--Continued

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 70,541,772	\$ 57,201,399	\$ 46,155,063
TRS	6.50%	7.50%	8.50%
District's proportionate share of net pension liability	-	-	-

Pension plan fiduciary net position--Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial reports of both CERS and TRS.

Note J--Post Employment Benefits Other Than Pensions

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

County Employee Retirement System Non-Hazardous OPEB Plan

Employees whose positions do not require a degree beyond a high school diploma are provided OPEBs through CERS, a cost-sharing multiple-employer defined benefit OPEB plan administered by the Kentucky Retirement System, an agency of the Commonwealth. The plan provides health insurance benefits to plan members. 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>.

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 CERS plans:

Medical Insurance Plan

Plan description--Kentucky Revised Statute (“KRS”) Section 61.645 requires CERS to provide post-employment healthcare benefits to eligible members and dependents. The CERS Non-hazardous Insurance Fund is a cost-sharing multiple-employer defined benefit Other Postemployment Benefits (“OPEB”) plans for members that cover all regular full-time members employed in non-hazardous duty positions of any state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate. The plans provide for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances. Under the provisions of the 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.

Continued

Note J--Post Employment Benefits Other Than Pensions--Continued

Benefits provided--CERS health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. 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. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

To be eligible for medical benefits, the member must have retired either for service or disability. The CERS Non-hazardous 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. For medical insurance purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before July 1, 2003
	Medical Benefit	Based on yrs of service and type of service KRS pays a percentage of the monthly contribution rate
	Participation date	July 1, 2003 - August 31, 2008
	Medical Benefit	At least 10 years of service \$10 per month for each year of earned service without regard to a maximum dollar amount; adjusted annually
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Medical Benefit	At least 15 years of service \$10 per month for each year of earned service without regard to a maximum dollar amount; adjusted by 1.5% annually
Tier 3	Participation date	After December 31, 2013
	Medical Benefit	September 1, 2008 - December 31, 2013 At least 15 years of service \$10 per month for each year of earned service without regard to a maximum dollar amount; adjusted by 1.5% annually

Continued

Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2021

Note J--Post Employment Benefits Other Than Pensions--Continued

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

	<u>Required Contribution</u>
Tier 1	None
Tier 2	1%
Tier 3	1%

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

At June 30, 2021, the Kenton County School District reported a liability of \$18,003,321 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 plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the District's proportion was 0.745573 percent.

The amount recognized by the District as its proportionate share of the OPEB liability was \$18,003,321 for employees participating in CERS as of June 30, 2021.

For the year ended June 30, 2021, the District recognized OPEB expense of \$2,433,059. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,007,977	\$ 3,010,326
Changes of assumptions	3,131,514	19,043
Net difference between projected and actual earnings on pension plan investments	965,746	367,358
Changes in proportion and differences between District contributions and proportionate share of contributions	188,918	215,770
District contributions subsequent to the measurement date	<u>879,727</u>	
Total	<u>\$ 8,173,882</u>	<u>\$ 3,612,497</u>

Continued

Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2021

Note J--Post Employment Benefits Other Than Pensions--Continued

Of the total amount reported as deferred outflows of resources related to OPEB, \$879,727 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 Ending June 30:	
2021	\$ 981,669
2022	1,158,757
2023	819,479
2024	760,582
2025	(38,829)
Thereafter	-

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:

Inflation	2.30%
Discount Rate	5.34%
Municipal Bond Index Rate	2.45%
Payroll Growth Rate	2.00%
Investment Rate of Return	6.25%
Projected Salary increases	3.30 - 11.55%
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of the assets is recognized
Healthcare trend rates:	
Under 65	7.00% at 1/1/2020 decreasing to 4.05% over a period of 12 years
Ages 65 and Older	5.10% at 1/1/2020 decreasing to 4.05% over a period of 10 years
Mortality	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)

Discount rate--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 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 OPEB liability.

Sensitivity of CERS proportionate share of net OPEB 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:

Continued

Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2021

Note J--Post Employment Benefits Other Than Pensions--Continued

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS discount rate	4.34%	5.34%	6.34%
District's proportionate share of net OPEB liability	\$ 23,128,982	\$ 18,003,321	\$ 13,793,445

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 Health Care Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of net OPEB liability	\$ 13,939,070	\$ 18,003,321	\$ 22,935,385

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

Teachers' Retirement System OPEB Plan

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

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

Medical Insurance Plan

Plan description--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.

Continued

Note J--Post Employment Benefits Other Than Pensions--Continued

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

Contributions--In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three 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.

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

At June 30, 2021, the Kenton County School District reported a liability of \$26,140,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 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 plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the District's proportion was 1.035769 percent.

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 TRS OPEB liability	\$ 26,140,000
Commonwealth's proportionate share of the TRS net OPEB liability associated with the District	<u>20,939,000</u>
	<u><u>\$ 47,079,000</u></u>

The amount recognized by the District as its proportionate share of the OPEB liability was \$26,140,000 for employees participating in TRS as of June 30, 2021.

Continued

Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2021

Note J--Post Employment Benefits Other Than Pensions--Continued

For the year ended June 30, 2021, the District recognized OPEB expense of \$11,000 and revenue of \$1,465,289 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		\$ 11,144,000
Change in assumptions	\$ 851,000	
Net difference between projected and actual earnings on OPEB plan investments	1,585,000	
Changes in proportion and differences between District contributions and proportionate share of contributions	1,039,000	635,000
District contributions subsequent to the measurement date	<u>1,943,443</u>	
Total	<u>\$ 5,418,443</u>	<u>\$ 11,779,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$1,943,443 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:

<u>Year Ending June 30:</u>	
2021	\$ (1,694,000)
2022	(1,629,000)
2023	(1,641,000)
2024	(1,473,000)
2025	(1,313,000)
Thereafter	(554,000)

Continued

Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2021

Note J--Post Employment Benefits Other Than Pensions--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:

Inflation	3.00%
Discount Rate	8.00%
Municipal Bond Index Rate	2.19%
Investment Rate of Return	8.00%
Single Equivalent Interest Rate	8.00%
Wage Inflation	3.50%
Real Wage Growth	0.50%
Projected Salary increases	3.50% - 7.20%
Healthcare trend rates:	
Under 65	7.25% for FY 2020 decreasing to 5.0% by FY 2029
Ages 65 and Older	5.25% for FY 2020 decreasing to 5.0% by FY 2022
Medicare Part B Premiums	6.49% for FY 2020 with an ultimate rate of 5.00% by FY 2031
Mortality	RP-2000 Combined Mortality Table, projected to 2025 with Scale BB (set forward 2 years for males and 1 year for females)

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 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, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	5.4%
Fixed Income	9.0%	0.0%
Real Estate	6.5%	4.3%
Private Equity	8.5%	7.7%
Cash	1.0%	-0.5%
Other Categories	<u>17.0%</u>	2.5%
Total	<u><u>100.0%</u></u>	

Continued

Note J--Post Employment Benefits Other Than Pensions--Continued

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 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 8.0%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the District's proportionate share of net OPEB 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>
TRS Discount Rate	7.00%	8.00%	9.00%
District's proportionate share of net OPEB liability	\$ 31,593,000	\$26,140,000	\$21,587,000

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

	<u>1% Decrease</u>	<u>Current Health Care Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of net OPEB liability	\$ 20,718,000	\$26,140,000	\$32,820,000

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

TRS Life Insurance Plan

TRS administers a Life Insurance Plan for eligible active and retired members per Kentucky Revised Statute 161.655. The TRS Life Insurance Plan is a cost-sharing multiple employer defined benefit plan with a special funding situation. The plan is entirely funded by the state. Changes to the Plan may be made by the TRS Board of Trustees and the General Assembly.

Benefit provided--The TRS Life Insurance Plan provides a life insurance benefit of \$5,000 payable for members who retire based on service or disability. Active members may receive a \$2,000 lump sum payable. The benefit is payable to the member's estate or to a party designated by the member.

Contributions--Three hundredths of one percent (.03%) of the gross payroll of participating members is contributed by the state.

Continued

Note J--Post Employment Benefits Other Than Pensions--Continued

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

At June 30, 2021, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support and the total portion of the net OPEB liability that was associated with the District were as follows:

State's proportionate share of the OPEB liability - Life Insurance	\$ 633,000
District's proportionate share of the net OPEB Liability - Life Insurance	<u>-</u>
	<u>\$ 633,000</u>

For the year ended June 30, 2021, the District recognized OPEB expense of \$96,826 and revenue of \$30,487 for support provided by the state. At June 30, 2021 the District did not have any net OPEB liability, deferred outflows or deferred inflows related to the collective net OPEB liability for life insurance Benefits.

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	2.19%
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 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.

Continued

Note J--Post Employment Benefits Other Than Pensions--Continued

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. 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%
Cash	2.0%	-0.5%
Other Categories	6.0%	2.5%
Total	<u>100.0%</u>	

Discount rate--The discount rate used to measure the State's 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.

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

Note K--Undivided Interest in the Ignite Institute

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

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

Continued

Note K--Undivided Interest in the Ignite Institute--Continued

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

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

Note L--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 M--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 N--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 workers' compensation, 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 District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. The District purchases workers' compensation insurance from Kentucky Employers' Mutual Insurance Company. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note O--Deficit Operating/Fund Balances

There are no funds of the District that currently have a deficit fund balance.

Note P--COBRA

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

Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2021

Note Q--Transfer of Funds

The following transfers were made during the year.

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Special revenue	KETS General Fund Match	\$ 268,203
Operating	General	District Activity	School Extra Curricular	98,729
Operating	General	Debt service	Debt Service	785,205
Operating	General	Academy	Academy Operating Costs	2,027,547
Operating	School Activity	General Fund	Community Service Revenue	4,750
Operating	School Activity	District Activity	District Activity Revenue	329,786
Operating	Capital Outlay	General Fund	Capital Funds Transfer	1,277,159
Operating	Building	Construction	Construction Funds Transfer	1,139,926
Operating	Building	Debt service	Debt service	15,731,638
Operating	Special Revenue	Academy	State CTE Grants Funds	271,531
Operating	Special Revenue	General Fund	Indirect Cost	82,299
Total				\$ 22,016,773

Note R--Commitments

The Construction Fund cash balance at June 30, 2021 was \$1,210,990. The District has contract and materials purchase commitments on active construction projects in the following amounts:

School Security Enhancements	\$ 642,168
Scott High School Phases IV & V	270,793
Elementary School Addition Projects	<u>290,732</u>
Total Construction Commitments	\$ <u>1,203,693</u>

Note S--Recent GASB Pronouncements

The GASB has issued several reporting standards that will become effective for fiscal year 2022 and later years' financial statements.

Statement No. 87, *Leases*, the objective of which is to better meet the information needs financial statement users by improving accounting and financial reporting for leases by governments.

Statement No. 89, *Accounting for Interest Incurred before the End of a Construction Period*, this Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources management focus. Thus, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

Continued

Note S--Recent GASB Pronouncements—Continued

Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, the primary objective of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information of certain component units.

Statement No. 91, *Conduit Debt Obligations*, the primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

Statement No. 92, *Omnibus 2020*, the objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics.

Statement No. 93, *Replacement of Interbank Offered Rates*, the objective of this statement is to address accounting and financial reporting implication that result from the replacement of LIBOR.

Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the primary objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

Statement No. 96, *Subscription-Based Information Technology Arrangements*, this statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements ("SBITAs") for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, the primary objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit ("OPEB") plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans

Statement No. 98, *The Annual Comprehensive Financial Report*, this statement establishes the term annual comprehensive financial report and its acronym "ACFR". The requirements of this statement are effective for fiscal years ending after December 15, 2021.

The District is currently evaluating the impact that will result from adopting these GASB standards and is therefore unable to disclose the impact that adopting these standards will have on the District's financial position and the results of its operations when the standards are adopted.

Note T--Change in Accounting Principle and Related Changed in Certain Beginning Balances

Effective July 1, 2020, the District was required to adopt Governmental Accounting Standard Board ("GASB") Statement No. 84, *Fiduciary Activities* ("GASB 84"). GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments.

GASB 84 required retrospective application. Since the District only presents one year of financial information, the beginning net position was adjusted to reflect the retrospective application. The adjustment resulted in a \$1,049,800 increase in beginning net position on the Statement of Activities and a \$1,049,800 increase in beginning Fund Balance on the Statement of Revenue. Expenditures and Changes in Fund Balances – Governmental Funds.

Note U--Impact of COVID-19

In March 2020, the World Health Organization declared the spread of the Coronavirus Disease ("COVID-19") as a worldwide pandemic. The COVID-19 pandemic continues to have a significant effect on global markets, supply chains, businesses, and communities. Specific to the District, COVID-19 may impact various parts of its 2022 operations and financial results. Management believes the District is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

The District utilized nontraditional instruction for two 4-6 week periods during the 2021 school year with the remaining weeks open to in-person instruction. The 2022 school year was opened with in-person instruction in all schools. In response to COVID-19, governmental assistance allocated to the District included the following:

- 1) Federal CARES Act funding totaling \$1,677,413 were awarded to the District through the Kentucky Department of Education, of which \$1,415,989 was expended and recognized as grant revenue in fiscal year ending June 30, 2021. A portion of the funds were allocated to eligible private schools as well. The awarded funds are available to draw in the fiscal years ending June 30, 2021 through June 30, 2022. These funds are approved for expenditures that are necessary to maintain the operation and continuity of services in local educational agencies and continuing to employ existing staff of the local educational agency.
- 2) Federal Elementary & Secondary Emergency Relief funds totaling \$6,453,059 were awarded to the District through the Kentucky Department of Education, of which \$393,723 was expended and recognized as grant revenue in fiscal year ending June 30, 2021. The awarded funds are available to draw in the fiscal years ending June 30, 2021 through June 30, 2023 for eligible expenditures. These funds are approved for expenditures that support direct instruction and address student learning loss experienced by the students.
- 3) Federal American Rescue Plan funds totaling \$13,911,799 were awarded to the District through the Kentucky Department of Education, of which none was expended and recognized as grant revenue in fiscal year ending June 30, 2021. The awarded funds are available to draw in the fiscal years ending June 30, 2021 through June 30, 2024 for eligible expenditures. These funds are approved for expenditures that support direct instruction, address student learning loss experienced by the students and are necessary to maintain the operation and continuity of services in local educational agencies.

Note V--Subsequent Events

In preparing these financial statements, management of the District has evaluated events and transactions for potential recognition or disclosure through November 13, 2021, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

KENTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
From local sources				
Property taxes	\$ 41,700,000	\$ 43,834,363	\$ 44,318,342	\$ 483,979
Motor vehicle taxes	5,500,000	5,500,000	6,402,194	902,194
Utilities taxes	5,650,000	5,650,000	5,967,267	317,267
Tuition and fees	142,500	142,500	137,000	(5,500)
Earnings on investments	500,034	150,000	65,498	(84,502)
Other local revenues	1,064,000	839,000	1,151,581	312,581
State sources				
SEEK	41,548,485	40,670,989	38,024,936	(2,646,053)
On-behalf revenues			33,333,390	33,333,390
Restricted state revenues	445,000	490,000	539,501	49,501
Federal - indirect	290,000	375,000	400,401	25,401
Total Revenues	96,840,019	97,651,852	130,340,110	32,688,258
Expenditures				
Instruction	55,067,796	55,335,576	78,036,140	(22,700,564)
Support services:				
Student	7,167,175	7,160,923	8,848,300	(1,687,377)
Instruction staff	2,918,920	2,968,385	4,002,334	(1,033,949)
District administration	2,134,895	2,195,988	1,210,275	985,713
School administration	7,121,697	7,113,917	10,021,987	(2,908,070)
Business	2,564,333	2,816,012	2,587,245	228,767
Plant operation and maintenance	12,082,927	12,768,856	12,214,525	554,331
Student transportation	9,318,850	9,290,831	8,473,953	816,878
Community service activities	2,718	2,718	10,786	(8,068)
Debt service	1,204,095	1,204,095	1,204,095	
Contingency	8,506,061	10,848,219		10,848,219
Total Expenditures	108,089,467	111,705,520	126,609,640	(14,904,120)
Excess (Deficit) of Revenues Over Expenditures	(11,249,448)	(14,053,668)	3,730,470	17,784,138
Other Financing Sources (Uses)				
Proceeds from sale of fixed assets	25,000	25,000	84,183	59,183
Proceeds from bond sale (leases)			1,045,194	1,045,194
Operating transfers in	1,177,552	1,716,924	1,751,048	34,124
Operating transfers out	(3,058,174)	(3,178,460)	(3,179,684)	(1,224)
Total Other Financing Sources (Uses)	(1,855,622)	(1,436,536)	(299,259)	1,137,277
Net Change in Fund Balance	(13,105,070)	(15,490,204)	3,431,211	
Fund Balance, July 1, 2020			18,911,133	
Fund Balance, June 30, 2021	\$ (13,105,070)	\$ (15,490,204)	\$ 22,342,344	

See Independent Auditors' Report

KENTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL REVENUE FUND
June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Other local revenues		\$ 180,936	\$ 222,140	\$ 41,204
State sources				
SEEK		2,291,007	2,291,007	
Restricted state revenues	\$ 4,146,664	4,508,871	4,505,733	(3,138)
Federal - indirect	5,879,138	16,764,852	7,370,963	(9,393,889)
Total Revenues	<u>10,025,802</u>	<u>23,745,666</u>	<u>14,389,843</u>	<u>(9,355,823)</u>
Expenditures				
Instruction	7,031,841	14,385,195	7,982,331	6,402,864
Support services:				
Student	68,257	615,940	719,592	(103,652)
Instruction staff	1,299,789	1,719,561	1,331,770	387,791
District administration		1,042,097	1,042,097	
School administration				
Business		702,776	619,082	83,694
Plant operation and maintenance	87,284	2,026,956	1,340,769	686,187
Student transportation		300,000	30,648	269,352
Food Service Operation		330,000		330,000
Community service activities	1,147,674	1,192,594	1,098,299	94,295
Education Specific	335,074	335,074	139,628	195,446
Total Expenditures	<u>9,969,919</u>	<u>22,650,193</u>	<u>14,304,216</u>	<u>8,345,977</u>
Excess (Deficit) of Revenues Over Expenditures	55,883	1,095,473	85,627	(1,009,846)
Other Financing Sources (Uses)				
Operating transfers in	275,000	275,000	268,203	(6,797)
Operating transfers out	(330,883)	(1,370,473)	(353,830)	1,016,643
Total Other Financing Sources (Uses)	<u>(55,883)</u>	<u>(1,095,473)</u>	<u>(85,627)</u>	<u>1,009,846</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance, July 1, 2020	-	-	-	-
Fund Balance, June 30, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditors' Report

Schedule of the District's Proportionate Share of the Net Pension Liability
 **Teachers Retirement System

Kenton County School District

June 30, 2021

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
District's proportion of the net pension liability	None	None	None	None	None	None	None
District's proportionate share of the net pension liability	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Commonwealth's proportion of the net pension liability associated with the District	1.9568%	1.9559%	1.9466%	1.9495%	1.9912%	1.9618%	1.9414%
Commonwealth's proportionate share of the net pension liability associated with the District	<u>\$ 402,114,109</u>	<u>\$ 455,140,342</u>	<u>\$ 574,248,216</u>	<u>\$ 526,022,122</u>	<u>\$ 254,678,297</u>	<u>\$ 267,672,165</u>	<u>\$ 275,146,804</u>
Total	<u><u>\$ 402,114,109</u></u>	<u><u>\$ 455,140,342</u></u>	<u><u>\$ 574,248,216</u></u>	<u><u>\$ 526,022,122</u></u>	<u><u>\$ 254,678,297</u></u>	<u><u>\$ 267,672,165</u></u>	<u><u>\$ 275,146,804</u></u>
District's covered employee payroll	\$ 57,147,377	\$ 61,049,646	\$ 61,542,779	\$ 62,415,878	\$ 63,929,795	\$ 64,392,008	\$ 64,781,464
District's proportionate share of the net pension liability	None	None	None	None	None	None	None
Commonwealth's proportionate share of the net pension liability as a percentage of the District's covered payroll	703.64%	745.52%	933.09%	842.77%	398.37%	415.69%	424.73%
Plan fiduciary net position as a percentage of the total pension liability	45.5907%	55.3000%	54.6000%	39.8300%	59.3000%	58.8000%	58.2700%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See Independent Auditors' Report

Schedule of the District Contributions
 **Teachers Retirement System

Kenton County School District

June 30, 2021

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
Contractually required contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
District's covered payroll	\$ 57,147,377	\$ 61,049,646	\$ 61,542,779	\$ 62,415,878	\$ 63,929,795	\$ 64,392,008	\$ 64,781,464
Contributions as a percentage of covered-employee payroll	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See Independent Auditors' Report

Schedule of the District's Proportionate Share of the Net OPEB Liability
 **Teachers Retirement System - Medical Insurance Fund

Kenton County School District

June 30, 2021

	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
District's proportion of the net OPEB liability	1.025238%	1.000033%	1.040797%	1.035769%
District's proportionate share of the net OPEB liability	\$ 36,558,000	\$ 34,698,000	\$ 30,462,000	\$ 26,140,000
Commonwealth's proportion of the net OPEB liability associated with the District	0.837475%	0.861820%	0.840518%	0.829690%
Commonwealth's proportionate share of the net OPEB liability associated with the District	<u>29,863,000</u>	<u>29,903,000</u>	<u>24,600,000</u>	<u>20,939,000</u>
Total	<u><u>\$ 66,421,000</u></u>	<u><u>\$ 64,601,000</u></u>	<u><u>\$ 55,062,000</u></u>	<u><u>\$ 47,079,000</u></u>
District's covered employee payroll	\$ 62,415,878	\$ 63,929,795	\$ 64,392,008	\$ 64,781,464
District's proportionate share of the net OPEB liability	\$ 36,558,000	\$ 34,698,000	\$ 30,462,000	\$ 26,140,000
Commonwealth's proportionate share of the net OPEB liability as a percentage of the District's covered payroll	47.85%	46.77%	38.20%	32.32%
Plan fiduciary net position as a percentage of the total pension liability	21.18%	25.50%	32.58%	39.05%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See Independent Auditors' Report

Schedule of the District OPEB Contributions

**Teachers Retirement System - Medical Insurance Fund

Kenton County School District

June 30, 2021

	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
Contractually required contributions	\$ 1,823,422	\$ 1,916,935	\$ 1,930,293	\$ 1,829,240
Contributions in relation to the contractually required contributions	<u>1,823,422</u>	<u>1,916,935</u>	<u>1,930,293</u>	<u>1,829,240</u>
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
District's covered payroll	\$ 60,780,735	\$ 63,897,822	\$ 64,392,008	\$ 64,781,464
Contributions as a percentage of covered-employee payroll	3.0000%	3.0000%	2.9977%	2.8237%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See Independent Auditors' Report

Kenton County School District

Year Ended June 30, 2021

Pension:

Changes of Benefit Terms

2021	None
2020	None
2019	None
2018	None
2017	None
2016	None

Changes of Assumptions

2021	The municipal bond index rate decreased from 3.50% to 2.19%
2020	The municipal bond index rate decreased from 3.89% to 3.50%
2019	The municipal bond index rate increased from 3.56% to 3.89% The discount rate increased from 4.49% to 7.5%
2018	The municipal bond index rate increased from 3.01% to 3.56% The discount rate increased from 4.20% to 4.49%
2017	The municipal bond index rate decreased from 3.82% to 3.01% The discount rate decreased from 4.88% to 4.20%
2016	The municipal bond index rate decreased from 4.35% to 3.82%

Medical Insurance Plan

Changes of Benefit Terms

2021	None
2020	None
2019	None
2018	With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the State will only finance, via its KEHP "shared responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010

Changes of Assumptions

2021	The municipal bond index rate decreased from 3.50% to 2.19% Health Care Cost Trends for Under Age 65 decreased from 7.50% to 7.25% Health Care Cost Trends for Ages 65 and Older decreased from 5.50% to 5.25% Health Care Cost Trends for Medicare Part B Premiums increased from 2.63% to 6.49%
2020	The municipal bond index rate decreased from 3.89% to 3.50% Health Care Cost Trends for Under Age 65 decreased from 7.75% to 7.50% Health Care Cost Trends for Ages 65 and Older decreased from 5.75% to 5.50% Health Care Cost Trends for Medicare Part B Premiums increased from 0.00% to 2.63%
2019	The municipal bond index rate increased from 3.56% to 3.89% Health Care Costs Trends for Medicare Part B Premiums decreased from 1.02% to 0.00%
2018	None

Notes to Required Supplementary Information - Teachers Retirement System--Continued

Kenton County School District

Year Ended June 30, 2021

Life Insurance Plan

Changes of Benefit Terms

2021	None
2020	None
2019	None
2018	None

Changes of Assumptions

2021	The municipal bond index rate decreased from 3.50% to 2.19%
2020	The municipal bond index rate decreased from 3.89% to 3.50%
2019	The municipal bond index rate increased from 3.56% to 3.89%
2018	None

Schedule of the District's Proportionate Share of the Net Pension Liability
 **County Employees Retirement System Non-Hazardous

Kenton County School District

June 30, 2021

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
District's proportion of the net pension liability	0.7483600%	0.7137440%	0.7175922%	0.730802%	0.747597%	0.756928%	0.745789%
District's proportionate share of the net pension liability	\$ 24,280,000	\$ 30,687,590	\$ 35,331,499	\$ 42,776,088	\$ 45,530,936	\$ 53,235,083	\$ 57,201,399
District's covered employee payroll	\$ 16,656,667	\$ 16,968,535	\$ 17,847,065	\$ 18,445,837	\$ 19,064,764	\$ 19,236,792	\$ 18,537,283
Plan fiduciary net position as a percentage of the total pension liability	66.801030%	59.970000%	55.500000%	53.300000%	53.540000%	50.450000%	47.810000%
District's proportionate share of the net pension liability as a percentage of employee covered payroll	145.767458%	180.849967%	197.968119%	231.901043%	238.822448%	276.735762%	308.574881%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See Independent Auditors' Report

Schedule of the District Contributions

**County Employees Retirement System Non-Hazardous

Kenton County School District

June 30, 2021

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2019-20</u>
Contractually required contributions	\$ 2,944,080	\$ 2,943,161	\$ 3,365,129	\$ 3,425,254	\$ 3,113,580	\$ 3,712,733	\$ 3,564,709
Contributions in relation to the contractually required contributions	<u>2,944,080</u>	<u>2,943,161</u>	<u>3,365,129</u>	<u>3,425,254</u>	<u>3,113,580</u>	<u>3,712,733</u>	<u>3,564,709</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 16,656,667	\$ 16,968,535	\$ 17,847,065	\$ 18,445,837	\$ 19,064,764	\$ 19,236,792	\$ 18,537,283
Contributions as a percentage of covered-employee payroll	17.675%	17.345%	18.855%	18.569%	16.332%	19.300%	19.230%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See Independent Auditors' Report

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

**County Employees Retirement System Non-Hazardous

Kenton County School District

June 30, 2021

	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
District's proportion of the net OPEB liability	0.730802%	0.747575%	0.756739%	0.745573%
District's proportionate share of the net OPEB liability	\$ 14,691,620	\$ 13,273,046	\$ 12,728,009	\$ 18,003,321
District's covered employee payroll	\$ 18,537,507	\$ 19,064,764	\$ 19,236,792	\$ 18,537,283
Plan fiduciary net position as a percentage of the total pension liability	52.40%	57.62%	60.44%	51.67%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See Independent Auditors' Report

Schedule of the District OPEB Contributions

**County Employees Retirement System Non-Hazardous

Kenton County School District

June 30, 2021

	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
Contractually required contributions	\$ 871,263	\$ 1,002,807	\$ 915,671	\$ 879,727
Contributions in relation to the contractually required contributions	<u>871,263</u>	<u>1,002,807</u>	<u>915,671</u>	<u>879,727</u>
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
District's covered payroll	\$ 18,537,507	\$ 19,064,764	\$ 19,236,792	\$ 18,537,283
Contributions as a percentage of covered-employee payroll	4.700%	5.260%	4.760%	4.746%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See Independent Auditors' Report

Kenton County School District

Year Ended June 30, 2021

Changes of Benefit Terms

2021	None
2020	None
2019	None
2018	None
2017	None
2016	None

Changed of Assumptions

2021	Pension and OPEB - the salary increase assumption changed from 3.30% - 10.30% to 3.30%- 11.55%
2020	Pension and OPEB - the salary increase assumption changed from 3.05% to 3.30% - 10.30% OPEB - single discount rate changed from 5.85% to 5.68%
2019	Pension and OPEB - the salary increases assumption was changed from 2.00% to 3.05% OPEB, the single discount rate changed from 5.84% to 5.85%
2018	Pension and OPEB - the assumed investment return was changed from 7.50% to 6.25%; the prince inflation assumption was changed from 3.25% to 2.40%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service; and the payroll growth assumption (applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%. OPEB - the single discount rate changed from 6.89 to 5.84%.
2017	None
2016	Pension - the assumed investment rate of return was decreased from 7.75% to 7.50%; the assumed rate of inflation was reduced from 3.50% to 3.25%; the assumed rate of wage inflation was reduced from 1.00% to 0.75%; payroll growth assumption was reduced from 4.50% to 4.00%; and the assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.

OTHER SUPPLEMENTARY INFORMATION

**KENTON COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENT FUNDS
June 30, 2021**

	Capital Outlay Fund	District Activity Fund	Student Activity Fund	Academy Fund	Building Fund	Total Non-major Governmental Funds
Assets						
Cash and cash equivalents		\$ 663,986	\$ 1,094,371	\$ 349,260		\$ 2,107,617
Accounts and grants receivable		-	27,377			27,377
Total Assets	\$ -	\$ 663,986	\$ 1,121,748	\$ 349,260	\$ -	\$ 2,134,994
Liabilities						
Accounts Payable		\$ 22,318	\$ 3,646	\$ 349,260		\$ 375,224
Total Liabilities		22,318	3,646	349,260		375,224
Fund Balances						
Restricted			1,118,102			1,118,102
Committed		641,668				641,668
Total Fund Balances		641,668	1,118,102			1,759,770
Total Liabilities and Fund Balances	\$ -	\$ 663,986	\$ 1,121,748	\$ 349,260	\$ -	\$ 2,134,994

See Accompanying Notes to Financial Statements

KENTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Capital Outlay Fund	District Activity Fund	Student Activity Fund	Academy Fund	Building Fund	Total Non-major Governmental Funds
Revenues						
Local sources						
Property taxes					\$ 14,841,747	\$ 14,841,747
Other local revenues		\$ 44,548	\$ 1,215,721			1,260,269
State sources						
SEEK program	\$ 1,277,159					1,277,159
FSPK program					2,029,817	2,029,817
Other state revenues				\$ 800,260		800,260
Total Revenues	1,277,159	44,548	1,215,721	800,260	16,871,564	20,209,252
Expenditures						
Instruction		318,387	792,505	2,433,792		3,544,684
Student support services		4,388		142,964		147,352
Instructional staff support services		7,777				7,777
School administrative support services				522,581		522,581
Plant operations and maintenance		1,809				1,809
Transportation		104				104
Other			20,378			20,378
Total Expenditures		332,465	812,883	3,099,337		4,244,685
Excess (Deficit) of Revenues Over Expenditures	1,277,159	(287,917)	402,838	(2,299,077)	16,871,564	15,964,567

See Accompanying Notes to Financial Statements

Continued

KENTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Capital Outlay Fund	District Activity Fund	Student Activity Fund	Academy Fund	Building Fund	Total Non-major Governmental Funds
Other Financing Sources (Uses)						
Transfers in		428,516		2,299,077		2,727,593
Transfers out	(1,277,159)		(334,536)		(16,871,564)	(18,483,259)
Total Other Financing Sources (Uses)	(1,277,159)	428,516	(334,536)	2,299,077	(16,871,564)	(15,755,666)
Net Change in Fund Balances		140,599	68,302			208,901
Fund Balances, Beginning of Year, as Restated		501,069	1,049,800			1,550,869
Fund Balances, End of Year	\$ -	\$ 641,668	\$ 1,118,102	\$ -	\$ -	\$ 1,759,770

Continued from Previous Page

See Accompanying Notes to Financial Statements

Kenton County School District
Statement of Revenues, Expenditures and Changes in Fund Balance and Due To Student Groups
Dixie Heights High School
Year Ended June 30, 2021

Activity	Due To Student Group June 30, 2020	Recpt/JV	Disb/JV	Transfers, Net	Due To Student Group June 30, 2021
CBI Community Based Edu	\$ 393	\$ 1			\$ 394
Academic Team	2	453	\$ (455)		
Mock Trial Team	70	7	(11)		\$66
Odyssey of the Mind Team	163		(100)		63
Student Enrichment	18,120	3,506	(1,375)		20,250
JC Ruf Scholarship	43			\$ (43)	
Dixie's Big Give		252	(252)		
Youth Service Center	4,184	200	(1,304)	(184)	2,896
Faculty	970	175	(514)		631
Faculty Flower Fund	69	663	(720)		12
Startup Cash		300	(300)		
Technology Fee		6,150	(3,000)	(3,050)	100
Art Club	427				427
Band	9,272	20,323	(14,581)		15,014
BETA Club	1,453	105	(907)		651
Choir Club	9	495			504
Dramu Club	4	6,738	(6,637)		105
Drug Free Club	436	42	(35)		443
FBLA Club	15	235	(235)		15
FEA Club	6				6
German NHS	14		(104)	90	0
Ham Radio Tech Club	579	235	(371)		444
IMPACT Club	4,171				4,171
Jr Class Dance/Activities	10,937	22,406	(24,733)	120	8,730
NHS Club	3,331	1,832	(2,246)	(900)	2,017
Social Norms Club	78				78
Student Council	4,942	202	(2,966)		2,179
Foreign Language NHS	1,096		(304)	(90)	702
Yearbook Club	5,569	2,494	(2,630)	(1,000)	4,433
Sr Class Dunce/Activities	3,178	9,141	(13,425)	2,007	900
S.T.L.P. Club	627				627
Gaming Club	9				9
Forensic Team	100	3,044	(3,142)		2
Random Acts of Kindness	141				141
Dixie Scholars Club	368				368
FFA	587				587
Athletics, General	2,023	148,218	(110,131)	(5,000)	35,110
Bowling Fund Raising	22				22
Girls BK Fund Raising	36	2,692			2,728
Cheerleading Fundraising	2,087	7,715	(9,800)		2
Softball Fundraising	604				604
Football Fund Raising	26				26
Girls Track Fundraising		1,308			1,308
Boys Golf Fund Raising	2				2
Girls Soccer Fund Raising	2,305	5,506	(4,250)		3,561
Volleyball Fund Raising	170				170
Fees	191	39,760	(39,891)		60
Donations - Athletic			(5,000)	5,000	
District Tech Fee Sweep			(3,050)	3,050	
Totals	\$ 78,828	\$ 284,198	\$ (252,469)	\$ -	\$ 110,557

See Independent Auditors' Report

Kenton County School District
Statement of Revenues, Expenditures and Changes in Fund Balance and Due To Student Groups
Scott High School
Year Ended June 30, 2021

Activity	Due To Student Group June 30,			Transfers, Net	Due To Student Group June 30, 2021
	2020	Recpt/JV	Disb/JV		
Academic Team	\$ 511			\$ 562	1,073
Athletics	3,956	\$ 94,375	\$ (71,787)	(15,254)	11,290
Awareness Acceptance	10			(10)	
Band (Marching Band)	5,628	3,946	(2,494)		7,080
Choir	1,079				1,079
Baseball		672	(672)		0
Softball	3,536	6,718	(6,989)		3,265
Boys Soccer	712	767		(129)	1,350
Volleyball	1,086				1,086
Girls Soccer	325			(325)	0
Boys Golf	1,148				1,148
Cross Country	4,177		(2,475)		1,702
Girls Golf	15	2			17
Girls Basketball	4,166	13,051	(6,816)	635	11,036
Swimming & Diving	5,822	467	(2,974)		3,315
Boys Tennis	715		(122)		593
Boys Track	1,581	500	(625)		1,456
Girls Tennis	596	40	(344)		292
Bowling	181				181
Girls Track	1,027	1,120	(557)		1,590
Dance Team	533				533
Archery	3,813	4,936	(4,441)		4,307
Buddy Club	977	197			1,174
CBI Trips and Activities		700	(700)		
College & Career Events	29				29
Creative Writing Club	564			(564)	
Drama	6,165	3,392	(2,103)	567	8,021
Family Assistance	2,777	100	(200)		2,677
Fellowship Christian Athletes	14				14
Fund 21/Athl Admissions			(5,000)	5,000	
Sale Fund 21/Student Fees		12,421	(13,199)	777	(0)
Fund 21/Other Student Activities		600	(600)		
Fund 21/Other Athletic Activities			(4,674)	4,674	
Fund 21/Athletic Donations		10,000	(10,000)		
Class of 2020	4,069		(4,069)		
Class of 2021	3,090	1,260	(6,350)	2,000	(0)
Class of 2022	1,926				1,926
Class of 2023	390	223			613
Flower Fund	28	340	(90)		278
Forensics	574		(7)	(567)	0
German NHS	230				230
Junior Statesman	2,280				2,280
Math Club	15				15
JROTC	48				48
National Art HS	530				530
National Honor Society	378	60	(378)		60
Science Club	100		(100)		
Field Trips	2,605				2,605
Student Support	4,089	1,274		10	5,374
Swimming Pool	242	8,538	(5,821)		2,959
SHS Scholarship Fund	2,379	13,334	(14,000)		1,713
Spanish Honor Society	124		(1)		123
Student Council	9,549		(5,295)	3,400	7,654
Student Fees (to Fund 21)		4,369		(777)	3,592
Summer School	300	1,000			1,300
Teacher Support	2,171	1,044	(629)		2,585
Yearbook Club		50			50
Totals	\$ 86,261	\$ 185,496	\$ (173,513)	\$ (0)	\$ 98,244

See Independent Auditors' Report

Kenton County School District
Statement of Revenues, Expenditures and Changes in Fund Balance and Due To Student Groups
Simon Kenton High School
Year Ended June 30, 2021

Activity	Due To Student Group		Disb/JV	Transfers, Net	Due To Student Group	
	June 30, 2020	Recpt/JV			June 30, 2021	June 30, 2021
Academic Team	\$ 743	\$ 280				\$ 1,023
Art Club	270		\$ (1)			269
Athletics	22,932	110,235	(75,005)	\$ (22,820)		35,342
Pride Shop	6,233	2,485	(3,324)	(90)		5,304
Bridge Club	879	1,634	(1,640)	(216)		657
Choir Club		33				33
Soph Class of 2023	386		(95)			291
Senior Class of 2021	510	19,395	(28,723)	8,818		(0)
Junior Class of 2022	40					40
Fresh Class of 2024		132		(132)		
Community Based Class	2,878	1				2,879
Community Based Transportation	1,253					1,253
Drama Club	1,938	4,132	(901)	(684)		4,484
Field Trips	1,561					1,561
Fine Arts Support Fund	819	133	(360)			592
Fire Fund	27,100			(100)		27,000
First Priority	5					5
French Club	107					107
Freshman Academy	9,393	905	(2,581)			7,717
Pioneer Pride	2,724	925	(2,499)	239		1,389
FBLA	584	291	(660)	(50)		165
Future Farmers of America	4,273	6,308	(4,178)			6,403
Faculty Fund	3,319	190	(259)	(35)		3,215
Greenhouse	6,902	1,481	(3,407)			4,976
Library Media Center		91				91
Nat'l Art Honor Society	54					54
NHS	1,196	1,960	(2,311)			845
Rising Sun	2,000					2,000
Science Club	336			(336)		
Bi-County FFA Scholarship		49,169				49,169
Robert Roden Scholarship	200					200
Chris Girard Memorial Scholarship		13,419	(558)			12,861
Scholarship	12,863	2,750	(1,500)			14,113
Scott Scholarship	38,573		(10,000)			28,573
Strides for Stephanie	2,221					2,221
Homecoming	20,138		(2,224)			17,914
Summer School	774		(271)			503
Student Incentives	30,955	7,374	(4,737)	(8,482)		25,110
Testing Fund	25,957	19,176	(1,307)	(20,000)		23,825
Yearbook	3,643	1				3,644
Youth Service Center	3,881	100	(809)	(348)		2,824
Archery Team	1,827		(1,140)			687
Baseball		29,465	(25,374)	(608)		3,483
Bass Fishing Team	4,469		(1,989)			2,479
Bowling Team	5,224	760	(1,649)			4,335
Basketball - Boys	8,963	50,481	(34,603)	(11,083)		13,758
Basketball - Girls	4,370	13,535	(10,033)	(700)		7,172
Cheerleading		11,941	(12,895)	1,000		46
Cross County/Track	1,065		(1,460)	2,000		1,605
Dance Team	2,034		(481)			1,554
Football	9,737	30,038	(37,690)	2,000		4,086
Golf - Boys	207	1,216	(1,215)	500		708
Golf - Girls	632		(50)	500		1,082
Hall of Fame	15,543			100		15,643
Soccer - Boys	748					748
Soccer - Girls	435	1,726	(1,587)			574
Softball	1,645		(1,504)	1,500		1,641
Swimming	1,672	2,015	(2,289)	1,100		2,499
Tennis - Boys & Girls	400	1,460	(2,827)	1,500		533
Unified Bowling	171	1,555	(973)	230		983
Unified Track	156			1,000		1,156
Volleyball				1,500		1,500
Wrestling				2,000		2,000
Fund 21 - Fees		8,115	(8,115)			
Fund 21 - Other Dist Student Activity		12,942	(34,509)	21,566		(0)
Fund 21 - Other Ath Activity		1,994	(22,125)	20,131		
District Tech Fee/Sweep		157	(157)			
Totals	\$ 296,940	\$ 410,000	\$ (350,015)	\$ (0)	\$	\$ 356,925

See Independent Auditors' Report

Kenton County School District
Combined Statement of Revenues, Expenses and Changes in Due To Student Groups - Activity Funds
Year Ended June 30, 2021

	Dixie Heights High School	Scott High School	Simon Kenton High School	Turkey Foot Middle School	Twenhofel Middle School	Woodland Middle School	Summit View Academy
Revenues from student activities	\$284,198	\$185,496	\$410,000	\$51,146	\$44,299	\$22,857	\$39,636
Non-instructional expenses	252,469	173,513	350,015	48,692	55,686	36,184	44,004
Excess (deficit) of revenue	31,729	11,983	59,985	2,454	(11,387)	(13,327)	(4,368)
Due to student groups, June 30, 2020	78,828	86,261	296,940	24,598	164,771	45,666	113,530
Due to Student Groups, June 30, 2021	\$110,557	\$98,244	\$356,925	\$27,052	\$153,384	\$32,339	\$109,162

	Northern Kentucky Youth Development Center	Beechgrove Elementary	J.A. Caywood Elementary	Fort Wright Elementary	Kenton Elementary	Piner Elementary	R.C. Hinsdale Elementary
Revenues from student activities	\$0	\$14,978	\$17,784	\$45,253	\$5,792	\$11,071	\$7,743
Non-instructional expenses	0	11,120	13,563	46,647	6,190	9,050	5,625
Excess (deficit) of revenue	0	3,858	4,221	(1,394)	(398)	2,021	2,118
Due to student groups, June 30, 2020	324	29,805	14,797	12,806	18,102	28,588	9,804
Due to Student Groups, June 30, 2021	\$324	\$33,663	\$19,018	\$11,412	\$17,704	\$30,609	\$11,922

	River Ridge Elementary	Ryland Heights Elementary	Taylor Mill Elementary	White's Tower Elementary	Totals
Revenues from student activities	\$30,121	\$30,653	\$6,755	\$7,939	\$1,215,721
Non-instructional expenses	29,120	31,286	23,836	10,420	1,147,420
Excess (deficit) of revenue	1,001	(633)	(17,081)	(2,481)	68,301
Due to student groups, June 30, 2020	25,742	38,730	37,356	23,152	1,049,800
Due to Student Groups, June 30, 2021	\$26,743	\$38,097	\$20,275	\$20,671	\$1,118,101

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

KENTON COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2021

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Passed through State Department of Education				
<u>Child Nutrition Cluster</u>				
Summer Food Service Program	10.555	7750002		\$ 549
National School Lunch Program - Food Commodities	10.555	4002553		223,631
Summer Food Service Program	10.559	7690024		369,264
Summer Food Service Program	10.559	7740023		4,359,855
Total Child Nutrition				4,953,299
Total U.S. Department of Agriculture				\$ 4,953,299
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Passed through Kentucky Department of Education				
<u>Title I Cluster</u>				
Title I Grants to Local Educational Agencies	84.010A	3100002 - 19		\$ 18,600
Title I Grants to Local Educational Agencies	84.010A	3100002 - 20		390,785
Title I Grants to Local Educational Agencies	84.010A	3100002 - 21		1,129,535
Program Total				1,538,920
Career and Technical Education - Basic Grants to States (Perkins)	84.048	4621132 - 19		4,444
Career and Technical Education - Basic Grants to States (Perkins)	84.048	4621132 - 20		24,607
Career and Technical Education - Basic Grants to States (Perkins)	84.048	4621132 - 21		120,341
Program Total				149,392
Title I-D Neglected and Delinquent Children	84.013	313E		5,443
Title I-D Neglected and Delinquent Children	84.013	313F		23,970
Title I-D Neglected and Delinquent Children	84.013	313G		1,248
Program Total				30,661

Continued

KENTON COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARD--Continued
June 30, 2021

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
Special Education Preschool Grants (IDEA Preschool)	84.173A	3800002 -19		20,693
Special Education Preschool Grants (IDEA Preschool)	84.173A	3800002 -20		99,871
Special Education - Grants to States (IDEA, Part B)	84.027A	3810002 - 19		239,616
Special Education - Grants to States (IDEA, Part B)	84.027A	3810002 - 20		10
Special Education - Grants to States (IDEA, Part B)	84.027A	3810002 - 21		2,961,377
Special Education - Grants to States (Special Olympics)	84.380	471F		772
Special Education - Grants to States (Special Olympics)	84.380	471G		1,199
Program Total				3,323,538
<u>Title II Cluster</u>				
Improving Teacher Quality State Grants	84.367A	3230002 - 19		9,826
Improving Teacher Quality State Grants	84.367A	3230002 - 20		5,133
Improving Teacher Quality State Grants	84.367A	3230002 - 21		320,577
Program Total				335,536
<u>Title III Cluster</u>				
English Language Acquisition State Grants	84.365A	3300002 - 21		54,041
Program Total				54,041
<u>Title IV Cluster</u>				
Student Support & Academic Enrichment Grant (Part A)	84.424A	3420002 - 18		3,125
Student Support & Academic Enrichment Grant (Part A)	84.424A	3420002 - 19		86,948
Student Support & Academic Enrichment Grant (Part A)	84.424A	3420002 - 20		33,634
Program Total				123,707

Continued

KENTON COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARD--Continued
June 30, 2021

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
<u>CARES Act Education Stabilization Fund</u>				
ESSER Funds	84.425D	613F		1,187,874
GEER Funds	84.425C	633F		<u>228,115</u>
Program Total				1,415,989
<u>Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA)</u>				
ESSER II Funds	84.425D	554G		<u>393,723</u>
Program Total				393,723
Total U.S. Department of Education				<u>\$ 7,365,507</u>
<u>U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>				
Passed through Kentucky Department of Education				
Promoting Adolescent Health Through School-Based Surveillance	93.079	493F		<u>\$ 144</u>
Total U.S. Department of Health & Human Services				<u>\$ 144</u>
<u>U.S. DEPARTMENT OF TREASURY</u>				
Passed through Kentucky Department of Education				
Coronavirus Relief Fund - Last Mile Internet	21.019	663G		6,811
Coronavirus Relief Fund - SEEK Replacement	21.019	17GG		<u>2,291,007</u>
Program Total				2,297,818
Total U.S. Department of Treasury				<u>\$ 2,297,818</u>
Total Federal Expenditures			<u>\$ -</u>	<u>\$ 14,616,768</u>

See Notes to Schedule of Expenditures
of Federal Awards and Independent Auditors' Report

Kenton County School District
Notes to Schedule of Expenditures of Federal Awards
June 30, 2021

Note A – Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Kenton County School District and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (“Uniform Guidance”).

Note B – Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair value of the commodities received and disbursed. During the fiscal year ended June 30, 2021 the District received \$223,631 in donated food commodities.

Note C – Indirect Cost Rate

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

REPORTS REQUIRED BY THE SINGLE AUDIT ACT

**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***



**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**

Members of the Board
Kenton County School District
Fort Wright, 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 and the *Kentucky Public School Districts' Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kenton County School District (the "District") as of and for the year ended June 30, 2021, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 13, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 District'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 the 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*.

In addition, the results of our tests disclosed no material instances of noncompliance with specific statutes or regulations identified in the *Kentucky Public School District's Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Strothman and Company

Louisville, Kentucky
November 13, 2021

**Independent Auditors' Report on Compliance For
Each Major Program and on Internal Control Over
Compliance Required by the Uniform Guidance**



**Independent Auditors' Report on Compliance For
Each Major Program and on Internal Control Over
Compliance Required by the Uniform Guidance**

Members of the Board
Kenton County School District
Fort Wright, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Kenton County School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2021. The District's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and 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 the 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; the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"); and the Kentucky Public School Districts' Audit Contract and Requirements prescribed by the Kentucky State Committee for School District Audits. 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 the 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 the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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 major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the 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 the 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 the 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.

Purpose of this Report

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.

Strothman and Company

Louisville, Kentucky
January 17, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Schedule of Findings and Questioned Costs

Kenton County School District

Year Ended June 30, 2021

Section I – Summary of Audit Results

1. The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the Kenton County School District (the "District").
2. No significant deficiencies relating to the audit of the financial statements were reported.
3. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control relating to the audit of the major federal award program are reported.
5. The auditors' report on compliance for the major federal program of the District expresses an unmodified opinion.
6. There were no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) of the Uniform Guidance.
7. The programs tested as major programs are as follows:

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	
U.S. DEPARTMENT OF AGRICULTURE	
Child Nutrition Cluster	
National School Lunch Program - Food Commodities	10.555
Summer Food Service Program	10.559
U.S. DEPARTMENT OF EDUCATION	
CARES Act Education Stabilization Fund	
ESSER Funds	84.425D
GEER Funds	84.425C
U.S. DEPARTMENT OF TREASURY	
Coronavirus Relief Fund	21.019

8. The threshold used for distinguishing Type A programs was \$750,000.
9. The District qualified to be audited as a low-risk auditee.

Schedule of Findings and Questioned Costs--Continued

Kenton County School District

Year Ended June 30, 2021

Section II - Findings – Financial Statement Audit--Continued

There are no findings to be reported.

Section III - Findings and Questioned Costs – Major Federal Programs Audit

There are no findings to be reported.

SCHEDULE OF PRIOR AUDIT FINDINGS

Schedule of Prior Audit Findings

Kenton County School District

Year Ended June 30, 2021

Section II - Findings – Financial Statement Audit--Continued

There are no findings to be reported.

Section III - Findings and Questioned Costs – Major Federal Programs Audit

There are no findings to be reported.