

Kenton County School District

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

KENTON COUNTY SCHOOL DISTRICT

June 30, 2023

Table of Contents

Independent Auditors' Report	1-3
Management's Discussion and Analysis (MD&A - Unaudited)	4-12
Basic Financial Statements:	
District Wide Financial Statements:	
Statement of Net Position - District Wide	13
Statement of Activities - District Wide	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Net Position – Proprietary Funds	19
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	20
Statement of Cash Flows – Proprietary Funds	21
Notes to the Financial Statements	22-54

KENTON COUNTY SCHOOL DISTRICT

June 30, 2023

Table of Contents (Continued)

Required Supplementary Information and Other Information:

Combining Statements – Nonmajor Funds:

Combining Balance Sheet - Nonmajor Governmental Funds	55
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	56
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – General Fund	57
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – Special Revenue Fund	58
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – Construction Fund	59
Statement of Receipts, Disbursements and Fund Balances - Bond and Interest Redemption Funds	60
Statement of Receipts, Disbursements and Fund Balances – Scott High School Activity Fund	61
Statement of Receipts, Disbursements and Fund Balances – Simon Kenton High School Activity Fund	62
Statement of Receipts, Disbursements and Fund Balances – Dixie Heights High School Activity Fund	63
Statement of Receipts, Disbursements and Fund Balance - School Activity Funds	64
Schedule of the District's Proportionate Share of the Net Pension Liability – TRS	65
Schedule of District Contributions – TRS	66
Schedule of the District's Proportionate Share of the Net Pension Liability – CERS	67
Schedule of District Contributions – CERS	68
Schedule of the District's Proportionate Share of the Net OPEB Liability – LIF	69
Schedule of District Contributions – LIF	70
Schedule of the District's Proportionate Share of the Net OPEB Liability – MIF	71
Schedule of District Contributions – MIF	72
Schedule of the District's Proportionate Share of the Net OPEB Liability – MIF (CERS)	73
Schedule of District Contributions – MIF (CERS)	74

KENTON COUNTY SCHOOL DISTRICT

June 30, 2023

Table of Contents (Continued)

Schedule of Expenditures of Federal Awards	75-76
Notes to the Schedule of Expenditures of Federal Awards	77
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 <i>Government Auditing Standards</i>	78-79
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	80-82
Schedule of Findings and Questioned Costs	83
Schedule of Prior Year Findings and Questioned Costs	84
Management Letter Comments	85-89

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kenton County School District as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the Kenton County School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kenton County School District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Kenton County School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Kenton County School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

**Independent Auditors' Report
(Continued)**

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Kenton County School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Kenton County School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kenton County School District's basic financial statements. The combining and individual nonmajor fund financial statements and statement of receipts and disbursements of bonds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

**Independent Auditors' Report
(Continued)**

Other Matters (Continued)

Other Information (Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2023 on our consideration of the Kenton County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kenton County School District's internal control over financial reporting and compliance.

Change in Accounting Principle

As discussed in Note 21 to the financial statements, the District adopted Governmental Accounting Standards Board ("GASB") Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective as of July 1, 2022. Our opinion is not modified with respect to this matter.



Crestview Hills, Kentucky
November 15, 2023

KENTON COUNTY SCHOOL DISTRICT

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

As management of the Kenton County School District (District), we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

Kenton County Schools served 14,403 enrolled students during the 2023 fiscal year through 19 schools including 3 high schools, a technology academy, 4 middle schools and 11 elementary schools. Preschool students expanded their instructional experience from a half day to a full day in 2022 and have continued to grow in 2023.

District facility activity during 2023 included continued progress on addition/renovation to Scott High School, safety and security enhancements and building renovation projects for five schools to address student population needs and eliminate temporary classroom facilities. In addition, architectural work began on the new Transportation and Operations Support Campus.

School Revenue Bonds were issued in July, 2022 for \$2.49 million to finance the purchase of the Crescent Springs building and bus lot.

The Board approved a Lease & Security Agreement with the Kentucky Interlocal School Transportation Association ("KISTA") resulting in the issuance of \$1.494 million in bonds to finance the purchase of nine new school buses.

Net Position increased \$21.3 million reflecting an increase in tax revenue, state SEEK funding and earnings on investments.

Total Revenues were \$209 million for the year. General revenues accounted for \$175 million, 84 percent of the total, while program specific revenues, in the form of charges for services and sales, grants, and contributions, accounted for \$33.8 million or 16 percent of total revenues. The District incurred \$188 million in total expenses.

Governmental Fund Revenues were \$201 million with \$156 million accounted for in the General Fund. Local tax revenues increased to \$82.5 million while state SEEK revenues increased by \$1.5 million. Federal grant program revenues decreased slightly as some of the Coronavirus Response & Relief grants begin to wind down.

Governmental Fund Expenditures totaled \$236.4 million during 2023 with General Fund expenses comprising \$149 million of that total. All District schools delivered instruction in-person for the entire school year.

The General Fund ended the year with a reserve balance of \$35.3 million which represents 25% of the non-construction budget for the year. \$4.5 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 \$30.8 million.

KENTON COUNTY SCHOOL DISTRICT

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

OVERVIEW OF FINANCIAL STATEMENTS

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

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

KENTON COUNTY SCHOOL DISTRICT

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

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 22 through 54 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net Position for the periods ending June 30, 2023 and 2022

The following is a summary of net position for the fiscal years ended June 30, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Current assets	\$ 67,400,708	\$ 99,246,466
Noncurrent assets	<u>295,524,354</u>	<u>258,399,052</u>
Total assets	<u>362,925,062</u>	<u>357,645,518</u>
Deferred outflows	<u>41,467,650</u>	<u>26,322,498</u>
Current liabilities	30,414,650	31,755,534
Noncurrent liabilities	<u>299,381,452</u>	<u>295,951,909</u>
Total liabilities	<u>329,796,102</u>	<u>327,707,443</u>
Deferred inflows	<u>30,569,077</u>	<u>33,524,078</u>
Net position		
Investment in capital assets (net of debt)	80,338,313	31,564,615
Restricted	12,297,092	49,153,204
Unrestricted	<u>(48,607,872)</u>	<u>(57,981,324)</u>
Total net position	<u>\$ 44,027,533</u>	<u>\$ 22,736,495</u>

KENTON COUNTY SCHOOL DISTRICT

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

DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Due to state pension plan and OPEB liabilities reflected on the District's balance sheet, Net Position may not be the best indicator of a government's financial position. In the case of the District, assets plus deferred outflows exceeded liabilities plus deferred inflow of resources by \$45.1 million as of June 30, 2023. Unrestricted Net Position is (\$48.8) million which includes the recognition of the District's proportionate share of the pension and other post-employment benefits (OPEB) liabilities at year end. Without the effect of the pension and OPEB net liabilities, unrestricted net position would be approximately \$34 million. See notes 8 and 9 in the Notes to the Financial Statements.

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

Capital Assets

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

The renovation process continues at Scott High School in the final phase of the multi-year project that has impacted all areas of the facility. The project includes renovation of the auditorium, gymnasium, natatorium and all other remaining interior spaces. This phase of the project was funded by a \$48.4 million revenue bond sale in February, 2022 and is scheduled for completion in 2024.

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

Work continued in 2023 on the security and safety upgrades at all school locations. The upgrades to all existing secure entrance designs will reflect the latest technology in school security.

The Board approved construction of a support operations facility in October, 2022. The facility will include a bus maintenance garage, building maintenance storage, technology department work area and support department office space. Revenue Bonds totaling \$34.95 million were sold in July, 2023 to fund this new building.

The District acquired a 25,000 square foot building plus parking lot that was previously leased and will continue to be used as a school bus lot in the northern end of the county. Revenue bonds totaling \$2.5 million sold in July, 2022 for this acquisition.

KENTON COUNTY SCHOOL DISTRICT

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

DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Capital Assets (Continued)

The Board approved the purchase of land for a new central office in November, 2022. The District has leased the current central office space from the Sanitation District for administrative operations for decades. Building design work has begun and includes administrative offices and meeting rooms, a public meeting/training room, instructional space for virtual learning classes and records storage.

Nine new buses were purchased through the Kentucky Intermodal School Transportation System bond program. The order included eight 84 passenger buses to improve efficiency in routing. Two new special needs buses were also ordered and funded through grant funds. Approved by the Board in November 2022, eight new buses were delivered in August, 2023.

Debt

At June 30, 2023, the District had \$205.7 million in outstanding bonds. The bonds are being paid from the Debt Service Fund. A portion of this debt, \$18.7 million is serviced by the Kentucky School Facility Construction Commission. See additional detail in Note 17 to Financial Statements.

Participation in the KISTA bus lease/purchase program was approved by the Board and bonds were issued in April 2023 for the purchase of nine new buses for the District fleet. The total amount of bonds issued was \$1,493,737 and total debt outstanding as of June 30, 2023 is \$7,532,971. The debt will be serviced by the General Fund.

In accordance with Government Accounting Board Statement 96, *Subscription-Based Information Technology Arrangements*, subscription-based information technology arrangements were reviewed to determine the proper classification under the statement requirements. Subscription assets and liabilities are reflected in the district-wide statements presented. See notes 20 and 21 in the Notes to the Financial Statements.

KENTON COUNTY SCHOOL DISTRICT

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

DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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

	<u>2023</u>	<u>2022</u>
Revenues		
Program revenues		
Charges for services	\$ 2,480,611	\$ 1,129,795
Operating grants	23,907,150	27,212,208
Capital grants	<u>7,458,431</u>	<u>5,776,075</u>
Total grant revenues	<u>33,846,192</u>	<u>34,118,078</u>
General Revenues		
Taxes	82,478,095	76,033,386
Grants and entitlements	87,266,668	75,984,692
Earnings on investments	2,711,652	181,356
Miscellaneous	<u>2,725,221</u>	<u>2,069,918</u>
Total general revenues	<u>175,181,636</u>	<u>154,269,352</u>
Total revenues	<u>209,027,828</u>	<u>188,387,430</u>
Expenses		
Instructional	98,323,036	93,694,229
Student support services	11,731,506	10,318,502
Staff support	9,885,743	5,942,569
District administration	2,788,237	2,638,110
School administration	11,927,527	10,844,670
Business support	4,234,266	3,757,486
Plant operations	23,732,938	20,071,504
Student transportation	9,370,263	9,935,213
Food service operation	7,067,927	7,095,825
Other	2,346,309	1,628,303
Interest on long-term debt	<u>6,329,038</u>	<u>5,593,517</u>
Total expenses	<u>187,736,790</u>	<u>171,519,928</u>
Change in net position	<u>\$ 21,291,038</u>	<u>\$ 16,867,502</u>

Governmental Activity

The COVID-19 national health emergency did not have a significant effect on school operations in 2023. While student and staff attendance was occasionally affected due to COVID-19 illness, district activities returned to normal schedules and activities in 2023. District schools delivered instruction in-person for the entire school year and student attendance returned to more normal levels.

Funding from the American Rescue Plan covered increased costs related to increased staffing and instruction to address learning loss experienced in the previous two years.

KENTON COUNTY SCHOOL DISTRICT

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

DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activity

Governmental Revenues experienced increases in all three types of property taxes as well as interest revenue in 2023. Property tax collections rose due to property value increases in the county. Real estate, franchise and motor vehicle collections reflected an increase in tax base. Grant revenues reflected the additional federal grant reimbursements from the federal Coronavirus Relief funds.

Total expenses reflected an increase of \$16.2 million and reflects the increased instruction spending to support students and recover prior year learning loss. \$6.6 million in staff increases and work hours as well as instructional program purchases were incurred with the Coronavirus Relief grant funds. Certified and classified salary schedules increased 5.0% to retain and attract staff. With the increase in revenue and bond proceeds, the 2023 fiscal year ended by adding \$20.4 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 \$8.2 million and expenditures of \$7.1 million during fiscal year 2023. The USDA authorized meal reimbursement under the summer feeding program for all meals ended at June 30, 2022 and federal school lunch funding resumed to previous program funding models reducing USDA program revenue by \$4.5 million in 2023. Student charge revenue increased by \$1.2 million as student attendance in schools returned to more normal levels. Expenditures also increased as some food items were unavailable and were replaced with higher cost items. Certainly food costs continued to be affected by inflation during 2023 and is expected in the 2024 school year. The 2023 fiscal year ended adding \$861 thousand to net position.

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

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

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. Fund financial statements are included on pages 15 – 21. The District accounts include eight different funds with the General Fund reflecting the most activity. Total governmental fund revenues, including on-behalf payments, were \$201 million with expenditures of \$236 million.

Government Fund tax revenues increased by \$6.4 million in 2023 due to increased property and motor vehicle valuations in Kenton County. Both the General and Building Fund reflected this increase. District and Student Activity Funds also experienced increased revenue activity as extra and co-curricular events returned to the weekly school agendas. Federal grant reimbursements remained approximately the same in 2023 accounting for 6% of government collected revenue. State SEEK and grant funding increased slightly comprising 34% of government fund collected revenue. The District's property tax base remains strong and increased by \$591 million (6.2%) providing a stable source of operating revenue. The distribution of government fund revenues is approximately 42% from state/federal sources and 58% generated from local sources.

KENTON COUNTY SCHOOL DISTRICT

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

DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The District's Funds (Continued)

Government Fund expenditures totaled \$236.4 million, an increase of \$33.6 million over 2022. General Fund expenditures increased \$18 million with salary and benefit costs and rising utility and diesel fuel prices due to inflation during 2023. Special Revenue expenditures rose \$0.9 million to fund instructional programs and sessions to address student learning loss and social/emotional needs. Construction expenditures were \$13 million higher due to the multiple capital improvement projects that progressed throughout the year. The 2023 salary schedules included a 5% increase for each position as well as the experience step increase of approximately 1.3%. Salary and benefits cost represent approximately 85% of the General Fund expenditures each year. The District is committed to hiring and retaining the most qualified personnel. The current compensation schedule is competitive with other Northern Kentucky Districts as well as Ohio and Indiana. This has helped attract highly qualified applicants and retain staff who have been trained by the District.

The General Fund ended the year with a fund balance at June 30, 2023 of \$28.5 million. This fund receives approximately 97% of annual cash revenue from local taxes and state SEEK revenue which can vary with the local economic environment and state budget issues. The fund balance will be critical in maintaining instructional programs and facilities as state funding priorities could shift given the current status of the state pension funding deficiencies.

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

BUDGETARY IMPLICATIONS

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

The most significant budgeted fund is the General Fund. By law, this fund budget must include a minimum 2% contingency. The Board adopted a 2023 working budget with \$19.3 million in contingency (14.5%). The 2023 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 \$43.4 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 \$108 million and actual revenues, excluding on-behalf payments were \$116.1 million. General Fund budgeted expenditures, excluding contingency, were \$113.6 million while actual expenditures, excluding on-behalf totaled \$109.2 million. The favorable variances in actual revenue and expenditures resulted in a \$30.8 million unrestricted fund balance at the end of the year versus a budgeted ending fund balance of \$19.3 million.

On-Behalf Payments

The District recorded on-behalf payments in the General Fund in 2023 totaling \$43.4 million and \$740 thousand in the District Academy Fund as required by KDE. On-behalf payments represent amounts paid on behalf of the Kenton County School District by the Commonwealth of Kentucky for employee health insurance, Teachers' Retirement, post-employment benefits and technology services. These revenues and expenditures are not budgeted but are required to be reflected in the annual financial fund reports as a revenue and expenditure. As a result, it should be noted that large variances between budgeted and actual amounts for the General Fund are the result of this inconsistency.

KENTON COUNTY SCHOOL DISTRICT

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

CURRENT ISSUES

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

The economic effect of the pandemic continues to affect all KY school districts. The local economy is active which creates a challenging environment to attract workers. The District experienced staffing shortages in several positions such as substitute teacher, custodian, food service and bus drivers. The state is also experiencing a shortage of classroom teachers since fewer students are entering college teacher preparation programs. Compensation plans, certification alternatives and aggressive recruiting of certified teachers are helping fill vacancies and maintain effective instruction and district operations. Measures to address the state wide teacher and other personnel shortages experienced statewide are anticipated in the 2024 General Assembly session. The district is also experiencing rising utility, food and fuel costs due to inflation, the same as any other business in the nation. Fortunately, the property tax base continues to provide adequate tax revenue to offset the expected cost increases.

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

The KY General Assembly raised the SEEK revenue to \$4,200 per student for 2023 and maintained state grant allocations. The District has been providing full day instruction for Kindergarten students since 2019 and added full day Preschool instruction in 2022. The state currently funds Preschool half-day and districts are interested in a full-day funding proposal at the Spring, 2024 General Assembly session. The SEEK process continues to redistribute revenue via the 30 cent adjustment process so districts in areas of rising property values do not retain the benefit of all local tax revenue increases. Additional state funding for student transportation is also needed to compete with local labor demands and rising fuel costs.

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 District has always paid its required contribution as determined by the plans. In accordance with the requirements of Governmental Accounting Standards Board Statements 68 and 75, the District has recorded its proportionate share of certain financial aspects of the pension plans in which its employees participate.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

KENTON COUNTY SCHOOL DISTRICT

Statement of Net Position – District Wide As of June 30, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Current:			
Cash and cash equivalents	\$ 32,232,221	\$ 4,710,837	\$ 36,943,058
Investments	24,989,750	-	24,989,750
Accounts receivable	5,053,645	116,293	5,169,938
Inventories for consumption	157,539	140,423	297,962
Total current	62,433,155	4,967,553	67,400,708
Noncurrent:			
Subscription assets	1,385,984	-	1,385,984
Less: accumulated amortization	(438,296)	-	(438,296)
Construction in progress	67,707,409	-	67,707,409
Nondepreciated capital assets:			
Land	10,482,466	-	10,482,466
Depreciated capital assets:			
Land improvements	7,129,836	-	7,129,836
Buildings and improvements	335,663,849	-	335,663,849
Furniture and equipment	33,459,858	2,841,758	36,301,616
Less: accumulated depreciation	(160,372,150)	(2,336,360)	(162,708,510)
Total noncurrent	295,018,956	505,398	295,524,354
Total assets	357,452,111	5,472,951	362,925,062
Deferred outflows	39,544,080	1,923,570	41,467,650
Liabilities and Net Position			
Liabilities			
Current:			
Current portion of bonds payable	15,750,000	-	15,750,000
Accounts payable	9,968,850	6,497	9,975,347
Accrued interest	1,691,249	-	1,691,249
Accrued sick leave	130,455	-	130,455
Accrued payroll and related expenses	888,432	4,216	892,648
Current portion of KISTA liabilities	1,409,665	-	1,409,665
Unearned revenues	360,252	205,034	565,286
Total current	30,198,903	215,747	30,414,650
Noncurrent:			
SBITA liabilities	648,869	-	648,869
Accrued sick leave	1,174,091	68,412	1,242,503
KISTA liabilities	6,123,306	-	6,123,306
MIF net OPEB liability	46,946,648	1,461,454	48,408,102
CERS net pension liability	44,663,312	5,111,916	49,775,228
Bond obligations	193,183,444	-	193,183,444
Total noncurrent	292,739,670	6,641,782	299,381,452
Total liabilities	322,938,573	6,857,529	329,796,102
Deferred inflows	28,935,484	1,633,593	30,569,077
Net Position			
Invested in capital assets, net of related debt	79,832,915	505,398	80,338,313
Restricted	13,897,091	(1,599,999)	12,297,092
Unrestricted	(48,607,872)	-	(48,607,872)
Total net position	\$ 45,122,134	\$ (1,094,601)	\$ 44,027,533

The accompanying notes are an integral part of these financial statements

KENTON COUNTY SCHOOL DISTRICT

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

Function/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instructional	\$ 98,323,036	\$ 195,395	\$ 9,452,288	\$ -	\$ (88,675,353)	\$ -	\$ (88,675,353)
Student support services	11,731,506	-	559,402	-	(11,172,104)	-	(11,172,104)
Staff support services	9,885,743	-	4,168,113	-	(5,717,630)	-	(5,717,630)
District administration	2,788,237	-	23,740	-	(2,764,497)	-	(2,764,497)
School administration	11,927,527	-	-	-	(11,927,527)	-	(11,927,527)
Business support services	4,234,266	-	-	-	(4,234,266)	-	(4,234,266)
Plant operation and maintenance	23,732,938	174,983	703,185	-	(22,854,770)	-	(22,854,770)
Student transportation	9,370,263	685,809	48,396	-	(8,636,058)	-	(8,636,058)
Food service operations	125,933	-	125,933	-	-	-	-
Community service operations	1,360,035	-	1,359,269	-	(766)	-	(766)
Facility acquisition and construction	28,147	-	-	7,458,431	7,430,284	-	7,430,284
Other	832,194	-	722,645	-	(109,549)	-	(109,549)
Interest on long-term debt	6,329,038	-	-	-	(6,329,038)	-	(6,329,038)
Total governmental activities	180,668,863	1,056,187	17,162,971	7,458,431	(154,991,274)	-	(154,991,274)
Business-type activities							
Food service	7,067,927	1,424,424	6,744,179	-	-	1,100,676	1,100,676
Total business-type activities	7,067,927	1,424,424	6,744,179	-	-	1,100,676	1,100,676
Total school district	<u>\$ 187,736,790</u>	<u>\$ 2,480,611</u>	<u>\$ 23,907,150</u>	<u>\$ 7,458,431</u>	<u>(154,991,274)</u>	<u>1,100,676</u>	<u>(153,890,598)</u>
General revenues:							
Taxes					82,478,095	-	82,478,095
State and federal sources					87,266,668	-	87,266,668
Investment earnings					2,601,047	110,605	2,711,652
Miscellaneous					2,590,761	67,393	2,658,154
Special items:							
Gain (loss) on sale of assets					67,242	(175)	67,067
Fund transfer					416,917	(416,917)	-
Total general and special revenues					<u>175,420,730</u>	<u>(239,094)</u>	<u>175,181,636</u>
Change in net position					20,429,456	861,582	21,291,038
Net position - beginning					24,692,678	(1,956,183)	22,736,495
Net position - ending					<u>\$ 45,122,134</u>	<u>\$ (1,094,601)</u>	<u>\$ 44,027,533</u>

The accompanying notes are an integral part of these financial statements

KENTON COUNTY SCHOOL DISTRICT

Balance Sheet – Governmental Funds As of June 30, 2023

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Current:					
Cash and cash equivalents	\$ 9,833,572	\$ -	\$ 18,749,087	\$ 3,649,562	\$ 32,232,221
Investments	24,989,750	-	-	-	24,989,750
Accounts receivable	2,210,148	2,794,036	-	49,461	5,053,645
Inventories for consumption	157,539	-	-	-	157,539
Total assets	<u>\$ 37,191,009</u>	<u>\$ 2,794,036</u>	<u>\$ 18,749,087</u>	<u>\$ 3,699,023</u>	<u>\$ 62,433,155</u>
Liabilities and Fund Balances					
Liabilities					
Current:					
Accounts payable	\$ 912,640	\$ 2,462,460	\$ 5,724,150	\$ 869,600	\$ 9,968,850
Unearned revenue	28,676	331,576	-	-	360,252
Accrued payroll and related expenses	888,432	-	-	-	888,432
Total liabilities	<u>1,829,748</u>	<u>2,794,036</u>	<u>5,724,150</u>	<u>869,600</u>	<u>11,217,534</u>
Fund Balances					
Restricted:					
Capital projects	-	-	13,024,937	872,154	13,897,091
Other	21,261	-	-	1,336,324	1,357,585
Committed:					
Accrued sick leave	652,273	-	-	-	652,273
Site based carryforward	682,861	-	-	-	682,861
Other	-	-	-	620,945	620,945
Assigned:					
Purchase obligations	498,268	-	-	-	498,268
Other	2,500,000	-	-	-	2,500,000
Nonspendable:					
Inventories	157,539	-	-	-	157,539
Unassigned	30,849,059	-	-	-	30,849,059
Total fund balances	<u>35,361,261</u>	<u>-</u>	<u>13,024,937</u>	<u>2,829,423</u>	<u>51,215,621</u>
Total liabilities and fund balances	<u>\$ 37,191,009</u>	<u>\$ 2,794,036</u>	<u>\$ 18,749,087</u>	<u>\$ 3,699,023</u>	<u>\$ 62,433,155</u>

The accompanying notes are an integral part of these financial statements

KENTON COUNTY SCHOOL DISTRICT

**Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
As of June 30, 2023**

Total governmental fund balance		\$ 51,215,621
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Subscription assets	1,385,984	
Accumulated amortization	(438,296)	
Construction in process	67,707,409	
Cost of capital assets	386,736,009	
Accumulated depreciation	<u>(160,372,150)</u>	295,018,956
Deferred outflows related to CERS	6,125,090	
Deferred outflows for CERS contributions made after the measurement date	4,217,192	
Deferred outflows for MIF contributions made after the measurement date	2,719,716	
Deferred outflows related to MIF	24,552,839	
Deferred outflows for bond refinancing	<u>1,929,243</u>	39,544,080
Deferred inflows related to CERS	(7,014,388)	
Deferred inflows related to MIF	<u>(21,921,096)</u>	(28,935,484)
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds payable		(205,690,000)
Bond premium		(3,243,444)
Accrued interest on bonds		(1,691,249)
Subscription liabilities		(648,869)
KISTA liabilities		(7,532,971)
Net pension liability		(44,663,312)
Net OPEB liability		(46,946,648)
Accrued sick leave		<u>(1,304,546)</u>
Total net position - governmental		<u>\$ 45,122,134</u>

The accompanying notes are an integral part of these financial statements

KENTON COUNTY SCHOOL DISTRICT

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

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 65,714,716	\$ -	\$ -	\$ 16,763,379	\$ 82,478,095
Earnings on investments	1,776,006	-	790,071	34,970	2,601,047
State sources	86,041,540	4,593,684	-	8,199,268	98,834,492
Federal sources	484,291	12,395,578	-	-	12,879,869
Other sources	1,674,591	173,709	-	2,405,093	4,253,393
Total revenues	155,691,144	17,162,971	790,071	27,402,710	201,046,896
Expenditures					
Instructional	86,728,742	9,333,088	-	4,673,267	100,735,097
Student support services	11,166,849	559,402	-	606	11,726,857
Staff support services	5,675,021	4,168,113	-	30,220	9,873,354
District administration	2,730,256	23,740	-	-	2,753,996
School administration	11,517,784	-	-	392,409	11,910,193
Business support services	4,198,017	-	-	-	4,198,017
Plant operation and maintenance	16,199,474	703,185	-	7,093	16,909,752
Student transportation	9,790,489	48,396	-	1,159	9,840,044
Food service operation	-	125,933	-	-	125,933
Community service operations	50	1,359,269	-	-	1,359,319
Facility acquisition and construction	-	-	43,092,226	-	43,092,226
Other	-	722,645	-	71,759	794,404
Debt service:					
Principal	1,273,358	-	-	15,345,000	16,618,358
Interest	180,139	-	-	6,206,026	6,386,165
Bond issuance costs	-	-	37,790	-	37,790
Total expenditures	149,460,179	17,043,771	43,130,016	26,727,539	236,361,505
Excess (deficit) of revenues over expenditures	6,230,965	119,200	(42,339,945)	675,171	(35,314,609)
Other financing sources (uses)					
Loan and bond proceeds	-	-	2,490,000	-	2,490,000
Bond discount	-	-	(48,520)	-	(48,520)
Issuance of KISTA liability	1,493,737	-	-	-	1,493,737
Proceeds from sale of assets	166,755	-	-	5,000	171,755
Operating transfers in	2,142,341	278,767	1,570,083	21,274,139	25,265,330
Operating transfers out	(3,134,754)	(397,967)	(300,324)	(21,015,368)	(24,848,413)
Total other financing sources (uses)	668,079	(119,200)	3,711,239	263,771	4,523,889
Net change in fund balance	6,899,044	-	(38,628,706)	938,942	(30,790,720)
Fund balance, July 1, 2022	28,462,217	-	51,653,643	1,890,481	82,006,341
Fund balance, June 30, 2023	\$ 35,361,261	\$ -	\$ 13,024,937	\$ 2,829,423	\$ 51,215,621

The accompanying notes are an integral part of these financial statements

KENTON COUNTY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2023

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

Net changes-governmental funds \$ (30,790,720)

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

Recognition of subscription asset	1,385,984	
Amortization of subscription asset	(438,296)	
Recognition of subscription liability	(648,869)	
Depreciation expense	(11,791,395)	
Capital outlays	48,112,380	
Retirement of capital assets	<u>(104,513)</u>	
		36,515,291

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

Bond principal paid	15,345,000
Bond proceeds	(2,490,000)
Bond discount	48,520
Amortization of bond refinancing	(821,109)
Amortization of bond premium, net	388,373
KISTA liabilities principal paid	1,320,218
New KISTA liabilities	(1,493,737)

Deferred outflows related to pensions	4,039,830
Deferred outflows related to other post-retirement employee benefits	11,589,328

Deferred inflows related to pensions	1,748,114
Deferred inflows related to other post-retirement employee benefits	961,747

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

(15,931,399)

Changes in net position of governmental activities \$ 20,429,456

The accompanying notes are an integral part of these financial statements

KENTON COUNTY SCHOOL DISTRICT

Statement of Net Position – Proprietary Funds As of June 30, 2023

	<u>Food Service</u>	<u>Total</u>
Assets		
Current		
Cash and cash equivalents	\$ 4,710,837	\$ 4,710,837
Accounts receivable	116,293	116,293
Inventories for consumption	140,423	140,423
Total current	<u>4,967,553</u>	<u>4,967,553</u>
Noncurrent		
Furniture and Fixtures	2,841,758	2,841,758
Less: accumulated depreciation	<u>(2,336,360)</u>	<u>(2,336,360)</u>
Total noncurrent	<u>505,398</u>	<u>505,398</u>
Total assets	<u>5,472,951</u>	<u>5,472,951</u>
Deferred outflows	<u>1,923,570</u>	<u>1,923,570</u>
Liabilities and Net Position		
Liabilities		
Current		
Accounts payable	6,497	6,497
Unearned revenue	205,034	205,034
Accrued payroll and related expenses	4,216	4,216
Total current	<u>215,747</u>	<u>215,747</u>
Noncurrent		
MIF net OPEB liability	1,461,454	1,461,454
CERS net pension liability	5,111,916	5,111,916
Accumulated sick leave	68,412	68,412
Total noncurrent	<u>6,641,782</u>	<u>6,641,782</u>
Total liabilities	<u>6,857,529</u>	<u>6,857,529</u>
Deferred inflows	<u>1,633,593</u>	<u>1,633,593</u>
Net Position		
Invested in assets, net of debt	505,398	505,398
Restricted	<u>(1,599,999)</u>	<u>(1,599,999)</u>
Total net position	<u>\$ (1,094,601)</u>	<u>\$ (1,094,601)</u>

The accompanying notes are an integral part of these financial statements

KENTON COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds Year Ended June 30, 2023

	Food Service	Total
Operating revenues		
Lunchroom sales	\$ 1,424,424	\$ 1,424,424
Other operating revenues	67,393	67,393
Total operating revenues	<u>1,491,817</u>	<u>1,491,817</u>
Operating expenses		
Salaries and benefits	3,055,722	3,055,722
Contract services	278,548	278,548
Materials and supplies	3,637,837	3,637,837
Depreciation	81,428	81,428
Other operating expenses	14,392	14,392
Total operating expenses	<u>7,067,927</u>	<u>7,067,927</u>
Operating loss	<u>(5,576,110)</u>	<u>(5,576,110)</u>
Nonoperating revenues (expenses)		
Federal grants	5,455,770	5,455,770
State grants	519,075	519,075
Donated commodities and other donations	769,334	769,334
Loss on sale of assets	(175)	(175)
Transfers out	(416,917)	(416,917)
Interest income	110,605	110,605
Total nonoperating revenues	<u>6,437,692</u>	<u>6,437,692</u>
Change in net position	861,582	861,582
Total net position, July 1, 2022	<u>(1,956,183)</u>	<u>(1,956,183)</u>
Total net position, June 30, 2023	<u><u>\$ (1,094,601)</u></u>	<u><u>\$ (1,094,601)</u></u>

The accompanying notes are an integral part of these financial statements

KENTON COUNTY SCHOOL DISTRICT

Statement of Cash Flows – Proprietary Funds Year Ended June 30, 2023

	Food Service Fund	Total
Cash flows from operating activities		
Cash received from lunchroom sales	\$ 1,424,424	\$ 1,424,424
Cash payments for other activities	(143,398)	(143,398)
Cash payments to employees for services	(3,080,019)	(3,080,019)
Cash payments to suppliers for goods and services	(3,054,373)	(3,054,373)
Cash transfers	(416,917)	(416,917)
Net cash used in operating activities	(5,270,283)	(5,270,283)
Cash flows from capital financing activities		
Purchase of capital assets	(42,745)	(42,745)
Net cash used in capital financing activities	(42,745)	(42,745)
Cash flows from noncapital financing activities		
Non-operating revenues received	6,744,179	6,744,179
Net cash provided by noncapital financing activities	6,744,179	6,744,179
Cash flows from investing activities		
Interest on investments	110,605	110,605
Net cash flows provided by investing activities	110,605	110,605
Net increase in cash and cash equivalents	1,541,756	1,541,756
Cash and cash equivalents - beginning	3,169,081	3,169,081
Cash and cash equivalents - ending	\$ 4,710,837	\$ 4,710,837
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (5,576,110)	\$ (5,576,110)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	81,428	81,428
Transfers	(416,917)	(416,917)
Changes in assets and liabilities:		
Decrease in accounts receivable	895,209	895,209
Decrease in accounts payable	(10,379)	(10,379)
Increase in unearned revenue	144,216	144,216
Decrease in accrued payroll and related expenses	(13,958)	(13,958)
Decrease in accumulated sick leave	(10,339)	(10,339)
Increase in deferred outflows	(337,103)	(337,103)
Decrease in deferred inflows	(245,140)	(245,140)
Decrease in MIF net OPEB liability	(36,402)	(36,402)
Increase in CERS net pension liability	263,638	263,638
Increase in inventories	(8,426)	(8,426)
Net cash used in operating activities	\$ (5,270,283)	\$ (5,270,283)
Schedule of non-cash transactions:		
Donated commodities received from federal government	\$ 769,334	\$ 769,334
On behalf payments	\$ 451,572	\$ 451,572

The accompanying notes are an integral part of these financial statements

KENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

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

Basis of Presentation

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

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

KENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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

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

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

The District has the following funds:

I. Governmental Fund Types

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

KENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

I. Governmental Fund Types (Continued)

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

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.
2. The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. The District is committed to construction contracts in the amount of \$13,024,937 for ongoing projects. This is a major fund of the District.

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

II. Debt Service Fund

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

III. Proprietary Fund (Enterprise Fund)

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

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

KENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

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

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Unearned Revenue – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Taxes

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

KENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Process

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

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

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

Cash and Cash Equivalents

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

Fair Value Measurements

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

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

Inventories

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

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the district-wide statement of net position and in the respective funds.

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

KENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

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

Accumulated Unpaid Sick Leave Benefits

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

Interfund Balances

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

Accrued Liabilities and Long-Term Obligations

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

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

KENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Reserves

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

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

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

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

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

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

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

Encumbrances are not liabilities and are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance in the governmental funds balance sheet.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

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

KENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Activity

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

Pensions

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

Postemployment Benefits Other than Pensions (OPEB)

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

NOTE 2 ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3 CASH AND CASH EQUIVALENTS

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

KENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 4 CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>Balance June 30, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2023</u>
Land	\$ 7,219,838	\$ 3,262,628	\$ -	\$ 10,482,466
Land improvements	7,065,993	125,307	61,464	7,129,836
Buildings and improvements	324,221,681	11,502,004	59,836	335,663,849
Technology equipment	13,057,943	2,554,944	1,158,595	14,454,292
Vehicles	14,863,706	1,779,999	2,186,326	14,457,379
General equipment	4,308,307	247,588	7,708	4,548,187
Construction in progress	39,067,499	40,090,752	11,450,842	67,707,409
Totals at historical cost	<u>409,804,967</u>	<u>59,563,222</u>	<u>14,924,771</u>	<u>454,443,418</u>
Less: accumulated depreciation				
Land improvements	3,446,763	233,866	61,464	3,619,165
Buildings and improvements	131,022,332	8,350,207	33,159	139,339,380
Technology equipment	7,370,534	1,669,120	1,080,759	7,958,895
Vehicles	7,674,744	1,316,166	2,186,326	6,804,584
General equipment	<u>2,435,798</u>	<u>222,036</u>	<u>7,708</u>	<u>2,650,126</u>
Total accumulated depreciation	<u>151,950,171</u>	<u>11,791,395</u>	<u>3,369,416</u>	<u>160,372,150</u>
Governmental activities capital assets - net	<u>\$ 257,854,796</u>	<u>\$ 47,771,827</u>	<u>\$ 11,555,355</u>	<u>\$ 294,071,268</u>
<u>Business - Type Activities</u>				
General equipment	\$ 2,703,169	\$ 42,745	\$ -	\$ 2,745,914
Vehicles	85,757	-	25,834	59,923
Technology equipment	<u>42,463</u>	<u>-</u>	<u>6,542</u>	<u>35,921</u>
Totals at historical cost	<u>2,831,389</u>	<u>42,745</u>	<u>32,376</u>	<u>2,841,758</u>
Less: accumulated depreciation				
General equipment	2,208,310	66,671	-	2,274,981
Vehicles	73,476	6,407	25,834	54,049
Technology equipment	<u>5,347</u>	<u>8,350</u>	<u>6,367</u>	<u>7,330</u>
Total accumulated depreciation	<u>2,287,133</u>	<u>81,428</u>	<u>32,201</u>	<u>2,336,360</u>
Business - type activities capital assets - net	<u>\$ 544,256</u>	<u>\$ (38,683)</u>	<u>\$ 175</u>	<u>\$ 505,398</u>

KENTON COUNTY SCHOOL DISTRICT

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

NOTE 4 CAPITAL ASSETS (CONTINUED)

Depreciation expense by function for the fiscal year ended June 30, 2023 was as follows:

	<u>Governmental</u>	<u>Business-Type</u>
Instruction	\$ 3,552,413	\$ -
Student support services	4,649	-
Staff support services	12,389	-
District administration	34,241	-
School administration	17,334	-
Business support services	36,249	-
Plant operation and maintenance	6,823,186	-
Food service	-	81,428
Student transportation	1,310,218	-
Community services	716	-
Total	<u>\$ 11,791,395</u>	<u>\$ 81,428</u>

NOTE 5 ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System, certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2023 this amount totaled approximately \$1,372,958 for those employees with twenty-seven or more years of experience.

NOTE 6 COMMITMENTS UNDER KISTA LIABILITIES

The District is the borrower of equipment under KISTA liabilities that expire in various years between 2024 and 2033. The assets and liabilities under KISTA liabilities are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lower of their related lease terms or their estimated productive lives. Depreciation of assets under KISTA liabilities is included in depreciation expense.

KENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 6 COMMITMENTS UNDER KISTA LIABILITIES (CONTINUED)

Future minimum lease payments under KISTA liabilities as of June 30, 2023, for each of the next five years and in the aggregate are as follows:

Year Ending <u>June 30,</u>	
2023-2024	\$ 1,614,749
2024-2025	1,424,773
2025-2026	1,253,245
2026-2027	1,084,194
2027-2028	890,120
Thereafter	<u>2,127,556</u>
Total minimum payments	8,394,637
Less amount representing interest	<u>861,666</u>
Present value of net minimum liability payments	<u><u>\$ 7,532,971</u></u>

NOTE 7 LEASE OBLIGATIONS AND BONDED DEBT

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

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
February 28, 2012	\$ 43,530,000	2.500% - 6.500%
March 7, 2013	30,545,000	2.000% - 3.000%
May 16, 2013	12,005,000	2.000% - 3.125%
March 5, 2014	4,170,000	1.000% - 4.000%
April 1, 2015	14,445,000	2.000% - 3.000%
April 10, 2015	8,895,000	2.000% - 3.000%
May 28, 2015	17,320,000	3.000% - 3.625%
March 9, 2016	25,190,000	2.000% - 4.000%
April 19, 2016	19,400,000	2.000% - 3.250%
June 5, 2017	5,125,000	2.000% - 3.550%
November 7, 2017	2,280,000	3.000%
April 18, 2018	13,945,000	2.000% - 4.000%
May 7, 2020	12,850,000	1.500% - 3.000%
September 30, 2020	7,670,000	1.500% - 1.750%
November 29, 2021	29,125,000	0.300% - 2.100%
February 2, 2022	48,385,000	0.550% - 2.540%
July 14, 2022	2,490,000	2.500% - 4.148%

KENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 7 LEASE OBLIGATIONS AND BONDED DEBT (CONTINUED)

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

The District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. Note 17 sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal has been recorded in the financial statements.

All issues may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2023 for debt service (principal and interest) are reported in Note 17.

NOTE 8 RETIREMENT PLANS

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

General information about the County Employees Retirement System Non-Hazardous

Plan description

Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

KENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 8 RETIREMENT PLANS (CONTINUED)

Benefits provided

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

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old
		At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old
		Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old
		Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. One month's service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 75% of the decedent's monthly average rate of pay. If the surviving spouse remarries, the monthly rate will be recalculated to 25% of the decedent's monthly average. Any dependent child will receive 50% of the decedent's monthly final rate of pay up to 75% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Contributions

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

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

The contribution requirement for CERS for the year ended June 30, 2023, was \$5,808,422, which consisted of \$4,699,868 from the District and \$1,108,554 from the employees. Total contributions for the year ended June 30, 2022 and 2021 were \$5,131,621 and \$4,581,700, respectively. The contributions have been contributed in full for fiscal years 2023, 2022 and 2021.

KENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 8 RETIREMENT PLANS (CONTINUED)

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

Plan description

Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. TRS is a blended component unit of the Commonwealth of Kentucky Revised Statutes and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/employers/information/gasb-65-67/>.

Benefits provided

For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, employees must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service.

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. New employees hired after July 1, 2008 but before December 31, 2021 who retire with less than ten years will receive monthly benefits equal to 1.7% of their final average salary for each year of service. New employees hired between July 1, 2008 and December 31, 2021 with between 20 to 26 years of service will receive monthly benefits equal to 2.3% of their final average salary for each year of service. Lastly, new employees hired between July 1, 2008 and December 31, 2021 with between 26-30 years of service. Effective January 1, 2022 the system has been amended to change the benefit structure for employees hired on or after that date.

KENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 8 RETIREMENT PLANS (CONTINUED)

Benefits provided (Continued)

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

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

Contributions

Contribution rates are established by Kentucky Revised Statutes. Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 10.400% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 8.185% of their salary to TRS. The contribution requirement for TRS for the year ended June 30, 2023, was \$11,929,797, which consisted of \$2,829,530 from the District and \$9,100,267 from the employees. Total contributions for the year ended June 30, 2022 and 2021 were \$11,215,587 and \$10,694,083, respectively. The contributions have been contributed in full for fiscal years 2023, 2022 and 2021.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Medical Insurance Plan

Plan description

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

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

KENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 8 RETIREMENT PLANS (CONTINUED)

Funding policy

In order to fund the post-retirement healthcare benefit, 7.50% of the gross annual payroll of members is contributed. Member contributions are 3.75% and 0.75% is paid from state appropriate. Employer contributions are 3.00%. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

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

At June 30, 2023, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$ 49,775,228
Commonwealth's proportionate share of the TRS net pension liability associated with the District	<u>330,621,254</u>
	<u>\$ 380,396,482</u>

The net pension liability for each plan was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2022, the District's proportion was 0.688548% percent.

KENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 8 RETIREMENT PLANS (CONTINUED)

For the year ended June 30, 2023, the District recognized an increase in pension expense of \$2,136,456 related to CERS. At June 30, 2023, 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>
Difference between expected and actual experience	\$ 53,216	\$ 443,270
Net difference between projected and actual earnings on pension plan investments	6,772,918	5,496,861
Changes of assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,877,085
District contributions subsequent to the measurement date	<u>4,699,868</u>	<u>-</u>
Total	<u>\$ 11,526,002</u>	<u>\$ 7,817,216</u>

\$4,699,868 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2024	\$ (1,376,653)
2025	(610,152)
2026	(418,283)
2027	1,414,006
2028	-

Actuarial assumptions

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

	<u>CERS</u>	<u>TRS</u>
Inflation	2.30%	2.50%
Projected salary increases	3.3 - 10.3%	3.0 - 7.5%
Investment rate of return, net of investment expense and inflation	6.25%	7.10%

KENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 8 RETIREMENT PLANS (CONTINUED)

Actuarial assumptions (Continued)

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

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

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

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

KENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 8 RETIREMENT PLANS (CONTINUED)

Actuarial assumptions (Continued)

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

Asset Class	TRS Target Allocation	TRS Long-Term Expected Real Rate of Return	CERS Target Allocation	CERS Long-Term Expected Real Rate of Return
US equity	40.0%	4.23%	50.0%	4.45%
Developed international equity	16.5%	5.30%		
Emerging markets equity	5.5%	5.40%		
Core bonds			10.0%	0.28%
Private equity	7.0%	6.90%	10.0%	10.15%
High yield	2.0%	1.70%	10.0%	2.28%
Fixed income	15.0%	-0.10%		
Additional categories	5.0%	2.20%		
Real estate	7.0%	4.00%	7.0%	3.67%
Real return			13.0%	4.07%
Cash	2.0%	-0.30%	0.0%	-0.91%
Total	100%		100%	

Discount rate

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

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 62,212,859	\$ 49,775,228	\$ 39,488,275
TRS	6.10%	7.10%	8.10%
District's proportionate share of net pension liability	-	-	-

KENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 8 RETIREMENT PLANS (CONTINUED)

Pension plan fiduciary net position

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

NOTE 9 OPEB PLANS

General information about the Teachers' Retirement System OPEB Plan

Plan description

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

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

Medical Insurance Plan

Plan description

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

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.

KENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 9 OPEB PLANS (CONTINUED)

Contributions

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

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

Plan description

Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS.

Benefits

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

Contributions

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

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

At June 30, 2023, the Kenton County School District reported a liability of \$48,408,102 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the District's proportion was 1.40 percent for TRS, which was an increase of 0.36 percent of its proportion measured as of June 30, 2021. At June 30, 2022, the District's proportion was 0.69 percent for CERS, which was a decrease of 0.03 percent from its proportion measured as of June 30, 2021.

KENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 9 OPEB PLANS (CONTINUED)

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

District's proportionate share of the CERS net OPEB liability	\$ 13,586,102
District's proportionate share of the TRS net OPEB liability	34,822,000
State's proportionate share of the net OPEB liability associated with the District	<u>11,440,000</u>
	<u>\$ 59,848,102</u>

For the year ended June 30, 2023, the District recognized OPEB expense of \$11,413,773 and revenue of \$611,430 for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,367,554	\$ 17,753,608
Net difference between projected and actual earnings on OPEB plan investments	4,380,872	1,978,446
Change of assumptions	9,220,737	1,770,547
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,249,569	1,249,260
District contributions subsequent to the measurement date	<u>2,793,673</u>	<u>-</u>
Total	<u>\$ 28,012,405</u>	<u>\$ 22,751,861</u>

KENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 9 OPEB PLANS (CONTINUED)

Of the total amount reported as deferred outflows of resources related to OPEB, \$2,793,673 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	
2024	\$ (648,369)
2025	(505,252)
2026	(1,011,772)
2027	2,113,264
2028	1,775,000
Thereafter	744,000

Actuarial assumptions

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

	TRS	CERS
Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation.	6.25%
Projected salary increases	3.00 - 7.50%, including wage inflation	3.30% to 10.30%, varies by service
Inflation rate	2.50%	2.30%
Real Wage Growth	0.25%	
Wage Inflation	2.75%	
Healthcare cost trend rates		
Under 65	7.00% for FY 2022 decreasing to an ultimate rate of 4.50% by FY 2032	Initial trend starting at 6.4% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years
Ages 65 and Older	5.125% for FY 2022 decreasing to an ultimate rate of 4.50% by FY 2025	Initial trend starting at 6.30% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Medicare Part B Premiums	6.97% for FY 2022 with an ultimate rate of 4.50% by 2034	
Municipal Bond Index Rate	3.37%	3.69%
Discount Rate	7.10%	5.70%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including price inflation	

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

KENTON COUNTY SCHOOL DISTRICT

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

NOTE 9 OPEB PLANS (CONTINUED)

Actuarial assumptions (Continued)

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
Global Equity	58.0%	5.1%
Fixed Income	9.0%	-0.1%
Real Estate	6.5%	4.0%
Private Equity	8.5%	6.9%
Other Additional Categories	17.0%	1.7%
Cash (LIBOR)	1.0%	-0.3%
Total	<u>100.0%</u>	

Discount rate

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

KENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 9 OPEB PLANS (CONTINUED)

Discount rate (Continued)

For CERS, the discount rate used to measure the total OPEB liability was 5.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

	<u>1% Decrease (6.10%)</u>	<u>Current Discount Rate (7.10%)</u>	<u>1% Increase (8.10%)</u>
TRS			
Districts' net OPEB liability	\$ 43,690,000	\$ 34,822,000	\$ 27,481,000
	<u>1% Decrease (4.70%)</u>	<u>Current Discount Rate (5.70%)</u>	<u>1% Increase (6.70%)</u>
CERS			
Districts' net OPEB liability	\$ 18,162,451	\$ 13,586,102	\$ 9,802,985

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

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
TRS			
Districts' net OPEB liability	\$ 26,105,000	\$ 34,822,000	\$ 45,664,000
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
CERS			
Districts' net OPEB liability	\$ 10,100,965	\$ 13,586,102	\$ 17,771,094

OPEB plan fiduciary net position

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

KENTON COUNTY SCHOOL DISTRICT

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

NOTE 9 OPEB PLANS (CONTINUED)

Life Insurance Plan

Plan description

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

Benefits provided

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

Contributions

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

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

At June 30, 2023, the Kenton County School District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the District	<u>569,000</u>
	<u><u>\$ 569,000</u></u>

For the year ended June 30, 2023, the District recognized OPEB expense of \$43,428.

KENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 9 OPEB PLANS (CONTINUED)

Actuarial assumptions

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

Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.00 - 7.50%, including wage inflation
Inflation rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Municipal Bond Index Rate	3.37%
Discount Rate	7.10%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including price inflation

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

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

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

KENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 9 OPEB PLANS (CONTINUED)

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

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

Discount rate

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

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.10%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

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

OPEB plan fiduciary net position

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

KENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 10 CONTINGENCIES

Grant Fund Approval

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue the programs.

NOTE 11 INSURANCE AND RELATED ACTIVITIES

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

NOTE 12 RISK MANAGEMENT

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

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

KENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 13 DEFICIT OPERATING/FUND BALANCES

The District's Food Service Fund currently has a deficit fund balance of \$1,094,601. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures, resulting in a corresponding reduction of fund balance:

District Activity Fund	\$ 6,921
Construction Fund	38,628,706
Summit View Academy	18,504
Beechgrove Elementary School	3,985
Caywood Elementary	2,096
Hinsdale Elementary	7,571
Piner Elementary	894
River Ridge Elementary	775
Ryland Heights Elementary	2,082
Taylor Mill Elementary	956

NOTE 14 COBRA

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

NOTE 15 TRANSFER OF FUNDS

The following transfers were made during the year.

From Fund	To Fund	Purpose	Amount
General Fund	Academy Fund	Operating	\$ 2,057,401
General Fund	Special Revenue Fund	Indirect Costs	278,767
General Fund	Debt Service Fund	Debt Service	798,586
Capital Outlay Fund	General Fund	Operating	100,000
Capital Outlay Fund	General Fund	Operating	1,227,457
Special Revenue Fund	General Fund	Indirect Costs	397,967
Student Activity Fund	District Activity Fund	District Activity	329,616
Building Fund	Debt Service Fund	Debt Service	18,088,536
Building Fund	Construction Fund	Construction	1,269,759
Construction Fund	Construction Fund	Construction	300,324
Food Service Fund	General Fund	Indirect Costs	416,917

KENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 16 ON-BEHALF PAYMENTS

For the year ended June 30, 2023, total payments of \$47,295,652 were made for life insurance, health insurance, TRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities.

General Fund	\$ 43,439,339
Debt Service	2,663,904
Food Service	451,572
Academy Fund	740,837
Total On-Behalf	<u>\$ 47,295,652</u>

NOTE 17 SCHEDULE OF LONG-TERM OBLIGATIONS

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

FISCAL YEAR	Kenton COUNTY SCHOOL DISTRICT			KY SCHOOL FACILITIES CONSTRUCTION COMMISSION			TOTAL REQUIREMENTS
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	
2023-2024	\$ 13,641,873	\$ 5,306,602	\$ 18,948,475	\$ 2,108,127	\$ 555,777	\$ 2,663,904	\$ 21,612,379
2024-2025	14,038,253	4,909,140	18,947,393	1,426,747	496,851	1,923,598	20,870,991
2025-2026	14,525,865	4,488,529	19,014,394	1,469,135	454,462	1,923,597	20,937,991
2026-2027	13,964,476	4,058,330	18,022,806	1,340,524	412,869	1,753,393	19,776,199
2027-2028	13,516,068	3,639,163	17,155,231	1,288,932	373,699	1,662,631	18,817,862
2028-2029	13,720,436	3,170,694	16,891,130	1,329,564	333,066	1,662,630	18,553,760
2029-2030	10,654,277	2,733,546	13,387,823	1,245,723	292,296	1,538,019	14,925,842
2030-2031	9,896,576	2,431,829	12,328,405	1,283,424	254,595	1,538,019	13,866,424
2031-2032	9,098,502	2,161,073	11,259,575	1,321,498	216,520	1,538,018	12,797,593
2032-2033	9,354,934	1,926,359	11,281,293	1,360,066	177,954	1,538,020	12,819,313
2033-2034	8,874,867	1,680,142	10,555,009	1,145,133	137,776	1,282,909	11,837,918
2034-2035	8,825,220	1,445,002	10,270,222	1,179,780	103,128	1,282,908	11,553,130
2035-2036	7,970,128	1,212,476	9,182,604	1,149,872	66,173	1,216,045	10,398,649
2036-2037	7,608,772	1,002,018	8,610,790	236,228	30,044	266,272	8,877,062
2037-2038	7,422,196	797,943	8,220,139	242,804	23,467	266,271	8,486,410
2038-2039	6,260,923	599,008	6,859,931	209,077	16,473	225,550	7,085,481
2039-2040	6,415,255	443,057	6,858,312	214,745	10,805	225,550	7,083,862
2040-2041	5,402,540	274,166	5,676,706	97,460	4,934	102,394	5,779,100
2041-2042	5,555,104	125,478	5,680,582	99,896	2,497	102,393	5,782,975
2042-2043	195,000	1,237,700	1,432,700	-	-	-	1,432,700
	<u>\$ 186,941,265</u>	<u>\$ 43,642,255</u>	<u>\$ 230,583,520</u>	<u>\$ 18,748,735</u>	<u>\$ 3,963,386</u>	<u>\$ 22,712,121</u>	<u>\$ 253,295,641</u>

A summary of the changes in the principal of the outstanding bond obligations, the finance leases and the sick leave liability for the District during the year ended June 30, 2023 is as follows:

Governmental Activities	Balance July 1, 2022	Additions	Payments	Balance June 30, 2023
Bond Obligations	<u>\$ 218,545,000</u>	<u>\$ 2,490,000</u>	<u>\$ 15,345,000</u>	<u>\$ 205,690,000</u>
Bond Premiums, Net	<u>\$ 3,680,337</u>	<u>\$ (48,520)</u>	<u>\$ 388,373</u>	<u>\$ 3,243,444</u>
KISTA Liabilities	<u>\$ 7,359,452</u>	<u>\$ 1,493,737</u>	<u>\$ 1,320,218</u>	<u>\$ 7,532,971</u>
Sick Leave	<u>\$ 1,672,765</u>	<u>\$ 280,878</u>	<u>\$ 580,685</u>	<u>\$ 1,372,958</u>

KENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 18 UNDIVIDED INTEREST IN THE IGNITE INSTITUTE

On July 1, 2019, the District acquired an undivided interest in the Ignite Institute ("Ignite"), which is a regional high school at the 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.

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

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

NOTE 19 INVESTMENTS AT FAIR VALUE

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

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

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

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

Investments consisted of the following at June 30, 2023:

	Level 1	Level 2	Level 3	Total
Brokered certificates of deposit	\$ 24,989,750	\$ -	\$ -	\$ 24,989,750
Total investments	\$ 24,989,750	\$ -	\$ -	\$ 24,989,750

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

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

KENTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 20 SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The District has various subscription-based information technology arrangements (SBITAs) which are used for educational and administrative purposes. These arrangements grant licenses to use the underlying IT assets of the vendors for periods expiring between June 2023 and June 2028. The District recognized an intangible asset and a corresponding liability for the value of the licenses during the term of the arrangements. These assets are amortized on a straight-line basis over the subscription term. The following table shows the District's change in subscription asset and liability accounts for the year ended June 30, 2023:

Governmental Activities	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023
Subscription assets	\$ -	\$ 1,385,984	\$ -	\$ 1,385,984
Accumulated amortization	\$ -	\$ 438,296	\$ -	\$ 438,296
Subscription liabilities	\$ -	\$ 648,869	\$ -	\$ 648,869

The District's SBITAs do not require any future payments for the remainder of the term and no variable costs or other payments are required. Therefore, no liability is recorded by the District.

NOTE 21 CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2022, the District elected to adopt Governmental Accounting Standards Board ("GASB") Statement no. 96, *Subscription-Based Information Technology Arrangements*, as it relates to accounting and financial reporting for subscription-based information technology arrangements (SBITAs). Under this Statement, contracts that provide the District with IT software and associated tangible capital assets are recognized as a right of use subscription asset and a corresponding subscription liability. Subscription assets and liabilities are recognized and measured using the facts and circumstances that existed at the beginning of the period of implementation.

NOTE 22 SUBSEQUENT EVENTS

On August 2, 2023, the District issued a bond in the amount of \$34,950,000. Interest on the bond will be accrued at 4.00% semiannually and payable each February and August, beginning February 1, 2024. The principal payments are due on an annual basis until August 1, 2043.

Subsequent events were considered through November 15, 2023, which represents the release date of the report.

SUPPLEMENTARY
INFORMATION

KENTON COUNTY SCHOOL DISTRICT

Combining Balance Sheet – Nonmajor Governmental Funds As of June 30, 2023

	Capital Outlay Fund	Building Fund	District Activity Fund	Debt Service Fund	Academy Fund	Student Activity Fund	Total Non-major Government Funds
Assets							
Current:							
Cash and cash equivalents	\$ -	\$ 872,154	\$ 586,007	\$ -	\$ 843,793	\$ 1,347,608	\$ 3,649,562
Accounts receivable	-	-	39,135	-	-	10,326	49,461
Total assets	<u>\$ -</u>	<u>\$ 872,154</u>	<u>\$ 625,142</u>	<u>\$ -</u>	<u>\$ 843,793</u>	<u>\$ 1,357,934</u>	<u>\$ 3,699,023</u>
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ 4,197	\$ -	\$ 843,793	\$ 21,610	\$ 869,600
Total liabilities	<u>-</u>	<u>-</u>	<u>4,197</u>	<u>-</u>	<u>843,793</u>	<u>21,610</u>	<u>869,600</u>
Fund Balances:							
Restricted:							
Capital projects fund	-	872,154	-	-	-	-	872,154
Other	-	-	-	-	-	1,336,324	1,336,324
Committed:							
Other	<u>-</u>	<u>-</u>	<u>620,945</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>620,945</u>
Total fund balances	<u>-</u>	<u>872,154</u>	<u>620,945</u>	<u>-</u>	<u>-</u>	<u>1,336,324</u>	<u>2,829,423</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 872,154</u>	<u>\$ 625,142</u>	<u>\$ -</u>	<u>\$ 843,793</u>	<u>\$ 1,357,934</u>	<u>\$ 3,699,023</u>

KENTON COUNTY SCHOOL DISTRICT

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

	Capital Outlay Fund	Building Fund	District Activity Fund	Debt Service Fund	Academy Fund	Student Activity Fund	Total Nonmajor Governmental Funds
Revenues:							
Taxes	\$ -	\$ 16,763,379	\$ -	\$ -	\$ -	\$ -	\$ 16,763,379
Earnings on investments	-	-	-	-	-	34,970	34,970
State sources	1,327,457	3,467,070	-	2,663,904	740,837	-	8,199,268
Other sources	-	-	47,359	-	-	2,357,734	2,405,093
Total revenues	1,327,457	20,230,449	47,359	2,663,904	740,837	2,392,704	27,402,710
Expenditures:							
Instructional	-	-	349,818	-	2,405,829	1,917,620	4,673,267
Student support services	-	-	606	-	-	-	606
Staff support services	-	-	30,220	-	-	-	30,220
School administration	-	-	-	-	392,409	-	392,409
Plant operation and maintenance	-	-	7,093	-	-	-	7,093
Student transportation	-	-	1,159	-	-	-	1,159
Other	-	-	-	-	-	71,759	71,759
Debt service:							
Principal	-	-	-	15,345,000	-	-	15,345,000
Interest	-	-	-	6,206,026	-	-	6,206,026
Total expenditures	-	-	388,896	21,551,026	2,798,238	1,989,379	26,727,539
Excess (deficit) of revenues over expenditures	1,327,457	20,230,449	(341,537)	(18,887,122)	(2,057,401)	403,325	675,171
Other Financing Sources (Uses)							
Proceeds from sale of assets	-	-	5,000	-	-	-	5,000
Operating transfers in	-	-	329,616	18,887,122	2,057,401	-	21,274,139
Operating transfers out	(1,327,457)	(19,358,295)	-	-	-	(329,616)	(21,015,368)
Total other financing sources(uses)	(1,327,457)	(19,358,295)	334,616	18,887,122	2,057,401	(329,616)	263,771
Net change in fund balance	-	872,154	(6,921)	-	-	73,709	938,942
Fund balance, July 1, 2022	-	-	627,866	-	-	1,262,615	1,890,481
Fund balance, June 30, 2023	\$ -	\$ 872,154	\$ 620,945	\$ -	\$ -	\$ 1,336,324	\$ 2,829,423

KENTON COUNTY SCHOOL DISTRICT

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Taxes	\$ 62,000,000	\$ 62,000,000	\$ 65,714,716	\$ 3,714,716
Earnings on investments	181,531	181,531	1,776,006	1,594,475
State sources	42,166,533	42,166,533	86,041,540	43,875,007
Federal sources	478,469	478,469	484,291	5,822
Other sources	3,144,159	3,144,159	5,477,424	2,333,265
Total revenues	107,970,692	107,970,692	159,493,977	51,523,285
Expenditures				
Instructional	57,817,379	57,819,532	86,728,742	(28,909,210)
Student support services	8,475,753	8,475,173	11,166,849	(2,691,676)
Staff support services	3,730,143	3,735,354	5,675,021	(1,939,667)
District administration	2,417,153	2,417,152	2,730,256	(313,104)
School administration	7,768,057	7,761,274	11,517,784	(3,756,510)
Business support services	3,333,912	3,333,912	4,198,017	(864,105)
Plant operation and maintenance	15,195,816	15,195,816	16,199,474	(1,003,658)
Student transportation	9,979,412	9,979,412	9,790,489	188,923
Community service operations	2,718	2,718	50	2,668
Other	24,186,330	24,186,330	4,588,251	19,598,079
Total expenditures	132,906,673	132,906,673	152,594,933	(19,688,260)
Net change in fund balance	(24,935,981)	(24,935,981)	6,899,044	31,835,025
Fund balance, July 1, 2022	24,935,981	24,935,981	28,462,217	3,526,236
Fund balance, June 30, 2023	\$ -	\$ -	\$ 35,361,261	\$ 35,361,261

KENTON COUNTY SCHOOL DISTRICT

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues				
State sources	\$ 4,071,413	\$ 4,147,390	\$ 4,593,684	\$ 446,294
Federal sources	6,423,044	6,487,900	12,395,578	5,907,678
Other sources	<u>282,862</u>	<u>455,153</u>	<u>452,476</u>	<u>(2,677)</u>
Total revenues	<u>10,777,319</u>	<u>11,090,443</u>	<u>17,441,738</u>	<u>6,351,295</u>
Expenditures				
Instructional	7,645,234	8,045,512	9,333,088	(1,287,576)
Student support services	108,272	134,706	559,402	(424,696)
Staff support services	1,254,555	1,139,896	4,168,113	(3,028,217)
District administration	71,805	71,805	23,740	48,065
School administration	171,000	-	-	-
Plant operation and maintenance	72,089	72,089	703,185	(631,096)
Student transportation	-	-	48,396	(48,396)
Food service operation	-	-	125,933	(125,933)
Community service operations	1,066,658	1,238,729	1,359,269	(120,540)
Other	<u>387,706</u>	<u>387,706</u>	<u>1,120,612</u>	<u>(732,906)</u>
Total expenditures	<u>10,777,319</u>	<u>11,090,443</u>	<u>17,441,738</u>	<u>(6,351,295)</u>
Net change in fund balance	-	-	-	-
Fund balance, July 1, 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

KENTON COUNTY SCHOOL DISTRICT

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues				
Earnings on investments	\$ -	\$ 41,327	\$ 790,071	\$ 748,744
Other sources	-	45,272,700	4,011,563	(41,261,137)
Total revenues	-	45,314,027	4,801,634	(40,512,393)
Expenditures				
Facility acquisition and construction	-	44,298,900	43,092,226	(1,206,674)
Other	-	1,248,560	338,114	(910,446)
Total expenditures	-	45,547,460	43,430,340	(2,117,120)
Net change in fund balance	-	(233,433)	(38,628,706)	(38,395,273)
Fund balance, July 1, 2022	-	-	51,653,643	51,653,643
Fund balance, June 30, 2023	<u>\$ -</u>	<u>\$ (233,433)</u>	<u>\$ 13,024,937</u>	<u>\$ 13,258,370</u>

KENTON COUNTY SCHOOL DISTRICT

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

	Issue of 2012 - Ref	Issue of 2013	Issue of 2013 - Ref	Issue of 2014	Issue of 2015A - Ref	Issue of 2015B - Ref	Issue of 2015C	Issue of 2016 - Ref	Issue of 2016B
Cash at July 1, 2022	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:									
Transfers and miscellaneous deposits	4,617,500	766,941	5,200,013	289,338	530,350	2,037,450	1,154,005	1,682,200	1,115,138
Disbursements:									
Bonds paid	4,395,000	525,000	4,790,000	190,000	340,000	1,770,000	730,000	990,000	630,000
Interest coupons	222,500	241,941	410,013	99,338	190,350	267,450	424,005	692,200	485,138
Total disbursements	4,617,500	766,941	5,200,013	289,338	530,350	2,037,450	1,154,005	1,682,200	1,115,138
Excess of receipts over disbursements	-	-	-	-	-	-	-	-	-
Cash at June 30, 2023	-	-	-	-	-	-	-	-	-
Fund Balance at June 30, 2023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Issue of 2017	Issue of 2017 - Ref	Issue of 2018	Issue of 2020	Issue of 2020 - Ref	Issue of 2021	Issue of 2022	Issue of 2022B	Total
Cash at July 1, 2022	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:									
Transfers and miscellaneous deposits	270,956	263,200	493,088	415,899	261,750	946,031	1,456,672	50,495	21,551,026
Disbursements:									
Bonds paid	135,000	220,000	25,000	80,000	150,000	315,000	60,000	-	15,345,000
Interest coupons	135,956	43,200	468,088	335,899	111,750	631,031	1,396,672	50,495	6,206,026
Total disbursements	270,956	263,200	493,088	415,899	261,750	946,031	1,456,672	50,495	21,551,026
Excess of receipts over disbursements	-	-	-	-	-	-	-	-	-
Cash at June 30, 2023	-	-	-	-	-	-	-	-	-
Fund Balance at June 30, 2023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

KENTON COUNTY SCHOOL DISTRICT

Statement of Receipts, Disbursements and Fund Balance Scott High School Activity Fund For the Year Ended June 30, 2023

	Fund Balance July 1, 2022	Receipts	Disbursements	Transfers, Net	Fund Balance June 30, 2023
Academic Team	\$ 1,073	\$ -	\$ -	\$ -	\$ 1,073
Adventure Crew Club	852	-	318	-	534
Archery	4,628	5,096	7,405	(105)	2,214
Athletics	12,730	172,799	123,865	(47,013)	14,651
Band (Marching Band)	5,662	610	1,476	-	4,796
Bowling	181	352	-	-	533
Boys Golf	1,148	-	-	(319)	829
Boys Tennis	111	-	-	-	111
Boys Track	1,919	2,345	936	-	3,328
Buddy Club	1,153	228	1,051	-	330
CBI Trips and Activities	-	950	950	-	-
Choir	683	-	-	-	683
CLASS OF 2022	-	10,000	10,000	-	-
CLASS OF 2023	4,224	-	14,446	10,222	-
CLASS OF 2024	1,000	-	16,756	21,157	5,401
CLASS OF 2025	1,000	-	-	1,000	2,000
CLASS OF 2026	-	-	-	1,000	1,000
Community Club	73	-	-	-	73
Cross Country	4,430	3,101	5,878	(120)	1,533
Dance Team	533	-	-	-	533
Drama	9,326	9,592	8,447	-	10,471
Family Assistance	3,381	640	1,349	-	2,672
Fellowship Christian Athletes	14	-	-	-	14
Field Trips	1,279	-	-	-	1,279
Flower Fund	278	-	-	(278)	-
Fund 21/ATHL Admissions	-	235	212	-	23
Fund 21/ATHL Donations	-	472	4,685	4,213	-
Fund 21/ATHL Student Fees	-	-	11,000	11,000	-
Girls Basketball	6,169	4,517	7,042	1,540	5,184
Girls Golf	17	-	-	-	17
Girls Soccer	2,014	4,320	747	(550)	5,037
Girls Tennis	860	849	1,130	-	579
Girls Track	2,053	4,345	415	-	5,983
JROTC	4,756	11,347	10,531	-	5,572
Junior Statesman	727	7,785	8,246	-	266
National Honor Society	645	165	-	-	810
SHS Scholarship Fund	19,535	11,643	-	-	31,178
Student Council	11,494	-	5,029	2,188	8,653
Student Fees (to Fund 21)	-	4,213	-	(4,213)	-
Student Support	5,014	8,602	2,232	-	11,384
Summer School	1,425	-	-	-	1,425
Swimming & Diving	5,659	7,003	7,799	-	4,863
Teacher Support	1,916	282	751	277	1,724
Tech Fees	-	1,520	1,110	-	410
Volleyball	1,150	-	-	1	1,151
Yearbook Club	269	400	-	-	669
Total	\$ 119,381	\$ 273,411	\$ 253,806	\$ -	\$ 138,986

KENTON COUNTY SCHOOL DISTRICT

Statement of Receipts, Disbursements and Fund Balance Simon Kenton High School Activity Fund For the Year Ended June 30, 2023

	Fund Balance July 1, 2022	Receipts	Disbursements	Transfers, Net	Fund Balance June 30, 2023
Academic Team	\$ 2,173	\$ 1,000	\$ 1,951	\$ -	\$ 1,222
Archery Team	-	8,694	5,532	67	3,229
Art Club	178	391	179	(145)	245
Athletics	56,318	225,784	199,768	(13,705)	68,629
Baseball	-	43,751	30,946	(3,096)	9,709
Basketball - Boys	16,587	65,085	46,186	(14,777)	20,709
Basketball - Girls	8,511	29,913	36,285	(1,121)	1,018
Bass Fishing Team	2,580	3,050	4,239	-	1,391
Bi-County FFA Scholarship	49,169	-	1,500	-	47,669
Bowling Team	4,565	1,620	1,031	-	5,154
Bridge Club	371	-	118	-	253
Change	-	250	250	-	-
Cheerleading	1,918	45,688	43,867	4,026	7,765
Choir Club	-	2,714	2,069	(463)	182
Chris Girard Memorial Scholarship	11,861	-	1,000	-	10,861
Class of 2022	1	-	1	-	-
Community Based Class	2,791	222	1,243	-	1,770
Community Based Transportation	1,857	9,222	2,182	-	8,897
Cross County/Track	5,027	6,446	3,831	(4,526)	3,116
Dance Team	708	11,391	6,834	(1,185)	4,080
District Tech Fee/Sweep	-	403	403	-	-
Drama Club	9,852	12,689	5,815	(3,601)	13,125
Faculty Fund	1,422	562	536	(882)	566
FBLA	309	985	835	(229)	230
Field Trips	1,546	5,279	5,177	36	1,684
Fine Arts Support Fund	645	700	1,310	-	35
Fire Fund	27,000	-	-	-	27,000
First Priority	5	-	-	-	5
Football	22,184	53,730	64,727	(5,283)	5,904
French Club	107	-	-	(27)	80
Freshman Academy	5,494	-	1,199	-	4,295
Freshman Class of 2026	-	176	112	-	64
Fund 21 - Bookstore Sales	-	110	110	-	-
Fund 21 - Fees	-	5,032	5,032	-	-
Fund 21 - Other Ath Activity	-	30	35,890	35,860	-
Fund 21 - Other Dist Student Activity	-	6,026	10,974	4,948	-
Future Farmers of America	2,988	4,299	3,646	(515)	3,126
Golf - Boys	-	2,380	2,253	(7)	120
Golf - Girls	582	493	505	-	570
Greenhouse	5,443	6,356	-	-	11,799
Hall of Fame	15,643	-	-	1	15,644
Homecoming	20,604	18,007	12,713	(1,718)	24,180
Junior Class of 2024	185	-	-	(185)	-
Library Media Center	105	22	-	-	127
Nat'l Art Honor Society	54	75	114	-	15
NHS	-	1,715	1,091	(133)	491
Photo Club	-	1,251	1,188	-	63
Pioneer Pride	403	2,537	2,271	(153)	516
Pride Shop	4,292	4,685	5,557	4,445	7,865
Rising Sun	2,000	-	1,500	-	500
Robert Roden Scholarship	371	-	-	-	371
Scholarship	22,113	14,600	13,750	-	22,963
Scott Scholarship	48,395	12,642	13,000	-	48,037
Senior Class of 2023	-	38,931	35,631	(3,300)	-
Soccer - Boys	699	-	390	-	309
Soccer - Girls	213	-	-	301	514
Softball	943	3,500	2,312	(332)	1,799
Soph Class of 2025	-	556	134	(66)	356
Strides for Stephanie	2,221	-	-	-	2,221
Student Incentives	19,177	14,808	17,877	4,167	20,275
Summer School	503	-	-	-	503
Swimming	1,397	3,518	4,406	(25)	484
Tennis - Boys & Girls	-	9,030	5,524	(249)	3,257
Testing Fund	26,357	4,205	2,144	-	28,418
Track	-	3,750	3,750	2,514	2,514
Unified Bowling	188	1,520	797	(748)	163
Unified Track	1,156	-	336	-	820
Veteran's Day	-	-	260	468	208
Volleyball	-	2,973	2,343	-	630
Wrestling	2,000	-	-	-	2,000
Yearbook	2,744	2	155	(150)	2,441
Youth Service Center	3,988	639	3,336	(212)	1,079
Total	\$ 417,943	\$ 693,437	\$ 658,115	\$ -	\$ 453,265

KENTON COUNTY SCHOOL DISTRICT

Statement of Receipts, Disbursements and Fund Balance Dixie Heights High School Activity Fund For the Year Ended June 30, 2023

	Fund Balance July 1, 2022	Receipts	Disbursements	Transfers, Net	Fund Balance June 30, 2023
Academic Team	\$ -	\$ 35	\$ 35	\$ -	\$ -
Archery Fundraising	-	-	770	770	-
Art Club	427	-	135	-	292
Athletics, General	34,468	230,948	231,290	3,731	37,857
Band	11,793	31,463	32,123	-	11,133
BETA Club	651	105	-	-	756
Bowling Fundraising	22	-	-	-	22
Boys Golf Fundraising	2	-	-	-	2
Boys Soccer Fundraising	-	5,245	996	(1,500)	2,749
CBI Community Based Edu	83	3,754	2,306	-	1,531
Cheerleading Fundraising	7,198	65,429	67,537	-	5,090
Choir Club	1,176	2,023	477	-	2,722
Dixie Scholars Club	368	850	835	-	383
Drama Club	878	16,360	13,793	-	3,445
Drug Free Club	458	245	210	-	493
Earth Wise	-	104	-	-	104
Faculty	400	195	456	-	139
Faculty Flower Fund	109	220	300	-	29
FBLA Club	220	910	1,374	244	-
FEA Club	6	-	-	-	6
Fees	-	3,494	14,945	11,452	1
FFA	722	195	-	-	917
Football fund Raising	10,209	15,150	15,066	-	10,293
Foreign Language NHS	4,844	419	278	-	4,985
Forensic Team	-	1,704	1,704	-	-
Fund 21 Sweep Account	60	11,872	460	(11,472)	-
Gaming Club	8	-	-	(8)	-
Girls BK Fund Raising	1,669	19,860	10,227	-	11,302
Girls Soccer Fund Raising	11,696	8,949	6,922	(3,000)	10,723
Girls Track Fundraising	1,308	1,500	216	-	2,592
Ham Radio Tech Club	679	-	149	-	530
IMPACT Club	-	-	-	-	-
Jr Class Dance/Activities	8,210	34,985	41,353	170	2,012
Mock Trial Team	65	-	-	-	65
NHS Club	1,651	630	1,185	-	1,096
Odyssey of the Mind Team	33	175	290	82	-
Other Dist/Stu Income	-	1,054	1,074	20	-
Random Acts of Kindness	54	-	-	-	54
Robotics	272	-	-	-	272
S.T.L.P. Club	447	-	-	-	447
SAGA	-	21	-	-	21
Sandfoss Memorial Scholarship	-	2,000	2,000	-	-
Scott Scholarship	-	11,643	11,643	-	-
Social Norms Club	78	-	-	-	78
Softball Fundraising	604	-	-	-	604
Senior Class Dance/Activities	838	19,030	20,487	619	-
Startup Cash	-	2,000	2,000	-	-
Student Council	5,769	14,805	8,900	30	11,704
Student Enrichment	20,140	11,461	11,899	(938)	18,764
Technology Fee	150	-	-	-	150
Volleyball Fund Raising	170	-	-	-	170
Ycarbook Club	3,183	2,562	2,091	-	3,654
Youth Service Center	1,719	700	978	(200)	1,241
Total	\$ 132,837	\$ 522,095	\$ 506,504	\$ -	\$ 148,428

KENTON COUNTY SCHOOL DISTRICT

Statement of Receipts, Disbursements and Fund Balance School Activity Funds For the Year Ended June 30, 2023

	<u>Summit View Academy</u>	<u>Turkey Foot Middle School</u>	<u>Twenhofel Middle School</u>	<u>Woodland Middle School</u>	<u>Beechgrove Elementary</u>	<u>Caywood Elementary</u>
Fund balances at July 1, 2022	\$ 100,337	\$ 38,612	\$ 192,651	\$ 38,455	\$ 36,004	\$ 13,035
Add: receipts	126,498	115,075	182,085	62,084	48,606	22,743
Less: disbursements	<u>(145,002)</u>	<u>(95,357)</u>	<u>(179,916)</u>	<u>(54,836)</u>	<u>(52,591)</u>	<u>(24,839)</u>
Fund balance at June 30, 2023	<u>\$ 81,833</u>	<u>\$ 58,330</u>	<u>\$ 194,820</u>	<u>\$ 45,703</u>	<u>\$ 32,019</u>	<u>\$ 10,939</u>
	<u>Fort Wright Elementary</u>	<u>Hinsdale Elementary</u>	<u>Kenton Elementary</u>	<u>Piner Elementary</u>	<u>River Ridge Elementary</u>	<u>Ryland Heights Elementary</u>
Fund balances at July 1, 2022	\$ 15,631	\$ 16,134	\$ 20,556	\$ 35,983	\$ 22,450	\$ 20,065
Add: receipts	28,500	68,813	41,972	21,294	46,500	100,642
Less: disbursements	<u>(24,987)</u>	<u>(76,384)</u>	<u>(36,567)</u>	<u>(22,188)</u>	<u>(47,275)</u>	<u>(102,724)</u>
Fund balance at June 30, 2023	<u>\$ 19,144</u>	<u>\$ 8,563</u>	<u>\$ 25,961</u>	<u>\$ 35,089</u>	<u>\$ 21,675</u>	<u>\$ 17,983</u>
	<u>Taylor Mill Elementary</u>	<u>White's Tower Elementary</u>	<u>Total</u>			
Fund balances at July 1, 2022	\$ 20,131	\$ 22,413	\$ 592,457			
Add: receipts	11,844	27,104	903,760			
Less: disbursements	<u>(12,800)</u>	<u>(25,106)</u>	<u>(900,572)</u>			
Fund balance at June 30, 2023	<u>\$ 19,175</u>	<u>\$ 24,411</u>	<u>\$ 595,645</u>			

KENTON COUNTY SCHOOL DISTRICT

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

	Last 10 Fiscal Years*									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension liability	0%	0%	0%	0%	0%	0%	0%	0%	*	*
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	*	*
State's proportionate share of the net pension liability associated with the District	330,621,254	255,138,437	275,146,804	267,672,165	254,678,294	526,022,122	574,248,216	455,140,342	*	*
Total	<u>\$ 330,621,254</u>	<u>\$ 255,138,437</u>	<u>\$ 275,146,804</u>	<u>\$ 267,672,165</u>	<u>\$ 254,678,294</u>	<u>\$ 526,022,122</u>	<u>\$ 574,248,216</u>	<u>\$ 455,140,342</u>	<u>*</u>	<u>*</u>
District's covered-employee payroll	\$ 66,737,323	\$ 64,781,464	\$ 64,392,008	\$ 63,929,795	\$ 62,415,878	\$ 61,542,779	\$ 61,049,646	\$ 57,147,377	*	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0%	0%	0%	0%	0%	0%	0%	0%	*	*
Plan fiduciary net position as a percentage of the total pension liability	56.41%	65.59%	58.27%	58.76%	59.27%	39.83%	35.22%	42.49%	*	*

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

Changes of benefit terms: A new benefit tier was added for members joining the System on and after January 1, 2022

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

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

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

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

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

Changes of assumption: In the 2020 experience study, rates of withdrawal, retirement, disability, mortality and rates of salary increases were adjusted to reflect actual experience more close. The expectation of mortality was changed to the Pub2010 Mortality Tables projected generationally with MP-2020 with various set forwards, set-backs, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and actives. The assumed long-term investment rate of return was changed from 7.50% to 7.10% and the price inflation assumption was lowered from 3% to 2.50%. In addition, the calculation of the SEIR results in an assumption.

KENTON COUNTY SCHOOL DISTRICT
Schedule of District Contributions – TRS

	Last 10 Fiscal Years*									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	*
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	-	-	*
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 70,517,215	\$ 66,737,323	\$ 64,781,464	\$ 64,392,008	\$ 63,929,795	\$ 62,415,878	\$ 61,542,779	\$ 61,049,646	\$ 57,147,377	*
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	*

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

KENTON COUNTY SCHOOL DISTRICT

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

	Last 10 Fiscal Years*									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of net pension liability	0.688548%	0.716027%	0.745789%	0.756928%	0.747597%	0.730802%	0.717592%	0.713744%	*	*
District's proportionate share of the net pension liability	\$ 49,775,228	\$ 45,652,338	\$ 57,201,399	\$ 53,235,083	\$ 45,530,936	\$ 42,776,088	\$ 35,331,499	\$ 30,687,590	*	*
Total net pension liability	\$ 7,229,013,496	\$ 6,375,784,388	\$ 7,669,917,211	\$ 7,033,044,552	\$ 6,090,304,793	\$ 5,853,307,482	\$ 4,923,618,237	\$ 4,299,525,565	*	*
District's covered-employee payroll	\$ 19,185,505	\$ 18,537,283	\$ 19,236,792	\$ 19,064,764	\$ 18,445,837	\$ 17,847,065	\$ 16,968,535	\$ 16,656,667	*	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	259.44%	246.27%	297.35%	279.23%	246.84%	239.68%	208.22%	184.24%	*	*
Plan fiduciary net position as a percentage of the total pension liability	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	*	*

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

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

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

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

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

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

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

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

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

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

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

2017: The assumed investment rate of return was decreased from 7.50% to 6.25%.

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

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

KENTON COUNTY SCHOOL DISTRICT
Schedule of District Contributions – CERS

	Last 10 Fiscal Years*									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 4,699,868	\$ 4,069,465	\$ 3,564,709	\$ 3,712,733	\$ 3,113,580	\$ 3,425,254	\$ 3,365,129	\$ 2,943,161	\$ 2,944,080	*
Contributions in relation to the contractually required contribution	(4,699,868)	(4,069,465)	(3,564,709)	(3,712,733)	(3,113,580)	(3,425,254)	(3,365,129)	(2,943,161)	(2,944,080)	*
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>*</u>
District's covered-employee payroll	\$ 20,024,283	\$ 19,185,505	\$ 18,537,283	\$ 19,236,792	\$ 19,064,764	\$ 18,445,837	\$ 17,847,065	\$ 16,968,535	\$ 16,656,667	*
Contributions as a percentage of covered-employee payroll	23.47%	21.21%	19.23%	19.30%	16.33%	18.57%	18.86%	17.34%	17.68%	*

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

KENTON COUNTY SCHOOL DISTRICT

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

	Last 10 Fiscal Years*									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the collective trust OPEB liability	0%	0%	0%	0%	0%	0%	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	*	*	*	*
State's proportionate share of the collective net OPEB liability (asset) associated with the District	569,000	241,000	633,000	571,000	513,000	274,000	*	*	*	*
Total net OPEB liability	\$ 569,000	\$ 241,000	\$ 633,000	\$ 571,000	\$ 513,000	\$ 274,000	*	*	*	*
District's covered-employee payroll	\$ 66,737,323	\$ 64,781,464	\$ 64,392,008	\$ 63,929,795	\$ 62,415,878	\$ 61,542,779	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	73.97%	89.15%	71.57%	73.40%	74.97%	79.99%	*	*	*	*

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

Changes of benefit terms - None.

Methods and assumptions used in the actuarially determined contributions - The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2022:

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

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

	Last 10 Fiscal Years*									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	*	*	*	*	*
Contributions in relation to the contractually required contribution	-	-	-	-	-	*	*	*	*	*
Contribution deficiency	-	-	-	-	-	*	*	*	*	*
District's covered-employee payroll	\$ 70,517,215	\$ 66,737,323	\$ 64,781,464	\$ 64,392,008	\$ 63,929,795	*	*	*	*	*
Contributions as a percentage of of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	*	*	*	*	*

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

KENTON COUNTY SCHOOL DISTRICT

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

	Last 10 Fiscal Years*									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the collective trust OPEB liability	1.402697%	1.040249%	1.035769%	1.040797%	1.000033%	1.025238%	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ 34,822,000	\$ 22,321,000	\$ 26,140,000	\$ 30,462,000	\$ 34,698,000	\$ 36,558,000	*	*	*	*
State's proportionate share of the collective net OPEB liability associated with the District	\$ 11,440,000	\$ 18,127,000	\$ 20,939,000	\$ 24,600,000	\$ 29,903,000	\$ 29,863,000	*	*	*	*
Total net OPEB liability	\$ 46,262,000	\$ 40,448,000	\$ 47,079,000	\$ 55,062,000	\$ 64,601,000	\$ 66,421,000	*	*	*	*
District's covered-employee payroll	\$ 66,737,323	\$ 64,781,464	\$ 64,392,008	\$ 63,929,795	\$ 62,415,878	\$ 61,542,779	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	52.2%	34.5%	40.6%	47.6%	55.6%	59.4%	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	47.75%	51.74%	39.05%	32.58%	25.54%	21.18%	*	*	*	*

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

Changes in benefit terms - None

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

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

	Last 10 Fiscal Years*									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 2,112,631	\$ 2,003,936	\$ 1,829,240	\$ 1,930,293	\$ 1,916,935	\$ 1,823,422	*	*	*	*
Contributions in relation to the contractually required contribution	<u>(2,112,631)</u>	<u>(2,003,936)</u>	<u>(1,829,240)</u>	<u>(1,930,293)</u>	<u>(1,916,935)</u>	<u>(1,823,422)</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Contribution deficiency	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>*</u></u>	<u><u>*</u></u>	<u><u>*</u></u>	<u><u>*</u></u>
District's covered-employee payroll	\$ 70,517,215	\$ 66,737,323	\$ 64,781,464	\$ 64,392,008	\$ 63,929,795	\$ 62,415,878	*	*	*	*
Contributions as a percentage of of covered-employee payroll	3.00%	3.00%	2.82%	3.00%	3.00%	2.92%	*	*	*	*

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

Changes in benefit terms - None

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

KENTON COUNTY SCHOOL DISTRICT

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

	Last 10 Fiscal Years*									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the collective trust OPEB liability	0.688422%	0.715859%	0.745573%	0.756739%	0.747575%	0.730802%	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ 13,586,102	\$ 13,704,762	\$ 18,003,321	\$ 12,728,009	\$ 13,273,046	\$ 14,691,620	*	*	*	*
State's proportionate share of the collective net OPEB liability associated with the District	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	*	*	*	*
Total net OPEB liability	\$ 13,586,102	\$ 13,704,762	\$ 18,003,321	\$ 12,728,009	\$ 13,273,046	\$ 14,691,620	*	*	*	*
District's covered-employee payroll	\$ 19,185,505	\$ 18,537,283	\$ 19,236,792	\$ 19,064,764	\$ 18,445,837	\$ 17,847,065	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	70.8%	73.9%	93.6%	66.8%	72.0%	82.3%	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%	*	*	*	*

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

Changes in assumptions: None

2018: Updated health care trend rates were implemented.

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

	Last 10 Fiscal Years*									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 681,042	\$ 1,114,210	\$ 879,727	\$ 915,671	\$ 1,002,807	\$ 871,263	*	*	*	*
Contributions in relation to the contractually required contribution	<u>(681,042)</u>	<u>(1,114,210)</u>	<u>(879,727)</u>	<u>(915,671)</u>	<u>(1,002,807)</u>	<u>(871,263)</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Contribution deficiency	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
District's covered-employee payroll	\$ 20,024,283	\$ 19,185,505	\$ 18,537,283	\$ 19,236,792	\$ 19,064,764	\$ 18,445,837	*	*	*	*
Contributions as a percentage of of covered-employee payroll	3.40%	5.81%	4.75%	4.76%	5.26%	4.72%	*	*	*	*

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

KENTON COUNTY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Agreement Number	Federal Expenditures for FYE June 30, 2023
U.S. Department of Education			
<i>Passed through Kentucky Department of Education</i>			
Special Education Cluster			
Special Education_Grants to States	84.027A	3810002 - 22	\$ 137,056
Special Education_Grants to States	84.027A	3810002 - 23	9,943
IDEA-B LEA-ARP	84.027X	Not provided	291,117
Special Education_Preschool Grants	84.173A	3800002 - 22	240,168
Special Education_Preschool Grants	84.173A	3800002 - 23	2,406,813
Total Special Education Cluster			3,085,097
Special Education_Grants to States (Special Olympics)	84.380	Not provided	494
Title I Grants to Local Educational Agencies	84.010A	3100002 - 21	45,494
Title I Grants to Local Educational Agencies	84.010A	3100002 - 22	820,981
Title I Grants to Local Educational Agencies	84.010A	3100002 - 23	1,267,273
Total ALN #84.010			2,133,748
Title I-D Neglected and Delinquent Children	84.013	Not provided	2,230
	84.013	Not provided	10,177
Title I-D Neglected and Delinquent Children	84.013	Not provided	27,035
Total ALN #84.048			39,442
Career and technical Education -Basic Grants to States	84.048	4621132 - 22	11,883
Career and technical Education -Basic Grants to States	84.048	4621132 - 23	144,275
Total ALN #84.048			156,158
Arts in Mind	84.351		29,417
English Language Acquisition State Grants	84.365	3300002 - 22	2,607
English Language Acquisition State Grants	84.365	3300002 - 23	66,399
Total ALN #84.365			69,006
Title II Improving Teacher Quality State Grants	84.367	3230002 - 20	6
Title II Improving Teacher Quality State Grants	84.367	3230002 - 21	50,442
Title II Improving Teacher Quality State Grants	84.367	3230002 - 22	105,248
Title II Improving Teacher Quality State Grants	84.367	3230002 - 23	230,690
Total ALN #84.367			386,386
Title IV-Part A Student Support & Academic Enrichment Grant	84.424A	3420002 - 21	12,434
Title IV-Part A Student Support & Academic Enrichment Grant	84.424A	3420002 - 22	36,050
Title IV-Part A Student Support & Academic Enrichment Grant	84.424A	3420002 - 23	77,837
Total ALN #84.424			126,321
Elementary & Secondary School Emergency Relief Fund	84.425D	Not provided	517
Governor's Emergency Education Relief Fund	84.425C	Not provided	87,269
Elementary & Secondary School Emergency Relief Fund II	84.425D	Not provided	3,434,496
Elementary & Secondary School Emergency Relief Fund III	84.425U	Not provided	660,492
Elementary & Secondary School Emergency Relief Fund III - Digital Learning Coach Supports	84.425U	Not provided	16,135
Elementary & Secondary School Emergency Relief Fund III - Kentucky Virtual Library	84.425U	Not provided	13,757
Elementary & Secondary School Emergency Relief Fund III - 20% Learning Loss	84.425U	Not provided	2,141,221
ARP ESSER Homeless Children and Youth II	84.425W	Not provided	11,889
Total ALN #84.425			6,365,776
Promoting Adolescent Health Through School-Based Surveillance	93.079	Not provided	563
CECC Preschool Development Grant School Readiness	93.434	Not provided	3,170
Total U.S. Department of Education			12,395,578

KENTON COUNTY SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Agreement Number	Federal Expenditures for FYE June 30, 2023
<u>U.S. Department of Agriculture</u>			
Child Nutrition Cluster			
<i>Passed through Kentucky Department of Education</i>			
National School Lunch Program	10.555	7750002	3,694,736
National School Lunch Program	10.555	9980000	481,030
School Breakfast Program	10.553	7760005	1,219,510
Child and Adult Care Food Program	10.558	7790021	1,161
Summer Food Service Program for Children	10.559	7690024	1,468
Summer Food Service Program for Children	10.559	7740023	28,174
State Administrative Expenses for Child Nutrition	10.560	7700001	10,945
			<u>5,437,024</u>
<i>Passed through Kentucky Department of Agriculture</i>			
National School Lunch Program - Food Donation	10.555	4002553	769,334
Total Child Nutrition Cluster			<u>6,206,358</u>
<i>Passed through Kentucky Department of Education</i>			
Pandemic EBT Administrative Costs	10.649	9990000	18,746
Total U.S. Department of Agriculture			<u>6,225,104</u>
Total Expenditures of Federal Awards			<u><u>\$ 18,620,682</u></u>

KENTON COUNTY SCHOOL DISTRICT

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

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Kenton County School District under programs of the federal government for the year ended June 30, 2023 and is reported on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of Kenton County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. For the year ended June 30, 2023, the District reported food commodities expended in the amount of \$769,334.

NOTE 4 INDIRECT COST RATE

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

NOTE 5 SUBRECIPIENTS

The District did not have any subrecipients during the year ended June 30, 2023.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kenton County School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Kenton County School District's basic financial statements, and have issued our report thereon dated November 15, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

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

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

Purpose of this Report

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



Crestview Hills, Kentucky
November 15, 2023

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Kenton County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Kenton County School District's major federal programs for the year ended June 30, 2023. Kenton County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Kenton County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Management's Responsibility

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

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Kenton County School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Kenton County School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Kenton County School District's federal programs.

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Kenton County School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Kenton County School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Kenton County School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Kenton County School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Kenton County School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

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

Report on Internal Control Over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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



Crestview Hills, Kentucky
November 15, 2023

KENTON COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

SECTION I -SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs

ALN No.	Name of Federal Program or Cluster
84.425	Education Stabilization Fund
84.027 / 84.173	Special Education Cluster
84.010	Title I

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

KENTON COUNTY SCHOOL DISTRICT

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

SECTION I – SUMMARY OF PRIOR YEAR AUDITOR’S RESULTS

No matters are reportable

SECTION II – PRIOR YEAR FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

KENTON COUNTY SCHOOL DISTRICT

Management Letter Comments Year Ended June 30, 2023

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

This letter summarizes our comments and suggestions regarding those matters. A separate report dated November 15, 2023, contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated November 15, 2023, on the financial statements of the Kenton County School District.

CURRENT YEAR RECOMMENDATIONS

CENTRAL OFFICE

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

Management Response: The district is currently in the process of contacting payees, researching the outstanding payments and completing the State of Kentucky unclaimed funds process if necessary.

ACTIVITY FUNDS

Dixie Heights High School

No matters are reportable

Scott High School

No matters are reportable

Simon Kenton High School

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

Management Response: The district is currently in the process of contacting payees, researching the outstanding payments and completing the State of Kentucky unclaimed funds process if necessary.

Summit View Academy

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

Management Response: The district is currently in the process of contacting payees, researching the outstanding payments and completing the State of Kentucky unclaimed funds process if necessary.

Statement of Deficiency: It was noted that two invoices were not marked as "paid".

Management Response: The new bookkeeper will receive training regarding the complete process for paying invoices.

KENTON COUNTY SCHOOL DISTRICT
Management Letter Comments (Continued)
Year Ended June 30, 2023

CURRENT YEAR RECOMMENDATIONS (Continued)

Summit View Academy (Continued)

Statement of Deficiency: It was noted that six monthly financial reports were not prepared in a timely manner.

Management Response: The new bookkeeper will receive training regarding the prompt completion of the monthly reports.

Turkey Foot Middle School

No matters are reportable

Twenhofel Middle School

No matters are reportable

Woodland Middle School

No matters are reportable

Beechgrove Elementary School

No matters are reportable

Caywood Elementary School

No matters are reportable

Fort Wright Elementary School

No matters are reportable

R.C. Hinsdale Elementary School

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

Management Response: The district is currently in the process of contacting payees, researching the outstanding payments and completing the State of Kentucky unclaimed funds process if necessary.

Kenton Elementary School

No matters are reportable

Piner Elementary School

No matters are reportable

River Ridge Elementary School

No matters are reportable

KENTON COUNTY SCHOOL DISTRICT
Management Letter Comments (Continued)
Year Ended June 30, 2023

CURRENT YEAR RECOMMENDATIONS (Continued)

Ryland Heights Elementary

No matters are reportable

Taylor Mill Elementary

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

Management Response: The district is currently in the process of contacting payees, researching the outstanding payments and completing the State of Kentucky unclaimed funds process if necessary.

White's Tower Elementary

No matters are reportable

KENTON COUNTY SCHOOL DISTRICT

**Management Letter Comments (Continued)
Year Ended June 30, 2023**

STATUS OF PRIOR YEAR RECOMMENDATIONS

CENTRAL OFFICE

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

Current year follow-up: See current year recommendation.

ACTIVITY FUNDS

Dixie Heights High School

No matters are reportable

Scott High School

No matters are reportable

Simon Kenton High School

No matters are reportable

Summit View Academy

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

Current year follow-up: See current year recommendation.

Turkey Foot Middle School

No matters are reportable

Twenhofel Middle School

No matters are reportable

Woodland Middle School

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

Current year follow-up: No such instances noted.

Beechgrove Elementary School

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

Current year follow-up: No such instances noted.

KENTON COUNTY SCHOOL DISTRICT
Management Letter Comments (Continued)
Year Ended June 30, 2023

STATUS OF PRIOR YEAR RECOMMENDATIONS (Continued)

Caywood Elementary School

No matters are reportable

Fort Wright Elementary School

No matters are reportable

R.C. Hinsdale Elementary School

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

Current year follow-up: See current year recommendation.

Kenton Elementary School

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

Current year follow-up: No such instances noted.

Piner Elementary School

No matters are reportable

River Ridge Elementary School

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

Current year follow-up: No such instances noted.

Ryland Heights Elementary

No matters are reportable

Taylor Mill Elementary

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

Current year follow-up: See current year recommendation.

White's Tower Elementary

No matters are reportable