

Fort Thomas Independent School District

**Financial Statements
With Supplementary Information
Year Ended June 30, 2022
With Independent Auditors' Report**

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

June 30, 2022

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Independent Auditors' Report

To the Members of the Board of Education
Fort Thomas Independent School District
Fort Thomas, 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 Fort Thomas Independent School District as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the Fort Thomas Independent School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fort Thomas Independent School District, as of June 30, 2022, 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 Fort Thomas Independent School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's 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)**

Auditor's 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 Fort Thomas Independent School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fort Thomas Independent School District's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on pages 4-8, 51-53, and 59-68 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 Fort Thomas Independent School District's basic financial statements. The information on pages 49-50 and 54-58 is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The information on pages 49-50 and 54-58 is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information on pages 49-50 and 54-58 is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Independent Auditors' Report
(Continued)**

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2022 on our consideration of the Fort Thomas Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fort Thomas Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fort Thomas Independent School District's internal control over financial reporting and compliance.

Change in Accounting Principle

As discussed in Note 19 to the financial statements, the District adopted Governmental Accounting Standards Board ("GASB") Statement No. 87, *Leases*, effective as of July 1, 2021. Our opinion is not modified with respect to this matter.

Barnes, Dennig & Co., Ltd.

Crestview Hills, Kentucky
November 15, 2022

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) - Unaudited Year Ended June 30, 2022

As management of Fort Thomas Independent Board of Education (Board), the governing body for the Fort Thomas Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements and notes. All amounts used in this MD&A are approximate amounts, except where more specific.

FINANCIAL HIGHLIGHTS

- The beginning cash balance, including investments, for the District was \$6,453,960.
- The District administered \$1,106,569 in Federal, State and local grants during the year.
- The General Fund had \$34,798,911 in revenue, which primarily consisted of the state program (SEEK), property taxes, local occupational license taxes, utilities taxes, and motor vehicle taxes. There was \$34,436,551 in General Fund expenditures. Budgeted contingency funds were \$1,850,000 in the General Fund in 2022.
- The ending fund balance in the General Fund for fiscal year 2022 is \$4,002,205. This is an increase of \$287,671 from 2021. From year to year the state legislature is requiring the District to absorb more and more mandated expenses, while at the same time they continue to cut grant funding.
- Bonds are issued as the District renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education compliance regulations.
- The District has made significant investments in technology for the classroom. Finance leases for laptop computers and school building digital conversion for students in grades K-12 were entered into in keeping with Kentucky Department of Education compliance regulations.
- Our primary financial concern continues to be state funding which has not kept up with the increases in operating expenses due to inflation, increased salaries - some of which are a direct result of mandates by the state, and an increasing portion of the retirement shortfall that we have been asked to fund. After many years of not making the necessary contributions to fully fund the Kentucky Teachers' Retirement System (KTRS), the legislature passed along a portion of the funding shortfall to employees and a larger portion to school districts. As a result, our district has paid hundreds of thousands of dollars into the retirement system and will pay millions of dollars in the future in an effort to help stabilize the fund. The continual erosion of state funding makes it increasingly difficult to maintain the high standard of education and programming that our students deserve without increasing taxes locally. In this climate of shrinking state support and problems with the SEEK funding model, the Fort Thomas Independent School District will maintain fiscally responsible policies in order to continue providing quality academic, extra-curricular and community service programs to all of its students.

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) - Unaudited Year Ended June 30, 2022 (Continued)

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The district-wide financial statements can be found on pages 9 and 10 of this report.

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

The basic governmental fund financial statements can be found on pages 11 through 17 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 18 through 48 of this report.

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A) - Unaudited
Year Ended June 30, 2022
(Continued)**

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$22,267,626 as of June 30, 2022.

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

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

Net Position for the periods ending June 30, 2022 and 2021

The following is a summary of net position for the fiscal years ended June 30, 2022 and 2021.

	2022	2021
Current assets	\$ 6,256,929	\$ 7,464,226
Noncurrent assets	103,816,064	101,692,616
Total assets	110,072,993	109,156,842
 Total deferred outflows	 5,793,678	 5,097,560
Current liabilities	6,323,835	5,833,203
Noncurrent liabilities	80,159,101	85,020,635
Total liabilities	86,482,936	90,853,838
 Total deferred inflows	 7,116,109	 3,892,155
 Net position		
Investment in capital assets (net of debt)	36,242,603	32,886,522
Restricted	(16,297,301)	(15,533,298)
Unrestricted	2,322,324	2,155,185
Total net position	\$ 22,267,626	\$ 19,508,409

Comments on General Fund Budget Comparisons

- The District's total General Fund revenues for the fiscal year ended June 30, 2022 were \$34,798,911.

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A) - Unaudited
Year Ended June 30, 2022
(Continued)**

DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Comments on General Fund Budget Comparisons (Continued)

- General Fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$9,308,873 more than budget or approximately 36.5% of the General Fund budget. The majority of this variance is the result of the District recording "on behalf" payments made by the state.
- The total cost of all General Fund programs and services was \$32,436,551 including debt service and interfund transfers of \$74,689.
- General Fund actual expenditures exceeded budgeted expenditures by \$7,423,553. The majority of this variance is the result of the District recording "on behalf" payments made by the state.

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,980,900	\$ 1,229,156
Operating grants and contributions	<u>1,863,451</u>	<u>3,417,291</u>
 Total grant revenues	 <u>3,844,351</u>	 <u>4,646,447</u>
 General revenues:		
Property taxes	17,943,915	17,211,976
Grants and entitlements	6,980,085	8,651,466
Earnings on investments	7,379	15,996
Miscellaneous	<u>3,086,775</u>	<u>1,986,462</u>
 Total general revenues	 <u>28,018,154</u>	 <u>27,865,900</u>
 Total revenues	 <u>31,862,505</u>	 <u>32,512,347</u>
 Expenses:		
Instruction	10,817,554	13,524,902
Student support services	2,255,734	2,282,227
Staff support services	1,726,947	1,685,028
District administration	1,679,246	1,582,506
School administration	3,098,289	2,926,675
Business support	1,326,340	1,209,079
Plant operations	3,883,546	3,545,774
Student transportation	288,790	199,816
Community services	24,448	(81)
Facility acquisition and construction	87,226	-
Food service	1,486,119	1,109,531
Interest	<u>2,429,049</u>	<u>2,163,788</u>
 Total expenses	 <u>29,103,288</u>	 <u>30,229,245</u>
 Excess of revenues over expenses	 <u>\$ 2,759,217</u>	 <u>\$ 2,283,102</u>

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A) - Unaudited
Year Ended June 30, 2022
(Continued)**

BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget with \$1,850,000 in contingency (6.8%).

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Questions regarding this report should be directed to Mr. Brian Robinson, Superintendent, at (859) 815-2020 or to his representative Mr. Andy Remlinger, District Finance Officer/Treasurer (859) 815-2002 or by mail at Fort Thomas Independent School District, 28 N. Fort Thomas Avenue, Fort Thomas, Kentucky 41075.

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

**Statement of Net Position – District Wide
As of June 30, 2022**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Assets			
Current			
Cash and cash equivalents	\$ 5,160,382	\$ 335,267	\$ 5,495,649
Prepaid expenses	120,071	-	120,071
Accounts receivable	629,531	1,263	630,794
Inventories for consumption	-	10,415	10,415
	<hr/>	<hr/>	<hr/>
Total current	5,909,984	346,945	6,256,929
Noncurrent			
Financed computers	2,331,223	-	2,331,223
Right of use assets	1,691,672	-	1,691,672
Less: accumulated amortization	(1,240,376)	-	(1,240,376)
Nondepreciated capital assets:			
Land	565,820	-	565,820
Depreciated capital assets:			
Land improvements	218,119	-	218,119
Buildings and improvements	123,155,709	-	123,155,709
Furniture and equipment	8,025,258	634,796	8,660,054
Less: accumulated depreciation	(30,987,277)	(578,880)	(31,566,157)
	<hr/>	<hr/>	<hr/>
Total noncurrent	103,760,148	55,916	103,816,064
Total assets	<hr/>	<hr/>	<hr/>
	109,670,132	402,861	110,072,993
Deferred outflows	<hr/>	<hr/>	<hr/>
	5,654,189	139,489	5,793,678
Liabilities			
Current			
Current portion of bonds payable	4,202,991	-	4,202,991
Current portion of finance leases	24,300	-	24,300
Current portion of lease liability	139,082	-	139,082
Current portion of loan payable	604,576	-	604,576
Accounts payable	400,965	3,041	404,006
Accrued interest	686,473	-	686,473
Accrued sick leave	59,761	-	59,761
Unearned revenues	181,436	21,210	202,646
	<hr/>	<hr/>	<hr/>
Total current	6,299,584	24,251	6,323,835
Noncurrent			
Accrued sick leave	537,846	-	537,846
Finance leases	17,718	-	17,718
Lease liability	1,132,911	-	1,132,911
Loan payable - financed computers	1,165,236	-	1,165,236
MIF net OPEB liability	8,160,002	206,845	8,366,847
CERS net pension liability	8,290,365	210,150	8,500,515
Bond obligations	60,438,028	-	60,438,028
	<hr/>	<hr/>	<hr/>
Total noncurrent	79,742,106	416,995	80,159,101
Total liabilities	<hr/>	<hr/>	<hr/>
	86,041,690	441,246	86,482,936
Deferred inflows	<hr/>	<hr/>	<hr/>
	6,940,184	175,925	7,116,109
Net Position			
Invested in capital assets, net of related debt	36,186,687	55,916	36,242,603
Restricted	(16,143,490)	(153,811)	(16,297,301)
Unrestricted	2,299,250	23,074	2,322,324
	<hr/>	<hr/>	<hr/>
Total net position	\$ 22,342,447	\$ (74,821)	\$ 22,267,626

The accompanying notes are an integral part of these financial statements

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

**Statement of Activities – District Wide
Year Ended June 30, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	
Governmental Activities:							
Instructional	\$ 10,817,554	\$ 629,744	\$ 1,615,257	\$ -	\$ (8,572,553)	\$ -	\$ (8,572,553)
Student support services	2,255,734	-	-	-	(2,255,734)	-	(2,255,734)
Staff support services	1,726,947	-	55,765	-	(1,671,182)	-	(1,671,182)
District administration	1,679,246	-	-	-	(1,679,246)	-	(1,679,246)
School administration	3,098,289	-	-	-	(3,098,289)	-	(3,098,289)
Business support services	1,326,340	-	-	-	(1,326,340)	-	(1,326,340)
Plant operation and maintenance	3,883,546	-	87,333	-	(3,796,213)	-	(3,796,213)
Student transportation	288,790	-	-	-	(288,790)	-	(288,790)
Community service operations	24,448	-	24,448	-	-	-	-
Facility acquisition and construction	87,226	-	-	-	(87,226)	-	(87,226)
Interest on long-term debt	2,429,049	-	-	-	(2,429,049)	-	(2,429,049)
Total governmental activities	27,617,169	629,744	1,782,803	-	(25,204,622)	-	(25,204,622)
Business-type Activities							
Food service and other activities	1,486,119	1,351,156	80,648	-	-	(54,315)	(54,315)
Total business-type activities	1,486,119	1,351,156	80,648	-	-	(54,315)	(54,315)
Total school district	\$ 29,103,288	\$ 1,980,900	\$ 1,863,451	\$ -	(25,204,622)	(54,315)	(25,258,937)
General revenues:							
Taxes					17,943,915	-	17,943,915
State and federal sources					6,980,085	-	6,980,085
Investment earnings					7,116	263	7,379
Miscellaneous					3,086,775	-	3,086,775
Transfers					(26,000)	26,000	-
Total general and special revenues					27,991,891	26,263	28,018,154
Change in net position					2,787,269	(28,052)	2,759,217
Net position - beginning					19,555,178	(46,769)	19,508,409
Net position - ending					\$ 22,342,447	\$ (74,821)	\$ 22,267,626

The accompanying notes are an integral part of these financial statements

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

**Balance Sheet – Governmental Funds
As of June 30, 2022**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Current					
Cash and cash equivalents	\$ 3,789,806	\$ 15,040	\$ -	\$ 1,355,536	\$ 5,160,382
Prepaid expenses	120,071	-	-	-	120,071
Accounts receivable	400,231	225,858	-	3,442	629,531
	<u>4,310,108</u>	<u>240,898</u>	<u>-</u>	<u>1,358,978</u>	<u>5,909,984</u>
Total assets	<u>\$ 4,310,108</u>	<u>\$ 240,898</u>	<u>\$ -</u>	<u>\$ 1,358,978</u>	<u>\$ 5,909,984</u>
Liabilities and Fund Balance					
Current					
Accounts payable	\$ 307,903	\$ 59,462	\$ -	\$ 33,600	\$ 400,965
Unearned revenues	-	181,436	-	-	181,436
	<u>307,903</u>	<u>240,898</u>	<u>-</u>	<u>33,600</u>	<u>582,401</u>
Total current	<u>307,903</u>	<u>240,898</u>	<u>-</u>	<u>33,600</u>	<u>582,401</u>
Fund Balance					
Nonspendable prepaids	120,071	-	-	-	120,071
Restricted					
Other	-	-	-	675,901	675,901
Capital Projects	-	-	-	649,477	649,477
Accrued sick leave	298,804	-	-	-	298,804
Unassigned	3,583,330	-	-	-	3,583,330
	<u>4,002,205</u>	<u>-</u>	<u>-</u>	<u>1,325,378</u>	<u>5,327,583</u>
Total fund balance	<u>4,002,205</u>	<u>-</u>	<u>-</u>	<u>1,325,378</u>	<u>5,327,583</u>
Total liabilities and fund balance	<u>\$ 4,310,108</u>	<u>\$ 240,898</u>	<u>\$ -</u>	<u>\$ 1,358,978</u>	<u>\$ 5,909,984</u>

The accompanying notes are an integral part of these financial statements

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
As of June 30, 2022

Total governmental fund balance		\$ 5,327,583
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Financed computers	2,331,223	
Cost of right of use assets	1,691,672	
Accumulated amortization	(1,240,376)	
Cost of capital assets	131,964,906	
Accumulated depreciation	<u>(30,987,277)</u>	103,760,148
Deferred loss on refunding	151,381	
Deferred outflows for MIF contributions made after the measurement date	627,229	
Deferred outflows related to OPEB	3,308,667	
Deferred outflows for CERS contributions made after the measurement date	906,154	
Deferred outflows related to pensions	<u>660,758</u>	5,654,189
Deferred inflows related to pensions	(1,607,889)	
Deferred inflows related to OPEB	<u>(5,332,295)</u>	(6,940,184)
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		(65,026,239)
Lease liability		(1,271,993)
Loan payable		(1,769,812)
Discount on bonds payable		385,220
Accrued interest on bonds		(686,473)
Net pension liability		(8,290,365)
Net OPEB liability		(8,160,002)
Finance lease obligations		(42,018)
Accrued sick leave		<u>(597,607)</u>
Total net position - governmental		<u>\$ 22,342,447</u>

The accompanying notes are an integral part of these financial statements

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds
Year Ended June 30, 2022**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes	\$ 16,266,987	\$ -	\$ -	\$ 1,676,928	\$ 17,943,915
Earnings on investments	6,040	-	-	1,076	7,116
State sources	17,723,823	577,160	3,345,575	1,437,625	23,084,183
Federal sources	-	1,106,569	-	-	1,106,569
Other sources	802,061	99,074	-	2,265,489	3,166,624
Total revenues	<u>34,798,911</u>	<u>1,782,803</u>	<u>3,345,575</u>	<u>5,381,118</u>	<u>45,308,407</u>
Expenditures:					
Instructional	20,841,991	1,676,115	-	1,668,046	24,186,152
Student support services	2,255,734	-	-	-	2,255,734
Staff support services	1,651,003	55,765	-	20,179	1,726,947
District administration	1,678,676	-	-	-	1,678,676
School administration	2,537,733	-	-	-	2,537,733
Business support services	1,326,340	-	-	-	1,326,340
Plant operation and maintenance	3,766,611	87,333	-	-	3,853,944
Student transportation	287,886	-	-	904	288,790
Community service operations	-	24,448	-	-	24,448
Facility acquisition and construction	6,626	-	-	2,148,401	2,155,027
Debt service:				-	
Principal	78,552	-	4,094,990	-	4,173,542
Interest	5,399	-	2,065,685	-	2,071,084
Bond costs	-	-	-	-	-
Total expenditures	<u>34,436,551</u>	<u>1,843,661</u>	<u>6,160,675</u>	<u>3,837,530</u>	<u>46,278,417</u>
Excess(deficit) of revenues over expenditures	<u>362,360</u>	<u>(60,858)</u>	<u>(2,815,100)</u>	<u>1,543,588</u>	<u>(970,010)</u>
Other financing sources(uses):					
Operating transfers in	-	60,858	2,815,100	41,606	2,917,564
Operating transfers out	(74,689)	-	-	(2,868,875)	(2,943,564)
Total other financing sources(uses)	<u>(74,689)</u>	<u>60,858</u>	<u>2,815,100</u>	<u>(2,827,269)</u>	<u>(26,000)</u>
Net change in fund balance	287,671	-	-	(1,283,681)	(996,010)
Fund balance, July 1, 2021	3,714,534	-	-	2,609,059	6,323,593
Fund balance, June 30, 2022	<u>\$ 4,002,205</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,325,378</u>	<u>\$ 5,327,583</u>

The accompanying notes are an integral part of these financial statements

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
Year Ended June 30, 2022**

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

Net changes-governmental funds		\$ (996,010)
<p>Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense for the year.</p>		
Amortization expense	(755,650)	
Depreciation expense	(3,057,045)	
Capital outlays	<u>4,764,096</u>	
		951,401
<p>Bond, lease and loan 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.</p>		
Bond principal paid	4,104,279	
Lease principal paid	138,582	
Loan proceeds	(2,331,223)	
Loan principal paid	604,576	
Discount on bond issue	(22,660)	
Amortization of bond refinancing	(35,683)	
Finance lease principal paid	<u>228,502</u>	
		2,686,373
Deferred outflows related to pensions		(446,618)
Deferred outflows related to OPEB		1,153,930
Deferred inflows related to pensions		(1,237,385)
Deferred inflows related to OPEB		(1,901,796)
<p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p>		
		<u>2,577,374</u>
Changes in net position of governmental activities		<u><u>\$ 2,787,269</u></u>

The accompanying notes are an integral part of these financial statements

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

**Statement of Net Position – Proprietary Funds
As of June 30, 2022**

	<u>Food Service</u>	<u>Summer Enrichment</u>	<u>Adult Education</u>	<u>Total</u>
Assets				
Current				
Cash and cash equivalents	\$ 311,614	\$ 22,617	\$ 1,036	\$ 335,267
Accounts receivable	1,263	-	-	1,263
Inventories for consumption	10,415	-	-	10,415
Total current	<u>323,292</u>	<u>22,617</u>	<u>1,036</u>	<u>346,945</u>
Noncurrent				
Furniture and fixtures	634,796	-	-	634,796
Less accumulated depreciation	<u>(578,880)</u>	<u>-</u>	<u>-</u>	<u>(578,880)</u>
Total noncurrent	<u>55,916</u>	<u>-</u>	<u>-</u>	<u>55,916</u>
Total assets	<u>379,208</u>	<u>22,617</u>	<u>1,036</u>	<u>402,861</u>
Deferred outflows	<u>139,489</u>	<u>-</u>	<u>-</u>	<u>139,489</u>
Liabilities and Net Position				
Current				
Accounts payable	2,462	579	-	3,041
Unearned revenue	21,210	-	-	21,210
Total current	<u>23,672</u>	<u>579</u>	<u>-</u>	<u>24,251</u>
Noncurrent				
MIF net OPEB liability	206,845	-	-	206,845
CERS net pension liability	210,150	-	-	210,150
Total noncurrent	<u>416,995</u>	<u>-</u>	<u>-</u>	<u>416,995</u>
Total liabilities	<u>440,667</u>	<u>579</u>	<u>-</u>	<u>441,246</u>
Deferred inflows	<u>175,925</u>	<u>-</u>	<u>-</u>	<u>175,925</u>
Net Position				
Invested in assets, net of debt	55,916	-	-	55,916
Restricted	(153,811)	-	-	(153,811)
Unrestricted	-	22,038	1,036	23,074
Total net position	<u>\$ (97,895)</u>	<u>\$ 22,038</u>	<u>\$ 1,036</u>	<u>\$ (74,821)</u>

The accompanying notes are an integral part of these financial statements

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenses and Changes in Net Position –
Proprietary Funds
Year Ended June 30, 2022**

	<u>Food Service</u>	<u>Summer Enrichment</u>	<u>Adult Education</u>	<u>Total</u>
Operating revenues:				
Lunchroom sales	\$ 1,336,562	\$ -	\$ -	\$ 1,336,562
Other operating revenues	-	14,594	-	14,594
 Total operating revenues	 <u>1,336,562</u>	 <u>14,594</u>	 <u>-</u>	 <u>1,351,156</u>
Operating expenses:				
Salaries and benefits	761,087	10,474	-	771,561
Contract services	16,986	200	-	17,186
Materials and supplies	659,758	2,532	-	662,290
Depreciation	34,899	-	-	34,899
Other operating expenses	183	-	-	183
 Total operating expenses	 <u>1,472,913</u>	 <u>13,206</u>	 <u>-</u>	 <u>1,486,119</u>
 Operating income (loss)	 <u>(136,351)</u>	 <u>1,388</u>	 <u>-</u>	 <u>(134,963)</u>
Nonoperating revenues:				
State grants	80,648	-	-	80,648
Transfers	26,000	-	-	26,000
Interest income	263	-	-	263
 Total non-operating revenue	 <u>106,911</u>	 <u>-</u>	 <u>-</u>	 <u>106,911</u>
 Change in net position	 (29,440)	 1,388	 -	 (28,052)
 Total net position, July 1, 2021	 <u>(68,455)</u>	 <u>20,650</u>	 <u>1,036</u>	 <u>(46,769)</u>
 Total net position, June 30, 2022	 <u>\$ (97,895)</u>	 <u>\$ 22,038</u>	 <u>\$ 1,036</u>	 <u>\$ (74,821)</u>

The accompanying notes are an integral part of these financial statements

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

**Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2022**

	<u>Food Service Fund</u>	<u>Summer Enrichment Fund</u>	<u>Adult Education Fund</u>	<u>Total</u>
Cash flows from operating activities				
Cash received from lunchroom sales	\$ 1,336,562	\$ -	\$ -	\$ 1,336,562
Cash received from other activities	-	14,594	-	14,594
Cash payments to employees for services	(747,532)	(10,474)	-	(758,006)
Cash payments to suppliers for goods and services	(677,502)	(3,776)	-	(681,278)
Net cash provided by (used in) operating activities	<u>(62,472)</u>	<u>344</u>	<u>-</u>	<u>(62,128)</u>
Cash flows from noncapital financing activities				
Non-operating revenues received	<u>80,648</u>	<u>-</u>	<u>-</u>	<u>80,648</u>
Net cash provided by noncapital financing activities	<u>80,648</u>	<u>-</u>	<u>-</u>	<u>80,648</u>
Cash flows from investing activities				
Interest on investments	<u>263</u>	<u>-</u>	<u>-</u>	<u>263</u>
Net cash provided by investing activities	<u>263</u>	<u>-</u>	<u>-</u>	<u>263</u>
Net increase in cash and cash equivalents	18,439	344	-	18,783
Cash and cash equivalents - beginning	<u>293,175</u>	<u>22,273</u>	<u>1,036</u>	<u>316,484</u>
Cash and cash equivalents - ending	<u>\$ 311,614</u>	<u>\$ 22,617</u>	<u>\$ 1,036</u>	<u>\$ 335,267</u>
Reconciliation of operating income/(loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (136,351)	\$ 1,388	\$ -	\$ (134,963)
Adjustments to reconcile operating income/(loss) to net cash provided by (used in) operating activities				
Depreciation	34,899	-	-	34,899
Interfund transfer	26,000	-	-	26,000
Changes in assets and liabilities:				
Increase in deferred outflows	(24,489)	-	-	(24,489)
Decrease in MIF net OPEB liability	(20,360)	-	-	(20,360)
Decrease in CERS net pension liability	(26,369)	-	-	(26,369)
Increase in deferred inflows	84,773	-	-	84,773
Decrease in inventory	18,778	-	-	18,778
Increase (decrease) in accounts payable	2,195	(1,044)	-	1,151
Decrease in unearned revenue	(21,548)	-	-	(21,548)
Net cash provided by (used in) operating activities	<u>\$ (62,472)</u>	<u>\$ 344</u>	<u>\$ -</u>	<u>\$ (62,128)</u>
Schedule of non-cash transactions				
On behalf payments	<u>\$ 80,648</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,648</u>

The accompanying notes are an integral part of these financial statements

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

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

Basis of Presentation

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

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

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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

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

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

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the schedule of expenditures of federal awards included in this report on page 69. 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.

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

I. Governmental Fund Types (continued)

(D) 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.

(E) 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 \$66,151 for ongoing projects.

II. Debt Service Fund

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

III. Proprietary Fund (Enterprise Fund)

(A) 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.

(B) The Adult Education Fund is used to account for programs for adult education.

(C) The Summer Enrichment Fund is used to account for programs for additional learning opportunities outside of the normal school calendar.

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

IV. Fiduciary Fund Type (Agency and Trust Funds)

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.

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.

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

FORT THOMAS INDEPENDENT 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
Audio-visual equipment	15 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.

FORT THOMAS INDEPENDENT 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.

FORT THOMAS INDEPENDENT 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

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

NOTE 2 ESTIMATES

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

NOTE 3 CASH AND CASH EQUIVALENTS

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

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

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

NOTE 4 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2022 was as follows:

<u>Governmental Activities</u>	Balance June 30, 2020	Additions	Deductions	Balance June 30, 2021
Land	\$ 465,820	\$ 100,000	\$ -	\$ 565,820
Land improvements	218,119	-	-	218,119
Buildings and improvements	99,271,614	23,884,095	-	123,155,709
Technology equipment	2,670,017	357,848	-	3,027,865
Vehicles	398,114	-	-	398,114
General equipment	3,735,263	864,016	-	4,599,279
Construction work in progress	22,773,086	2,148,401	24,921,487	-
Totals at historical cost	<u>129,532,033</u>	<u>27,354,360</u>	<u>24,921,487</u>	<u>131,964,906</u>
Less: accumulated depreciation				
Land improvements	\$ 218,119	\$ -	\$ -	\$ 218,119
Buildings and improvements	22,515,065	2,638,748	-	25,153,813
Technology equipment	2,599,520	109,246	-	2,708,766
Vehicles	368,186	11,509	-	379,695
General equipment	2,229,342	297,542	-	2,526,884
Total accumulated depreciation	<u>27,930,232</u>	<u>3,057,045</u>	<u>-</u>	<u>30,987,277</u>
Governmental activities capital assets - net	<u>\$ 101,601,801</u>	<u>\$ 24,297,315</u>	<u>\$ 24,921,487</u>	<u>\$ 100,977,629</u>
 <u>Business - Type Activities</u>				
General equipment	\$ 631,157	\$ -	\$ -	\$ 631,157
Technology equipment	3,639	-	-	3,639
Totals at historical cost	<u>634,796</u>	<u>-</u>	<u>-</u>	<u>634,796</u>
Less: accumulated depreciation				
General equipment	540,342	\$ 34,899	-	575,241
Technology equipment	3,639	-	-	3,639
Total accumulated depreciation	<u>543,981</u>	<u>34,899</u>	<u>-</u>	<u>578,880</u>
Business - type activities capital assets - net	<u>\$ 90,815</u>	<u>\$ (34,899)</u>	<u>\$ -</u>	<u>\$ 55,916</u>

Depreciation expense by function for the fiscal year ended June 30, 2022 was as follows:

	<u>Governmental</u>	<u>Business-Type</u>
Instruction	\$ 2,466,317	\$ -
District administration	570	-
School administration	560,556	-
Plant operation and maintenance	29,602	-
Food service	-	34,899
Total	<u>\$ 3,057,045</u>	<u>\$ 34,899</u>

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

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

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, 2022 this amount totaled approximately \$597,607 for those employees with twenty-seven or more years of experience.

NOTE 6 LEASE OBLIGATIONS AND BONDED DEBT

The amount shown in the accompanying financial statements as bond obligations represents the District's future obligations to make payments relating to the bonds issued including any unamortized portions of bond discounts or bond premiums.

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>
July 1, 2012	\$ 2,945,000	1.500% - 3.200%
May 1, 2013	3,310,000	2.000% - 3.125%
March 1, 2014	88,411	2.000% - 4.000%
April 1, 2014	2,245,000	3.000% - 4.000%
August 1, 2014	9,540,000	2.000% - 3.380%
March 1, 2015	9,080,000	2.000% - 3.000%
March 1, 2015	4,575,000	2.000% - 3.380%
November 1, 2015	23,810,000	1.000% - 3.400%
October 1, 2016	5,530,000	2.000%
February 1, 2019	22,660,000	3.000% - 3.625%
October 1, 2020	985,000	1.000% - 2.150%

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 Fort Thomas Independent School District Finance Corporation to construct school facilities.

The District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. Note 18 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, 2022 for debt service (principal and interest) are reported in Note 18.

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

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

NOTE 7 LEASES

The District has a lease agreement for computers that expires in July 2025. Annual payments of \$604,576 are required. There are no variable payments within the lease agreements. These computers are accounted for as a financed purchase as the title vests over the term of the lease with the District.

The District also has a lease agreement for office equipment that expires July 2024. Monthly payments of \$2,025 are required. There are no variable payments within the lease agreements.

The District also leases real estate. The use of two different athletic fields is leased to the district. Annual escalating payments are required on both leases. The payments range from \$9,916 to 13,426 for each lease. The lease agreements expire in January 2028 and September 2030. The district also has a lease agreement for office space. This lease requires monthly payments. From the lease's inception to September 2023 the monthly payments are \$7,600. From October 2023 to September 2028 the monthly payments are for \$8,500. Finally from October 2028 to October 2033 the monthly lease payments are for \$9,600.

An interest rate of 2.5% was utilized to calculate the lease and loan liability.

The following table shows the District's change in lease accounts for the year ended June 30, 2022:

<u>Governmental Activities</u>	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2022</u>
Financed computers	\$ -	\$ 2,331,223	\$ -	\$ 2,331,223
ROU Asset	\$ 1,691,672	\$ -	\$ -	\$ 1,691,672
ROU Accum. Amort.	\$ 484,727	\$ 755,650	\$ -	\$ 1,240,376
Lease liability	\$ 1,387,597	\$ -	\$ 115,604	\$ 1,271,993
Loan payable	\$ -	\$ 2,331,223	\$ 561,411	\$ 1,769,812

Future minimum payments related to loan payable are shown below:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
FY2023	\$ 575,446	\$ 29,131	\$ 604,576
FY2024	589,832	14,744	604,575
FY2025	560,660	-	560,660
	<u>\$ 1,725,938</u>	<u>\$ 43,875</u>	<u>\$ 1,769,812</u>

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

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

NOTE 7 LEASES (CONTINUED)

Future minimum payments related to lease liabilities are shown below:

	Principal	Interest	Total
FY2023	\$ 109,131	\$ 29,951	\$ 139,082
FY2024	120,582	27,101	147,683
FY2025	102,271	24,310	126,581
FY2026	105,363	21,719	127,082
FY2027	108,534	19,048	127,582
Thereafter	568,572	35,411	603,983
	<u>\$ 1,114,453</u>	<u>\$ 157,540</u>	<u>\$ 1,271,993</u>

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

General information about the County Employees Retirement System Non-Hazardous

Plan description

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

FORT THOMAS INDEPENDENT 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 spouse will receive the higher of the normal death benefit and \$10,000 plus 75% of the decedent's monthly average rate of pay. If the surviving spouse remarries, the monthly rate will be recalculated to 25% of the decedent's monthly average. Any dependent child will receive 50% of the decedent's monthly final rate of pay up to 75% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Contributions

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

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

The contribution requirement for CERS for the year ended June 30, 2022, was \$1,119,553, which consisted of \$929,124 from the District and \$190,429 from the employees. Total contributions for the year ended June 30, 2021 and 2020 were \$1,032,026 and \$1,023,982, respectively. The contributions have been contributed in full for fiscal years 2022, 2021 and 2020.

FORT THOMAS INDEPENDENT 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 and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at http://www.trs.ky.gov/05_publications/index.htm.

Benefits provided

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

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

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

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

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.

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 8 RETIREMENT PLANS (CONTINUED)

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, 2022, was \$2,708,451, which consisted of \$562,444 from the District and \$2,146,007 from the employees. Total contributions for the year ended June 30, 2021 and 2020 were \$2,640,381 and \$2,513,426, respectively. The contributions have been contributed in full for fiscal years 2022, 2021 and 2020.

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

Medical Insurance Plan

Plan description

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

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

Funding policy

In order to fund the post-retirement healthcare benefit, 6.59% of the gross annual payroll of employees before July 1, 2008 is contributed. 3.75% is paid by member contributions, 0.16% is credited to the Commonwealth, and 3.00% is contributed by the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

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

NOTE 8 RETIREMENT PLANS (CONTINUED)

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

At June 30, 2022, 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	\$ 8,500,515
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	<u>65,861,047</u>
	<u><u>\$ 74,361,562</u></u>

The net pension liability for each plan was measured as of June 30, 2021, 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, 2021, the District's proportion was 0.133325% percent.

For the year ended June 30, 2022, the District recognized a reduction in pension expense of \$329,514 related to CERS. The District also recognized a reduction of expense of \$15,517,317 and a reduction of revenue of \$15,517,317 for TRS support provided by the Commonwealth. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 97,612	\$ 82,503
Net difference between projected and actual earnings on pension plan investments	329,763	1,462,739
Changes of Assumptions	114,087	-
Changes in proportion and differences between employer contributions and proportionate share of contribution	136,045	103,405
District contributions subsequent to the measurement date	<u>929,124</u>	<u>-</u>
Total	<u><u>\$ 1,606,631</u></u>	<u><u>\$ 1,648,647</u></u>

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

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

NOTE 8 RETIREMENT PLANS (CONTINUED)

\$929,124 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2023	\$ (127,844)
2024	(236,960)
2025	(251,547)
2026	(354,789)

Actuarial assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	CERS	KTRS
Inflation	2.30%	3.00%
Projected salary increases	3.30%	3.5 - 7.3%
Investment rate of return, net of investment expense and inflation	6.25%	7.10%

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 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.

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

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

NOTE 8 RETIREMENT PLANS (CONTINUED)

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

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

<u>Asset Class</u>	<u>TRS Target Allocation</u>	<u>TRS Long-Term Expected Real Rate of Return</u>	<u>CERS Target Allocation</u>	<u>CERS Long-Term Expected Real Rate of Return</u>
US equity	40.0%	4.20%	21.8%	5.70%
International Equity	22.0%	22.00%	21.8%	6.35%
Core bonds			10.0%	0.00%
Private equity	7.0%	6.90%	10.0%	9.70%
High yield	2.0%	1.70%	15.0%	2.80%
Fixed income	15.0%	-0.10%		
Additional categories	5.0%	2.20%		
Real estate	7.0%	4.00%	10.0%	5.40%
Opportunistic			0.0%	N/A
Real return			10.0%	4.55%
Cash	2.0%	-0.30%	1.5%	-0.60%
Total	<u>100%</u>		<u>100%</u>	

Discount rate

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

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

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

NOTE 8 RETIREMENT PLANS (CONTINUED)

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 10,902,313	\$ 8,500,515	\$ 6,513,083
TRS	6.10%	7.10%	8.10%
District's proportionate share of net pension liability	-	-	-

Pension plan fiduciary net position

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

NOTE 9 OPEB PLANS

General information about the Teachers’ Retirement System OPEB Plan

Plan description

Teaching-certified employees of the Fort Thomas Independent Schools 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 provided 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 Statues 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.

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

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

NOTE 9 OPEB PLANS (CONTINUED)

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.

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. That report may be obtained from <http://kyret.ky.gov>.

Benefits provided

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

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

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

NOTE 9 OPEB PLANS (CONTINUED)

Contributions

Required contributions by the employee are based on the tier disclosed in Note 9.

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

At June 30, 2022, the Fort Thomas Independent School District reported a liability of \$8,366,847 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, 2021, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the District's proportion was 0.27 percent for TRS, which was an increase of 0.01 percent from its proportion measured as of June 30, 2020. At June 30, 2021, the District's proportion was 0.13 percent for CERS, which was the same as its proportion measured as of June 30, 2020.

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

District's proportionate share of the CERS net OPEB liability	\$ 2,551,847
District's proportionate share of the TRS net OPEB liability	5,815,000
State's proportionate share of the net OPEB liability associated with the District	<u>4,722,000</u>
	<u><u>\$ 13,088,847</u></u>

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

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

NOTE 9 OPEB PLANS (CONTINUED)

For the year ended June 30, 2022, the District recognized OPEB expense of \$619,934 and revenue of \$390,655 for support provided by the State. At June 30, 2022, 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 performance	\$ 401,279	\$ 4,219,897
Net difference between projected and actual earnings on OPEB plan investments	128,570	1,147,771
Change of Assumptions	2,197,543	2,373
Changes in proportion and differences between employer contributions and proportionate share of contributions	665,145	97,421
District contributions subsequent to the measurement date	<u>643,129</u>	<u>-</u>
Total	<u><u>\$ 4,035,666</u></u>	<u><u>\$ 5,467,462</u></u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$643,129 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:	
2023	\$ (451,103)
2024	(514,758)
2025	(488,988)
2026	(602,076)
2027	(70,000)
Thereafter	52,000

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

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

NOTE 9 OPEB PLANS (CONTINUED)

Actuarial assumptions

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	TRS	CERS
Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation.	6.25%
Projected salary increases	3.50 - 7.20%, 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 2021 decreasing to an ultimate rate of 4.50% by FY 2031	Initial trend starting at 6.25% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Ages 65 and Older	5.00% for FY 2022 decreasing to an ultimate rate of 4.50% by FY 2024	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years
Medicare Part B Premiums	4.40% for FY 2021 with an ultimate rate of 4.50% by 2034	
Municipal Bond Index Rate	2.13%	1.92%
Discount Rate	7.10%	5.20%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including price inflation	

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

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

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2020 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.

FORT THOMAS INDEPENDENT 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:

<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%	3.9%
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.

For CERS, the discount rate used to measure the total OPEB liability was 5.20%. 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.

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

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

NOTE 9 OPEB PLANS (CONTINUED)

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

	<u>1% Decrease (6.10%)</u>	<u>Current Discount Rate (7.10%)</u>	<u>1% Increase (8.10%)</u>
TRS			
Districts' net OPEB liability	\$ 7,445,000	\$ 5,815,000	\$ 4,468,000
	<u>1% Decrease (4.20%)</u>	<u>Current Discount Rate (5.20%)</u>	<u>1% Increase (6.20%)</u>
CERS			
Districts' net OPEB liability	\$ 3,503,667	\$ 2,551,847	\$ 1,770,721

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	\$ 4,225,000	\$ 5,815,000	\$ 7,794,000
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
CERS			
Districts' net OPEB liability	\$ 1,837,027	\$ 2,551,847	\$ 3,414,646

OPEB plan fiduciary net position

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

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.

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

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

NOTE 9 OPEB PLANS (CONTINUED)

Benefits provided

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

Contributions

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

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

At June 30, 2022, the Fort Thomas Independent School District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with the District		63,000
		63,000
	\$	63,000

For the year ended June 30, 2022, the District recognized OPEB expense of \$-0- and revenue of \$9,621 for support provided by the State.

Actuarial assumptions

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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	2.13%
Discount Rate	7.50%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including price inflation

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

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

NOTE 9 OPEB PLANS (CONTINUED)

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

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, 2020 valuation.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
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	<u>100.0%</u>	

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

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

NOTE 9 OPEB PLANS (CONTINUED)

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.

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.

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

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

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 (KISBIT) 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.

NOTE 13 DEFICIT OPERATING/FUND BALANCES

The District's Food Service Fund currently has a deficit fund balance of \$97,895. 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:

Construction Fund	\$ 1,497,410
Food Service Fund	29,440
Debt Service Fund	58,564
Highlands High School	62,498
Highlands Middle School	4,211
Samuel Woodfill Elementary	1,393

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 CONTINGENT LIABILITY

The District is a participant in the Kentucky School Board Insurance Trust (KSBIT) in which the District purchases general liability and workers' compensation insurance. As of June 30, 2022, the liability has been paid in full.

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

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

NOTE 16 TRANSFER OF FUNDS

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Special Revenue Fund	Matching	\$ 60,858
General Fund	Food Service Fund	Food Service	26,000
Building Fund	Debt Service Fund	Debt Service	2,777,829
Capital Outlay Fund	Debt Service Fund	Debt Service	37,271
Capital Outlay Fund	Construction Fund	Construction	53,775
Construction Fund	General Fund	Adjust Error	(12,169)

NOTE 17 ON-BEHALF PAYMENTS

For the year ended June 30, 2022 total payments of \$12,183,608 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	\$ 8,757,385
Debt Service	3,345,575
Food Service	<u>80,648</u>
Total On-Behalf	<u><u>\$ 12,183,608</u></u>

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

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

NOTE 18 SCHEDULE OF LONG-TERM OBLIGATIONS

2012, 2013, 2014, 2014-Ref, 2014 Kista 2015, 2015B, 2015C, 2016, 2019 and 2020-Ref Issues

FISCAL YEAR	Fort Thomas Independent School District			KY School Facilities Construction Commission			Total Requirements
	Principal	Interest	Total	Principal	Interest	Total	
2022-2023	\$ 1,818,513	\$ 1,005,268	\$ 2,823,781	\$ 2,384,478	\$ 1,024,055	\$ 3,408,533	\$ 6,232,314
2023-2024	1,868,583	954,361	2,822,944	2,444,665	963,210	3,407,875	6,230,819
2024-2025	1,913,139	901,291	2,814,430	2,511,861	895,086	3,406,947	6,221,377
2025-2026	1,959,999	848,294	2,808,293	2,585,001	820,106	3,405,107	6,213,400
2026-2027	2,024,397	785,163	2,809,560	2,435,603	747,928	3,183,531	5,993,091
2027-2028	2,077,268	727,970	2,805,238	2,477,732	671,780	3,149,512	5,954,750
2028-2029	2,135,669	669,593	2,805,262	2,364,331	594,641	2,958,972	5,764,234
2029-2030	2,205,196	604,682	2,809,878	2,279,804	518,768	2,798,572	5,608,450
2030-2031	2,270,469	542,386	2,812,855	1,954,531	448,328	2,402,859	5,215,714
2031-2032	2,334,992	472,348	2,807,340	1,920,008	381,255	2,301,263	5,108,603
2032-2033	2,414,069	397,018	2,811,087	1,980,931	311,829	2,292,760	5,103,847
2033-2034	1,869,217	322,734	2,191,951	1,945,783	238,539	2,184,322	4,376,273
2034-2035	1,738,294	259,878	1,998,172	2,011,706	164,945	2,176,651	4,174,823
2035-2036	1,373,057	203,238	1,576,295	1,721,943	93,141	1,815,084	3,391,379
2036-2037	1,422,942	156,957	1,579,899	507,058	55,805	562,863	2,142,762
2037-2038	1,480,195	107,154	1,587,349	524,805	38,058	562,863	2,150,212
2038-2039	1,526,827	55,348	1,582,175	543,173	19,691	562,864	2,145,039
	<u>\$ 32,432,826</u>	<u>\$ 9,013,682</u>	<u>\$ 41,446,508</u>	<u>\$ 32,593,413</u>	<u>\$ 7,987,165</u>	<u>\$ 40,580,578</u>	<u>\$ 82,027,086</u>

A summary of the changes in the principal of the outstanding bond obligations and the finance leases for the District during the year ended June 30, 2022 is as follows:

Governmental Activities	Balance	Additions	Payments	Balance
	July 1, 2021			June 30, 2022
Bond Obligations	\$ 69,130,518	\$ -	\$ 4,104,279	\$ 65,026,239
Discount on Bonds	\$ (407,880)	\$ -	\$ (22,660)	\$ (385,220)
Finance Leases	\$ 270,520	\$ -	\$ 228,502	\$ 42,018
Sick Leave	\$ 633,649	\$ 172,691	\$ 208,733	\$ 597,607

NOTE 19 CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2021, the District elected to adopt Governmental Accounting Standards Board (“GASB”) Statement no. 87, *Leases*, as it relates to accounting and financial reporting for leases. Under this Statement, a single model for lease accounting is established based on the foundational principle that leases are financings of the right of use an underlying asset. Leases are recognized and measured using the facts and circumstances that existed at the beginning of the period of implementation.

NOTE 20 SUBSEQUENT EVENTS

Subsequent events were considered through November 15, 2022, which represents the release date of our report.

SUPPLEMENTARY
INFORMATION

FORT THOMAS INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet – Nonmajor Governmental Funds
As of June 30, 2022

	<u>Capital Outlay Fund</u>	<u>Special Revenue Activity Fund</u>	<u>Building Fund</u>	<u>Construction Fund</u>	<u>Student Activity Fund</u>	<u>Total Non-major Government Funds</u>
Assets						
Current:						
Cash and cash equivalents	\$ 317,721	\$ 244,142	\$ 279,303	\$ 66,151	\$ 448,219	\$ 1,355,536
Accounts receivable	-	-	3,442	-	-	3,442
Total current	<u>\$ 317,721</u>	<u>\$ 244,142</u>	<u>\$ 282,745</u>	<u>\$ 66,151</u>	<u>\$ 448,219</u>	<u>\$ 1,358,978</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ -	\$ 16,460	\$ -	\$ 17,140	\$ -	\$ 33,600
Total liabilities	<u>-</u>	<u>16,460</u>	<u>-</u>	<u>17,140</u>	<u>-</u>	<u>33,600</u>
Fund Balances:						
Restricted:						
Capital projects	317,721	-	282,745	49,011	-	649,477
Other	-	227,682	-	-	448,219	675,901
Total fund balances	<u>317,721</u>	<u>227,682</u>	<u>282,745</u>	<u>49,011</u>	<u>448,219</u>	<u>1,325,378</u>
Total liabilities and fund balances	<u>\$ 317,721</u>	<u>\$ 244,142</u>	<u>\$ 282,745</u>	<u>\$ 66,151</u>	<u>\$ 448,219</u>	<u>\$ 1,358,978</u>

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

**Combining Statement of Revenues, Expenditures and Changes
In Fund Balances – Nonmajor Governmental Funds
Year Ended June 30, 2022**

	Capital Outlay Fund	Special Revenue Activity Fund	Building Fund	Construction Fund	Student Activity Fund	Total Nonmajor Government Funds
Revenues:						
Taxes	\$ -	\$ -	\$ 1,676,928	\$ -	\$ -	\$ 1,676,928
Earnings on investments	152	-	220	189	515	1,076
State sources	289,803	-	1,147,822	-	-	1,437,625
Other sources	-	430,512	-	609,196	1,225,781	2,265,489
	<u>289,955</u>	<u>430,512</u>	<u>2,824,970</u>	<u>609,385</u>	<u>1,226,296</u>	<u>5,381,118</u>
Total revenues						
	<u>289,955</u>	<u>430,512</u>	<u>2,824,970</u>	<u>609,385</u>	<u>1,226,296</u>	<u>5,381,118</u>
Expenditures:						
Instructional	-	404,269	-	-	1,263,777	1,668,046
Staff support services	-	-	-	-	20,179	20,179
Student transportation	-	-	-	-	904	904
Facility acquisition and construction	-	-	-	2,148,401	-	2,148,401
	<u>-</u>	<u>404,269</u>	<u>-</u>	<u>2,148,401</u>	<u>-</u>	<u>2,148,401</u>
Total expenditures						
	<u>-</u>	<u>404,269</u>	<u>-</u>	<u>2,148,401</u>	<u>1,284,860</u>	<u>3,837,530</u>
Excess of revenues over expenditures						
	<u>289,955</u>	<u>26,243</u>	<u>2,824,970</u>	<u>(1,539,016)</u>	<u>(58,564)</u>	<u>1,543,588</u>
Other Financing Uses						
Operating transfers in	-	-	-	41,606	-	41,606
Operating transfers out	(91,046)	-	(2,777,829)	-	-	(2,868,875)
	<u>(91,046)</u>	<u>-</u>	<u>(2,777,829)</u>	<u>41,606</u>	<u>-</u>	<u>(2,827,269)</u>
Total other financing uses						
	<u>(91,046)</u>	<u>-</u>	<u>(2,777,829)</u>	<u>41,606</u>	<u>-</u>	<u>(2,827,269)</u>
Net change in fund balance						
	198,909	26,243	47,141	(1,497,410)	(58,564)	(1,283,681)
Fund balance, July 1, 2021						
	<u>118,812</u>	<u>201,439</u>	<u>235,604</u>	<u>1,546,421</u>	<u>506,783</u>	<u>2,609,059</u>
Fund balance, June 30, 2022						
	<u>\$ 317,721</u>	<u>\$ 227,682</u>	<u>\$ 282,745</u>	<u>\$ 49,011</u>	<u>\$ 448,219</u>	<u>\$ 1,325,378</u>

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – General Fund
Year Ended June 30, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Taxes	\$ 15,945,000	\$ 15,945,000	\$ 16,266,987	\$ 321,987
Earnings on investments	5,000	5,000	6,040	1,040
State sources	8,732,000	8,732,000	17,723,823	8,991,823
Other sources	<u>808,038</u>	<u>808,038</u>	<u>802,061</u>	<u>(5,977)</u>
Total revenues	<u>25,490,038</u>	<u>25,490,038</u>	<u>34,798,911</u>	<u>9,308,873</u>
Expenditures				
Instructional	14,592,666	14,592,666	20,841,991	(6,249,325)
Student support services	1,578,777	1,578,777	2,255,734	(676,957)
Staff support services	1,611,331	1,611,331	1,651,003	(39,672)
District administration	1,383,369	1,383,369	1,678,676	(295,307)
School administration	1,893,131	1,893,131	2,537,733	(644,602)
Business support services	1,054,129	1,054,129	1,326,340	(272,211)
Plant operation and maintenance	2,936,746	2,936,746	3,766,611	(829,865)
Student transportation	135,386	135,386	287,886	(152,500)
Facility acquisition and construction	5,000	5,000	6,626	1,626
Other	<u>1,893,900</u>	<u>1,893,900</u>	<u>158,640</u>	<u>1,735,260</u>
Total expenditures	<u>27,084,435</u>	<u>27,084,435</u>	<u>34,511,240</u>	<u>(7,423,553)</u>
Net change in fund balance	(1,594,397)	(1,594,397)	287,671	1,885,320
Fund balance, July 1, 2021	<u>1,594,397</u>	<u>1,594,397</u>	<u>3,714,534</u>	<u>2,120,137</u>
Fund balance, June 30, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,002,205</u>	<u>\$ 4,002,205</u>

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – Special Revenue Fund
Year Ended June 30, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues				
State sources	\$ 695,791	\$ 369,443	\$ 577,160	\$ 207,717
Federal sources	1,319,265	765,211	1,106,569	341,358
Other sources	-	-	159,932	159,932
	<u>2,015,056</u>	<u>1,134,654</u>	<u>1,843,661</u>	<u>709,007</u>
Expenditures				
Instructional	1,885,896	1,093,141	1,676,115	(582,974)
Staff support services	129,160	42,589	55,765	(13,176)
Plant operation and maintenance	-	-	87,333	(87,333)
Community service operations	-	-	24,448	(24,448)
	<u>2,015,056</u>	<u>1,135,730</u>	<u>1,843,661</u>	<u>(707,931)</u>
Net change in fund balance	-	(1,076)	-	1,076
Fund balance, July 1, 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2022	<u>\$ -</u>	<u>\$ (1,076)</u>	<u>\$ -</u>	<u>\$ 1,076</u>

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – Debt Service Fund
Year Ended June 30, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues				
State sources	\$ -	\$ -	\$ 3,345,575	\$ 3,345,575
Other sources	<u>2,815,112</u>	<u>2,815,112</u>	<u>2,815,100</u>	<u>(12)</u>
Total revenues	<u>2,815,112</u>	<u>2,815,112</u>	<u>6,160,675</u>	<u>3,345,563</u>
Expenditures				
Debt service:				
Principal	749,427	749,427	4,094,990	(3,345,563)
Interest	<u>2,065,685</u>	<u>2,065,685</u>	<u>2,065,685</u>	<u>-</u>
Total expenditures	<u>2,815,112</u>	<u>2,815,112</u>	<u>6,160,675</u>	<u>(3,345,563)</u>
Net change in fund balance	-	-	-	-
Fund balance, July 1, 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

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

	<u>Issue of 2012</u>	<u>Issue of 2013</u>	<u>Issue of 2014</u>	<u>Issue of 2014 - Ref</u>	<u>Issue of 2014 Kista</u>	<u>Issue of 2015B</u>	<u>Issue of 2015C</u>
Cash at July 1, 2021	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Transfers and miscellaneous deposits	115,223	156,244	142,100	765,825	9,978	285,619	1,572,913
Disbursements:							
Bonds paid	40,000	75,000	80,000	585,000	9,279	175,000	1,015,000
Interest coupons	75,223	81,244	62,100	180,825	699	110,619	557,913
Total disbursements	115,223	156,244	142,100	765,825	9,978	285,619	1,572,913
Excess of receipts over disbursements	-	-	-	-	-	-	-
Cash at June 30, 2022	-	-	-	-	-	-	-
Fund balance at June 30, 2022	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

	<u>Issue of 2015 - Ref</u>	<u>Issue of 2016 - Ref</u>	<u>Issue of 2019</u>	<u>Issue of 2020 - Ref</u>	<u>Total</u>
Cash at July 1, 2021	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:					
Transfers and miscellaneous deposits	1,407,950	618,813	1,042,825	53,173	6,170,663
Disbursements:					
Bonds paid	1,220,000	545,000	325,000	35,000	4,104,279
Interest coupons	187,950	73,813	717,825	18,173	2,066,384
Total disbursements	1,407,950	618,813	1,042,825	53,173	6,170,663
Excess of receipts over disbursements	-	-	-	-	-
Cash at June 30, 2022	-	-	-	-	-
Fund balance at June 30, 2022	\$ -	\$ -	\$ -	\$ -	\$ -

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Highlands High School Activity Fund
For the Year Ended June 30, 2022**

	<u>Fund Balance July 1, 2021</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Fund Balance June 30, 2022</u>
Academic Grants	\$ 17,500	\$ 10,000	\$ 15,795	\$ 11,705
Academic Team	270	744	307	707
Arbiter Pay	-	36,000	36,000	-
Archery	-	500	88	412
Archery	-	8,093	8,093	-
Art Club	654	150	-	804
Athletic Department	-	188	188	-
Athletic Donations	12,276	12,568	24,844	-
Athletic Hall of Fame	2,828	-	-	2,828
Athletics - Cash Boxes	-	4,550	4,550	-
Athletics - HHS	-	229,823	228,011	1,812
Athletics - HMS	1,792	-	-	1,792
B & G Golf Tournament	3,019	27,295	27,422	2,892
B & G Soccer Banner Sales	-	400	190	210
B & G Soccer Mulch Sales	-	10,615	10,615	-
BAM	5,456	53,270	52,518	6,208
Band	7,096	73,305	78,746	1,655
Bank/Other Adjustments	36	394	430	-
Baseball	16,199	32,063	39,926	8,336
Baseball	-	7,520	7,520	-
Baseball District Tournament	1,740	45	1,785	-
Baseball Regional Tournament	-	1,235	1,235	-
Basketball - Boys	-	9,020	9,020	-
Basketball - Boys	-	10,101	10,101	-
Basketball - Girls	-	5,744	5,744	-
Basketball - Girls	-	8,696	8,696	-
Basketball Golf Outing	650	28,005	25,175	3,480
Bluebird Brew Café	5,609	9,074	9,340	5,343
Bowling	-	1,048	1,048	-
Bowling - Boys	-	1,314	1,314	-
Bowling - Girls	-	1,391	1,391	-
Boys Basketball	11,259	36,084	44,009	3,334
Boys BB District Tourney	-	521	521	-
Boys BB Regional Tourney	-	4,050	4,050	-
Boys BB Rings	6,700	-	6,690	10
Boys BB State Tourney	-	84	84	-
Boys Golf	11,088	6,500	4,605	12,983
Boys Soccer	13,374	2,041	11,671	3,744
Boys Soccer District Tourney	801	-	801	-
Boys Soccer Regional Tourney	1,243	100	1,343	-
Boys Tennis	2,748	1,071	1,942	1,877
Boys Track	-	4,717	4,717	-
Broadcasting	7,263	-	164	7,099
Campbell Conservation	-	533	533	-
Cheer	-	9,905	9,905	-
Cheer	-	3,343	3,343	-
Cheer - Chaperones	-	-	-	-
Cheer - HMS	1,240	10,189	9,212	2,217
Cheerleaders	-	90,856	90,856	-
Chorus	131	1,082	-	1,213
Computer Science Honor Society	54	46	100	-
Contingency Fund	29,730	-	14,587	15,143
Creative Writing	192	-	-	192
Cross Country	831	6,278	3,775	3,334

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Highlands High School Activity Fund (Continued)
For the Year Ended June 30, 2022**

	<u>Fund Balance July 1, 2021</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Fund Balance June 30, 2022</u>
Cross Country - Boys	\$ -	\$ 1,690	\$ 1,690	\$ -
Cross Country - Boys	-	1,923	1,923	-
Cross Country - Girls	-	1,690	1,690	-
Cross Country - Girls	-	1,923	1,923	-
Dance	-	1,320	1,320	-
Dance	-	4,526	4,526	-
Dance - HMS	3,515	12,966	11,600	4,881
Dance - JV	33	9,775	9,178	630
Dance - Nationals	-	9,960	9,960	-
Dance -Varsity	113	63,166	63,279	-
District Activity Funds Sweep	40,710	10,212	43,116	7,806
Diversity Club	123	446	535	34
Drama	3,531	17,988	13,465	8,054
Drama NYC Trip	-	58,022	47,767	10,255
Envirothon	1,110	2,000	1,491	1,619
E-Sports	-	770	770	-
Faculty/Staff Resources Fund	88	73	-	161
Fashion and Interior Design	8,107	19,018	16,886	10,239
FBLA	-	4,708	4,708	-
FCCLA	5,430	23,334	19,855	8,909
FCS-Preschool	987	940	-	1,927
Football	34,023	104,032	79,554	58,501
Football	-	77,978	77,978	-
Football 1st Round	-	4,361	4,361	-
Football Club	-	31,780	31,780	-
General Account	108	-	-	108
German Club	1	1,280	820	461
Girls Basketball	7,973	19,083	16,891	10,165
Girls BB District Tournament	-	521	521	-
Girls BB Regional Tournament	-	2,730	2,730	-
Girls Bowling State Tourney	-	886	886	-
Girls Golf	1,537	3,500	1,037	4,000
Girls Soccer	2,614	1,926	4,119	421
Girls Soccer District Tourney	953	-	953	-
Girls Soccer Regional Tourney	3,249	635	3,884	-
Girls Tennis	2,200	-	19	2,181
Girls Track	672	5,816	6,109	379
Golf - Boys	-	3,597	3,597	-
Golf - Boys state	-	3,590	3,590	-
Golf - Girls	-	3,652	3,652	-
Golf - Girls state	-	505	505	-
Green Club	572	4,612	2,979	2,205
History Club	255	-	-	255
Holocaust Project	100	-	-	100
Hospitality/Culinary	829	5,046	5,409	466
Interest Earned	8,304	416	2,167	6,553
Intramural Basketball	211	-	211	-
Journalism	10,865	554	1,260	10,159
Junior Prom	4,023	16,832	18,265	2,590
Math Honor Society	578	390	-	968
Mock Trial	2,830	900	1,886	1,844
Model UN	-	40	-	40
National German Exam	36	-	-	36
National Honor Society	1,846	3,640	2,185	3,301
NEHS	501	-	-	501

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Highlands High School Activity Fund (Continued)
For the Year Ended June 30, 2022**

	<u>Fund Balance July 1, 2021</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Fund Balance June 30, 2022</u>
NSF Stop Payment Checks	\$ -	\$ 606	\$ 606	\$ -
NSHS	352	430	155	627
Odyssey of the mind	2,714	8,970	10,983	701
Pot Luck Luncheons	75	107	-	182
Principal	581	2,090	735	1,936
Resource Center	511	-	-	511
Robotics Team	3,580	6,755	7,865	2,470
Scholarships-Dunn	5,000	5,000	5,000	5,000
Scholarships-Eide	8,280	3,525	1,469	10,336
Scholarships-HHS	13,886	4,900	3,123	15,663
Scholarships-Pollard	1,000	1,000	1,000	1,000
Scholarships-Schalck	10,292	1,800	-	12,092
Science Club	101	-	-	101
Science Field Trips	677	1,250	1,678	249
Senior Class	1,024	5,104	4,313	1,815
Sinfonia Orchestra	1,072	-	-	1,072
Soccer - Boys	-	12,692	12,692	-
Soccer - Girls	-	23,339	23,339	-
Soccer G/B Concessions	-	6,491	2,024	4,467
Softball	21,207	3,964	5,593	19,578
Softball	-	3,528	3,528	-
Softball - Regional Tourney	941	-	941	-
Spanish Club	903	-	-	903
Speech/Debate	1,609	400	480	1,529
STLP	50	-	-	50
Strength & Conditioning	-	10,000	10,000	-
Student Coke Commissions	2,439	29	-	2,468
Student Council	3,038	22,347	25,315	70
Swim/Dive	-	1,399	1,399	-
Swim/Dive - Boys	-	2,717	2,717	-
Swim/Dive - Girls	-	3,093	3,093	-
Swim-Dive-Region	75	-	75	-
Tennis - Boys	-	4,218	4,218	-
Tennis - Girls	-	3,911	3,911	-
Track - Boys	-	4,610	4,610	-
Track - Boys	-	1,885	1,885	-
Track - Girls	-	3,763	3,763	-
Track - Girls	-	1,735	1,735	-
Track - Red Dog Meet	6,122	4,296	10,418	-
Track Refurbishment	14,920	-	2,785	12,135
Track Regionals	-	-	-	-
Tri-M Music Honor Society	265	799	307	757
TSA/Industrial Arts	2,267	5,833	7,551	549
Volleyball	6,134	9,549	12,200	3,483
Volleyball	-	3,480	3,480	-
Volleyball	-	3,856	3,856	-
Volleyball - Regional	-	818	818	-
Volleyball District Tournament	-	1,424	1,424	-
We the People	2,400	1,000	3,400	-
Wrestling	-	3,889	3,889	-
Wrestling	-	10,519	10,519	-
Total	<u>\$ 421,321</u>	<u>\$ 1,502,424</u>	<u>\$ 1,564,922</u>	<u>\$ 358,823</u>

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
School Activity Funds
For the Year Ended June 30, 2022**

	Highlands Middle	Robert Johnson Elementary	Ruth Moyer Elementary	Samuel Woodfill Elementary	Total
Fund balances at July 1, 2021	\$ 41,716	\$ 14,808	\$ 16,250	\$ 12,688	\$ 85,462
Add: receipts	101,077	37,433	38,416	109,925	286,851
Less: disbursements	<u>(105,288)</u>	<u>(34,380)</u>	<u>(31,931)</u>	<u>(111,318)</u>	<u>(282,917)</u>
Fund balance at June 30, 2022	<u>\$ 37,505</u>	<u>\$ 17,861</u>	<u>\$ 22,735</u>	<u>\$ 11,295</u>	<u>\$ 89,396</u>

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

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

	Last 10 Fiscal Years*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
District's proportion of the net pension liability	0%	0%	0%	0%	0%	0%	0%	*	*	*
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	*	*	*
State's proportionate share of the net pension liability associated with the District	<u>65,861,047</u>	<u>67,970,628</u>	<u>66,017,366</u>	<u>62,348,440</u>	<u>126,478,915</u>	<u>136,397,879</u>	<u>104,532,988</u>	*	*	*
Total	<u>\$ 65,861,047</u>	<u>\$ 67,970,628</u>	<u>\$ 66,017,366</u>	<u>\$ 62,348,440</u>	<u>\$ 126,478,915</u>	<u>\$ 136,397,879</u>	<u>\$ 104,532,988</u>	*	*	*
District's covered-employee payroll	\$ 16,373,117	\$ 15,574,343	\$ 15,491,357	\$ 15,049,167	\$ 14,596,474	\$ 14,109,264	*	*	*	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0%	0%	0%	0%	0%	0%	0%	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	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: None

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

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

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

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

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

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

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – TRS

	Last 10 Fiscal Years*									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 562,444	\$ 535,617	\$ 514,343	\$ 526,317	\$ 503,092	\$ 488,200	\$ 457,608	*	*	*
Contributions in relation to the contractually required contribution	<u>(562,444)</u>	<u>(535,617)</u>	<u>(514,343)</u>	<u>(526,317)</u>	<u>(503,092)</u>	<u>(488,200)</u>	<u>(457,608)</u>	<u>*</u>	<u>*</u>	<u>*</u>
Contribution excess/(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	\$ 16,692,303	\$ 16,373,117	\$ 15,574,343	\$ 15,491,357	\$ 15,049,167	\$ 14,596,474	\$ 14,109,264	*	*	*
Contributions as a percentage of covered-employee payroll	3.37%	3.27%	3.30%	3.40%	3.34%	3.34%	3.24%	*	*	*

* 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.

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

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

	Last 10 Fiscal Years*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
District's proportion of net pension liability	0.133325%	0.131674%	0.136603%	0.130827%	0.130886%	0.130997%	0.127729%	0.132183%	*	*
District's proportionate share of the net pension liability	\$ 8,500,515	\$ 10,099,287	\$ 9,607,350	\$ 7,967,763	\$ 7,661,160	\$ 6,449,774	\$ 5,491,732	\$ 4,288,514	*	*
Total net pension liability	\$ 6,375,784,388	\$ 7,669,917,211	\$ 7,033,044,552	\$ 6,090,304,793	\$ 5,853,307,482	\$ 4,923,618,237	\$ 4,299,525,565	\$ 3,244,377,000	*	*
District's covered-employee payroll	\$ 3,486,712	\$ 3,473,757	\$ 3,546,364	\$ 3,338,010	\$ 3,239,050	\$ 3,157,875	\$ 2,994,701	\$ 3,049,942	*	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	243.8%	290.7%	270.9%	238.7%	236.5%	204.2%	183.4%	140.6%	*	*
Plan fiduciary net position as a percentage of the total pension liability	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%	*	*

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

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

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tiered structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

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%.

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – CERS

	Last 10 Fiscal Years*									
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 929,124	\$ 839,193	\$ 834,715	\$ 771,744	\$ 640,479	\$ 604,930	\$ 538,733	\$ 529,157	\$ 576,133	\$ 566,170
Contributions in relation to the contractually required contribution	<u>(929,124)</u>	<u>(839,193)</u>	<u>(834,715)</u>	<u>(771,744)</u>	<u>(640,479)</u>	<u>(604,930)</u>	<u>(538,733)</u>	<u>(529,157)</u>	<u>(576,133)</u>	<u>(566,170)</u>
Contribution excess/(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	\$ 3,441,508	\$ 3,486,712	\$ 3,473,757	\$ 3,546,364	\$ 3,338,010	\$ 3,239,050	\$ 3,157,875	\$ 2,994,701	\$ 3,049,942	\$ 2,895,942
Contributions as a percentage of covered-employee payroll	27.00%	24.07%	24.03%	21.76%	19.19%	18.68%	17.06%	17.67%	18.89%	19.55%

* 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.

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

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

	Last 10 Fiscal Years*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
District's proportion of the collective trust OPEB liability	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	63,000	158,000	142,000	127,000	67,000	*	*	*	*	*
Total net OPEB liability	\$ 63,000	\$ 158,000	\$ 142,000	\$ 127,000	\$ 67,000	*	*	*	*	*
District's covered-employee payroll	\$ 16,373,117	\$ 15,574,343	\$ 15,491,357	\$ 15,049,167	\$ 14,596,474	*	*	*	*	*
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%	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	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, 2021:

Valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	26 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%

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – LIF

	Last 10 Fiscal Years*									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	*	*	*	*	*
Contributions in relation to the contractually required contribution	-	-	-	-	-	*	*	*	*	*
Contribution deficiency	-	-	-	-	-	*	*	*	*	*
District's covered-employee payroll	\$ 16,692,303	\$ 16,373,117	\$ 15,574,343	\$ 15,491,357	\$ 15,049,167	*	*	*	*	*
Contributions as a percentage 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.

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

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

	Last 10 Fiscal Years*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
District's proportion of the collective trust OPEB liability	0.271001%	0.258465%	0.258960%	0.246827%	0.248538%	*	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ 5,815,000	\$ 6,523,000	\$ 7,579,000	\$ 8,564,000	\$ 8,862,000	*	*	*	*	*
State's proportionate share of the collective net OPEB liability associated with the District	\$ 4,722,000	\$ 5,225,000	\$ 6,121,000	\$ 7,381,000	\$ 7,239,000	*	*	*	*	*
Total net OPEB liability	\$ 10,537,000	\$ 11,748,000	\$ 13,700,000	\$ 15,945,000	\$ 16,101,000	*	*	*	*	*
District's covered-employee payroll	\$ 16,373,117	\$ 15,574,343	\$ 15,491,357	\$ 15,049,167	\$ 14,596,474	*	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	35.5%	41.9%	48.9%	56.9%	60.7%	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	51.74%	39.05%	32.58%	25.54%	21.18%	*	*	*	*	*

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

Changes of benefit terms - None

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

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – MIF

	Last 10 Fiscal Years*									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 481,029	\$ 456,467	\$ 450,920	\$ 439,677	\$ 425,816	*	*	*	*	*
Contributions in relation to the contractually required contribution	<u>(481,029)</u>	<u>(456,467)</u>	<u>(450,920)</u>	<u>(439,677)</u>	<u>(425,816)</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Contribution deficiency	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<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	\$ 16,692,303	\$ 16,373,117	\$ 15,574,343	\$ 15,491,357	\$ 15,049,167	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	2.88%	2.79%	2.90%	2.84%	2.83%	*	*	*	*	*

* 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 of benefit terms - None

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

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

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

	Last 10 Fiscal Years*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
District's proportion of the collective trust OPEB liability	0.133294%	0.131636%	0.136568%	0.130822%	0.130886%	*	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ 2,551,847	\$ 3,178,609	\$ 2,297,012	\$ 2,322,719	\$ 2,631,256	*	*	*	*	*
State's proportionate share of the collective net OPEB liability associated with the District	\$ -	\$ -	\$ -	\$ -	\$ -	*	*	*	*	*
Total net OPEB liability	\$ 2,551,847	\$ 3,178,609	\$ 2,297,012	\$ 2,322,719	\$ 2,631,256	*	*	*	*	*
District's covered-employee payroll	\$ 3,486,712	\$ 3,473,757	\$ 3,546,364	\$ 3,338,010	\$ 3,239,050	*	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	73.2%	91.5%	64.8%	69.6%	81.2%	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	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 healthcare trend rates were implemented.

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – MIF (CERS)

	Last 10 Fiscal Years*									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 162,100	\$ 160,547	\$ 181,245	\$ 152,399	\$ 150,734	*	*	*	*	*
Contributions in relation to the contractually required contribution	<u>(162,100)</u>	<u>(160,547)</u>	<u>(181,245)</u>	<u>(152,399)</u>	<u>(150,734)</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Contribution deficiency	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<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	\$ 3,441,508	\$ 3,486,712	\$ 3,473,757	\$ 3,546,364	\$ 3,338,010	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	4.71%	4.60%	5.22%	4.30%	4.52%	*	*	*	*	*

* 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.

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Agreement Number</u>	<u>Federal Expenditures for FYE 6/30/2022</u>
U.S. Department of Education			
<i>Passed through Kentucky Department of Education</i>			
Special Education Cluster			
Special Education_Grants to States	84.027	3810002 20	\$ 115,874
Special Education_Grants to States	84.027	3810002 21	435,796
Special Education_Grants to States	84.027X	4910002 21	8,587
Special Education_Preschool Grants	84.173	3800002 19	13,726
Special Education_Preschool Grants	84.173	3800002 20	17,865
Special Education_Preschool Grants	84.173X	4900002 21	9,474
Total Special Education Cluster			<u>601,322</u>
Title I Grants to Local Educational Agencies	84.010	3100002 20	25,159
Title I Grants to Local Educational Agencies	84.010	3100002 21	150,657
Total ALN #84.010			<u>175,816</u>
Title I Vocational Education Grants to States	84.048	4621232 20	2,067
Title I Vocational Education Grants to States	84.048	4621232 20	15,601
Total ALN #84.048			<u>17,668</u>
Title II Improving Teacher Quality State Grants	84.367	3230002 20	12,260
Title II Improving Teacher Quality State Grants	84.367	3230002 21	42,589
Total ALN #84.367			<u>54,849</u>
Title IV Part A - Student Support and Academic Enrichment Grant	84.424A	3420002 20	10,949
Title IV Part A - Student Support and Academic Enrichment Grant	84.424A	3420002 21	1,698
Total ALN #84.424A			<u>12,647</u>
COVID-19 Digital Learning Coaches	84.425	4000003 20	3,829
COVID-19 Digital Learning Coaches	84.425	4000003 21	3,838
COVID-19 Elementary and Secondary School Emergency Relief Fund II	84.425	4200003 21	36,600
OCIS - America Rescue Plan Elementary and Secondary School Emergency Relief Fund	84.425	4300002 21	200,000
Total ALN #84.425			<u>244,267</u>
Total U.S. Department of Education			<u>1,106,569</u>
Total Expenditures of Federal Awards			<u>\$ 1,106,569</u>

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022**

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Fort Thomas Independent School District under programs of the federal government for the year ended June 30, 2022, and is reported on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Fort Thomas Independent School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 INDIRECT COST RATE

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

NOTE 4 SUBRECIPIENTS

The District did not have any subrecipients during the year ended June 30, 2022.

**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
Fort Thomas Independent School District
Fort Thomas, 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 Fort Thomas Independent School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Fort Thomas Independent School District's basic financial statements, and have issued our report thereon dated November 15, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fort Thomas Independent School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fort Thomas Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Fort Thomas Independent School District's internal control.

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

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

Report on Compliance and Other Matters

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

We noted other matters that we reported to management of the District on pages 78-80 of the audited financial statements.

**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.

Barnes, Dennig & Co., Ltd.

Crestview Hills, Kentucky
November 15, 2022

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

To the Members of the Board of Education
Fort Thomas Independent School District
Fort Thomas, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Fort Thomas Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Fort Thomas Independent School District's major federal programs for the year ended June 30, 2022. Fort Thomas Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Fort Thomas Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

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

Responsibilities of Management for Compliance

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

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

**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.

Barnes, Dennig & Co., Ltd.

Crestview Hills, Kentucky
November 15, 2022

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

**Schedule of Findings of Questioned Costs
Year Ended June 30, 2022**

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
84.027/84.173	Special Education (IDEA) Cluster
84.425	Education Stabilization Fund Under the Coronavirus Aid, Relief, And Economic Security Act

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

**Summary Schedule of Prior Year Findings of Questioned Costs
Year Ended June 30, 2022**

SECTION I -SUMMARY OF AUDITOR'S RESULTS

No matters are reportable.

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

Management Letter Comments Year Ended June 30, 2022

In planning and performing our audit of the financial statements of Fort Thomas Independent School District for the year ended June 30, 2022, 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, 2022 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, 2022 on the financial statements of the Fort Thomas Independent School District.

CURRENT YEAR RECOMMENDATIONS

CENTRAL OFFICE

Statement of deficiency: It was noted that there were errors on the sick leave liability due to lack of review.

Management Response: The report run out of MUNIS was accidentally run for a calendar year instead of a fiscal year. For FY 2023 multiple central office employees, including HR & Payroll, will review the report for accuracy.

ACTIVITY FUNDS

Highlands High School

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

Management Response: The HHS bookkeeper retired, and the District Finance Office has taken over check writing and bank reconciliation duties for Highlands High School in FY 23. The District will make sure long outstanding checks are addressed on a monthly basis moving forward.

Highlands Middle School

Statement of deficiency: It was noted that two multiple receipt forms were signed by the teacher rather than the student.

Management Response: The Highlands Middle School Management will remind the Highlands Middle School staff on proper Redbook procedures regarding multiple receipt forms. If a form is given to the Highlands Middle School bookkeeper without student signatures, the bookkeeper will hand the form back to the teacher to have the form properly filled out.

Robert Johnson Elementary School

Statement of deficiency: It was noted that several monthly financial reports were not prepared timely.

Management Response: The Johnson Elementary School bookkeeper did complete the monthly financial reports every month but was not aware of the 15th of the month deadline in Redbook. The Johnson Elementary School bookkeeper will complete financial reporting by the 15th of the month moving forward.

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

**Management Letter Comments (Continued)
Year Ended June 30, 2022**

CURRENT YEAR RECOMMENDATIONS (CONTINUED)

Ruth Moyer Elementary School

Statement of deficiency: It was noted that one receipt was not deposited timely.

Management Response: The bookkeeper was out unexpectedly and was not able to make the deposit as timely as the Redbook requires. An employee will be assigned as a backup to make deposits at each school to ensure timely deposits into the bank account.

Samuel Woodfill Elementary School

No matters are reportable

FORT THOMAS INDEPENDENT SCHOOL DISTRICT

**Management Letter Comments (Continued)
Year Ended June 30, 2022**

STATUS OF PRIOR YEAR RECOMMENDATIONS

CENTRAL OFFICE

Statement of prior year deficiency: It was noted that there were errors on the sick leave liability due to lack of review.

Current year follow-up: See current year recommendation.

ACTIVITY FUNDS

Highlands High School

Statement of prior year deficiency: It was noted that two multiple receipt forms were signed by the teacher rather than the student.

Current year follow-up: No such instances noted.

Highlands Middle School

No matters are reportable.

Robert Johnson Elementary School

No matters are reportable.

Ruth Moyer Elementary School

No matters are reportable.

Samuel Woodfill Elementary School

No matters are reportable.