

NEWPORT INDEPENDENT SCHOOL DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2021



MADDOX & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-7
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	8
Statement of Activities.....	9
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	10
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	13
Statement of Net Position – Proprietary Funds.....	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Proprietary Funds	15
Statement of Cash Flows – Proprietary Funds.....	16
Statement of Net Position – Fiduciary Funds	17
Statement of Changes in Net Position – Fiduciary Funds	18
Notes to Financial Statements	19-45
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund.....	46
Budgetary Comparison Schedule – Special Revenue Fund	47
Schedule of District's Proportionate Share of the Net Pension Liability and Schedule of District's Contributions – Kentucky Teachers Retirement System	48
Schedule of District's Proportionate Share of the Net Pension Liability and Schedule of District's Contributions – County Employees Retirement System	49
Schedule of District's Proportionate Share of the Net OPEB Liability and Schedule of District's Contributions – Kentucky Teachers Retirement System – Medical Insurance Fund	50
Schedule of District's Proportionate Share of the Net OPEB Liability and Schedule of District's Contributions – Kentucky Teachers Retirement System – Life Insurance Fund	51
Schedule of District's Proportionate Share of the Net OPEB Liability and Schedule of District's Contributions – County Employees Retirement System	52
Notes to required supplementary information.....	53-54

Supplementary Information

Combining Balance Sheet – Nonmajor Government Funds.....	55
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	56
Statement of Receipts, Disbursements, and Fund Balance – Newport High School Activity Fund.....	57
Statement of Receipts, Disbursements, and Fund Balance – School Activity Funds	58
Schedule of Expenditures of Federal Awards.....	59-60
Notes to the Schedule of Expenditures of Federal Awards.....	61
Summary Schedule of Prior Audit Findings	62
Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>.....	63-64
Independent Auditors’ Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	65-66
Schedule of Findings and Questioned Costs.....	67
Management Letter	68-69

INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
Members of the Board of Education
Newport Independent School District
Newport, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Newport Independent School District (District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in note 12 to the financial statements, during the year ended June 30, 2021, the District adopted new accounting guidance, GASB Statement No. 84, Fiduciary Activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-7, budgetary comparison on pages 45-46, and pension and OPEB schedules on pages 47-53 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 District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Maddox & Associates CPAs Inc.

Fort Thomas, Kentucky

November 8, 2021

As management of the Newport Independent School District we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the District's basic financial statements.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of the District were more than the liabilities and deferred inflows by \$4,217,510 at the close of the current fiscal year. The unrestricted net position, which represents the amounts available to meet the District's ongoing obligations to citizens and creditors, was a deficit of \$11,405,042. The District is required to provide postemployment benefits to its employees. As a result, the District has recognized substantial liabilities in the financial statements for these benefits. As of June 30, 2021, the District had liabilities of \$16,266,071 for postemployment benefits, which has caused the deficit balance in the unrestricted net position. The District's total net position decreased \$2,670,643.

At the close of the current fiscal year, the District's governmental funds reported combined fund balances of \$5,230,791 a decrease of \$2,185,186 from the prior year. Of this amount, \$729,663 is available for spending at the District's discretion (unassigned fund balance).

At the close of the current fiscal year, the unassigned fund balance was approximately 3% of total fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) the notes to the financial statements. This report also included supplementary information intended to furnish additional detail to support the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-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 financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position.

The statement of activities presents information showing how the District 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 the related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and unused vacation leave).

The governmental activities of the District include general government, police, fire, public works, and recreation.

The government-wide financial statements can be found on pages 8-9 of this report

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have be segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required to be established by State law. However, the District may establish other funds to help it control and manage money for particular purposes.

Governmental funds: Governmental funds are used to account for essentially the same functions reported in the governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resource, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, special revenue fund, and the debt service fund which are considered to be major funds.

The District adopts an annual appropriated budget for each of the major funds. A budgetary comparison schedule has been provided for the general fund and special revenue fund to demonstrate compliance with this budget.

The fund financial statements can be found on pages 10-18 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-44 of this report.

OTHER INFORMATION

In addition to the basic financial statements and notes to the financial statements, this report also presents required supplementary information concerning the District's progress in funding its obligations to provide pension and OPEB benefits to its employees. Required supplementary information can be found on pages 47-53 of this report.

See accompanying notes to financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

	<u>2021</u>	<u>2020</u>
Assets		
Current and other assets	\$ 6,723,318	\$ 7,630,905
Capital assets	<u>29,119,563</u>	<u>29,975,855</u>
Total assets	<u>35,842,881</u>	<u>37,606,760</u>
Deferred outflows of resources	<u>4,182,661</u>	<u>3,464,662</u>
Liabilities		
Current liabilities	1,182,708	1,133,380
Long-term liabilities	<u>31,676,065</u>	<u>30,108,414</u>
Total liabilities	<u>32,858,773</u>	<u>31,241,794</u>
Deferred inflows of resources	<u>2,949,259</u>	<u>3,063,425</u>
Net position		
Net investment in capital assets	14,107,289	14,180,888
Restricted	1,515,263	(12,735,402)
Unrestricted	<u>(11,405,042)</u>	<u>5,320,747</u>
Total net position	<u>\$ 4,217,510</u>	<u>\$ 6,766,233</u>

See accompanying notes to financial statements.

Statement of Activities

	<u>2021</u>	<u>2020</u>
Revenues		
Local sources	\$ 11,707,412	\$ 10,912,211
State and federal programs	16,422,313	9,043,764
Total revenues	<u>28,129,725</u>	<u>19,955,975</u>
Expenses		
Instruction	19,872,817	8,112,741
Student	1,378,898	913,911
Instruction staff	865,021	1,304,972
District administrative	1,467,475	1,770,734
School administrative	1,645,049	1,378,923
Business support	631,554	1,355,652
Plant operation and maintenance	1,676,371	3,046,431
Food service	1,781,927	1,500,763
Student transportation	536,126	511,173
Community services	489,019	531,444
Interest on long-term debt	456,111	507,390
Total expenses	<u>30,800,368</u>	<u>20,934,134</u>
Decrease in net position	(2,670,643)	(978,159)
Net position - beginning restated)	<u>6,888,153</u>	<u>7,744,392</u>
Net position - ending	<u>\$ 4,217,510</u>	<u>\$ 6,766,233</u>

Capital Assets

	<u>2021</u>	<u>2020</u>
Land	\$ 1,109,955	\$ 1,109,955
Land improvements	272,148	291,150
Buildings and improvements	6,811,556	7,232,474
Technology equipment	1,029,050	1,417,109
Vehicles	124,048	83,189
General equipment	545,415	614,637
Construction in progress	<u>19,227,391</u>	<u>19,227,391</u>
Total capital assets	<u>\$ 29,119,563</u>	<u>\$ 29,975,905</u>

Long-Term Debt

	<u>2021</u>	<u>2020</u>
Bonds payable	\$ 14,780,000	\$ 15,515,000

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Superintendent, 30 West 8th Street, Newport, KY 41071.

See accompanying notes to financial statements.

Newport Independent School District
Statement of Net Position
June 30, 2021

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 5,238,517	\$ 213,840	\$ 5,452,357
Accounts receivable	1,173,115	92,773	1,265,888
Inventories		5,073	5,073
Capital assets, net	29,054,626	64,937	29,119,563
Total assets	35,466,258	376,623	35,842,881
Deferred Outflows			
Pension related	1,558,134	201,535	1,759,669
OPEB related	2,257,512	165,480	2,422,992
Total deferred outflows	3,815,646	367,015	4,182,661
Liabilities			
Accounts payable	189,156	1,875	191,031
Accrued salaries and benefits	794,828		794,828
Deferred revenue	196,849		196,849
Noncurrent liabilities:			
Due within one year:			
Accrued interest payable	58,604		58,604
Bonds payable	750,000		750,000
KISTA loans	46,581		46,581
Due in more than one year:			
Accrued sick leave	339,116		339,116
Bonds payable	14,030,000		14,030,000
KISTA loans	185,693		185,693
Net pension liability	8,358,819	1,081,162	9,439,981
Net OPEB liability	6,447,649	378,441	6,826,090
Total liabilities	31,397,295	1,461,478	32,858,773
Deferred inflows			
Related to pensions	248,640	32,160	280,800
Related to OPEB	2,567,181	101,278	2,668,459
Total deferred inflows	2,815,821	133,438	2,949,259
Net position			
Net investment in capital assets	14,042,352	64,937	14,107,289
Restricted	1,515,263		1,515,263
Unrestricted	(10,488,827)	(916,215)	(11,405,042)
Total net position	\$ 5,068,788	\$ (851,278)	\$ 4,217,510

See accompanying notes to financial statements.

Newport Independent School District
Statement of Activities
Year Ended June 30, 2021

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Grants and Contributions		Governmental Activities	Business-Type Activities	Total
			Operating	Capital			
Governmental activities							
Instruction	\$ 19,872,817	\$ 42,800	\$10,199,248		\$ (9,630,769)		\$(9,630,769)
Support services:							
Student	1,378,898				(1,378,898)		(1,378,898)
Instruction staff	865,021				(865,021)		(865,021)
District administrative	1,467,475				(1,467,475)		(1,467,475)
School administrative	1,645,049				(1,645,049)		(1,645,049)
Business support	631,554				(631,554)		(631,554)
Plant operation and maintenance	1,676,371				(1,676,371)		(1,676,371)
Food service	108,188				(108,188)		(108,188)
Student transportation	536,126				(536,126)		(536,126)
Community services	489,019				(489,019)		(489,019)
Interest on long-term debt	456,111				(456,111)		(456,111)
Total governmental activities	29,126,629	42,800	10,199,248	0	(18,884,581)	0	(18,884,581)
Business-type activities							
Food service	1,673,739	466	754,318			(918,955)	(918,955)
Total business-type activities	1,673,739	466	754,318	0	0	(918,955)	(918,955)
Total District	\$ 30,800,368	\$ 43,266	\$10,953,566	\$ 0	(18,884,581)	(918,955)	(19,803,536)
General Revenues							
Taxes					10,838,094		10,838,094
State and federal sources					5,392,793	75,954	5,468,747
Investment earnings					12,445		12,445
Other revenues					412,534	401,073	813,607
Funds transfer					87,112	(87,112)	0
Total general revenues					16,742,978	389,915	17,132,893
Change in net position					(2,141,603)	(529,040)	(2,670,643)
Net position - beginning (restated)					7,210,391	(322,238)	6,888,153
Net position - end of year					\$ 5,068,788	\$ (851,278)	\$ 4,217,510

See accompanying notes to financial statements.

**Newport Independent School District
Balance Sheet – Governmental Funds
Year Ended June 30, 2021**

	General Fund	Special Revenue	Building Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents (deficit)	\$ 5,433,560	\$ (1,833,822)	\$ 1,066,576	\$ 572,203	\$ 5,238,517
Accounts receivable	155,091	1,018,024			1,173,115
Total assets	\$ 5,588,651	\$ (815,798)	\$ 1,066,576	\$ 572,203	\$ 6,411,632
Liabilities					
Accounts payable	\$ 149,684	\$ 39,030	\$	\$ 442	\$ 189,156
Accrued salaries and benefits	794,828				794,828
Deferred revenue		196,849			196,849
Total liabilities	944,512	235,879	0	442	1,180,833
Fund balances					
Restricted		41,208	1,066,576	572,045	1,679,829
Committed	2,839,116				2,839,116
Assigned	29,807				29,807
Unassigned	1,775,216	(1,092,885)		(284)	682,047
Total fund balances	4,644,139	(1,051,677)	1,066,576	571,761	5,230,799
Total liabilities and fund balances	\$ 5,588,651	\$ (815,798)	\$ 1,066,576	\$ 572,203	\$ 6,411,632

See accompanying notes to financial statements.

Newport Independent School District
Reconciliation of Balance Sheet – Governmental Funds to Statement of Net Position
June 30, 2021

Total governmental fund balances		\$ 5,230,799
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets of \$50,111,700, net of accumulated depreciation of \$21,057,074 used in governmental activities are not financial resources and, therefore, are not reported in the funds.		29,054,626
Deferred outflows and inflows of resources related to postretirement benefits (pension and OPEB) are applicable to future periods and, therefore, not reported in the funds.		
Deferred outflows - pension related	1,558,134	
Deferred outflows - OPEB related	2,257,512	
Deferred inflows - pension related	(248,640)	
Deferred inflows - OPEB related	<u>(2,567,181)</u>	
Total deferred outflow and inflow related to postretirement benefits		999,825
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds		
Accrued interest payable	(58,604)	
Compensated absences	(339,116)	
Bonds payable	(14,780,000)	
KISYA loans	(232,274)	
Net pension liability	(8,358,819)	
Net OPEB liability	<u>(6,447,649)</u>	
Total long-term liabilities		(30,216,462)
Governmental funds report the effect of discounts and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		<u>-</u>
Net position of governmental activities		<u>\$ 5,068,788</u>

See accompanying notes to financial statements.

Newport Independent School District
Statement of Revenues, Expenditures and Changes in
Fund Balances – Governmental Funds
Year Ended June 30, 2021

	General Fund	Special Revenue	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
From local sources:					
Taxes:					
Property	\$ 8,306,586	\$	\$ 1,014,030	\$ 0	\$ 9,320,616
Motor vehicle	767,137				767,137
Utilities	28,569				28,569
Revenue in lieu of taxes	721,772				721,772
Earnings on investments	12,445				12,445
Other local revenue	354,871	66,827		33,636	455,334
State sources	4,272,886	1,491,850	210,668	133,701	6,109,105
State on-behalf	5,107,107			285,686	5,392,793
Federal sources	272,217	3,817,926			4,090,143
Total revenues	19,843,590	5,376,603	1,224,698	453,023	26,897,914
Expenditures					
Instruction	13,415,566	4,104,538		48,936	17,569,040
Support services:					
Student	926,015	238,746			1,164,761
Instruction staff	523,100	198,840			721,940
District administrative	1,209,630	316,138			1,525,768
School administrative	1,393,309				1,393,309
Business support	924,673	278,393			1,203,066
Plant operation and maintenance	2,482,489	154,667		194,074	2,831,230
Food service	81,931	399,963			481,894
Student transportation	384,901				384,901
Community services		616,634			616,634
Debt service					
Principal	47,723			735,000	782,723
Interest	7,502			487,444	494,946
Total expenditures	21,396,839	6,307,919	0	1,465,454	29,170,212
Excess of revenues over (under) expenditures	(1,553,249)	(931,316)	1,224,698	(1,012,431)	(2,272,298)
Other financing sources (uses)					
Transfers in	238,151	28,077		1,220,151	1,486,379
Transfers out	(30,678)	(148,438)	(952,749)	(267,402)	(1,399,267)
Total other financing sources (uses)	207,473	(120,361)	(952,749)	952,749	87,112
Net change in fund balances	(1,345,776)	(1,051,677)	271,949	(59,682)	(2,185,186)
Fund balances - beginning (restated)	5,989,915	0	794,627	631,443	7,415,985
Fund balances - end of year	\$ 4,644,139	\$ (1,051,677)	\$ 1,066,576	\$ 571,761	\$ 5,230,799

See accompanying notes to financial statements.

Newport Independent School District
Reconciliation of Statement of Revenues, Expenditures and Changes in
Fund Balances – Governmental Funds to Statement of Activities
Year Ended June 30, 2021

Net change in fund balances - total governmental funds \$ (2,185,186)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	69,198	
Depreciation expense	(913,134)	
Total capital asset activity		(843,936)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increase long-term liabilities in the statement of net position. Repayment of bond principal and capital lease principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effects of bond issuance premiums with debt is first issued, whereas these amounts are deferred and amortized in statement of activities.

Principal paid on bonds	735,000	
Principal paid on KISTA loans	47,723	
Total debt activity		782,723

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, not reported as expenditures in the governmental funds.

Accrued interest payable	38,835	
Compensated absences	18,791	
Changes in pension liabilities and related deferred outflows and inflows	(147,052)	
Changes in OPEB liabilities and related deferred outflows and inflows of resources	194,222	
Total expense activities		104,796

Change in net position of governmental activities	\$ (2,141,603)
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See accompanying notes to financial statements.

Newport Independent School District
Statement of Net Position – Proprietary Fund
June 30, 2021

	Food Service Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 213,840
Accounts receivable	92,773
Inventories for consumption	5,073
Capital assets, net	64,937
Total assets	376,623
Deferred outflows	
Pension related	201,535
OPEB related	165,480
Total deferred outflows	367,015
Liabilities	
Accounts payable	1,875
Net pension liability	1,081,162
Net OPEB liability	378,441
Total liabilities	1,461,478
Deferred inflows	
Pension related	32,160
OPEB related	101,278
Total deferred inflows	133,438
Net position	
Net investment in capital assets	64,937
Unrestricted	(916,215)
Total net position	\$ (851,278)

See accompanying notes to financial statements.

Newport Independent School District
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
Year Ended June 30, 2021

	Food Service Fund
Operating revenues	
Lunchroom sales	\$ 466
Total operating revenues	466
Operating expenses	
Salaries and benefits	1,258,745
Materials and supplies	291,278
Other operating expenses	111,329
Depreciation	12,386
Total operating expenses	1,673,738
Operating loss	(1,673,272)
Nonoperating revenues	
State operating grants	485,608
Federal grants	667,932
Donated commodities	77,804
Transfers out	(87,112)
Total nonoperating revenues	1,144,232
Change in net position	(529,040)
Net position - beginning of year	(322,238)
Net position - end of year	\$ (851,278)

See accompanying notes to financial statements.

Newport Independent School District
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2021

	Food Service Fund
Cash flows from operating activities	
Cash received from lunchroom sales and fees	\$ 466
Cash payments to employees for services	(551,693)
Cash payments to suppliers for goods and services	(218,606)
Cash payments for other operating expenses	(111,329)
Cash transfers	(87,112)
Net cash used for operating activities	(968,274)
Cash flows from noncapital financing activities	
Government grants	1,119,348
Net cash provided by noncapital financing activities	1,119,348
Net decrease in cash and cash equivalents	151,074
Cash - beginning of year	62,766
Cash - end of year	\$ 213,840
Reconciliation of operating loss to net cash used for operating activities	
Operating loss	\$ (1,673,272)
Adjustments to reconcile operating loss to net cash used for operating activities	
Depreciation	12,386
Commodities received	77,804
Changes in pension and OPEB liabilities	926,134
Change in deferred outflows and inflows	(219,082)
Operating transfers	(87,112)
Change in accounts payable	(5,132)
Net cash used for operating activities	\$ (968,274)
Noncash Activities	
Donated commodities	\$ 77,804

See accompanying notes to financial statements.

Newport Independent School District
Statement of Net Position
Fiduciary Funds
June 30, 2021

	<u>Trust Funds</u>
Assets	
Cash	\$ 907,703
<hr/>	
Total assets	<hr/> 907,703
Liabilities	
Due to student groups	
<hr/>	
Total liabilities	<hr/> 0
Net position	
<hr/>	
Held in trust	<hr/> \$ 907,703
<hr/>	

See accompanying notes to financial statements.

Newport Independent School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
June 30, 2021

	Trust Funds
Additions	
Interest income	\$ 278
Total additions	278
Deductions	
Instruction	97,777
Total deductions	97,777
Change in net position	(97,499)
Net position - beginning of year	1,005,202
Net position - end of year	\$ 907,703

See accompanying notes to financial statements.

NOTE 1: ACCOUNTING POLICIES

Reporting Entity

The Newport 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 education within the jurisdiction of Newport Independent Board of Education (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 by Section 2100 of the GASB 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 Board. The financial statements presented herein do not include funds of groups or organizations, which although associated with the school system, have not originated with the Board; such as Band Boosters, Parent-Teacher Associations, and others.

The financial statements of the District include those 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:

Newport Independent Board of Education Finance Corporation – In 1992 the Board resolved to authorize the establishment of the Newport Independent Board of Education Finance Corporation (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 members of the Board also comprise the Corporation’s Board of Directors.

Basis of Presentation

The District’s basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-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 statement of net position presents the financial condition of the governmental and business-type activities of the District at year end. The 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.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements (Continued)

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

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to determine legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds, if any, are presented in a single column.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's proprietary funds are charges for services. Operating expenses for the proprietary funds include personnel and other expenses related to water and sewer operations. All revenues not meeting these definitions are reported as nonoperating revenues and expenses.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds: governmental and proprietary.

Governmental Fund Types

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or may not be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets, deferred outflow, liabilities, and deferred inflows is reported as fund balance. The following are the District's major governmental funds:

General Fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Kentucky. This is a major fund of the District.

Special Revenue Fund – 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 the specified project periods as well as 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. This is a major fund of the District.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Construction Fund – This fund accounts for proceeds from sales of bonds and other revenues used by the district for authorized construction. This is a major fund of the District.

The following of nonmajor funds of the district:

Debt Service Fund – This 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, as required by state law. This is a major fund of the district.

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 used by Proprietary Funds).

Capital Outlay Fund – This Support Education Excellence in Kentucky (SEEK) fund receives those funds designated by the state as capital outlay funds and is restricted for use in financing projects identified by the District's facility plan.

Building Fund - This Facility Support Program of Kentucky (FSPK) fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.

Proprietary Fund Types (Enterprise Funds)

Food Service Fund – This food service fund accounts for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund of the District.

Fiduciary Fund Types (Agency Funds and Trust Funds)

Activity Fund – This fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

Measurement Focus and Basis of Accounting

Government-Wide, Proprietary, and Fiduciary Financial Statements – The government-wide, proprietary, and fiduciary fund financial statements are prepared using the economic resources measurement focus. With this measurement focus, all assets, deferred outflows, liabilities, and deferred inflows associated with the operation of the District are included on the balance sheet. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place.

Fund Financial Statements – Governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (e.g. revenues and other financing sources) and uses (e.g. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which government –wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

explanations to better identify the relationship between the government-wide financial statements and the financial statements for governmental funds.

Cash and Cash Equivalents

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

Inventories

Supplies and materials are charged to expenditures when purchased with the exception of proprietary funds, which record inventory at cost, determined on the first-in, first-out basis.

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 government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in both the business-type activities column of the government-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 disposals during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000 with the exception of computers and real property for which there is no threshold. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value to the asset or materially extend an asset’s life are not capitalized.

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

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

Deferred Outflows of Resources – Pension, OPEB, and Debt Refunding

The District reports decreases in net position that relates to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary fund statements of net position. The deferred outflows of resources reported in the financial statements include (1) deferred amount arising from the refunding of bonds, (2) deferred outflows of resources for contributions made to the District’s defined benefit pension plan between the measurement date of the plan net pension liabilities and the end of District’s fiscal year, and (3) deferred outflows of resources related to the changes between the expected and actual experiences for the plan and changes in actuarial assumptions. The deferred refunding amount is being

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

amortized over the remaining life of the refunding bonds as part of interest expense. Deferred outflows for) pension contributions will be recognized in the subsequent fiscal year. The deferred outflows related to experience and assumption changes will be recognized in future periods.

Deferred Inflows of Resources – Pension and OPEB

The District reports increases in net position that relates to future periods as deferred inflows of resources in a separate section of its government-wide and proprietary fund statements of net position. The deferred inflows of resources reported in the financial statements arise from changes in the expected and actual experiences for the plan and for changes in assumptions. The deferred inflows related to these changes will be recognized in future periods.

Net Pension Liability

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

Net OPEB Liability

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

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 past experience of making termination payments. The entire compensated absence liability is reported on the government-wide financial statements.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements and proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and retirement incentives that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital lease obligations are not recognized as a liability on the governmental fund financial statements until due.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component of net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Net position restricted for other purposes consists primarily of programs to enhance the security of persons and property.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted - is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - includes amounts that can be used only for the specific purposes imposed by formal action (ordinance) of District (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless District removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - amounts are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of District.

Unassigned - the residual classification for the general fund and includes all spendable amounts not contained in other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within restricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any unrestricted fund balance classifications could be used.

Property Taxes

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

The District levies a utility gross receipts license tax on telephone communication services, cablevision services, electric power, water, and gas furnished within the District's boundaries.

Revenues – Exchange and Non-exchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become 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 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 the 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, for which the District must provide local resources to be used for a specified purpose, and expenditure requirements, for which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it is recognized.

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. Operating expenses can be tied specifically to the production of the goods and services, such as materials, labor, and direct overhead.

NOTE 1: 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 after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic 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 statement of net position, except for the net residual amounts due between governmental and business-type activities, where are presented as internal balances.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

Budgetary Process

Budgetary Basis of Accounting - The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and GAAP basis are: (1) revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP); and (2) expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/objective level. All budget appropriations lapse at year-end.

Subsequent Events

The District has evaluated subsequent events for potential recognition and disclosure through November 8, 2021, the date the financial statements were available to be issued.

NOTE 2: 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 collateral agreements and the collateral is held by the pledging bank's trust departments in the District's name. The District has not experience any losses in such account and the District believes it is not exposed to any significant credit risk on cash and cash equivalents..

NOTE 3: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

	Balance 7/1/2020	Additions	Disposals	Balance 6/30/2021
Governmental Activities				
Land	\$ 1,109,955	\$ 0	\$ 0	\$ 1,109,955
Land improvements	380,037	0	0	380,037
Buildings and improvements	23,417,111	0	0	23,417,111
Technology equipmenmt	3,874,944	0	0	3,874,944
Vehicles	707,668	69,198	0	776,866
General equipment	1,325,396	0	0	1,325,396
Construction in progress	19,227,391	0	0	19,227,391
Total at historical cost	50,042,502	69,198	0	50,111,700
Less Accumulated Depreciation				
Land improvements	88,887	19,002	0	107,889
Buildings and improvements	16,184,637	420,918	0	16,605,555
Technology equipmenmt	2,462,812	386,337	0	2,849,149
Vehicles	624,499	28,319	0	652,818
General equipment	783,105	58,558	0	841,663
Total accumulated depreciation	20,143,940	913,134	0	21,057,074
Capital assets - net	\$ 29,898,562	\$ (843,936)	\$ 0	\$ 29,054,626
Business-type Activities				
General equipment	\$ 691,278	\$ 0	\$ 0	\$ 691,278
Technology equipment	14,286	0	0	14,286
Total at historical cost	705,564	0	0	705,564
Less Accumulated Depreciation				
General equipment	618,932	10,664	0	629,596
Technology equipment	9,309	1,722	0	11,031
Total accumulated depreciation	628,241	12,386	0	640,627
Capital assets - net	\$ 77,323	\$ (12,386)	\$ 0	\$ 64,937

Depreciation was charged to the following functions:

	Governmental	Business-type
Instruction	\$ 713,677	\$
Student support	29,379	
Instructional staff	12,918	
District administration	14,391	
School administration	14,757	
Business support	94	
Plant operations	101,560	
Student transportation	26,257	
Community service	101	
Food service		12,386
	\$ 913,134	\$ 12,386

NOTE 4: LONG-TERM OBLIGATIONS

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued by the Newport Independent School District Financial Corporation.

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

Bonds		
Issue	Proceeds	Rates
2014	2,125,000	0.350%-4.000%
2014B	9,715,000	0.450%-3.600%
2017	1,540,000	3.000%-3.625%
2018	3,310,000	3.000%-3.250%

KISTA Loans		
Issue	Proceeds	Rates
2012	108,289	3.50%
2015	113,107	2.000%-2.500%
2017	132,525	2.55%
2019	129,849	3.00%

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 sponsoring governmental entity to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The District entered into participation agreements with the Kentucky School Facilities 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.

**Newport Independent School District
Notes to Financial Statements
June 30, 2021**

The bonds 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 and the Commission at June 30, 2021 for debt service (principal and interest) are as follows:

Year End June 30	Newport Independent School District		School Facility Construction Commission		Total Debt Service
	Principal	Interest	Principal	Interest	
2022	\$ 549,744	\$ 386,070	\$ 200,256	\$ 85,428	\$ 1,221,498
2023	565,422	373,078	204,578	81,106	1,224,184
2024	575,768	358,184	209,232	76,451	1,219,635
2025	595,307	341,356	214,693	70,992	1,222,348
2026	614,509	322,805	220,491	65,194	1,222,999
2027	633,164	303,603	226,836	58,850	1,222,453
2028	651,522	283,733	233,478	52,209	1,220,942
2029	674,072	262,008	240,928	44,757	1,221,765
2030	696,205	238,282	248,795	36,890	1,220,172
2031	717,649	213,800	257,351	28,334	1,217,134
2032	743,762	188,339	266,238	19,447	1,217,786
2033	769,177	162,024	125,823	10,255	1,067,279
2034	797,507	134,558	127,493	5,409	1,064,967
2035	827,285	105,233	37,715	663	970,896
2036	835,000	85,185			920,185
2037	850,000	56,612			906,612
2038	870,000	26,538			896,538
	<u>\$ 11,966,093</u>	<u>\$ 3,841,408</u>	<u>\$ 2,813,907</u>	<u>\$ 635,985</u>	<u>\$ 19,257,393</u>

The minimum obligations of the District at June 30, 2021 for debt service (principal and interest) on KISTA loans are as follows:

Year End June 30	Newport Independent School District	
	Principal	Interest
2022	\$ 46,581	\$ 6,300
2023	37,683	5,098
2024	36,688	4,100
2025	37,724	3,112
2026	25,805	2,096
2027	26,537	1,378
2028	10,476	637
2029	10,780	323
	<u>\$ 232,274</u>	<u>\$ 23,044</u>

NOTE 4: LONG-TERM OBLIGATIONS (CONTINUED)

Changes in long-term obligations are as follows:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021	Amounts Due Within One Year
Accrued sick leave	\$ 357,907	\$	\$ (18,791)	\$ 339,116	\$
Bonds payable	15,515,000		(735,000)	14,780,000	750,000
KISTA	279,997		(47,723)	232,274	46,581
Net pension liability	8,454,634	985,347		9,439,981	
Net OPEB liability	6,319,390	5,654,100		11,973,490	
	<u>\$ 30,926,928</u>	<u>\$ 6,639,447</u>	<u>\$ (801,514)</u>	<u>\$ 36,764,861</u>	<u>\$ 796,581</u>

NOTE 5: PENSION 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 Teachers’ Retirement System of the State of Kentucky (KTRS)

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 (KTRS)—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. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth’s financial statements. KTRS issues a publicly available financial report that can be obtained at http://www.ktrs.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.

Participants 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

NOTE 5: PENSION PLANS (CONTINUED)

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. KTRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

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

Contributions

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

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.

General information about the County Employees Retirement System Non-Hazardous (CERS)

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/>.

NOTE 5: PENSION PLANS (CONTINUED)

Benefits provided

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

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Contributions

Required contributions by the employee are based on the tier:

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

NOTE 5: PENSION PLANS (CONTINUED)

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

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS 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:

The net pension liability for each plan was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

District's proportionate share of the CERS net pension liability	\$	9,439,981
Commonwealth's proportionate share of the KTRS net pension liability associated with the District		40,840,230
Total net pension liability associated with the District	\$	50,280,211

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2020, the District's proportion was 0.1231% percent.

For the year ended June 30, 2021, the District recognized pension expense of \$731,178 related to CERS and \$2,956,102 related to KTRS. The Board also recognized revenue of \$2,956,102 for KTRS support provided by the Commonwealth. At June 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 235,403	\$	
Change of assumptions	368,615		
Change in investment experience	409,192	172,968	
Change in proportionate share of contributions	162,333	107,832	
	1,175,543	\$ 280,800	\$ 894,743
Subsequent contributions	584,126		
Total	\$ 1,759,669		

NOTE 5: PENSION PLANS (CONTINUED)

The contributions subsequent to the measurement date of \$584,126 will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. The net deferral of \$894,743 will be recognized in pension expense as follows:

Year ending June 30	Net Deferral
2022	\$ 354,510
2023	322,006
2024	123,353
2025	94,874
	\$ 894,743

Actuarial assumptions

The total pension liability as of June 30, 2020 was based on an actuarial valuation date of June 30, 2019. The Total pension liability was rolled-forward from the valuation date to the plan’s fiscal year ending June 30, 2020, using generally accepted accounting principles and was determined using the following actuarial assumptions, applied to all periods included in the measurement. The total pension liability was determine using these actuarial assumptions:

Valuation date	6/30/2019
Actuarial cost method	Entry age normal
Asset valuation method	20% of difference
Amotrization method	Level percent of pay
Remaining amortization period	25 years, closed
Payroll growth rate	2.00%
Investment return	6.25%
Inflation	2.30%
Salary increase rate - nonhazardous	3.30% - 11.55%
Salary increase rate - hazardous	3.05% - 18.55%

For CERS, Mortality rates for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired employees and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other employees. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

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

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate

NOTE 5: PENSION PLANS (CONTINUED)

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 KTRS, 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 CERS's and KTRS's investment consultant, are summarized in the following table:

Asset Class	CERS		KTRS	
	Target Allocation	Long-term Expected Nominal Return	Target Allocation	Long-term Expected Nominal Return
US Equity	18.75%	4.50%	40.00%	4.60%
Non US Equity	18.75%	5.25%	22.00%	5.60%
Private Equity	10.00%	6.65%	7.00%	7.70%
Specialty Credit/High Yield	15.00%	3.90%		
Core Bonds	13.50%	-0.25%		
Fixed income			15.00%	0.00%
Cash	1.00%	-0.75%	2.00%	-0.50%
Additional categories			7.00%	2.50%
Real Estate	5.00%	5.30%	7.00%	4.30%
Opportunistic	3.00%	2.25%		
Real Return	15.00%	3.95%		
	<u>100.00%</u>		<u>100.00%</u>	

NOTE 5: PENSION PLANS (CONTINUED)

Discount rate

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

For KTRS, the discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. 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 employees until the 2038 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2035 and a municipal bond index rate of 3.56% was applied to all periods of projected benefit payments after 2035. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

Sensitivity of CERS and KTRS 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 (I calculated the amounts in this schedule:

	1% Decrease	Current Discount Rate	1% Increase
	5.25%	6.25%	7.25%
District's proportionate share of the CERS net pension liability	\$ 11,641,550	\$ 9,439,981	\$ 7,616,997

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 KTRS.

NOTE 6: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General information about the Teachers’ Retirement System OPEB Plan

Plan description

Teaching certified employees of the District and other employees whose positions require at least a college degree are provided OPEBs through the Teachers’ Retirement System of the State of Kentucky (KTRS)—a cost-sharing multiple-employer defined OPEB 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. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220

NOTE 6: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

through Chapter 161 Section 990 of the KRS. KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at http://www.ktrs.ky.gov/05_publications/index.htm.

Medical Insurance Plan

Plan description

In addition to the pension benefits described above, KRS 161.675 requires KTRS to provide post-employment healthcare benefits to eligible employees and dependents. The KTRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS 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 KTRS 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 KTRS Medicare Eligible Health Plan.

Contributions

In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from 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.

General information about the County Employee's Retirement System OPEB Plan

Plan description

The District's employees are provide OPEB under provisions of Kentucky Revised Statutes. The Kentucky Retirement Systems (KRS) board administers the CERS Insurance Fund. The CERS Insurance fund is a cost-sharing, multiple-employer defined benefit OPEB plan which provides group health insurance benefits for plan members that are regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. OPEB benefits may be extended to beneficiaries of plan members under certain circumstances. The CERS Insurance Fund is included in a public available financial report that can be viewed at www.kyret.ky.gov.

Benefits provided

Benefits provided

The CERS Insurance hospital and medical benefits to eligible plan members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. Premium payments are submitted to DEI. The KRS board contracts with Humana to provide health care benefits to the eligible Medicare retirees. The CERS Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

NOTE 6: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

For health insurance 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

Contributions

For the year ending June 30, 2020, the employer’s contribution was 4.76% to the insurance trust for non-hazardous job classifications and 9.52% for hazardous classifications. Participating employers were required to contribute at an actuarially determined rate. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. Employees qualifying as Tier 2 or Tier 3 of the CERS plan contribute 1.0% of creditable compensation to an account created for payment of health insurance benefits.

Implicit Subsidy

The fully-insured premiums KRS Pays for the Kentucky Employees’ Health plan are blended rates based on the combined experience of active and retiree members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit subsidy for the non-Medicare eligible retirees. This implicit subsidy is included in the calculation of the total OPEB liability.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2021, the District reported a liability for its proportionate share of the net OPEB liability of \$2,971,090 related to CERS and \$3,855,000 related to KTRS.

The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District’s proportion of the 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 entities, actuarially determined. The District’s proportionate share at June 30, 2020 was 0.1230% related to CERS and 0.1527% related to TRS.

NOTE 6: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

District's proportionate share of the KTRS net OPEB liability	\$	3,855,000
District's proportionate share of the CERS net OPEB liability		2,971,090
Total net pension liability associated with the District	\$	6,826,090

For the year ended June 30, 2021, the District recognized OPEB expense of \$231,499. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	CERS		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 496,407	\$ 496,794	
Change of assumptions	516,794	3,143	
Change in investment experience	159,377	60,625	
Change in proportionate share of contributions	35,693	154,897	
	1,208,271	\$ 715,459	\$ 492,812
Subsequent contributions	144,063		
Total	\$1,352,334		
	KTRS		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ -	\$1,644,000	
Change of assumptions	234,000		
Change in investment experience	125,000		
Change in proportionate share of contributions	430,000	309,000	
	789,000	\$1,953,000	\$ (1,164,000)
Subsequent contributions	281,658		
Total	\$1,070,658		
	Total		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 496,407	\$2,140,794	
Change of assumptions	750,794	3,143	
Change in investment experience	284,377	60,625	
Change in proportionate share of contributions	465,693	463,897	
	1,997,271	\$2,668,459	\$ (671,188)
Subsequent contributions	425,721		
Total	\$2,422,992		

NOTE 6: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

The contributions subsequent to the measurement date of \$425,721 will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. The net deferral of \$(671,188) will be recognized in pension expense as follows:

Year ending <u>June 30</u>	Net <u>Deferral</u>
2021	\$ (139,419)
2022	(101,194)
2023	(159,085)
2024	(65,469)
2025	(150,021)
Thereafter	<u>(56,000)</u>
	<u>\$ (671,188)</u>

Actuarial assumptions

The total OPEB liability, net OPEB liability, and sensitivity as of June 30, 2020 were based on an actuarial valuation date of June 30, 2019. The total OPEB liability was rolled-forward from the valuation date (June 30, 2019) to the plan’s fiscal year ending June 30, 2020, using generally accepted accounting principles.

The KRS Board of Trustee adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled “Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2010”. The total OPEB liability as of June 30, 2019 was determined using these updated assumptions.

The actuarial assumptions are:

KTRS

Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increase rate	3.50% - 7.20%
Investment rate of return - MIF	8.00%
Investment rate of return - LIF	7.50%
Municipal bond index	2.19%
Single equivalent investment rate - MIF	8.00%
Single equivalent investment rate - LIF	7.50%

Health care cost trends:

Pre-65	7.25% decreasing to an ultimate rate of 5.00% by FYE 2029
Post-65	5.25% decreasing to an ultimate rate of 5.00% by FYE 2022
Medicare part B premiums	6.49% with an ultimate rate of 5.00% by FYE 2031

NOTE 6: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

CERS

Valuation date	6/30/2018
Actuarial cost method	Entry age normal
Amotrization method	Level percent of pay
Remaining amortization period	25 years, closed
Payroll growth rate	2.00%
Investment rate of return	6.25%
Inflation	2.30%
Salary increase rate - nonhazardous	3.30% - 11.55%
Salary increase rate - hazardous	3.05% - 18.55%
Health care cost trends:	
Pre-65	7.00% decreasing to an ultimate rate of 4.05% in 12 years
Post-65	5.00% decreasing to an ultimate rate of 4.05% in 12 years

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). For healthy retired members and beneficiaries, the mortality table used is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the mortality table used is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back four yersr for males).

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below. The current long-term inflation assumption is 2.30% per annum for both the non-hazardous and hazardous system.

NOTE 6: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Asset Class	CERS		KTRS	
	Target Allocation	Long-term Expected Nominal Return	Target Allocation	Long-term Expected Nominal Return
US Equity	18.75%	4.50%	40.00%	4.60%
Non US Equity	18.75%	5.25%	22.00%	5.60%
Private Equity	10.00%	6.65%	7.00%	7.70%
Specialty Credit/High Yield	15.00%	3.90%		
Core Bonds	13.50%	-0.25%		
Fixed income			15.00%	0.00%
Cash	1.00%	-0.75%	2.00%	-0.50%
Additional categories			7.00%	2.50%
Real Estate	5.00%	5.30%	7.00%	4.30%
Opportunistic	3.00%	2.25%		
Real Return	15.00%	3.95%		
	<u>100.00%</u>		<u>100.00%</u>	

Discount rate

The projection of cash flows used to determine the discount rate of 6.25% assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in statute as last amended by House Bill 362 (passed in 2018). The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.50%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 28, 2019. However, the cost associated with the implicit employer subsidy was not included in the calculation of the KRS’ actuarial determined contributions, and any cost associated with the implicit study will not be paid out of KRS’ trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the KRS plan’s CAFR.

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the District’s proportionate share of the net OPEB liability calculated using the discount rate of 8.00% for KTRS and 5.34% for CERS as well as what the District’s proportionate share of the 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:

NOTE 6: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

	<u>1% Decrease</u> <u>7.00%</u>	<u>Current</u> <u>Discount Rate</u> <u>8.00%</u>	<u>1% Increase</u> <u>9.00%</u>
District's proportionate share of the KTRS net OPEB liability	\$ 4,660,000	\$ 3,855,000	\$ 3,184,000
		<u>Current</u> <u>Discount Rate</u> <u>5.34%</u>	<u>1% Increase</u> <u>6.34%</u>
District's proportionate share of the CERS net OPEB liability	\$ 3,816,979	\$ 2,971,090	\$ 2,276,334
Total	\$ 8,476,979	\$ 6,826,090	\$ 5,460,334

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the District's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current</u> <u>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the KTRS net OPEB liability	\$ 3,056,000	\$ 3,855,000	\$ 4,840,000
District's proportionate share of the CERS net OPEB liability	2,300,366	2,971,090	3,785,029
Total	\$ 5,356,366	\$ 6,826,090	\$ 8,625,029

OPEB plan fiduciary net position

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

NOTE 7: CONTINGENCIES

Grants

The District receives funding from federal and state agencies in the form of grants. 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 their programs.

NOTE 7: CONTINGENCIES (CONTINUED)

Litigation

The District is subject to various legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of cases presently in progress.

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District has obtained insurance coverage through a commercial insurance company. In addition, the District has effectively managed risk through various employee education and prevention programs. All risk general liability management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred and the amount of loss can be reasonably estimated.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss.

Management estimates that the amount of actual or potential claims against the District as of June 30, 2021 will not materially affect the financial condition of the District. Therefore, the General Fund contains no provision for estimated claims. Settled claims resulting from these risks have not exceeded insurance coverage amounts in any of the past three fiscal years.

NOTE 9: FUND TRANSFERS

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
Food Service	General	Indirect costs	\$ 87,112
Special Revenue	General	Indirect costs	151,039
General	Special Revenue	Technology	28,077
Building	Construction	Operating	283,393
Building	Debt Service	Debt service	669,356
Capital Outlay	Debt Service	Debt service	267,402
			<u>\$ 1,486,379</u>

NOTE 10: ON-BEHALF PAYMENTS

For the year ended June 30, 2021 payments of \$815,138 were made by the Commonwealth of Kentucky on behalf of the District for insurance benefits, retirement benefits, technology, and debt service. The following amounts were recorded in the Statement of Activities and the Statement of Revenue, Expenditures, and Changes in Fund Balance:

Fund	
General	\$ 5,107,107
Debt service	285,685
Food service	75,954
	\$ 5,468,746

Type	
Retirement	\$ 2,956,102
Medical insurance fund and life insurance fund	220,605
Health insurance less federal reimbursement	1,792,249
Life insurance	3,274
Administrative fee	26,610
HRA/Dental/Vision insurance	85,837
Technology	98,383
Debt service	285,686
	\$ 5,468,746

NOTE 11: FUND BALANCE RESTATEMENT

Due to the implementation of GASB No. 84, *Fiduciary Activities* the beginning fund balance for governmental funds and beginning net position for government wide activities were increased by \$121,920 and the student activity fiduciary fund was eliminated.

**Newport Independent School District
Balance Sheet
Nonmajor Governmental Funds
June 30, 2021**

	Capital Outlay Fund	Construction Fund	Debt Service Fund	District Activity Fund	Student Activity Fund	Total Nonmajor Governmental Funds
Assets:						
Cash and cash equivalents	\$ 67,305	\$ 330,478		\$ 57,470	\$ 116,950	\$ 572,203
Total assets	<u>\$ 67,305</u>	<u>\$ 330,478</u>	<u>\$ 0</u>	<u>\$ 57,470</u>	<u>\$ 116,950</u>	<u>\$ 572,203</u>
Liabilities:						
Accounts payable	\$ 0	\$ 191		\$ 251		\$ 442
Total liabilities	<u>0</u>	<u>191</u>	<u>0</u>	<u>251</u>	<u>0</u>	<u>442</u>
Fund balances:						
Restricted	67,305	330,287		57,503	116,950	572,045
Committed						0
Assigned						0
Unassigned				(284)		(284)
Total fund balances	<u>67,305</u>	<u>330,287</u>		<u>57,219</u>	<u>116,950</u>	<u>571,761</u>
Total liabilities and fund balances	<u>\$ 67,305</u>	<u>\$ 330,478</u>	<u>\$ 0</u>	<u>\$ 57,470</u>	<u>\$ 116,950</u>	<u>\$ 572,203</u>

Newport Independent School District
Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
June 30, 2021

	Capital Outlay Fund	Construction Fund	Debt Service Fund	District Activity Fund	Student Activity Fund	Total Nonmajor Governmental Funds
Revenues						
From local sources:						
Taxes:						
Property	\$	\$	\$	\$		\$ 0
Other local revenue				15,475	18,161	33,636
State sources	133,701					133,701
State on-behalf			285,686			285,686
Total revenues	133,701	0	285,686	15,475	18,161	453,023
Expenditures						
Instruction				25,805	23,131	48,936
Support services:						
Plant operation and maintenance		194,074				194,074
Debt service						
Principal			735,000			735,000
Interest			487,444			487,444
Total expenditures	0	194,074	1,222,444	25,805	23,131	1,465,454
Excess of revenues over (under) expenditures	133,701	(194,074)	(936,758)	(10,330)	(4,970)	(1,012,431)
Other financing sources (uses)						
Transfers in		283,393	936,758			1,220,151
Transfers out	(267,402)					(267,402)
Total other financing sources (uses)	(267,402)	283,393	936,758	0	0	952,749
Net change in fund balances	(133,701)	89,319	0	(10,330)	(4,970)	(59,682)
Fund balances - beginning (restated)	201,006	240,968	0	67,549	121,920	631,443
Fund balances - end of year	\$ 67,305	\$ 330,287	\$ 0	\$ 57,219	\$ 116,950	\$ 571,761

Newport Independent School District
Budgetary Comparison Schedule
General Fund
June 30, 2021

	Budgeted Amounts		Actual	Variances
	Original	Final		Final to Actual
Revenues				
Local sources	\$ 11,262,557	\$ 11,262,557	\$ 10,191,380	\$ (1,071,177)
State programs	4,334,204	4,334,204	9,379,993	5,045,789
Federal programs	497,000	497,000	272,217	(224,783)
Total revenues	16,093,761	16,093,761	19,843,590	3,749,829
Expenditures				
Instruction	8,949,447	8,949,447	13,415,566	(4,466,119)
Support services:				
Student	640,871	640,871	926,015	(285,144)
Instruction staff	532,487	532,487	523,100	9,387
District administrative	1,424,079	1,424,079	1,209,630	214,449
School administrative	1,166,221	1,166,221	1,393,309	(227,088)
Business support	956,632	956,632	924,673	31,959
Plant operation and maintenance	2,255,624	2,255,624	2,482,489	(226,865)
Student transportation	469,681	469,681	384,901	84,780
Food service	90,000	90,000	81,931	8,069
Community services	28,250	28,250		28,250
Debt service	56,000	56,000	55,225	775
Other (contingency)	2,661,714	2,661,714		2,661,714
Total expenditures	19,231,006	19,231,006	21,396,839	(2,165,833)
Excess (deficiency) of revenues over expenditures	(3,137,245)	(3,137,245)	(1,553,249)	1,583,996
Other financing sources (uses)				
Transfer in	77,509	77,509	238,151	160,642
Transfers out	(30,264)	(30,264)	(30,678)	(414)
Total other financing sources (uses)	47,245	47,245	207,473	160,228
Net change in fund balances	(3,090,000)	(3,090,000)	(1,345,776)	1,744,224
Budgetary fund balance - beginning of year	3,000,000	3,000,000	5,989,915	2,989,915
Budgetary fund balance - end of year	\$ (90,000)	\$ (90,000)	\$ 4,644,139	\$ 4,734,139

**Newport Independent School District
Budgetary Comparison Schedule
Special Revenue Fund
June 30, 2021**

	Budgeted Amounts		Actual	Variances
	Original	Final		Final to Actual
Revenues				
Local sources	\$ 100,595	\$ 100,595	\$ 66,827	\$ (33,768)
State programs	1,757,009	1,757,009	1,491,850	(265,159)
Federal programs	4,789,360	4,789,360	3,817,926	(971,434)
Total revenues	6,646,964	6,646,964	5,376,603	(1,270,361)
Expenditures				
Instruction	5,584,682	5,584,682	4,104,538	1,480,144
Support services:				
Student	256,046	256,046	238,746	17,300
Instruction staff	537,298	537,298	198,840	338,458
District administrative	21,110	21,110	316,138	(295,028)
Business support	162,660	162,660	278,393	(115,733)
Plant operation and maintenance	155,029	155,029	154,667	362
Student transportation	-	-	399,963	(399,963)
Community services	689,151	689,151	616,634	72,517
Total expenditures	7,405,976	7,405,976	6,307,919	1,098,057
Excess (deficiency) of revenues over expenditures	(759,012)	(759,012)	(931,316)	(172,304)
Other financing sources (uses)				
Transfer in	298,834	298,834	28,077	(270,757)
Transfers out	(262,268)	(262,268)	(148,438)	113,830
Total other financing sources (uses)	36,566	36,566	(120,361)	(156,927)
Net change in fund balances	(722,446)	(722,446)	(1,051,677)	(329,231)
Budgetary fund balance - beginning of year	-	-	-	-
Budgetary fund balance - end of year	\$ (722,446)	\$ (722,446)	\$ (1,051,677)	\$ (329,231)

Newport Independent School District
Statement of Receipts, Disbursements, and Fund Balances
Newport High School Activity Fund
Year Ended June 30, 2021

	Cash <u>July 1, 2020</u>	<u>Receipts</u>	<u>Disbursements</u>	Cash <u>June 30, 2021</u>
Abroad trip	\$ 463			\$ 463
Annual	100	1,431	104	1,427
Archery club	5			5
Band	358	99		457
Baseball	955		250	705
Basketball	1,631		1,045	586
Carpentry	590			590
Cheerleading	2,594		917	1,677
Class of 2021		2,942	2,785	157
Class of 2020	101		101	0
Donna Murphy Invitational Tc	912			912
Drama		1,231	71	1,160
FBLA	311	195	380	126
FCCLA	55			55
Football	3,788	7,613	6,594	4,807
Gifted and talented	581	1,666		2,247
Girls basketball	1,970		1,558	412
Graphic arts	1,309		72	1,237
GSA	188			188
Interest account	5,176	111		5,287
John Turner memorial donati	6,664		233	6,431
Library	2,162	2,184	1,544	2,802
Lockers	5			5
National Honor Society	431			431
Newport Strong	590			590
Officials	36,313	18,741	33,414	21,640
PE and health	-			-
Pep club	267			267
Prom	3,073			3,073
Records and postage	1,069	30		1,099
Skills USA	1,381	984	160	2,205
Soccer	1,895			1,895
Softball	885	1,295	563	1,617
Spirit shop	1,803	2,321	1,553	2,571
Student activity	3,080			3,080
Student council	1,700			1,700
Sunshine	97		97	0
Teachers lounge	53	482	430	105
Track	2,184			2,184
Volleyball	1,867	240	419	1,688
Wrestling	331		207	124
YSC fundraisers	56		56	0
Due to student groups	<u>\$ 86,993</u>	<u>\$ 41,565</u>	<u>\$ 52,553</u>	<u>\$ 76,005</u>

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

	Cash <u>July 1, 2020</u>	<u>Receipts</u>	<u>Disbursements</u>	Cash <u>June 30, 2021</u>
Newport High School	\$ 86,993	\$ 7,140	\$ 9,726	\$ 84,407
Newport Adult Learning Center	2,182	7,479	4,006	5,655
Newport Intermediate School	8,928	502	2,047	7,383
<u>Newport Primary School</u>	<u>23,817</u>	<u>3,040</u>	<u>7,352</u>	<u>19,505</u>
Total	<u>\$ 121,920</u>	<u>\$ 18,161</u>	<u>\$ 23,131</u>	<u>\$ 116,950</u>

Newport Independent School District
Schedule of District's Share of Net Pension Liability and Contributions - KTRS
Year Ended June 30, 2021

Schedule of District's Proportionate Share of the Net Pension Liability - KTRS

As of June 30,	2021	2020	2019	2018	2017	2016	2015
Measurement period as of June 30,	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability	\$ 40,840,230	\$ 38,033,090	\$ 35,274,587	\$ 79,502,497	\$ 90,960,338	\$ 72,203,325	\$ 63,244,526
District's covered payroll	\$ 8,514,955	\$ 9,525,139	\$ 9,434,495	\$ 10,236,247	\$ 10,278,171	\$ 10,095,979	\$ 9,642,589
District's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	58.27%	58.76%	59.30%	39.83%	35.22%	42.49%	45.59%

Schedule of District's Contributions - KTRS

As of June 30,	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Actual contribution	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 9,388,600	\$ 8,514,955	\$ 9,525,139	\$ 9,434,495	\$ 10,236,247	\$ 10,278,171	\$ 10,095,979	\$ 9,642,589
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Newport Independent School District
Schedule of District's Share of Net Pension Liability and Contributions - CERS
Year Ended June 30, 2021

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

As of June 30,	2021	2020	2019	2018	2017	2016	2015
Measurement period as of June 30,	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.0111%	0.0105%	0.0097%	0.0186%	0.0124%	0.0170%	0.0142%
District's proportionate share of the net pension liability	\$ 9,439,981	\$ 8,484,634	\$ 7,278,097	\$ 7,976,595	\$ 6,947,591	\$ 5,852,826	\$ 4,295,000
District's covered payroll	\$ 882,895	\$ 793,018	\$ 728,864	\$ 626,075	\$ 5,749,002	\$ 560,614	\$ 573,336
District's proportionate share of the net pension liability as a percentage of its covered payroll	1069.21%	1069.92%	998.55%	1274.06%	120.85%	1044.00%	749.12%
Plan fiduciary net position as a percentage of the total pension liability	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%

Schedule of District's Contributions - CERS

As of June 30,	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 584,126	\$ 882,895	\$ 793,018	\$ 728,864	\$ 626,075	\$ 5,749,002	\$ 560,614	\$ 573,336
Actual contribution	584,126	882,895	793,018	728,864	626,075	5,749,002	560,614	573,336
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 3,026,562	\$ 3,669,555	\$ 3,691,890	\$ 3,800,125	\$ 3,351,579	\$ 3,369,890	\$ 3,172,389	\$ 3,035,128
Contributions as a percentage of covered payroll	19.30%	24.06%	21.48%	19.18%	18.68%	170.60%	17.67%	18.89%

Newport Independent School District
Schedule of District's Share of Net OPEB Liability and Contributions - KTRS
Medical Fund
Year Ended June 30, 2021

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

As of June 30,	2021	2020	2019	2018
Measurement period as of June 30,	2020	2019	2018	2017
District's proportion of the net OPEB liability	0.0239%	0.0239%	0.0229%	0.0222%
District's proportionate share of the net OPEB liability	\$ 3,855,000	\$ 4,298,000	\$ 4,752,000	\$ 5,462,000
State's proportionate share of the net OPEB liability	\$ 3,088,000	\$ 4,461,000	\$ 4,095,000	\$ 3,471,000
District's covered payroll	\$ 8,523,566	\$ 8,132,466	\$ 8,747,133	\$ 9,525,139
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	45.23%	52.85%	54.33%	57.34%
Plan fiduciary net position as a percentage of the total OPEB liability	32.58%	32.58%	25.54%	21.18%

Schedule of District's Contributions - KTRS

As of June 30,	2021	2020	2019	2018
Contractually required contribution	\$ 281,658	\$ 255,707	\$ 243,974	\$ 262,414
Actual contribution	281,658	255,707	243,974	262,414
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 9,388,600	\$ 8,523,566	\$ 8,132,466	\$ 8,747,133
Contributions as a percentage of covered payroll	3.00%	3.00%	3.00%	3.00%

Newport Independent School District
Schedule of District's Share of Net OPEB Liability and Contributions - CERS
Year Ended June 30, 2021

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

As of June 30,	2021	2020	2019	2018
Measurement period as of June 30,	2020	2019	2018	2017
District's proportion of the net OPEB liability	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability	\$ 93,000	\$ 81,000	\$ 70,000	\$ 60,000
District's covered payroll	\$ 8,526,566	\$ 8,132,467	\$ 8,747,133	\$ 9,525,139
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	71.57%	73.40%	74.97%	79.99%

Schedule of District's Contributions - KTRS

As of June 30,	2020	2020	2019	2018	2017
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Actual contribution	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 9,388,600	\$ 8,526,566	\$ 8,132,467	\$ 8,747,133	\$ 9,525,139
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%

Newport Independent School District
Schedule of District's Share of Net OPEB Liability and Contributions - CERS
Year Ended June 30, 2021

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

As of June 30,	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Measurement period as of June 30,	2020	2019	2018	2017
District's proportion of the net OPEB liability	0.0111%	0.0106%	0.0097%	0.0119%
District's proportionate share of the net OPEB liability	\$ 2,971,090	\$ 2,021,390	\$ 2,121,663	\$ 2,739,594
District's covered payroll	\$ 3,669,555	\$ 3,691,890	\$ 3,800,125	\$ 3,351,579
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	80.97%	54.75%	55.83%	81.74%
Plan fiduciary net position as a percentage of the total OPEB liability	51.67%	60.44%	57.62%	52.39%

Schedule of District's Contributions - CERS

As of June 30,	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 144,064	\$ 174,670	\$ 194,193	\$ 178,605	\$ 158,259
Actual contribution	<u>144,064</u>	<u>174,670</u>	<u>194,193</u>	<u>178,605</u>	<u>158,259</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,026,562	\$ 3,669,555	\$ 3,691,890	\$ 3,800,125	\$ 3,351,579
Contributions as a percentage of covered payroll	4.76%	4.76%	5.26%	4.70%	4.72%

**Newport Independent School District
Changes of Benefits and Assumptions - Pensions
Year Ended June 30, 2021**

KTRS

Benefits	<u>2021</u>	<u>2020</u>	<u>2019</u>
	no change	no change	no change

Assumptions	<u>2021</u>	<u>2020</u>	<u>2019</u>
Inflation	3.00%	3.00%	3.00%
Salary increases	3.50% - 7.30%	3.50% - 7.30%	3.50% - 7.30%
Investment rate of return	7.50%	7.50%	7.50%
Municipal bond index	3.50%	3.50%	3.89%
Single equivalent investment rate	7.50%	7.50%	7.50%

CERS

Benefits	<u>2021</u>	<u>2020</u>	<u>2019</u>
	no change	no change	no change

Assumptions	<u>2021</u>	<u>2020</u>	<u>2019</u>
Valuation date	6/30/2019	6/30/2018	6/30/2017
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Asset valuation method	20% of difference	20% of difference	20% of difference
Amortization method	Level percent of pay	Level percent of pay	Level percent of pay
Remaining amortization period	25 years, closed	26 years, closed	27 years, closed
Payroll growth rate	2.00%	2.00%	4.00%
Investment return	6.25%	6.25%	7.50%
Inflation	2.30%	2.30%	3.25%
Salary increase rate - nonhazardous	3.30% - 11.55%	3.30% - 11.55%	4.00%
Salary increase rate - hazardous	3.05% - 18.55%	3.05% - 18.55%	4.00%

**Newport Independent School District
Changes of Benefits and Assumptions - OPEB
Year Ended June 30, 2021**

KTRS

Benefits	2021	2020	2019
	no change	no change	no change
Assumptions	2021	2020	2019
Inflation	3.00%	3.00%	3.00%
Real wage growth	0.50%	0.50%	0.50%
Wage inflation	3.50%	3.50%	3.50%
Salary increase rate	3.50% - 7.20%	3.50% - 7.20%	3.50% - 7.20%
Investment rate of return - MIF	8.00%	8.00%	8.00%
Investment rate of return - LIF	7.50%	7.50%	7.50%
Municipal bond index	2.19%	3.50%	3.89%
Single equivalent investment rate - MIF	8.00%	8.00%	8.00%
Single equivalent investment rate - LIF	7.50%	7.50%	7.50%
Health care cost trends:			
Pre-65	7.25% decreasing to an ultimate rate of 5.00% by FYE 2029	7.25% decreasing to an ultimate rate of 5.00% by FYE 2029	5.25% decreasing to an ultimate rate of 5.00% by FYE 202
Post-65	5.25% decreasing to an ultimate rate of 5.00% by FYE 2022	5.25% decreasing to an ultimate rate of 5.00% by FYE 2022	5.5% decreasing to an ultimate rate of 5.00% by FYE 202
Medicare part B premiums	6.49% with an ultimate rate of 5.00% by FYE 2031	6.49% with an ultimate rate of 5.00% by FYE 2031	0.00% with an ultimate rate of 5.00% by 2030

CERS

Benefits	2021	2020	2019
	no change	no change	no change
Assumptions	2021	2020	2019
Valuation date	6/30/2018	6/30/2017	6/30/2017
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level percent of pay	Level percent of pay	Level percent of pay
Remaining amortization period	25 years, closed	26 years, closed	27 years, closed
Payroll growth rate	2.00%	2.00%	4.00%
Investment rate of return	6.25%	6.25%	7.50%
Inflation	2.30%	2.30%	3.25%
Salary increase rate - nonhazardous	3.30% - 11.55%	3.30% - 11.55%	4.00%
Salary increase rate - hazardous	3.05% - 18.55%	3.05% - 18.55%	4.00%
Health care cost trends:			
Pre-65	7.00% decreasing to an ultimate rate of 4.05% in 12 years	7.00% decreasing to an ultimate rate of 4.05% in 12 years	7.00% decreasing to an ultimate rate of 4.05% in 12 years
Post-65	5.00% decreasing to an ultimate rate of 4.05% in 12 years	5.00% decreasing to an ultimate rate of 4.05% in 12 years	5.00% decreasing to an ultimate rate of 4.05% in 12 years

Newport Independent School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster</u>	<u>Federal CFDA Number</u>	<u>Agreement Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Education			
Passed through Kentucky Department of Education			
Special Education - Grants to States	84.027	3810002 20	\$ 426,599
Special Education - Preschool	84.173	3800002 19	7,920
Special Education - Preschool	84.173	3800003 19	4,314
Total Special Education Cluster			438,833
Title I Part A	84.010	3100002-18	102,427
Title I Part A	84.010	3100002-19	74,105
Title I Part A	84.010	3100002-20	1,228,568
Title I Part D, Subpart Neglected and Delinquent	84.010	3100102-20	69,906
Title I Part D, Subpart Neglected and Delinquent	84.010	3100102-19	8,862
Title I Part D, Subpart Neglected and Delinquent	84.010	3100102-18	9,385
Title I School Improvement Funds Cohort I	84.010	3100202-17	287,429
Title I School Improvement Funds Cohort I	84.010	3100202-18	7,483
Total Title I Grants to Local Educational Agencies			1,788,164
Perkins Title I, Part C, Vocational	84.048	3710002-20	37,934
Title III, Part A English Language Learners	84.365	3300002-19	11,622
Title III, Part A English Language Learners	84.365	3300002-20	576
Total Vocational and English Language Learners			50,132
McKinney Homeless	84.196	3990002-19	30,229
McKinney Homeless	84.196	3990002-20	58,022
Adult Education - Basic Grants to States	84.002	2000000426	283
Adult Education - Basic Grants to States	84.002	2000000426	94,343
Adult Education Supplement	84.002	2000000426	48,935
Total McKinney Homeless and Adult Education			231,812
21st Century Community Learning Centers	84.287	340002-19	85,892
21st Century Community Learning Centers	84.287	340002-20	186,286
Total 21st Century Community Learning Centers			272,178
Elementary and Secondary School Emergency Relief Fund	84.425D	4000002-20	789,430
Governor's Emergency Education Relief Fund	84.425C	CARES-20	171,051
American Rescue Plan Elementary and Secondary School Emergen	84.425U	4300002-21	813,061
Coronavirues Relief Funds - SEEK Replacement	21.019	CARES-20	242,590
Coronavirus Relief Fund - Last Mile Internet	21.019	CARES-20	15,000
Total Coronavirus Relief Funds			2,031,132
Total US Department of Education			4,812,251

Newport Independent School District
 Schedule of Expenditures of Federal Awards - Continued
 Year Ended June 30, 2021

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster</u>	<u>Federal CFDA Number</u>	<u>Agreement Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Agriculture - Child Nutrition Cluster			
Passed through Kentucky Department of Education			
Summer Food Service Program for Children	10.559	7740023-21	667,932.89
Passed through Kentucky Department of Agriculture			
National School Lunch Program - Food Donation	10.555	4800014	49,451.08
Total U.S. Department of Agriculture - Child Nutrition Cluster			717,383.97
Total Federal Expenditures for FY ending 6/30/21			\$5,529,635.14

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Newport Independent School District (District) under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 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 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 modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

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 provide federal funds to subrecipients for the year ended June 30, 2021.

No prior year audit findings reported.

**INDEPENDENT AUDITOR'S 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***

Kentucky State Committee for School District Audits
Members of the Board of Education
Newport Independent School District
Newport, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Newport Independent School District (District) as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 8, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Newport Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Newport Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Newport 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated November 8, 2021.

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

Maddox & Associates CPAs Inc.

Fort Thomas, Kentucky

November 8, 2021

**Independent Auditor's Report on Compliance
for Each Major Program and in Internal Control over
Compliance Required by Uniform Guidance**

Kentucky State Committee for School District Audits
Members of the Board of Education
Newport Independent School District
Newport, Kentucky

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express opinions on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Report on Compliance for Each Major Federal Program

We have audited the 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 the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

Purpose of this Report

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

Maddox & Associates CPAs Inc.

Fort Thomas, Kentucky

October 27, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial Unmodified

Internal control over financial reporting:
 Material weakness(es) identified? Yes X No
 Significant deficiency(ies) identified? Yes X None reported

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? Yes X None reported

Type of report the auditor issued on compliance with major Unmodified

Any audit findings disclosed that are required to be reported Yes X None reported

Identification of Major Programs

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I Part A
84.425D	Elementary and Secondary School Emergency Relief Fund
84.425U	American Rescue Plan Elementary and Secondary School Emergency Coronavirus Relief Funds

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

Auditee qualified as low-risk auditee X Yes No

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

Kentucky State Committee for School District Audits
Members of the Board of Education
Newport Independent School District
Newport, Kentucky

In planning and performing our audit of the financial statements of Newport Independent School District (District) for the year ended June 30, 2021, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of matters that our opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and recommendations regarding these matters. Any uncorrected comments from the prior year have been listed in this letter. A separate report dated November 8, 2021 contains our report on the District's internal control. This letter does not affect our report dated November 8, 2021 on the financial statements of the District.

We will review the status of these comments during our next audit engagement. We have already discussed the comments and recommendation with various District personnel, and we will be pleased to discuss them in further detail at our convenience, to perform additional study of these matters, or to assist you in implementing the recommendations

Maddox & Associates CPAs Inc.

Current Year Recommendations

Central Office

2020-01: Publication of annual financial statement

Criteria: Per KRS 160.463 the District is required to publish its annual financial statement

Condition – The District did not publish its annual financial statement

Effect: The District did not comply with KRS 160.463

Cause: The District did not comply with KRS 160.463

Recommendation: We recommend that the District include the publishing of its annual financial statement in its year-end procedures

Activity Funds

Newport High School

No matters are reportable

Newport Adult Learning Center

No matters are reportable

Newport Intermediate School

No matters are reportable

Newport Primary School

No matters are reportable

Status of Prior Year Recommendations

Activity Funds

Newport Adult Learning Center

Prior year recommendation - Individual school activity accounts had ending negative balances

Status – The above issue is not reportable in the current year