

NEWPORT INDEPENDENT SCHOOL DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Newport Independent School District
Newport, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Newport Independent School District (District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2022 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and postemployment benefit information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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 Supplementary 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 accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 1, 2022 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Maddox & Associates CPAs Inc.

Fort Thomas, Kentucky
November 1, 2022

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, 2022. 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 less than the liabilities and deferred inflows by \$562,589 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 \$10,190,462. 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, 2022, the District had liabilities of \$13,318,419 for postemployment benefits, which has caused the deficit balance in the unrestricted net position. The District's total net position decreased \$1,618,601.

At the close of the current fiscal year, the District's governmental funds reported combined fund balances of \$6,599,554 an increase of \$1,368,717 from the prior year. Of this amount, \$955,548 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 10-13 of this report

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 and special revenue 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 14-24 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 25-54 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 56-62 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

	June 30, 2022	June 30, 2021
Current assets	\$ 7,832,496	\$ 6,723,318
Non-current assets	25,699,566	29,119,563
Total assets	33,532,062	35,842,881
Deferred outflows	4,211,849	4,182,661
Current liabilities	784,323	1,182,708
Non-current liabilities	32,102,949	31,676,065
Total liabilities	32,887,272	32,858,773
Deferred inflows	5,428,009	2,949,259
Net investment in capital assets	7,801,648	14,107,289
Restricted	1,826,225	1,515,263
Unrestricted	(10,199,243)	(11,405,042)
Total net position	\$ (571,370)	\$ 4,217,510

Governmental Funds – Revenues and Expenditures

	June 30, 2022	June 30, 2021
Revenues and other sources:		
Local revenue	\$ 12,086,959	\$ 7,434,876
State revenue	11,442,935	10,696,806
Federal revenue	6,267,947	2,011,636
Total revenues	\$ 29,797,841	\$ 20,143,318

Governmental Funds – Revenues and Expenditures - Continued

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Expenditures:		
Instruction	\$ 17,806,866	\$ 13,449,857
Student support	1,631,565	1,570,527
Instruction staff	1,641,148	1,295,304
District administrative	1,480,918	826,926
School administrative	1,296,545	1,357,003
Business support	862,720	580,329
Plant operations and maintenance	3,391,808	1,903,678
Student transportation	825,048	1,360,823
Food service	47,805	33,584
Community services	790,635	176,603
Facility acquisition and construction	1,140,198	727,985
Debt service	<u>2,579,002</u>	<u>2,063,172</u>
Total expenditures	<u>\$ 33,494,258</u>	<u>\$ 25,345,791</u>

Capital Assets

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Land	\$ 1,109,955	\$ 1,109,955
Land and improvements	253,146	272,148
Buildings and improvements	21,579,684	6,811,556
Technology equipment	709,299	1,029,050
Vehicles	121,893	124,048
General equipment	707,101	545,415
Construction in progress	<u>909,043</u>	<u>19,227,391</u>
Total capital assets	<u>\$ 25,390,121</u>	<u>\$ 29,119,563</u>

Long-Term Debt

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Bonds payable	\$ 17,660,000	14,780,000

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 Director of Finance, 30 West 8th Street, Newport, KY 41071.

BASIC FINANCIAL STATEMENTS

Newport Independent School District
Statement of Net Position
June 30, 2022

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 6,824,961	\$ 302,760	\$ 7,127,721
Receivables:			
Taxes	144,034		144,034
Intergovernmental	411,896	143,772	555,668
Inventory		5,073	5,073
Right-of-use lease assets - operating	309,445		309,445
Capital assets, net	25,330,566	59,555	25,390,121
Total assets	33,020,902	511,160	33,532,062
Deferred outflows of resources			
OPEB related	2,798,295	133,822	2,932,117
Pension related	1,150,728	129,004	1,279,732
Total deferred outflows of resources	3,949,023	262,826	4,211,849

Newport Independent School District
Statement of Net Position - Continued
June 30, 2022

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Accounts payable	529,340	2,985	532,325
Accrued wages and benefits	62,677		62,677
Unearned revenue	189,321		189,321
Due within one year:			
Accrued interest payable	65,414		65,414
Lease obligation - operating lease	309,445		309,445
Bonds payable	866,424		866,424
KISTA bonds payable	69,660		69,660
Due in more than one year:			
Compensated absences	351,616		351,616
Bonds payable	16,722,049		16,722,049
KISTA bonds payable	399,922		399,922
Net OPEB liability	5,438,848	229,650	5,668,498
Net pension liability	6,884,929	764,992	7,649,921
Total liabilities	31,889,645	997,627	32,887,272
Deferred inflows of resources			
OPEB related	3,775,865	132,541	3,908,406
Pension related	1,367,643	151,960	1,519,603
Total deferred inflows of resources	5,143,508	284,501	5,428,009
Net position			
Net investment in capital assets	7,742,093	59,555	7,801,648
Restricted (deficit)	2,393,922	(567,697)	1,826,225
Unrestricted (deficit)	(10,199,243)		(10,199,243)
Total net position (deficit)	\$ (63,228)	\$ (508,142)	\$ (571,370)

Newport Independent School District
Statement of Activities
June 30, 2022

	Expenses	Charges for Services	Operating Grants and Contribution	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction	\$ 18,206,991	\$ 300	\$ 10,052,587	\$ -	\$ (8,154,104)	\$ -	\$ (8,154,104)
Support services:							
Student	1,637,877		478,819		(1,159,058)		(1,159,058)
Instructional staff	1,635,275		1,071,705		(563,570)		(563,570)
District administration	1,604,154				(1,604,154)		(1,604,154)
School administration	1,308,728				(1,308,728)		(1,308,728)
Business	864,708				(864,708)		(864,708)
Plant operation	4,462,743		532,781		(3,929,962)		(3,929,962)
Building improvements	-				-		-
Food service	41,937		116,651		74,714		74,714
Student transportation	745,282				(745,282)		(745,282)
Community service	791,432		790,635		(797)		(797)
Interest on long-term debt	469,231			280,306	(188,925)		(188,925)
Total governmental activities	31,768,358	300	13,043,178	280,306	(18,444,574)		(18,444,574)
Business-Type Activities							
Food service	1,078,192	57,021	1,364,307	0		343,136	343,136
Total business-type activities	1,078,192	57,021	1,364,307	0		343,136	343,136
Total school district	\$ 32,846,550	\$ 57,321	\$ 14,407,485	\$ 280,306	(18,444,574)	343,136	(18,101,438)

Newport Independent School District
Statement of Activities- Continued
June 30, 2022

	Governmental Activities	Business-Type Activities	Total
General Revenues			
Property taxes	10,702,236		10,702,236
Motor vehicle taxes	906,455		906,455
Utilities tax	31,449		31,449
State aid	4,387,397		4,387,397
Investment earnings	15,649		15,649
Other	430,870		430,870
Total general revenues	16,474,056	-	16,474,056
Change in net position	(1,970,518)	343,136	(1,627,382)
Net position (deficit) - beginning of year restated	1,907,290	(851,278)	1,056,012
Net position (deficit) - end of year	\$ (63,228)	\$ (508,142)	\$ (571,370)

Newport Independent School District
Balance Sheet – Governmental Funds
June 30, 2022

	General Fund	Special Revenue	Building Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents (deficit)	\$ 4,589,685	\$ (2,240,994)	\$ 1,411,501	\$ 2,661,467	\$ 403,302	\$ 6,824,961
Accounts receivable	144,034	411,896				555,930
Total assets	\$ 4,733,719	\$ (1,829,098)	\$ 1,411,501	\$ 2,661,467	\$ 403,302	\$ 7,380,891
Liabilities						
Accounts payable	\$ 468,697	\$ 60,421	\$	\$ 95	\$ 126	\$ 529,339
Accrued wages and benefits	62,678					62,678
Unearned revenue		189,321				189,321
Total liabilities	531,375	249,742	0	95	126	781,338
Fund balances						
Restricted		(2,078,840)	1,411,501	2,661,372	399,889	2,393,922
Committed	3,203,232					3,203,232
Assigned	46,852					46,852
Unassigned	952,260				3,287	955,547
Total fund balances	4,202,344	(2,078,840)	1,411,501	2,661,372	403,176	6,599,553
Total liabilities and fund balances	\$ 4,733,719	\$ (1,829,098)	\$ 1,411,501	\$ 2,661,467	\$ 403,302	\$ 7,380,891

Newport Independent School District
Reconciliation of Balance Sheet – Governmental Funds
to Statement of Net Position
June 30, 2022

Total fund balances - governmental funds	\$ 6,599,553
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Amounts reported for governmental activities in the statement
of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	25,330,566
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Deferred outflow and inflow of resources are applicable to future
periods and, therefore, are not reported in the funds.

Deferred outflows - OPEB	2,798,295
Deferred outflows - pensions	1,150,728
Deferred inflows - OPEB	(3,775,865)
Deferred inflows - pension	(1,367,643)

Long-term liabilities are not due and payable in the current period
and, therefore, are not reported in the funds.

Accrued interest payable	(65,414)
Bonds payable	(17,588,473)
KISTA bonds payable	(469,582)
Compensated absences	(351,616)
Net OPEB liability	(5,438,848)
Net pension liability	(6,884,929)

Net position of governmental activities	<u>\$ (63,228)</u>
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Newport Independent School District
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds
June 30, 2022

	General Fund	Special Revenue	Building Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
From local sources:						
Taxes:						
Property	\$ 9,656,680	\$	\$ 1,045,556	\$	\$ 0	\$ 10,702,236
Motor vehicle	906,455					906,455
Utilities	31,449					31,449
Earnings on investments	15,649					15,649
Other local revenue	185,125	121,049			124,996	431,170
State on-behalf	5,336,871				280,307	5,617,178
State sources	4,388,728	1,062,028	235,182		139,819	5,825,757
Federal sources	271,315	5,996,632				6,267,947
Total revenues	20,792,272	7,179,709	1,280,738	0	545,122	29,797,841

Newport Independent School District
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds - Continued
June 30, 2022

	General Fund	Special Revenue	Building Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Expenditures						
Instruction	12,917,732	4,795,816			93,318	17,806,866
Support services:						
Student	1,142,951	478,819			9,795	1,631,565
Instruction staff	569,443	1,071,705				1,641,148
District administrative	1,480,919					1,480,919
School administrative	1,296,545					1,296,545
Business support	905,000	(42,280)				862,720
Plant operation and maintenance	2,859,027	532,781				3,391,808
Building improvements				1,140,198		1,140,198
Student transportation	825,048					825,048
Food service	(68,846)	116,651				47,805
Community services		790,635				790,635
Debt service						
Principal	46,581				2,070,000	2,116,581
Interest	6,301				456,120	462,421
Total expenditures	21,980,701	7,744,127	0	1,140,198	2,629,233	33,494,259
Excess of revenues over (under) expenditures	(1,188,429)	(564,418)	1,280,738	(1,140,198)	(2,084,111)	(3,696,418)
Other financing sources (uses)						
Transfers in	492,107	29,362			935,813	1,457,282
Transfers out	(29,362)	(492,107)	(935,813)			(1,457,282)
Original issue discount				(113,717)	(55,000)	(168,717)
Bond proceeds	283,889			3,585,000	1,365,000	5,233,889
Total other financing sources (uses)	746,634	(462,745)	(935,813)	3,471,283	2,245,813	5,065,172
Net change in fund balances	(441,795)	(1,027,163)	344,925	2,331,085	161,702	1,368,754
Fund balances - beginning	4,644,139	(1,051,677)	1,066,576	330,287	241,474	5,230,799
Fund balances - end of year	\$ 4,202,344	\$ (2,078,840)	\$ 1,411,501	\$ 2,661,372	\$ 403,176	\$ 6,599,553

Newport Independent School District
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund
Balances – Governmental Funds to the Statement of Activities
June 30, 2022

Net change in fund balances - total governmental funds	\$ 1,368,754
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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 asset is allocated over their estimated useful lives and reported as depreciation expense.	(562,562)
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The issuance of long-term debt provides current financial resources to governmental funds, but the proceeds increase long-term liabilities in the statement of net position.	(5,233,889)
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Repayment of long-term debt are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	2,116,581
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Some expenses reported in the statement of activities do not require
current financial resources and, therefore, are not reported as
expenditures in the funds.

Amortization of bond discount	71,527
Change in accrued interest payable	(6,810)
Change in compensated absences	(12,500)
Change in OPEB liabilities and deferred amounts	340,900
Change in pension liabilities and deferred amounts	(52,519)

Change in net position of governmental activities	<u>\$ (1,970,518)</u>
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Newport Independent School District
Statement of Net Position – Proprietary Funds
June 30, 2022

	Food Service
Assets	
Current assets	
Cash and cash equivalents	\$ 302,760
Accounts receivable	143,772
Inventories for consumption	5,073
Total current assets	451,605
Noncurrent assets	
Capital assets, net	59,555
Total noncurrent assets	59,555
Total assets	511,160
Deferred outflows	
OPEB related	133,822
Pension related	129,004
Total deferred outflows	262,826

Newport Independent School District
Statement of Net Position – Proprietary Funds - Continued
June 30, 2022

	Food Service
Liabilities	
Current liabilities	
Accounts payable	2,985
Total current liabilities	2,985
Long-term liabilities	
Net OPEB liability	229,650
Net pension liability	764,992
Total long-term liabilities	994,642
Total liabilities	997,627
Deferred outflows	
OPEB related	132,541
Pension related	151,960
Total deferred outflows	284,501
Net position	
Net investment in capital assets	59,555
Restricted	(567,697)
Total net position (deficit)	\$ (508,142)

Newport Independent School District
Statement of Revenues, Expenses and Changes
In Fund Net Position – Proprietary Funds
June 30, 2022

	Food Service Fund
Operating revenues	
Food service	\$ 45,174
Other operating revenue	11,847
Total operating revenues	57,021
Operating expenses	
Salaries and wages	435,513
Employee benefits	139,738
Purchased services	22,863
Materials and supplies	451,876
Other operating expenses	15,342
Depreciation	12,860
Total operating expenses	1,078,192
Operating loss	(1,021,171)
Non operating revenues	
Operating grants - state	328,098
Operating grants - federal	989,749
Donated commodities	46,460
Total other financing sources (uses)	1,364,307
Net change in fund balances	343,136
Fund balances - beginning of year	(851,278)
Fund balances - end of year	\$ (508,142)

Newport Independent School District
Statement of Cash Flows – Proprietary Funds
June 30, 2022

	<u>Food Service</u>
Cash flows from operating activities	
Cash received:	
From food service sales	\$ 45,174
From other activities	11,847
Cash paid:	
To employees	(784,960)
To suppliers	(473,629)
For operating expenses	(15,342)
Net cash used in operating activities	<u>(1,216,910)</u>
Cash flows from noncapital financing activities	
Non operating grants	1,313,308
Net cash provided by noncapital financing activities	<u>1,313,308</u>
Cash flows from investing activities	
Purchases of equipment	(7,478)
Net cash provided by investing activities	<u>(7,478)</u>
Net increase in cash	<u>88,920</u>
Cash - beginning of year	<u>213,840</u>
Cash - end of year	<u>\$ 302,760</u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (1,021,171)
Adjustments to reconcile operating loss to net cash in operating activities	
Depreciation	12,860
Changes in:	
Payables	1,110
Deferred outflows	104,189
Deferred inflows	151,063
Net OPEB liability	(148,791)
Net pension liability	(316,170)
Net cash used in operating activities	<u>\$ (1,216,910)</u>
Noncash activities	
Commodities received from federal	<u>\$ 46,460</u>
On-behalf payments received state	<u>\$ 219,545</u>

Newport Independent School District
Statement of Net Position – Fiduciary Funds
June 30, 2022

	Trust Funds
Assets	
Cash	\$ 904,814
Total assets	\$ 904,814
Liabilities	
Accounts payable	904,814
Total liabilities	904,814
Net position	
Restricted	\$ -

Newport Independent School District
Statement of Changes in Net Position – Fiduciary Funds
June 30, 2022

	Trust Funds
Additions	
Contributions	\$ 8,861
Funds transfer	-
Interest income	250
Total additions	9,111
Deductions	
Community services	916,814
Total deductions	916,814
Change in net position	(907,703)
Net position - beginning of year	907,703
Net position - end of year	\$ -

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 – The Board authorized 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)

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.

Construction Fund - The construction fund is used to account for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

The following of nonmajor funds of the district:

District Activity Fund – This fund is a special revenue fund that accounts for funds received at the school level.

School Activity Fund – This fund is a special revenue fund that 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*.

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.

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.

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.

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

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

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 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.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

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 1, 2022 the date the financial statements were available to be issued.

Recent Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The District adopted the statement in the current reporting period. See Note 6.

NOTE 2: CASH AND CASH EQUIVALENTS

At year end the carrying amounts of the District's total cash and cash equivalents was covered by Federal Deposit Insurance Corporation (FDIC) insurance and by collateral agreements and collateral held by the pledging bank's trust department in the District's name.

Custodial Credit Risk – Deposits. For deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned. The District maintains deposits with financial institutions insured by the FDIC. As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2022, all of the District's deposits are insured by the FDIC or covered by security pledges.

NOTE 3: CAPITAL ASSETS

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

	Balance 7/1/2021	Additions	Disposals	Balance 6/30/2022
Governmental Activities				
Land	\$ 1,109,955	\$ 0	\$ 0	\$ 1,109,955
Land and improvements	380,037	0	0	380,037
Buildings and improvements	23,417,111	19,360,865	0	42,777,976
Technology equipmenmt	3,874,944	0	611,480	3,263,464
Vehicles	776,866	110,198	69,198	817,866
General equipment	1,325,396	257,146	0	1,582,542
Constructionn in progress	19,227,391	0	18,318,348	909,043
Total at historical cost	50,111,700	19,728,209	18,999,026	50,840,883
Less accumulated depreciation				
Land and improvements	107,889	19,002	0	126,891
Buildings and improvements	19,767,053	1,431,239	0	21,198,292
Technology equipmenmt	2,849,149	318,236	611,457	2,555,928
Vehicles	652,818	43,155	0	695,973
General equipment	841,663	91,570	0	933,233
Total accumulated depreciation	24,218,572	1,903,202	611,457	25,510,317
Capital assets - net	\$ 25,893,128	\$ 17,825,007	\$ 18,387,569	\$ 25,330,566

NOTE 3: CAPITAL ASSETS – CONTINUED

	Balance 7/1/2021	Additions	Disposals	Balance 6/30/2022
Business-type Activities				
General equipment	\$ 691,278	\$ 7,477	\$ 0	\$ 698,755
Technology equipment	14,286	0	0	14,286
Total at historical cost	705,564	7,477	-	713,041
Less accumulated depreciation				
General equipment	629,596	11,367	0	640,963
Technology equipment	11,031	1,492	0	12,523
Total accumulated depreciation	640,627	12,859	0	653,486
Capital assets - net	\$ 64,937	\$ (5,382)	\$ 0	\$ 59,555

Depreciation was charged to the following functions:

	Governmental	Business-type
Instruction	\$ 662,573	\$
Student support	23,615	
Instructional staff	3,475	
District administration	27,537	
School administration	14,471	
Business support	0	
Plant operations	1,145,174	
Student transportation	26,257	
Community service	100	
Food service		12,859
	<u>\$ 1,903,202</u>	<u>\$ 12,859</u>

NOTE 4: BONDS PAYABLE

The amount shown in the accompanying financial statements as bond 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:

Issue Date	Proceeds	Rates	Balance June 30, 2022
2014	\$ 2,125,000	0.350% - 4.000%	\$ 1,390,000
2014B	\$ 9,715,000	0.045% - 3.600%	\$ 6,900,000
2017	\$ 1,540,000	3.000% - 3.625%	\$ 1,380,000
2018	\$ 3,310,000	3.000% - 3.250%	\$ 3,050,000
2021	\$ 1,365,000	1.000% - 1.300%	\$ 1,355,000
2022	\$ 3,585,000	3.000% - 4.125%	\$ 3,585,000

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the 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.

Changes in bonds payable are as follows:

Issue	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Amount Due Within One Year
Series 2012	\$ 1,425,000		\$ 1,425,000	\$ 0	\$ 0
Series 2014	1,485,000		95,000	1,390,000	95,000
Series 2014B	7,325,000		425,000	6,900,000	435,000
Series 2017	1,420,000		40,000	1,380,000	45,000
Series 2018	3,125,000		75,000	3,050,000	80,000
Series 2021		1,365,000	10,000	1,355,000	130,000
Series 2022		3,585,000		3,585,000	85,000
Total bonds payable	14,780,000	4,950,000	2,070,000	17,660,000	870,000
Unamortized bond discount		(71,527)		(71,527)	(3,576)
Total bonds payable	\$ 14,780,000	\$ 4,878,473	\$ 2,070,000	\$ 17,588,473	\$ 866,424

NOTE 4: BONDS PAYABLE - CONTINUED

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, 2022 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	
2023	\$ 608,914	\$ 467,674	\$ 261,086	\$ 102,814	\$ 1,440,488
2024	623,761	453,078	261,239	98,661	1,436,739
2025	642,041	434,811	267,959	93,490	1,438,301
2026	659,945	414,857	275,055	87,944	1,437,801
2027	682,263	394,293	277,737	136,194	1,490,487
2028	704,245	372,949	285,755	76,237	1,439,186
2029	729,902	349,116	290,098	69,444	1,438,560
2030	755,069	323,156	299,931	62,311	1,440,467
2031	779,467	296,319	305,533	54,684	1,436,003
2032	808,453	268,387	316,547	46,703	1,440,090
2033	836,656	239,483	183,344	38,289	1,297,772
2034	867,685	209,318	187,315	31,144	1,295,462
2035	900,069	177,187	99,931	24,001	1,201,188
2036	925,296	154,227	64,704	20,852	1,165,079
2037	957,709	122,042	67,291	18,264	1,165,306
2038	990,017	87,661	69,983	15,572	1,163,233
2039	322,218	56,320	72,782	12,773	464,093
2040	334,215	43,030	75,785	9,771	462,801
2041	346,089	29,244	78,911	6,645	460,889
2042	362,834	14,966	82,166	3,389	463,355
	<u>\$ 13,836,848</u>	<u>\$ 4,908,118</u>	<u>\$ 3,823,152</u>	<u>\$ 1,009,182</u>	<u>\$ 23,577,300</u>

NOTE 5: KISTA BONDS PAYABLE

The amount shown in the accompanying financial statements as KISTA bond obligations represents the District's future obligations to make lease payments relating to the bonds issued by the Kentucky Interlocal School Transportation Association.

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

Issue Date	Proceeds	Rates	Balance
			June 30, 2022
2015	\$ 113,107	2.000% - 2.500%	\$ 32,338
2017	\$ 132,525	2.550%	\$ 65,933
2019	\$ 129,849	3.000%	\$ 87,422
2022	\$ 283,889	3.000%	\$ 283,889

NOTE 5: KISTA BONDS PAYABLE – CONTINUED

Changes in KISTA bonds payable are as follows:

Issue	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Amount Due Within One Year
2012	\$ 9,894		\$ 9,894	\$ 0	\$ 0
2015	43,833		11,495	32,338	11,801
2017	78,973		13,040	65,933	13,388
2019	99,574		12,152	87,422	12,494
2022	-	283,889		283,889	31,977
Total KISTA payable	232,274	283,889	46,581	469,582	69,660

The minimum obligations of the District at June 30, 2022 for debt service (principal and interest) are as follows:

Year End June 30	Newport Independent School District	
	Principal	Interest
2023	\$ 69,660	\$ 12,808
2024	68,787	11,659
2025	64,087	9,706
2026	53,022	7,900
2027	54,487	6,366
2028	39,280	4,786
2029	40,438	3,607
2030	30,513	2,394
2031	24,410	1,480
2032	24,898	746
	<u>\$ 469,582</u>	<u>\$ 61,452</u>

NOTE 6: OPERATING LEASES

The District adopted GASB Statement No. 87, *Leases* in the current reporting period. The adoption had no effect on beginning fund balances or net position.

Leases in which the District has entered into as a lessee are classified as operating leases – Type B. Following is a summary of property under right-of-use leases:

Right-of-use equipment	\$ 1,357,600
Accumulated amorization	<u>1,048,155</u>
	<u>\$ 309,445</u>

NOTE 6: OPERATING LEASES – CONTINUED

Remaining future payments under the lease contracts are as follows:

2023	\$ 331,106
Total remaining payments	331,106
Less interest component	21,661
	<u>\$ 309,445</u>

A summary of lease costs and other lease information is as follows:

Operating lease cost	\$ 331,106
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Cash paid for amounts included in the measurement of lease liabilities:

Operating leases	\$ 331,106
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Weighted-average remaining lease term
1 years

Weighted-average discount rate
7.00%

NOTE 7: LONG-TERM OBLIGATIONS

Changes in long-term obligations are as follows:

	Balance			Balance	Amount
Governmental Activities	July 1, 2021	Additions	Reductions	June 30, 2022	Due Within One Year
Bonds payable	\$ 14,780,000	4,878,473	\$ 2,070,000	\$ 17,588,473	866,424
KISTA payable	232,274	283,889	\$ 46,581	469,582	69,660
Operating leases	598,645		289,200	309,445	309,445
Compensated absences	339,116	12,500		351,616	
Net OPEB liability	6,447,649		1,008,801	5,438,848	
Net pension liability	8,358,819		1,473,890	6,884,929	
<u>Total long-term liabilities</u>	<u>\$ 30,756,503</u>	<u>\$ 5,174,862</u>	<u>\$ 4,888,472</u>	<u>\$ 31,042,893</u>	<u>\$ 1,245,529</u>

	Balance			Balance	Amount
Business-type Activities	July 1, 2021	Additions	Reductions	June 30, 2022	Due Within One Year
Net OPEB liability	\$ 378,441		\$ 148,791	\$ 229,650	
Net pension liability	1,081,162		316,170	764,992	
<u>Total long-term liabilities</u>	<u>\$ 1,459,603</u>	<u>\$ -</u>	<u>\$ 464,961</u>	<u>\$ 994,642</u>	<u>\$ -</u>

NOTE 8: 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 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.

NOTE 8: PENSION PLANS (CONTINUED)

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/>.

Benefits provided

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

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

NOTE 8: PENSION PLANS (CONTINUED)

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

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

CERS

At June 30, 2022, the District reported a liability of \$7,649,921 for its proportionate share of the net pension liability for CERS. The net pension liability for each plan was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2021, the District's proportion was 0.11998% percent.

TRS

The District did not report a liability for the District's proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The District's proportionate share of the TRS net pension liability associated with the district is \$38,782,509.

For the year ended June 30, 2022, the District recognized pension expense of \$640,513 related to CERS and \$3,327,843 related to TRS. The District also recognized revenue of \$3,327,843 for TRS support provided by the Commonwealth. At June 30, 2022, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 8: PENSION PLANS (CONTINUED)

	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 87,845	\$ 74,248	
Change of assumptions	102,671		
Change in investment experience	296,766	1,316,372	
Change in proportionate share of contributions	80,617	128,983	
	567,899	<u>\$ 1,519,603</u>	<u>\$ (951,704)</u>
Subsequent contributions	<u>711,833</u>		
Total	<u>\$ 1,279,732</u>		

The contributions subsequent to the measurement date of \$711,833 will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. The net deferral of \$(951,704) will be recognized in pension expense as follows:

Year ending June 30	Net Deferral
2023	\$ (101,757)
2024	(296,987)
2025	(233,673)
2056	<u>(319,287)</u>
	<u>\$ (951,704)</u>

Actuarial assumptions

The total pension liability as of June 30, 2021 was based on an actuarial valuation date of June 30, 2020. The Total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2021, 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	6/30/2020
Actuarial cost method	Entry age normal
Asset valuation method	20% of difference
Amotrization method	Level percent of pay
Remaining amortization period	30 years, closed
Payroll growth rate	2.00%
Investment return	6.25%
Inflation	2.30%
Salary increase rate - nonhazardous	3.30% - 10.30%
Salary increase rate - hazardous	3.05% - 18.55%

NOTE 8: PENSION PLANS (CONTINUED)

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 KRS, 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 of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

NOTE 8: PENSION PLANS (CONTINUED)

CERS			KTRS		
Asset Class	Target Allocation	Long-term Expected Nominal Return	Asset Class	Target Allocation	Long-term Expected Nominal Return
US Equity	21.75%	5.70%	Large Cap US Equity	37.40%	4.20%
Non US Equity	21.75%	6.32%	Small Cap US Equity	2.60%	4.70%
Private Equity	10.00%	9.70%	Developed International Equity	16.50%	5.30%
Specialty Credit/High Yield	15.00%	2.80%	Emerging Markets Equity	5.50%	5.40%
Core Bonds	10.00%	0.00%	Fixed Income	15.00%	-0.10%
Cash	1.50%	-0.60%	High Yield Bonds	5.00%	1.70%
Real Estate	10.00%	5.40%	Additional categories	5.00%	2.20%
Real Return	10.00%	4.50%	Real Estate	7.00%	4.00%
			Private Equity	7.00%	6.90%
			Cash	2.00%	-0.30%
Expected real return	<u>100.00%</u>	<u>5.00%</u>	Expected real return	<u>103.00%</u>	<u>7.10%</u>
Long-term inflation assumption		<u>2.30%</u>	Long-term inflation assumption		<u>2.50%</u>

Discount rate

For CERS, the discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 5.00%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For TRS, the discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. 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 2.13% 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:

NOTE 8: PENSION PLANS (CONTINUED)

	1% Decrease	Current	1% Increase
	5.25%	Discount Rate	7.25%
		6.25%	
District's proportionate share of the CERS net pension liability	\$ 9,811,387	\$ 7,649,921	\$ 5,861,359

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 9: 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 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.

NOTE 9: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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

Plan description

The District's employees are provided 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.

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, 2021, 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.

NOTE 9: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Implicit Subsidy

The fully-insured premiums TRS 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, 2022, the District reported a liability for its proportionate share of the net OPEB liability of \$5,668,498 comprised of \$2,296,498 related to CERS and \$3,372,000 related to TRS.

The District's proportion of the net OPEB liability for CERS was 0.1199 percent and for TRS 0.1571%.

The net OPEB liability was measured as of June 30, 2021, 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.

For the year ended June 30, 2022, the District recognized OPEB expense of \$175,332 related to CERS and \$334,293 related to TRS. At June 30, 2022, 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	\$ 361,125	\$ 685,658	
Change of assumptions	608,845	2,135	
Change in investment experience	115,704	474,959	
Change in proportionate share of contributions	26,683	162,654	
	<u>1,112,357</u>	<u>\$ 1,325,406</u>	<u>\$ (213,049)</u>
Subsequent contributions	<u>194,352</u>		
Total	<u>\$ 1,306,709</u>		

	TRS		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ -	\$ 2,005,000	
Change of assumptions	882,000		
Change in investment experience		360,000	
Change in proportionate share of contributions	471,000	218,000	
	<u>1,353,000</u>	<u>\$ 2,583,000</u>	<u>\$ (1,230,000)</u>
Subsequent contributions	<u>272,408</u>		
Total	<u>\$ 1,625,408</u>		

NOTE 9: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

	Total		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 361,125	\$ 2,690,658	
Change of assumptions	1,490,845	2,135	
Change in investment experience	115,704	834,959	
Change in proportionate share of contributions	497,683	380,654	
	2,465,357	<u>\$ 3,908,406</u>	<u>\$ (1,443,049)</u>
Subsequent contributions	466,760		
Total	<u>\$ 2,932,117</u>		

The contributions subsequent to the measurement date of \$466,760 will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. The net deferral of \$(1,443,049) will be recognized in pension expense as follows:

Year ending June 30	Net Deferral
2023	\$ (343,079)
2024	(399,547)
2025	(305,768)
2026	(384,655)
2027	(10,000)
	<u>\$ (1,443,049)</u>

Actuarial assumptions

The total OPEB liability, net OPEB liability, and sensitivity as of June 30, 2021 were based on an actuarial valuation date of June 30, 2020. The total OPEB liability was rolled-forward from the valuation date 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, 2021 was determined using these updated assumptions.

NOTE 9: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

The actuarial assumptions are:

Benefits	2022
	no change
Assumptions	2022
Valuation date	6/30/2020
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay
Remaining amortization period	30 years, closed
Payroll growth rate	2.00%
Investment rate of return	6.25%
Inflation	2.30%
Salary increase rate - nonhazardous	3.30% - 10.30%
Salary increase rate - hazardous	3.05% - 18.55%
Health care cost trends:	
Pre-65	6.250% decreasing to an ultimate rate of 4.05% in 12 years
Post-65	5.50% decreasing to an ultimate rate of 4.05% in 12 years
TRS	
Benefits	2022
	no change
Assumptions	2022
Inflation	2.50%
Real wage growth	25.00%
Wage inflation	275.00%
Salary increase rate	3.50% - 7.50%
Investment rate of return - MIF	7.10%
Investment rate of return - LIF	7.10%
Municipal bond index	2.13%
Single equivalent investment rate - MIF	7.10%
Single equivalent investment rate - LIF	7.10%
Health care cost trends:	
Pre-65	7.00% decreasing to an ultimate rate of 4.50% by FYE 2031
Post-65	5.00% decreasing to an ultimate rate of 4.50% by FYE 2024
Medicare part B premiums	4.40% with an ultimate rate of 4.50% by FYE 2034

NOTE 9: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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 years 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.

CERS		
Asset Class	Target Allocation	Long-term Expected
		Nominal Return
US Equity	21.75%	5.70%
Non US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Real Estate	10.00%	5.40%
Real Return	10.00%	4.55%
Expected real return	<u>100.00%</u>	<u>5.00%</u>
Long-term inflation assumption		<u>2.50%</u>

NOTE 9: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

TRS - MIF			TRS - LIF		
Asset Class	Target Allocation	Long-term Expected Nominal Return	Asset Class	Target Allocation	Long-term Expected Nominal Return
Global equity	58.00%	5.10%	US Equity	40.00%	4.40%
Fixed income	9.00%	-0.10%	International Equity	23.00%	5.60%
Real Estate	6.50%	4.00%	Fixed Income	18.00%	-0.10%
Private equity	8.50%	6.90%	Real Estate	6.00%	4.00%
High Yield	8.00%	1.70%	Private Equity	5.00%	6.90%
Other categories	9.00%	2.20%	Additional Categories	6.00%	2.10%
Cash (LIBOR)	1.00%	-0.30%	Cash (LIBOR)	2.00%	-0.30%
Expected real return	<u>100.00%</u>	<u>7.10%</u>	Expected real return	<u>100.00%</u>	<u>7.10%</u>
Long-term inflation assumption		<u>2.50%</u>	Long-term inflation assumption		<u>2.50%</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 TRS 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 9: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

	1% Decrease 6.10%	Discount Rate 7.10%	1% Increase 8.10%
District's proportionate share of the TRS net OPEB liability	\$ 4,317,000	\$ 3,372,000	\$ 2,591,000
		Current	
	1% Decrease 4.34%	Discount Rate 5.34%	1% Increase 6.34%
District's proportionate share of the CERS net OPEB liability	\$ 3,153,074	\$ 2,296,498	\$ 1,593,535
Total	\$ 7,470,074	\$ 5,668,498	\$ 4,184,535

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:

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the TRS net OPEB liability	\$ 2,450,000	\$ 3,372,000	\$ 4,519,000
District's proportionate share of the CERS net OPEB liability	1,653,205	2,296,498	3,072,961
Total	\$ 4,103,205	\$ 5,668,498	\$ 7,591,961

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 10: 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 10: 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 11: 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, 2022 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 12: CORRECTION OF AN ERROR

During the year ended June 30, 2022 amounts were corrected for accumulated depreciation the was understated in prior years. The following shows the effect on the preceding period change in net position for the prior period adjustment as well as the cumulative effect on the change in net position as of the beginning of fiscal year 2022.

<u>Governmental Activities</u>	<u>As Previously Reported</u>	<u>Prior Period Adjustment</u>	<u>As Restated</u>
Accumulated depreciation	<u>\$ 21,057,074</u>	<u>\$ 3,161,498</u>	<u>\$ 24,218,572</u>
Cumulative effect on net position as of July 1, 2021	<u>\$ 5,068,788</u>	<u>\$ (3,161,498)</u>	<u>\$ 1,907,290</u>

NOTE 13: FUND TRANSFERS

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Special Revenue	Technology Match	\$ 29,362
Special Revenue	General	Operating	492,107
Building Fund	Debt Service	Debt service	935,813
			<u>\$ 1,457,282</u>

NOTE 14: ON-BEHALF PAYMENTS

For the year ended June 30, 2022 payments of \$769,391 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:

<u>Fund</u>	
General	\$ 5,336,871
Debt service	280,307
Food service	219,545
	<u>\$ 5,836,723</u>

<u>Type</u>	
Retirement	\$ 3,327,843
Health insurance less federal reimbursement	2,018,615
Life insurance	3,379
Administrative fee	26,996
HRA/Dental/Vision insurance	84,513
Technology	95,070
Debt service	280,307
	<u>\$ 5,836,723</u>

REQUIRED SUPPLEMENTARY INFORMATION

Newport Independent School District
 Budgetary Comparison Schedule – General Fund
 June 30, 2022

	Budgeted Amounts			Variance
	Original	Final	Actual	Final to Actual
Revenues				
Local sources	\$ 11,429,427	\$ 11,429,427	\$ 10,795,358	\$ (634,069)
State sources	4,390,791	4,390,791	9,725,599	5,334,808
Federal sources	250,000	250,000	271,315	21,315
Total revenues	16,070,218	16,070,218	20,792,272	4,722,054
Expenditures				
Instruction	9,970,813	9,970,813	12,917,732	(2,946,919)
Support services:				-
Student	809,377	809,377	1,142,951	(333,574)
Instruction staff	681,000	681,000	569,443	111,557
District administrative	1,609,655	1,609,655	1,480,919	128,736
School administrative	881,937	881,937	1,296,545	(414,608)
Business	1,030,969	1,030,969	905,000	125,969
Plant operations	3,061,251	3,061,251	2,859,027	202,224
Student transportation	353,200	353,200	825,048	(471,848)
Food service	-	-	(68,846)	68,846
Debt service	50,000	50,000	52,882	(2,882)
Contingency	3,701,639	3,701,639	-	3,701,639
Total expenditures	22,149,841	22,149,841	21,980,701	169,140
Excess (deficiency) of revenues over expenditures	(6,079,623)	(6,079,623)	(1,188,429)	4,552,914
Other financing sources (uses)				
Transfers in	2,062,156	2,062,156	492,107	(1,570,049)
Transfers out	(30,264)	(30,264)	(29,362)	902
Bond proceeds			283,889	283,889
Total other financing sources (uses)	2,031,892	2,031,892	746,634	(1,285,258)
Net change in fund balances	(4,047,731)	(4,047,731)	(441,795)	3,605,936
Fund balances - beginning of year	4,047,731	4,047,731	4,644,139	596,408
Fund balances - end of year	\$ -	\$ -	\$ 4,202,344	\$ 4,202,344

Newport Independent School District
 Budgetary Comparison Schedule – Special Revenue Fund
 June 30, 2022

	Budgeted Amounts			Variance
	Original	Final	Actual	Final to Actual
Revenues				
Local sources	\$ 102,280	\$ 102,280	\$ 121,049	\$ 18,769
State sources	1,226,148	1,226,148	1,062,028	(164,120)
Federal sources	26,033,681	26,033,681	5,996,632	(20,037,049)
Total revenues	27,362,109	27,362,109	7,179,709	(20,182,400)
Expenditures				
Instruction	21,049,232	21,049,232	4,795,816	16,253,416
Support services:				
Student	111,323	111,323	478,819	(367,496)
Instruction staff	483,653	483,653	1,071,705	(588,052)
District admin	55,773	55,773	(42,280)	98,053
School admin	-	-	-	-
Plant operations	4,169,983	4,169,983	532,781	3,637,202
Student transportation			-	-
Food service			116,651	(116,651)
Community services	1,024,619	1,024,619	790,635	233,984
Total expenditures	26,894,583	26,894,583	7,744,127	19,150,456
Excess (deficiency) of revenues over expenditures	467,526	467,526	(564,418)	(39,332,856)
Other financing sources (uses)				
Transfers in	30,264	30,264	29,362	(902)
Transfers out	(3,498,382)	(3,498,382)	(492,107)	3,006,275
Total other financing sources (uses)	(3,468,118)	(3,468,118)	(462,745)	3,005,373
Net change in fund balances	(3,000,592)	(3,000,592)	(1,027,163)	1,973,429
Fund balances - beginning of year	-	-	(1,051,677)	(1,051,677)
Fund balances - end of year	\$ (3,000,592)	\$ (3,000,592)	\$ (2,078,840)	\$ 921,752

Newport Independent School District
Schedule of District's Proportionate Share of the Net Pension Liability
And Contributions - TRS
June 30, 2022

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

As of June 30,	2022	2021	2020	2019	2018	2017	2016	2015
Measurement period as of June 30,	2021	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%	0.0000%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability	\$ 38,782,509	\$ 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	\$ 9,388,600	\$ 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%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	65.59%	58.27%	58.76%	59.30%	39.83%	35.22%	42.49%	45.59%

Schedule of District's Contributions - TRS

As of June 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Actual contribution	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 9,080,267	\$ 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%	0.00%

Newport Independent School District
Schedule of District's Proportionate Share of the Net Pension Liability
And Contributions - CERS
June 30, 2022

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

As of June 30,	2022	2021	2020	2019	2018	2017	2016	2015
Measurement period as of June 30,	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.1200%	0.1115%	0.1135%	0.1105%	0.1102%	0.1138%	0.1108%	0.1125%
District's proportionate share of the net pension liability	\$ 7,649,921	\$ 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	\$ 3,026,562	\$ 3,669,555	\$ 3,691,890	\$ 3,800,125	\$ 3,351,579	\$ 3,369,890	\$ 3,172,389	\$ 3,035,128
District's proportionate share of the net pension liability as a percentage of its covered payroll	252.76%	257.25%	229.82%	191.52%	238.00%	206.17%	184.49%	141.51%
Plan fiduciary net position as a percentage of the total pension liability	55.95%	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%

Schedule of District's Contributions - CERS

As of June 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 711,833	\$ 584,126	\$ 882,895	\$ 793,018	\$ 728,864	\$ 626,075	\$ 574,902	\$ 560,614	\$ 573,336
Actual contribution	711,833	584,126	882,895	793,018	728,864	626,075	574,902	560,614	576,336
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (3,000)
District's covered payroll	\$ 3,362,461	\$ 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	21.17%	19.30%	24.06%	21.48%	19.18%	18.68%	17.06%	17.67%	18.99%

Newport Independent School District
Schedule of District's Proportionate Share of the Net OPEB Liability
And Contributions – TRS Medical Insurance Fund
June 30, 2022

Schedule of District's Proportionate Share of the Net OPEB Liability - TRS Medical Insurance Plan

As of June 30, Measurement period as of June 30,	2022 2021	2021 2020	2020 2019	2019 2018	2018 2017
District's proportion of the net OPEB liability	0.0206%	0.0239%	0.0239%	0.0229%	0.0222%
District's proportionate share of the net OPEB liability	\$ 3,372,000	\$ 3,855,000	\$ 4,298,000	\$ 4,752,000	\$ 5,462,000
State's proportionate share of the net OPEB liability	\$ 2,738,000	\$ 3,088,000	\$ 4,461,000	\$ 4,095,000	\$ 3,471,000
District's covered payroll	\$ 9,388,600	\$ 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	35.92%	45.23%	52.85%	54.33%	57.34%
Plan fiduciary net position as a percentage of the total OPEB liability	51.47%	39.05%	32.58%	25.54%	21.18%

Schedule of District's Contributions - TRS Medical Insurance Plan

As of June 30,	2022	2021	2020	2019	2018	2017
Contractually required contribution	\$ 272,408	\$ 281,658	\$ 255,707	\$ 243,974	\$ 262,414	
Actual contribution	272,408	281,658	255,707	243,974	262,414	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 9,080,267	\$ 9,388,600	\$ 8,523,566	\$ 8,132,466	\$ 8,747,133	\$ 9,254,519
Contributions as a percentage of covered payroll	3.00%	3.00%	3.00%	3.00%	3.00%	0.00%

Newport Independent School District
Schedule of District's Proportionate Share of the Net OPEB Liability
And Contributions – TRS Life Insurance Fund
June 30, 2022

Schedule of District's Proportionate Share of the Net OPEB Liability - TRS Life Insurance Plan

As of June 30,	2022	2021	2020	2019	2018
Measurement period as of June 30,	2021	2020	2019	2018	2017
District's proportion of the net OPEB liability	0.0000%	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	\$ 36,000	\$ 93,000	\$ 81,000	\$ 70,000	\$ 60,000
District's covered payroll	\$ 9,388,600	\$ 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%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	89.15%	71.57%	73.40%	74.97%	79.99%

Schedule of District's Contributions - TRS Life Insurance Plan

As of June 30,	2022	2021	2020	2019	2018	2017
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Actual contribution	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 9,080,267	\$ 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%	0.00%

Newport Independent School District
Schedule of District's Proportionate Share of the Net OPEB Liability
And Contributions – CERS
June 30, 2022

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

As of June 30,	2022	2021	2020	2019	2018
Measurement period as of June 30,	2021	2020	2019	2018	2017
District's proportion of the net OPEB liability	0.1200%	0.1115%	0.1134%	0.4405%	0.1102%
District's proportionate share of the net OPEB liability	\$ 2,296,498	\$ 2,971,090	\$ 2,021,390	\$ 2,121,663	\$ 2,739,594
District's covered payroll	\$ 3,026,562	\$ 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	75.88%	80.97%	54.75%	55.83%	81.74%
Plan fiduciary net position as a percentage of the total OPEB liability	58.41%	51.67%	60.44%	57.62%	52.39%

Schedule of District's Contributions - CERS

As of June 30,	2022	2021	2020	2019	2018	2017
Contractually required contribution	\$ 194,352	\$ 144,064	\$ 174,670	\$ 194,193	\$ 178,605	\$ 158,259
Actual contribution	194,352	144,064	174,670	194,193	178,605	158,259
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 3,362,461	\$ 3,026,562	\$ 3,669,555	\$ 3,691,890	\$ 3,800,125	\$ 3,351,579
Contributions as a percentage of covered payroll	5.78%	4.76%	4.76%	5.26%	4.70%	4.72%

SUPPLEMENTARY INFORMATION

Newport Independent School District
Combining Balance Sheet – Nonmajor Funds
June 30, 2022

	District Activity Fund	Student Activity Fund	Capital Outlay Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Assets					
Cash and cash equivalents	\$ 75,941	\$ 120,237	\$ 207,124	\$	\$ 403,302
Total assets	<u>\$ 75,941</u>	<u>\$ 120,237</u>	<u>\$ 207,124</u>	<u>\$ 0</u>	<u>\$ 403,302</u>
Liabilities					
Accounts payable	\$ 126	\$	\$	\$	\$ 126
Total liabilities	<u>126</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>126</u>
Fund balances					
Restricted	\$ 75,815	\$ 116,950	\$ 207,124		\$ 399,889
Unassigned		3,287			3,287
Total fund balances	<u>75,815</u>	<u>120,237</u>	<u>207,124</u>	<u>0</u>	<u>403,176</u>
Total liabilities and fund balances	<u>\$ 75,941</u>	<u>\$ 120,237</u>	<u>\$ 207,124</u>	<u>\$ 0</u>	<u>\$ 403,302</u>

Newport Independent School District
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances – Nonmajor Funds
June 30, 2022

	District Activity Fund	Student Activity Fund	Capital Outlay Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues					
From local sources:					
Other local revenue	\$ 32,962	\$ 92,034			\$ 124,996
State on-behalf				280,307	280,307
State sources			139,819		139,819
Total revenues	32,962	92,034	139,819	280,307	545,122
Expenditures					
Instruction	14,366	78,952			93,318
Support services:					
Student		9,795			9,795
Principal				2,070,000	2,070,000
Interest				456,120	456,120
Total expenditures	14,366	88,747	0	2,526,120	2,629,233
Excess of revenues over (under) expenditures	18,596	3,287	139,819	(2,245,813)	(2,084,111)
Other financing sources (uses)					
Transfers in				935,813	935,813
Original issue discount				(55,000)	(55,000)
Bond proceeds				1,365,000	1,365,000
Total other financing sources (uses)	-	0	0	2,245,813	2,245,813
Net change in fund balances	18,596	3,287	139,819	0	161,702
Fund balances - beginning	57,219	116,950	67,305	0	241,474
Fund balances - end of year	\$ 75,815	\$ 120,237	\$ 207,124	\$ 0	\$ 403,176

Newport Independent School District
Schedule of Receipts, Disbursements, and Fund Balance
School Activity Funds
June 30, 2022

Fund Name	Cash Balance July 1, 2021	Receipts	Expenditure	Transfers	Cash Balance June 30, 2022
Abroad trip	\$ 463			(463)	\$ 0
Annual	1,427	2,932	1,715	682	3,326
Archery club	5				5
Band	457	872	535		794
Baseball	705	805	805		705
Basketball	586	2,991	1,120		2,457
Carpentry	590				590
Cheerleading	1,677	3,999	3,830		1,846
Class of 2021	157				157
Class of 2022	-	4,398	4,286		112
District		2,030			2,030
Donna Murphy Invitational Tour	912	203	1,440		(325)
Drama	1,160	1,989	1,510		1,639
FBLA	126	2,624	2,040	(327)	383
FCCLA	55	2,189	2,525	327	46
Football	4,807	3,032	2,654		5,185
YSC holiday	2,247	460		(2,707)	-
Girls basketball	412	2,420	4,556		(1,724)
Graphic arts	1,237	588	1,270		555
GSA	188				188
Interest account	5,287	182			5,469
John Turner memorial donations	6,431	1,707	7,042	2,222	3,318
Library	2,802	1,494	535		3,761
Lockers	5				5
National Honor Society	431				431
Newport Strong	590				590
Officials	21,640	30,866	8,996	(2,222)	41,288
Pep club	267				267
Prom	3,073	3,090	6,886		(723)

Newport Independent School District
Schedule of Receipts, Disbursements, and Fund Balance
School Activity Funds
June 30, 2022

Fund Name	Cash Balance July 1, 2021	Receipts	Expenditure	Transfers	Cash Balance June 30, 2022
Records and postage	1,099	15			1,114
Skills USA	2,205	1,610	2,384		1,431
Soccer	1,895				1,895
Softball	1,617				1,617
Spirit shop	2,571	1,021	2,352	46	1,286
Start up		1,800	1,400		400
Student activity	3,080	500	3,402	(219)	(41)
Student council	1,700				1,700
Teachers lounge	105	380			485
Track	2,184				2,184
Volleyball	1,688	4,628	1,230		5,086
Wrestling	124		40		84
YSC general fund		100	2,713	2,661	48
YSC class of 1964	0	2,525	2,500		25
Due to student groups	\$ 76,005	\$ 81,450	\$ 67,766	\$ -	\$ 89,689

Newport Independent School District
Schedule of Receipts, Disbursements, and Fund Balance
School Activity Funds
June 30, 2022

	Cash Balance July 1, 2021	Receipts	Expenditure	Cash Balance June 30, 2022
Newport High School	\$ 76,005	\$ 81,450	\$ 67,766	\$ 89,689
Newport Intermediate	7,229	6,587	2,302	11,514
Newport Primary	19,505	5,317	8,921	15,901
Newport Alternative	5,655	7,422	9,944	3,133
	<u>\$ 108,394</u>	<u>\$ 100,776</u>	<u>\$ 88,933</u>	<u>\$ 120,237</u>

Newport Independent School District
Schedule of Expenditures of Federal Awards
June 30, 2022

Federal Grantor Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Education			
<i>Passed through the Kentucky Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	3100002 18	\$ 48,550
Title I Grants to Local Educational Agencies	84.010	3100002 19	257,874
Title I Grants to Local Educational Agencies	84.010	3100002 20	34,144
Title I Grants to Local Educational Agencies	84.010	3100002 21	1,366,958
Title I Grants to Local Educational Agencies	84.010	3100102 19	13,052
Title I Grants to Local Educational Agencies	84.010	3100102 20	797
Title I Grants to Local Educational Agencies	84.010	3100102 21	53,512
Title I Grants to Local Educational Agencies	84.010	3100202 17	165,831
Title I Grants to Local Educational Agencies	84.010	3100202 18	116,210
Title I Grants to Local Educational Agencies	84.010	3100202 20	82,013
Subtotal			2,138,941
Special Education - Grants to States (IDEA, Part B)	84.027	3810002 20	59,431
Special Education - Grants to States (IDEA, Part B)	84.027	3810002 21	331,533
Special Education Preschool Grants	84.173	3800003 20	14,981
Special Education Preschool Grants	84.173	3800003 21	11,441
Subtotal			417,386
Career and Technical Education	84.048	3710002 20	2,037
Career and Technical Education	84.048	3710002 21	36,012
Subtotal			38,049
English Language Acquisiton State Grants	84.365	3300002 20	1,470
English Language Acquisiton State Grants	84.365	3300002 21	2,744
Subtotal			4,214
Education for Homeless Children and Youth	84.196	3990002 20	72,875
Education for Homeless Children and Youth	84.196	3990002 21	36,233
Subtotal			109,108
Adult Education - Basic Grants to States	84.002	2000000426	89,414
Adult Education - Basic Grants to States	84.002	2000000426	48,473
Subtotal			137,887
21st Century Community Learning Centers	84.287	3400002 20	17,918
22nd Century Community Learning Centers	84.287	3400002 21	100,730
23rd Century Community Learning Centers	84.287	3400002 22	172,413
Subtotal			291,061
Education Stabilization Fund	84.425D	4000002.20	198,158
Education Stabilization Fund	84.425D	4200002.21	603,990
Education Stabilization Fund	84.425U	4300002 21	2,754,345
Subtotal			3,556,493
Total U.S. Department of Education			6,402,078

Newport Independent School District
Schedule of Expenditures of Federal Awards
June 30, 2022

Federal Grantor Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Agriculture			
Child Nutrition Cluster			
<i>Passed through Kentucky Department of Education</i>			
National School Lunch Program	10.555	4800014	46,460
Subtotal			46,460
Summer Food Service Program	10.559	7740023 21	952,015
Subtotal			952,015
Total Child Nutrition Cluster			998,475
Total U.S. Department of Agriculture			998,475
Total Expenditures of Federal Awards			\$ 7,400,553

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, 2022. 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, 2022.

Newport Independent School District
Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on and Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards*
June 30, 2022



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, 2022 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 1, 2022.

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 1, 2022.

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 1, 2022



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, 2022. 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 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, 2022. 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
November 1, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

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 programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance (2 CFD 500.516(a))?

 X Yes None reported

Identification of Major Programs

CFDA Number(s)	Name of Federal Program or Cluster
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee

 X Yes No

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

NO PRIOR FINDINGS



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, 2022, 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 1, 2022 contains our report on the District's internal control. This letter does not affect our report dated November 1, 2022 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 Comments

Activity Funds

2022-01 High School

In our testing of activity fund disbursements, we noted instances in which school activity forms were not utilized as required by Accounting Procedures for Kentucky School Activity Funds.

In our testing of activity fund receipts, we noted instances in which remitters signatures were not obtained as required by Accounting Procedures for Kentucky School Activity Funds.

District's Response

Staff will be trained on the appropriate requirements and required documentation.

Prior Year Comments

Central Office

The District did not publish its annual financial statement.

This comment was not repeated in the current year.