

NEWPORT INDEPENDENT SCHOOL DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Report on the 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, 2023, 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, 2023 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis 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, pension schedules, and OPEB schedules 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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, combining and individual school activity 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, combining and individual school activity 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 6, 2023, 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 6, 2023

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

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of the District were more than its liabilities and deferred outflows at the close of the most recent fiscal year by \$3,780,761 (net position). The unrestricted net position, which represents the amounts available to meet the District's ongoing obligations to citizens and creditors, was a deficit of \$11,326,280. The District is committed 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 year-end, the District has liabilities of for postemployment benefits of \$16,284,926 which caused the deficit balance in the unrestricted net position.

The District's total net position increased by \$4,532,131.

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.

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. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District 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.

The government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, district and school administration, business and plant operations, student transportation, and operation of non-instructional services. Fixed assets and debt is also supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on pages 9-10 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is the state mandated accounting system including a chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The proprietary fund is for food service operations. The fiduciary fund is a trust fund established by benefactors to aid in student education, welfare, and teacher support. All other activities of the District are included in the governmental funds. The basic governmental fund financial statements can be found on pages 11-20 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 21-55 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, 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. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Net Position

	Governmental Activities		Business-Type Activities	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Assets				
Current assets	\$ 9,631,268	\$ 7,690,336	\$ 441,479	\$ 451,605
Non-current assets	29,660,752	25,330,566	45,852	59,555
Total assets	39,292,020	33,020,902	487,331	511,160
Deferred outflows	5,169,458	3,949,023	193,266	262,826
Liabilities				
Current liabilities	2,963,430	781,338	-	2,985
Non-current liabilities	34,012,971	31,108,307	1,006,914	994,642
Total liabilities	36,976,401	31,889,645	1,006,914	997,627
Deferred inflows	3,278,189	5,143,508	99,810	284,501
Net position				
Net investment in capital assets	11,523,188	7,742,093	45,852	59,555
Restricted	4,009,980	2,393,922	(471,979)	(567,697)
Unrestricted	(11,326,280)	(10,199,243)	-	-
Total net position	\$ 4,206,888	\$ (63,228)	\$ (426,127)	\$ (508,142)

Change in Net Position

	Governmental Activities		Business-Type Activities	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2021
Revenues:				
Local revenue	\$ 12,858,754	\$ 12,086,958	\$ 65,937	\$ 57,021
State revenue	14,116,029	11,442,935	277,869	328,098
Federal revenue	11,531,348	6,267,947	1,179,862	1,036,209
Total revenues	38,506,131	29,797,840	1,523,668	1,421,328
Expenses:				
Instruction	21,273,619	18,206,991	-	-
Student support	1,010,973	1,637,877	-	-
Instruction staff	920,805	1,635,275	-	-
District administrative	2,795,563	1,604,154	-	-
School administrative	1,156,428	1,308,728	-	-
Business support	978,235	864,708	-	-
Plant operations and maintenance	3,163,970	4,462,743	-	-
Building improvements	1,165,616	-	-	-
Student transportation	356,849	745,282	-	-
Food service	1,004	41,937	1,363,030	1,078,192
Community services	905,169	791,432	-	-
Interest on long-term debt	583,268	469,231	-	-
Total expenditures	34,311,499	31,768,358	1,363,030	1,078,192
Transfers	75,484	-	(78,623)	-
Change in net position	\$ 4,270,116	\$ (1,970,518)	\$ 82,015	\$ 343,136

GOVERNMENTAL FUND FINANCIAL ANALYSIS

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the District's government funds reported combined fund balances of \$6,667,838 a increase of \$68,285 in comparison with the prior year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,439,878. The total general fund balance decreased \$225,712.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the District had \$28,691,011 in capital assets net of depreciation. Net capital assets increased \$3,300,890.

	Governmental Activities		Business-Type Activities	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2021
Land	\$ 1,109,955	\$ 1,109,955	\$ -	\$ -
Land and improvements	234,144	253,146	-	-
Buildings and improvements	20,338,645	21,579,684	-	-
Technology equipment	412,348	707,536	-	-
Vehicles	204,630	121,893	-	-
General equipment	580,740	649,309	45,440	57,792
Construction in progress	5,764,697	909,043	412	1,763
Total capital assets	\$ 28,645,159	\$ 25,330,566	\$ 45,852	\$ 59,555

Long-Term Obligations

At the end of the fiscal year, the District had \$34,958,047 in long-term liabilities. Long-term liabilities increased \$2,920,512.

	Governmental Activities		Business-Type Activities	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2021
Bonds payable	\$ 16,722,049	\$ 17,588,473	\$ -	\$ -
KISTA payable	399,922	469,582	-	-
Operating leases	1,015,593	309,445	-	-
Compensated absences	535,557	351,616	-	-
Net OPEB liability	7,280,057	5,438,848	215,907	229,650
Net pension liability	7,997,955	6,884,929	791,007	764,992
Total long-term liabilities	\$ 33,951,133	\$ 31,042,893	\$ 1,006,914	\$ 994,642

GENERAL FUND BUDGET

Kentucky state statutes and the Kentucky Department of Education require school districts to adopt a budget that has a minimum 2% contingency. The District adopted a general fund budget that had a contingency of 5%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Budgeted general fund revenue for the District decreased for the upcoming fiscal year primarily due to higher expected property tax revenue. Budgeted general fund expenditures decreased for the upcoming fiscal year primarily due to higher wage costs.

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 Finance Officer, Jennifer Hoover, 30 W 8th Street, Newport, KY 41071.

Newport Independent School District
Statement of Net Position
June 30, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 5,640,704	\$ 303,051	\$ 5,943,755
Receivables:			
Taxes	233,994	-	233,994
Intergovernmental	3,756,570	132,774	3,889,344
Inventory	-	5,654	5,654
Right-of-use lease assets - operating	1,015,593	-	1,015,593
Capital assets, net	28,645,159	45,852	28,691,011
Total assets	39,292,020	487,331	39,779,351
Deferred outflows of resources			
OPEB related	4,005,112	80,810	4,085,922
Pension related	1,164,346	112,456	1,276,802
Total deferred outflows of resources	5,169,458	193,266	5,362,724
Liabilities			
Accounts payable	50,368	-	50,368
Accrued wages and benefits	512,927	-	512,927
Unearned revenue	2,400,135	-	2,400,135
Accrued interest payable	61,838	-	61,838
Due within one year:			
Bonds payable	881,424	-	881,424
Financed purchases	68,767	-	68,767
Lease obligation - operating lease	259,072	-	259,072
Due in more than one year:			
Bonds payable	15,840,625	-	15,840,625
Financed purchases	331,155	-	331,155
Lease obligation - operating lease	756,521	-	756,521
Compensated absences	535,557	-	535,557
Net OPEB liability	7,280,057	215,907	7,495,964
Net pension liability	7,997,955	791,007	8,788,962
Total liabilities	36,976,401	1,006,914	37,983,315
Deferred inflows of resources			
OPEB related	3,146,292	86,765	3,233,057
Pension related	131,897	13,045	144,942
Total deferred inflows of resources	3,278,189	99,810	3,377,999
Net position			
Net investment in capital assets	11,523,188	45,852	11,569,040
Restricted (deficit)	4,009,980	(471,979)	3,538,001
Unrestricted (deficit)	(11,326,280)	-	(11,326,280)
Total net position (deficit)	\$ 4,206,888	\$ (426,127)	\$ 3,780,761

See accompanying notes to financial statements.

Newport Independent School District
Statement of Activities
Year Ended June 30, 2023

	Expenses	Charges for Services	Operating Grants and Contribution	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction	\$ 21,273,619	\$ -	\$ 13,322,603	\$ -	\$ (7,951,016)
Support services:					
Student	1,010,973	-	152,795	-	(858,178)
Instructional staff	920,805	-	222,280	-	(698,525)
District administration	2,795,563	-	1,448,750	-	(1,346,813)
School administration	1,156,428	-	-	-	(1,156,428)
Business	978,235	-	93,270	-	(884,965)
Plant operation	3,163,970	-	-	-	(3,163,970)
Building improvements	1,165,616	-	1,065,749	2,145,300	2,045,433
Student transportation	356,849	-	93,729	-	(263,120)
Food service	1,004	-	1,004	-	-
Community service	905,169	-	905,068	-	(101)
Interest on long-term debt	583,268	-	-	363,899	(219,369)
Total governmental activities	34,311,499	-	17,305,248	2,509,199	(14,497,052)
Business-Type Activities					
Food service	1,363,030	65,906	1,457,731	-	160,607
Total business-type activities	1,363,030	65,906	1,457,731	-	160,607
Total school district	\$ 35,674,529	\$ 65,906	\$ 18,762,979	\$ 2,509,199	(14,336,445)
			Governmental Activities	Business-Type Activities	Total
Excess of revenue over expenses			(14,497,052)	160,607	(14,336,445)
General Revenues					
Property taxes			11,112,284	-	11,112,284
Motor vehicle taxes			1,163,051	-	1,163,051
Utilities tax			31,498	-	31,498
State aid			5,543,230	-	5,543,230
Investment earnings			83,703	-	83,703
Federal reimbursements			289,700	-	289,700
Other			468,218	31	468,249
Transfers			75,484	(78,623)	(3,139)
Total general revenues			18,767,168	(78,592)	18,688,576
Change in net position			4,270,116	82,015	4,352,131
Net position (deficit) - beginning of year restated			(63,228)	(508,142)	(571,370)
Net position (deficit) - end of year			\$ 4,206,888	\$ (426,127)	\$ 3,780,761

See accompanying notes to financial statements.

Newport Independent School District
Balance Sheet – Governmental Funds
June 30, 2023

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents (deficit)	\$ 2,949,498	\$ -	\$ 2,089,841	\$ 601,365	\$ 5,640,704
Interfund receivable	\$ 1,310,929	\$ 0	\$ -	-	1,310,929
Accounts receivable	233,994	3,756,570	-	-	3,990,564
Total assets	\$ 4,494,421	\$ 3,756,570	\$ 2,089,841	\$ 601,365	\$ 10,942,197
Liabilities					
Accounts payable	\$ 4,862	\$ 45,506	\$ -	\$ -	\$ 50,368
Accrued wages and benefits	512,927	-	-	-	512,927
Interfund payable	-	1,310,929	-	-	1,310,929
Unearned revenue	-	2,400,135	-	-	2,400,135
Total liabilities	517,789	3,756,570	-	-	4,274,359
Fund balances					
Restricted	-	-	2,089,841	601,365	2,691,206
Committed	2,535,354	-	-	-	2,535,354
Assigned	1,400	-	-	-	1,400
Unassigned	1,439,878	-	-	-	1,439,878
Total fund balances	3,976,632	-	2,089,841	601,365	6,667,838
Total liabilities and fund balances	\$ 4,494,421	\$ 3,756,570	\$ 2,089,841	\$ 601,365	\$ 10,942,197

Newport Independent School District
 Reconciliation of the Balance Sheet – Governmental Funds
 to the Statement of Net Position
 June 30, 2023

Total fund balances - governmental funds	\$ 6,667,838
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Amounts reported for governmental activities in the statement
of net position are different because:

Capital and leased assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	29,660,752
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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	4,005,112
Deferred outflows - pensions	1,164,346
Deferred inflows - OPEB	(3,146,292)
Deferred inflows - pension	(131,897)

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

Accrued interest payable	(61,838)
Bonds payable	(16,722,049)
Financed purchases	(399,922)
Lease liability	(1,015,593)
Compensated absences	(535,557)
Net OPEB liability	(7,280,057)
Net pension liability	(7,997,955)

Net position of governmental activities	\$ 4,206,888
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See accompanying notes to financial statements.

Newport Independent School District
Statement of Revenues, Expenditures and Changes in Fund
Balances – Governmental Funds
June 30, 2023

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
From local sources:					
Property taxes	\$ 10,009,269	\$ -	\$ -	\$ 1,103,014	\$ 11,112,283
Motor vehicle taxes	1,163,051	-	-	-	1,163,051
Utility taxes	31,498	-	-	-	31,498
Earnings on investments	83,703	-	-	-	83,703
Other local revenue	169,959	136,326	-	161,934	468,219
Intergovernmental - state SEEK	4,482,712	-	-	457,363	4,940,075
Intergovernmental - state on-behalf	6,063,600	-	-	363,899	6,427,499
Intergovernmental - state	2,000	601,155	2,145,300	-	2,748,455
Intergovernmental - federal	289,700	11,241,648	-	-	11,531,348
Total revenues	22,295,492	11,979,129	2,145,300	2,086,210	38,506,131

Newport Independent School District
Statement of Revenues, Expenditures and Changes in Fund
Balances – Governmental Funds - Continued
June 30, 2023

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
Expenditures					
Instruction	14,875,089	5,632,541	-	131,237	20,638,867
Support services:					
Student	843,803	149,286	-	6,848	999,937
Instruction staff	693,704	222,280	-	-	915,984
District administrative	1,306,851	1,448,750	-	-	2,755,601
School administrative	1,122,183	-	-	-	1,122,183
Business support	883,558	93,270	-	-	976,828
Plant operation & maintenance	2,724,659	(515,594)	-	-	2,209,065
Building improvements	-	-	6,019,153	-	6,019,153
Student transportation	446,712	-	-	-	446,712
Food service	-	1,004	-	-	1,004
Community services	-	905,068	-	-	905,068
Debt service					
Principal	69,660	-	-	870,000	939,660
Interest	12,810	-	-	570,458	583,268
Total expenditures	22,979,029	7,936,605	6,019,153	1,578,543	38,513,330
Excess of revenues over (under) expenditures	(683,537)	4,042,524	(3,873,853)	507,667	(7,199)
Other financing sources (uses)					
Transfers in	490,327	29,362	3,302,322	1,076,559	4,898,570
Transfers out	(32,502)	(1,993,046)	-	(2,797,538)	(4,823,086)
Total other financing sources (uses)	457,825	(1,963,684)	3,302,322	(1,720,979)	75,484
Net change in fund balances	(225,712)	2,078,840	(571,531)	(1,213,312)	68,285
Fund balances - beginning	4,202,344	(2,078,840)	2,661,372	1,814,677	6,599,553
Fund balances - end of year	\$ 3,976,632	\$ 0	\$ 2,089,841	\$ 601,365	\$ 6,667,838

See accompanying notes to financial statements.

Newport Independent School District
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances – Governmental Funds
 to the Statement of Activities
 June 30, 2023

<hr/>	
Net change in fund balances - total governmental funds	\$ 68,285
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	3,314,593
Repayment of long-term debt are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	939,660
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	(3,576)
Change in accrued interest payable	3,576
Change in compensated absences	(183,941)
Change in OPEB liabilities and deferred amounts	(4,819)
Change in pension liabilities and deferred amounts	136,338
<hr/>	<hr/>
Change in net position of governmental activities	<u>\$ 4,270,116</u>

See accompanying notes to financial statements.

Newport Independent School District
Statement of Net Position – Proprietary Fund
June 30, 2023

	Food Service
Assets	
Current assets	
Cash and cash equivalents	\$ 303,051
Accounts receivable	132,774
Inventories for consumption	5,654
Total current assets	441,479
Noncurrent assets	
Capital assets, net	45,852
Total noncurrent assets	45,852
Total assets	487,331
Deferred outflows	
OPEB related	80,810
Pension related	112,456
Total deferred outflows	193,266
Liabilities	
Long-term liabilities	
Net OPEB liability	215,907
Net pension liability	791,007
Total long-term liabilities	1,006,914
Total liabilities	1,006,914
Deferred outflows	
OPEB related	86,765
Pension related	13,045
Total deferred outflows	99,810
Net position	
Net investment in capital assets	45,852
Restricted	(471,979)
Total net position (deficit)	\$ (426,127)

See accompanying notes to financial statements.

Newport Independent School District
Statement of Revenue, Expenses, and Changes
In Fund Net Position – Proprietary Fund
June 30, 2023

	Food Service Fund
Operating revenues	
Food service	\$ 65,906
Other operating revenue	31
Total operating revenues	65,937
Operating expenses	
Salaries and wages	448,016
Employee benefits	273,196
Purchased services	76,503
Materials and supplies	539,457
Other operating expenses	12,155
Depreciation	13,703
Total operating expenses	1,363,030
Operating loss	(1,297,093)
Non operating revenues	
State on-behalf	248,915
State operating grants	28,954
Federal operating grants	1,116,942
Donated commodities	62,920
Transfers out	(78,623)
Total other financing sources (uses)	1,379,108
Net change in fund balances	82,015
Fund balances - beginning of year	(508,142)
Fund balances - end of year	\$ (426,127)

See accompanying notes to financial statements.

Newport Independent School District
Statement of Cash Flows – Proprietary Fund
June 30, 2023

	Food Service Fund
Cash flows from operating activities	
Cash received:	
From food service sales	\$ 65,906
From other activities	31
Cash paid:	
To employees	(824,061)
To suppliers	(556,606)
For operating expenses	(12,155)
Net cash used in operating activities	(1,326,885)
Cash flows from noncapital financing activities	
Operating grants	1,405,799
Transfers out	(78,623)
Net cash provided by noncapital financing activities	1,327,176
Net increase in cash	291
Cash - beginning of year	302,760
Cash - end of year	\$ 303,051
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (1,297,093)
Adjustments to reconcile operating loss to net cash in operating activities	
Depreciation	13,703
Changes in:	
Inventory	(581)
Payables	(2,985)
Deferred outflows	69,560
Deferred inflows	(184,691)
Net OPEB liability	(13,743)
Net pension liability	26,025
Donated commodities	62,920
Net cash used in operating activities	\$ (1,326,885)
Noncash activities	
Commodities received from federal	\$ 62,920
On-behalf payments received state	\$ 248,915

See accompanying notes to financial statements.

Newport Independent School District
Statement of Net Position – Fiduciary Fund
June 30, 2023

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

See accompanying notes to financial statements.

Newport Independent School District
Statement of Changes in Net Position – Fiduciary Fund
June 30, 2023

	Trust Funds
Additions	
Funds transfer	\$ 3,139
Total additions	3,139
Deductions	
Community services	3,139
Total deductions	3,139
Change in net position	-
Net position - beginning of year	-
Net position - end of year	\$ -

See accompanying notes to financial statements.

NOTE 1: ACCOUNTING POLICIES

Reporting Entity

The Newport Independent Board of Education (Board), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary education within the jurisdiction of Newport Independent School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined 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.

The statement of net position presents the financial condition of the District as a whole. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District. 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)

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 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. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental and proprietary 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.

Governmental Fund Types

The *General Fund* is the primary operating fund of the District. This 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.

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.

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

The *School Activity 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*.

The *Capital Outlay Fund* is the Support Education Excellence in Kentucky (SEEK) fund and 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.

The *Building Fund* is the Facility Support Program of Kentucky (FSPK) fund and 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.

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.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

The *Debt Service Fund* is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost, as required by state law.

Proprietary Fund Types (Enterprise Funds)

The *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. This is a major fund of the District.

Fiduciary Fund Types

Fiduciary funds account for assets held by the District in a trustee capacity for the benefit of others and cannot be used to support District activities.

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The District also reports a fiduciary fund which focuses on net position and changes in net position.

Fund Financial Statements

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within sixty days of year end. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

However, debt service expenditures as well as expenditures related to long-term compensated absences and postemployment benefits are recorded only when payment is due.

Assets, Liabilities, Deferred Inflows/Outflows, and Net Position/Fund Balance

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity date of ninety days or less.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

The District is authorized by state statute to invest in the following subject to additional requirements of KRS 66.480:

- Obligations of the United States and of its Agencies and instrumentalities
- Certificates of Deposit
- Bankers Acceptances
- Commercial Paper
- Bonds and Securities of other State and Local Governments
- Mutual Funds, Exchange Traded Funds, Individual Equity Securities and High-quality Corporate bonds managed by a professional investment manager

Investments

Investments with a maturity of less than one year are stated at cost. Investments with a maturity greater than one year are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

Receivables

Accounts receivables are presented, when necessary, net of an allowance for doubtful accounts. No allowance has been recorded for the current fiscal year.

Capital Assets

General capital and leased assets are those assets that 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 \$5,000. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

All reported capital assets are depreciated except for land. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	50 Years
Improvements	20 Years
Infrastructure	40 Years
Vehicles	7 Years
General equipment	7 Years

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows

Deferred outflows of resources represent a consumption of net position that applies to a future period, and therefore, are deferred until that time. The District recognized deferred outflows of resources related to pensions and other postemployment benefits on the government-wide financial statements.

Payables and Accrued Liabilities

All payables and accrued liabilities are reported on the government-wide financial statements and 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, compensated absences, contractually required pension and OPEB contributions 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 other long-term obligations are recognized as a liability on the governmental fund financial statements when due.

Compensated Absences

Compensated absences are payments to employees for accumulated sick leave. These amounts also include the related employer's share of applicable taxes and retirement contributions. District employees may accumulate unused sick leave up to a specified amount depending on their date of hire. Sick leave is payable to employees upon termination or retirement at 30.00% of the current rate of pay on the date of termination or retirement. The District uses the termination method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The current portion is the amount estimated to be used in the following year. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

Long-Term Obligations

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. Long-term debt consists of bonds, notes, and lease liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as an other financing source and payment of principal and interest are reported as expenditures.

Pensions

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

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Other Post Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employee Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis of as they are reported by CERS. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Deferred Inflows

Deferred inflows of resources represent an acquisition of net position that applies to a future period and, are therefore, deferred until that time. The District recognized deferred inflows of resources related to pension and other postemployment benefits on the government-wide financial statements. In the governmental funds, certain revenue transactions have been reported as unavailable revenue. Revenue that is earned by not available is reported as a deferred inflow of resources until such time as the revenue becomes available.

Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

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 are included in this component of net position.

Restricted net position consists of restricted net assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use by external parties or by law through enabling legislation.

Unrestricted net position is the amount of net amount of assets, deferred outflows, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Fund Balance

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. 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.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Restricted. Amounts that can be spent only for specific purposes because of constitutional provisions, enabling legislation, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed. Amounts that can be used only for specific purposes determined by a formal action by District Council ordinance.

Assigned. Amounts that are designated for a specific purpose but are not spendable until a budget ordinance is passed or a there is majority passed vote by District Council.

Unassigned. All amounts not included in other spendable classifications.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the District's policy is to first apply the expenditure toward restricted fund balance, and then to committed, assigned, and unassigned fund balances in that order.

Revenues and Expenditures/Expenses

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

Amounts reported as program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided or fines imposed by a given function or segment, and (2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Expenses/Expenditures

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

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. 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

An annual budget is adopted for each governmental fund by ordinance prior to July 1. The budget can be amended by a subsequent ordinance. Expenditures may not legally exceed budgeted appropriations at the function level.

Subsequent Events

The District evaluated subsequent events for potential recognition and disclosure through November 6, 2023, the date the financial statements were available to be issued. Subsequent to year-end the District issued \$3,015,000 in general obligation bonds to finance the renovation of the Newport High School stadium.

NOTE 2: CASH AND INVESTMENTS

Custodial credit risk. This is the risk that, in the event of a bank failure, the District’s deposits may not be returned to it. The District’s deposit policy for custodial credit risk requires compliance with state statute depository restrictions.

At year end, the District’s bank balance was \$7,008,080 and the carrying amount was \$5,943,755. The bank balance was fully covered by FDIC insurance and collateralized securities held by the financial institution, but not in the name of the District.

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year is summarized below:

	Balance July 1, 2022	Additions	Disposals	Balance June 30, 2023
Governmental Activities				
Land	\$ 1,109,955	\$ -	\$ -	\$ 1,109,955
Land and improvements	380,037	-	-	380,037
Buildings and improvements	42,777,976	-	-	42,777,976
Technology equipment	3,263,464	-	998,359	2,265,105
Vehicles	817,866	199,313	334,148	683,031
General equipment	1,582,542	5,000	-	1,587,542
Construction in progress	909,043	4,855,654	-	5,764,697
Total at historical cost	50,840,883	5,059,967	1,332,507	54,568,343
Less accumulated depreciation				
Land and improvements	126,891	19,002	-	145,893
Buildings and improvements	21,198,292	1,241,039	-	22,439,331
Technology equipment	2,555,928	295,188	998,359	1,852,757
Vehicles	695,973	116,576	334,148	478,401
General equipment	933,233	73,569	-	1,006,802
Total accumulated depreciation	25,510,317	1,745,374	1,332,507	25,923,184
Capital assets - net	\$ 25,330,566	\$ 3,314,593	\$ -	\$ 28,645,159

NOTE 3: CAPITAL ASSETS - CONTINUED

	Balance July 1, 2022	Additions	Disposals	Balance June 30, 2023
Business-type Activities				
General equipment	\$ 698,755	\$ -	\$ -	\$ 698,755
Technology equipment	14,286	-	-	14,286
Total at historical cost	713,041	-	-	713,041
Less accumulated depreciation				
General equipment	640,963	12,352	-	653,315
Technology equipment	12,523	1,351	-	13,874
Total accumulated depreciation	653,486	13,703	-	667,189
Capital assets - net	\$ 59,555	\$ (13,703)	\$ -	\$ 45,852

Depreciation was charged to following government functions:

	Governmental	Business-type
Instruction	\$ 647,773	\$ -
Student support	18,927	-
Instructional staff	768	-
District administration	27,975	-
School administration	11,298	-
Plant operations	938,615	-
Student transportation	99,917	-
Community service	101	-
Food service	-	13,703
	\$ 1,745,374	\$ 13,703

NOTE 4: LONG-TERM LIABILITIES

Long-term liability activity for the year is summarized below:

Governmental Activities	Balance			Balance June 30, 2023	Amount Due Within	
	July 1, 2022	Additions	Reductions		One Year	Long-Term
Bonds payable	\$ 17,588,473	\$ -	\$ 866,424	\$ 16,722,049	\$ 881,424	\$ 15,840,625
Financed purchases	469,582	-	69,660	399,922	68,787	331,135
Operating leases	309,445	925,487	219,339	1,015,593	259,072	756,521
Compensated absences	351,616	183,941	-	535,557	-	535,557
Net OPEB liability	5,438,848	1,841,209	-	7,280,057	-	7,280,057
Net pension liability	6,884,929	1,113,026	-	7,997,955	-	7,997,955
Total long-term liabilities	\$ 31,042,893	\$ 4,063,663	\$ 1,155,423	\$ 33,951,133	\$ 1,209,283	\$ 32,741,850

Business-type Activities	Balance			Balance June 30, 2023	Amount Due Within	
	July 1, 2022	Additions	Reductions		One Year	Long-Term
Net OPEB liability	\$ 229,650	\$ -	\$ 13,743	\$ 215,907	\$ -	\$ 215,907
Net pension liability	764,992	26,015	-	791,007	-	791,007
Total long-term liabilities	\$ 994,642	\$ 26,015	\$ 13,743	\$ 1,006,914	\$ -	\$ 1,006,914

Bonds Payable

The District issues general obligations bonds to provide funds for the acquisition of equipment and the construction of facilities. The bonds are direct obligations and pledge the full faith and credit of the District. General obligations outstanding at year end are as follows:

Issue Date	Proceeds	Rates	Balance June 30, 2023
2014	\$ 2,125,000	0.350% - 4.000%	\$ 1,295,000
2014B	9,715,000	0.045% - 3.600%	6,465,000
2017	1,540,000	3.000% - 3.625%	1,335,000
2018	3,310,000	3.000% - 3.250%	2,970,000
2021	1,365,000	1.000% - 1.300%	1,225,000
2022	3,585,000	3.000% - 4.125%	3,500,000
Bond discount			(67,951)
	\$ 21,640,000		\$ 16,722,049

NOTE 4: LONG-TERM LIABILITIES - CONTINUED

Bond activity for the year is summarized below:

Issue	Balance			Balance June 30, 2023	Amount	
	July 1, 2022	Additions	Reductions		Due Within One Year	Long-Term
Series 2014	\$ 1,390,000	\$ -	\$ 95,000	\$ 1,295,000	\$ 100,000	\$ 1,195,000
Series 2014B	6,900,000	-	435,000	6,465,000	445,000	6,020,000
Series 2017	1,380,000	-	45,000	1,335,000	45,000	1,290,000
Series 2018	3,050,000	-	80,000	2,970,000	75,000	2,895,000
Series 2021	1,355,000	-	130,000	1,225,000	130,000	1,095,000
Series 2022	3,585,000	-	85,000	3,500,000	90,000	3,410,000
Bonds payable	17,660,000	-	870,000	16,790,000	885,000	15,905,000
Unamortized bond discount	(71,527)	-	(3,576)	(67,951)	(3,576)	(64,375)
Bonds payable, net	\$ 17,588,473	\$ -	\$ 866,424	\$ 16,722,049	\$ 881,424	\$ 15,840,625

Debt service requirements for the District's general obligation bonds are as follows:

Newport Independent School District
Notes to Financial Statements
June 30, 2023

Year End June 30	Newport Independent School District		School Facility Construction Commission		Total Debt Service
	Principal	Interest	Principal	Interest	
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
Total bonds payable	\$ 13,227,934	\$ 4,440,444	\$ 3,562,066	\$ 906,368	\$ 22,136,812

NOTE 4: LONG-TERM LIABILITIES – CONTINUED

Financed Purchases

The District financed bus purchases through the Kentucky Interlocal School District Association (KISTA). The financed purchases are direct obligations and pledge the full faith and credit of the District. Financed purchases outstanding at year end are as follows:

Issue Date	Proceeds	Rates	Balance June 30, 2023
2015	\$ 113,107	2.000% - 2.500%	\$ 20,537
2017	132,525	2.550%	52,545
2019	129,849	3.000%	74,928
2022	283,889	3.000%	251,912
	\$ 659,370		\$ 399,922

Financed purchases activity is summarized below:

Newport Independent School District
Notes to Financial Statements
June 30, 2023

Issue	Balance			Balance June 30, 2023	Amount Due Within	
	July 1, 2022	Additions	Reductions		One Year	Long-Term
2015	\$ 32,338	\$ -	\$ 11,801	\$ 20,537	\$ 10,115	\$ 10,422
2017	65,933	-	13,388	52,545	13,736	38,809
2019	87,422	-	12,494	74,928	12,837	62,091
2022	283,889	-	31,977	251,912	32,099	219,813
Total financed purchases	\$ 469,582	\$ -	\$ 69,660	\$ 399,922	\$ 68,787	\$ 331,135

Debt service requirements for the District's financed purchases are as follows:

Year End June 30	Principal	Interest	Total
2024	\$ 68,787	\$ 11,659	\$ 80,446
2025	64,087	9,706	73,793
2026	53,022	7,900	60,922
2027	54,487	6,366	60,853
2028	39,280	4,786	44,066
2029	40,438	3,607	44,045
2030	30,513	2,394	32,907
2031	24,410	1,480	25,890
2032	24,898	746	25,644
Total financed purchases	\$ 399,922	\$ 48,644	\$ 448,566

NOTE 4: LONG-TERM LIABILITIES – CONTINUED

Operating Leases

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

Right-of-use equipment	\$ 1,913,640
Accumulated amorization	<u>898,047</u>
	<u>\$ 1,015,593</u>

Remaining future payments under the lease contracts are as follows:

2024	\$ 309,283
2025	309,283
2026	259,447
2027	<u>259,447</u>
Total remaining payments	1,137,460
Less interest component	<u>121,867</u>
	<u>\$ 1,015,593</u>

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

Operating lease cost \$ 241,001

Cash paid for amounts included in the measurement of lease liabilities:

Operating leases \$ 241,001

Weighted-average remaining lease term
4 years

Weighted-average discount rate
4.90%

NOTE 4: LONG-TERM LIABILITIES – CONTINUED

Compensated absences

Upon retirement from the school system, employees will receive from the District an amount equal to 30.00% of the value of accumulated sick leave. Compensated absence activity for the year is summarized below:

Issue	Balance			Balance June 30, 2023	Amount Due Within	
	July 1, 2022	Additions	Reductions		One Year	Long-Term
Governmental activities	\$ 351,616	\$ 183,941	\$ -	\$ 535,557	\$ -	\$ 535,557
Business-type activities	-	-	-	-	-	-
Total KISTA payable	\$ 351,616	\$ 183,941	\$ -	\$ 535,557	\$ -	\$ 535,557

Pension

The net pension liability associated with the County Employees Retirement System (CERS) at year end is \$8,788,962. See Note 5.

OPEB

The net OPEB liability associated with the County Employees Retirement System (CERS) and the State Teachers Retirement System (TRS) at year end is \$2,398,964 and \$5,097,000, respectively. See Note 6.

NOTE 5: PENSION PLANS

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

General Information about the CERS Pension Plan

Plan Description

CERS is a cost-sharing multi-employer public employee retirement system which covers substantially all regular full-time employees of each county, city, and school board and any additional eligible local agencies electing to participate in the Plan. The Plan is administered by the CERS Board of Trustees and is divided into a divided into non-hazardous duty and hazardous duty classifications.

Benefits Provided

CERS provides retirement, death, and disability benefits to plan members. Retirement benefits maybe extended to beneficiaries under certain circumstances. Employees are vested in the plan after five years of service.

NOTE 5: PENSION PLANS – CONTINUED

General Information about the CERS Pension Plan – Continued

Benefits Provided - Continued

For retirement purposes, non-hazardous employees are grouped into three tiers based on hire date:

Tier 1	Participation date Unreduced retirement Reduced retirement	Before September 1, 2008 27 years service or 65 years old At least 5 years service and 55 years old, or 25 years service and any age
Tier 2	Participation date Unreduced retirement Reduced retirement	September 1, 2008 to December 31, 2013 At least 5 years service and 65 years old, or age 57+ with sum of service years plus age equal At least 10 years service and 60 years old
Tier 3	Participation date Unreduced retirement Reduced retirement	On or after January 1, 2014 At least 5 years service and 65 years old, or age 57+ with sum of service years plus age equal Not available

Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 2, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce cost-of-living adjustments if, in its judgment, the welfare of the Commonwealth so demands.

Contributions

Employees – Tier 1 plan members are required to contribute 5% of their creditable compensation. Employees who begin participation on or after September 1, 2008 (Tier 2 and Tier 3) are required to contribute an additional 1%.

Employers – The contribution rate for the current year was 23.40%. The District made all required contributions for fiscal year in the amount of \$940,115.

NOTE 5: PENSION PLANS – CONTINUED

General Information about the TRS Pension Plan

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.

NOTE 5: PENSION PLANS – CONTINUED

General Information about the TRS Pension Plan - Continued

Benefits Provided - Continued

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

Contributions

Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 10.400% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 8.185% of their salary to KTRS.

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

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

CERS

At June 30, 2023, the District reported a liability of \$8,788,962 for its proportionate share of the net pension liability for CERS. The net pension liability for the plan was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2022, the District's proportion was 0.1216% percent.

For the year ended June 30, 2023, the District recognized pension expense of \$707,425 related to CERS

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 \$48,622,018.

For the year ended June 30, 2023, the District recognized pension expense of \$4,532,180 related to TRS. The District also recognized revenue of \$4,532,180 for TRS support provided by the Commonwealth.

NOTE 5: PENSION PLANS – CONTINUED

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

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 9,397	\$ 78,270	
Change of assumptions	-	-	
Change in investment experience	225,318	-	
Change in proportionate share of contributions	101,972	66,672	
	<u>336,687</u>	<u>\$ 144,942</u>	<u>\$ 191,745</u>
Subsequent contributions	<u>940,115</u>		
Total	<u>\$ 1,276,802</u>		

The contributions subsequent to the measurement date of \$940,115 will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. The net deferral of \$191,745 will be recognized in pension expense as follows:

Year ending June 30	Net Deferral
2024	\$ (22,382)
2025	38,308
2026	(73,857)
2027	<u>249,676</u>
	<u>\$ 191,745</u>

NOTE 5: PENSION PLAN (CONTINUED)

Actuarial assumptions

The total pension liability, net pension liability, and sensitivity information as of June 30, 2022 were based on an actuarial valuation date of June 30, 2021. The total pension liability was rolled forward from the valuation date to the plan’s fiscal year ending June 30, 2022, using generally accepted actuarial principles

There have been no actuarial assumption or method changes since June 30, 2021. Additionally, there have been no plan provision changes that would materially impact the total pension liability since June 30, 2021.

The actuarial assumptions are:

CERS

Employer fiscal year end	2023
Plan year end	2022
Actuarial valuation date	June 30, 2020
Actuarial cost method	Entry age normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percent of pay
Amortization period	30-year closed period at June 30, 2019
Payroll growth rate	2.00%
Investment return	6.25%
Inflation	2.30%
Salary increase - nonhazardous	3.30% to 10.30%
Salary increase - hazardous	3.55% to 19.05%
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from P-2014 mortality improvement scale using a base year of 2019
Phase-in provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018

NOTE 5: PENSION PLAN (CONTINUED)

Actuarial assumptions - Continued

TRS

Employer fiscal year end	2023
Plan year end	2022

Inflation	2.50%
Salary increases, including inflation	3.00% - 7.50%
Investment return	7.10%
Municipal bond index rate:	
Prior measurement date	2.13%
Measurement date	3.37%
Year FNP is expected to be depleted	NA
Single equivalent interest rate:	
Prior measurement date	7.10%
Measurement date	7.10%
Post-retirement benefit increases	1.50% annually
Mortality	Rates based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members. The actuarial assumptions used were based on the results of an actuarial experience study for the 5-year period ending June 30, 2020, adopted by the board on September 20, 2021. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

Long-term expected rate of return

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 is summarized in the tables below.

NOTE 5: PENSION PLAN (CONTINUED)

Long-term expected rate of return – continued

CERS

Asset Class	Target Allocation	Long-term Expected Nominal Retu
Public equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Core bonds	10.00%	0.28%
Specialty credit/high yield	10.00%	2.28%
Cash	0.00%	-0.91%
Real estate	7.00%	3.67%
Real return	13.00%	4.07%
<u>Expected real return</u>	<u>100.00%</u>	<u>4.28%</u>
<u>Long-term inflation assumption</u>		<u>2.30%</u>

TRS

Asset Class	Target Allocation	Long-term Expected Nominal Return
Large Cap US Equity	37.40%	4.20%
Small Cap US Equity	2.60%	4.70%
Developed International Equity	16.50%	5.30%
Emerging Markets Equity	5.50%	5.40%
Fixed Income	15.00%	-0.10%
High Yield Bonds	2.00%	1.70%
Additional categories	5.00%	2.20%
Real Estate	7.00%	4.00%
Private Equity	7.00%	6.90%
Cash	2.00%	-0.30%
<u>Expected real return</u>	<u>100.00%</u>	<u>7.10%</u>
<u>Long-term inflation assumption</u>		<u>2.50%</u>

NOTE 5: PENSION PLAN (CONTINUED)

Discount rate

A single discount rate of 6.25% and 7.10% was used to measure the total pension liability for CERS and TRS, respectively, for the fiscal year ending June 30, 2022. The single discount rate is based on the expected rate of return on pension plan investments for each plan. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the non-hazardous and hazardous pension plans' fiduciary net position and future contributions were separately projected and were each sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for each plan.

Sensitivity of District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	5.25%	6.25%	7.25%
District's proportionate share of the CERS net pension liability	\$ 10,952,112	\$ 8,788,962	\$ 6,972,564

Pension plan fiduciary net position

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

NOTE 6: OPEB PLAN

General Information about the CERS Plan

Plan Description

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, District, 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 Plan is administered by the CERS Board of Trustees and is divided into a divided into non-hazardous duty and hazardous duty classifications.

NOTE 6: OPEB PLAN (CONTINUED)

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 July 1, 2003
Insurance eligibility	10 years of service credit required
Benefit	Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 2	
Participation date	After September 1, 2008 and before December 31, 2013
Insurance eligibility	15 years of service credit required
Benefit	Set dollar amount based on service credit accrued, increased annually
Tier 3	
Participation date	After December 31, 2013
Insurance eligibility	15 years of service credit required
Benefit	Set dollar amount based on service credit accrued, increased annually

Contributions

Employee Contributions. Tier 1 plan members are not required to contribute. Employees who begin participation on or after September 1, 2008 (Tier 2 and Tier 3) are required to contribute 1.0% of creditable compensation to an account created for payment of health insurance benefits.

Employer Contributions – The contribution rate for the current year was 3.39%. The District made all required contributions for fiscal year in the amount of \$136,197.

NOTE 6: OPEB PLAN (CONTINUED)

General Information about the TRS 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.

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.

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

CERS

At June 30, 2023, the District reported a liability of \$2,398,964 for its proportionate share of the net OPEB liability for CERS. The net OPEB liability for the plan was measured as of June 30, 2022, 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 the District's share of 2022 contributions to the OPEB plan relative to the 2022 contributions of all participating employers, actuarially determined. At June 30, 2022 the District's proportionate share was 0.1216%.

For the year ended June 30, 2023, the District recognized OPEB expense of \$294,517 related to CERS.

NOTE 6: OPEB PLAN (CONTINUED)

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

TRS

At June 30, 2023, the District reported a liability of \$5,097,000 for its proportionate share of the net OPEB liability for TRS . The net OPEB liability for the plan was measured as of June 30, 2022, 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 the District’s share of 2022 contributions to the OPEB plan relative to the 2022 contributions of all participating employers, actuarially determined. At June 30, 2022 the District’s proportionate share was 0.2053%.

For the year ended June 30, 2023, the District recognized OPEB expense of \$109,408 related to TRS.

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CERS		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 241,476	\$ 550,138	
Change of assumptions	379,413	312,624	
Change in investment experience	97,368	-	
Change in proportionate share of contributions	35,052	101,295	
	<u>753,309</u>	<u>\$ 964,057</u>	<u>\$ (210,748)</u>
Subsequent contributions	136,197		
Total	<u>\$ 889,506</u>		

	TRS		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ -	\$ 2,142,000	
Change of assumptions	1,035,000	-	
Change in investment experience	271,000	-	
Change in proportionate share of contributions	1,621,000	127,000	
	<u>2,927,000</u>	<u>\$ 2,269,000</u>	<u>\$ 658,000</u>
Subsequent contributions	269,416		
Total	<u>\$ 3,196,416</u>		

NOTE 6: OPEB PLAN (CONTINUED)

	Total		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 241,476	\$ 2,692,138	
Change of assumptions	1,414,413	312,624	
Change in investment experience	368,368	-	
Change in proportionate share of contributions	1,656,052	228,295	
	3,680,309	<u>\$ 3,233,057</u>	<u>\$ 447,252</u>
Subsequent contributions	405,613		
Total	<u>\$ 4,085,922</u>		

The contributions subsequent to the measurement date of \$405,613 will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. The net deferral of \$447,242 will be recognized as pension expense as follows:

Year ending June 30	Net Deferral
2024	\$ (124,239)
2025	(26,545)
2026	(100,188)
2027	352,214
2028	250,000
Thereafter	96,000
	<u>\$ 447,242</u>

Implicit Subsidy

The fully-insured premiums paid for the Kentucky Employees' Health plan are blended rates based on the combined experience of active and retired 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 employer subsidy for the non-Medicare eligible retirees. This implicit subsidy is included in the calculation of the total OPEB liability.

NOTE 6: OPEB PLAN (CONTINUED)

Actuarial assumptions

The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2022 were based on an actuarial valuation date of June 30, 2021. The total OPEB liability was rolled forward from the valuation date to the plan’s fiscal year ending June 30, 2022, using generally accepted actuarial principles

There were no other material assumption changes.

CERS:

Employer fiscal year end	2023
Plan year end	2022

Actuarial valuation date	June 30, 2020
Actuarial cost method	Entry age normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percent of pay
Amortization period	30-year closed period at June 30, 2019
Payroll growth rate	2.00%
Investment return	6.25%
Inflation	2.30%
Salary increase - nonhazardous	3.30% to 10.30%
Salary increase - hazardous	3.55% to 19.05%
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from P-2014 mortality improvement scale using a base year of 2019
Healthcare trend rates:	
Pre-65	Initial trend starting at 6.40% at January 1, 2022, gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 6.30% at January 1, 2023, gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement. Additionally, Humana provided “Not to Exceed” 2022 Medicare premiums, which were incorporated and resulted in an assumed 2.90% increase in Medicare premiums at January 1, 2022.

NOTE 6: OPEB PLAN (CONTINUED)

Actuarial assumptions - continued

Employer fiscal year end	2023
Plan year end	2022
Inflation	2.50%
Real wage growth	0.25%
Wage inflation	2.75%
Salary increases, including inflation	3.00% - 7.50%
Investment return	
Health trust	7.10%
Life trust	7.10%
Municipal bond index rate:	3.37%
Year FNP is expected to be depleted	
Health trust	NA
Life trust	NA
Single equivalent interest rate:	
Health trust	7.10%
Life trust	7.10%
Health trust health care cost trends	
Under age 65	7.00% for FYE 2022 decreasing to an ultimate rate of 4.50% by FYE 2032
Ages 65 and older	5.125% for FYE 2022 decreasing to an ultimate rate of 4.50% by FYE 2035
Medicare Part B premiums	6.97% for FYE 2022 decreasing to an ultimate rate of 4.50% by FYE 2034

Long-term expected rate of return

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 is summarized in the table below. The current long-term inflation assumption is 2.30% and 2.50% per annum for CERS and TRS, respectively.

NOTE 6: OPEB PLAN (CONTINUED)

Long-term expected rate of return - continued

CERS

Asset Class	Target Allocation	Long-term Expected Nominal Return
Public equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Core bonds	10.00%	0.28%
Specialty credit/high yield	10.00%	2.28%
Cash	0.00%	-0.91%
Real estate	7.00%	3.67%
Real return	13.00%	4.07%
Expected real return	100.00%	4.28%
Long-term inflation assumption		2.30%

TRS - MIF

TRS MIF

Asset Class	Target Allocation	Long-term Expected Nominal Return
Global equity	58.00%	5.10%
Fixed income	9.00%	-0.10%
Real Estate	6.50%	4.00%
Private equity	8.50%	6.90%
High Yield	8.00%	1.70%
Other categories	9.00%	2.20%
Cash (LIBOR)	1.00%	-0.30%
Expected real return	100.00%	7.10%
Long-term inflation assumption		2.50%

NOTE 6: OPEB PLAN (CONTINUED)

Long-term expected rate of return - continued

TRS - LIF

TRS LIF

Asset Class	Target Allocation	Long-term Expected Nominal Return
US Equity	40.00%	4.40%
International Equity	23.00%	5.60%
Fixed Income	18.00%	-0.10%
Real Estate	6.00%	4.00%
Private Equity	5.00%	6.90%
Additional Categories	6.00%	2.10%
Cash (LIBOR)	2.00%	-0.30%
Expected real return	100.00%	7.10%
Long-term inflation assumption		2.50%

Discount rate

Single discount rates of 6.25% and 7.10% for CERS and TRS respectively were used to measure the total OPEB liability as of June 30, 2022. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 3.69%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy.

NOTE 6: OPEB PLAN (CONTINUED)

Sensitivity of 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 5.70% nonhazardous and 5.61% hazardous as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the CERS net OPEB liability	<u>4.70%</u> \$ 3,207,032	<u>5.70%</u> \$ 2,398,964	<u>6.70%</u> \$ 1,730,960
District's proportionate share of the TRS net OPEB liability	<u>6.10%</u> 6,395,000	<u>7.10%</u> 5,097,000	<u>8.10%</u> 4,022,000
Total	<u>\$ 9,602,032</u>	<u>\$ 7,495,964</u>	<u>\$ 5,752,960</u>

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

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the CERS net OPEB liability	\$ 1,783,576	\$ 2,398,964	\$ 3,137,928
District's proportionate share of the TRS net OPEB liability	<u>3,821,000</u>	<u>5,097,000</u>	<u>6,683,000</u>
Total	<u>\$ 5,604,576</u>	<u>\$ 7,495,964</u>	<u>\$ 9,820,928</u>

OPEB plan fiduciary net position

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

NOTE 7: ON-BEHALF

For the year ended June 30, 2023, payments made by the Commonwealth of Kentucky on behalf of the District for insurance benefits, retirement benefits, technology, and debt service. The following amounts were recorded in the Statement of Activities and the Statement of Revenue, Expenditures, and Changes in Fund Balance:

Fund	
General	\$ 6,063,600
Debt service	363,899
Food service	248,915
	<u>\$ 6,676,414</u>

Type	
Retirement	\$ 4,532,180
Health insurance less federal reimbursement	1,578,912
Life insurance	3,296
Administrative fee	26,340
HRA/Dental/Vision insurance	74,550
Technology	97,237
Debt service	363,899
	<u>\$ 6,676,414</u>

NOTE 8: FUND TRANSFERS

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
General Fund	Special Revenue	Technology Match	\$ 29,363
General Fund	Fiduciary Fund	Operating	3,139
Special Revenue	General Fund	Indirect Costs	411,704
Special Revenue	Construction Fund	Capital Projects	1,581,343
Capital Outlay	Construction Fund	Capital Projects	132,524
Capital Outlay	Debt Service	Debt Service	214,419
Building Fund	Construction Fund	Capital Projects	1,588,455
Building Fund	Debt Service	Debt Service	862,139
Food Service	General Fund	Indirect Costs	78,623
			<u>\$ 4,901,709</u>

NOTE 8: FUND TRANSFERS - CONTINUED

Transfers are summarized as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfer</u>
Governmental funds	\$ 4,898,570	\$ 4,823,086	\$ 75,484
Proprietary fund	-	78,623	(78,623)
Fiduciary fund	<u>3,139</u>	<u>-</u>	<u>3,139</u>
	<u>\$ 4,901,709</u>	<u>\$ 4,901,709</u>	<u>\$ -</u>

NOTE 9: 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. If the federal or state grantor finds that funds have not been used for the intended purposes, the grantor may request a refund of monies advanced or refuse to reimburse the District for its expenditures. The amount of such future refunds and unreimbursed expenditures, if any, is not expected to be significant. Continuation of the District’s grant programs is contingent upon the grantors satisfaction that the funds provided are being spent as intended and the grantors intent to continue their programs.

Litigation. The District is party to various legal proceedings which normally occur in governmental operations. It is neither possible to determine the outcome of these proceedings nor possible to estimate the effects adverse decisions may have on the future expenditures or revenue sources of the District. In the opinion of District management and its legal counsel these legal proceedings are not likely to have a material adverse impact on the accompanying financial statements. Therefore, no provision for any liability that may result upon adjudication of anyr cases has been made in the accompanying financial statements.

NOTE 10: 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.

Management estimates that the amount of actual or potential claims against the District as of June 30, 2023, will not materially affect the financial condition of the District. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal year.

NOTE 11: GASB 96

The District adopted *GASB 96, Subscription-Based Information Technology Arrangements (SBITA)*. The District did not identify any contracts that would require reporting under GASB 96.

REQUIRED SUPPLEMENTARY INFORMATION

Newport Independent School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final		Final to Actual
Revenues				
Local sources	\$ 12,013,251	\$ 12,013,251	\$ 11,457,480	\$ (555,771)
State sources	4,462,611	4,462,611	10,548,312	6,085,701
Federal sources	250,000	250,000	289,700	39,700
Total revenues	16,725,862	16,725,862	22,295,492	5,569,630
Expenditures				
Instruction	9,335,899	9,335,899	14,875,089	(5,539,190)
Support services:			-	-
Student	953,307	953,307	843,803	109,504
Instuction staff	703,083	703,083	693,704	9,379
District administrative	1,382,180	1,382,180	1,306,851	75,329
School administrative	1,148,336	1,148,336	1,122,183	26,153
Business	818,562	818,562	883,558	(64,996)
Plant operations	2,528,309	2,528,309	2,724,659	(196,350)
Student transportation	481,025	481,025	446,712	34,313
Debt service	82,470	82,470	82,470	-
Contingency	950,000	950,000	-	950,000
Total expenditures	18,383,171	18,383,171	22,979,029	(4,595,858)
Excess (deficiency) of revenues over expenditures	(1,657,309)	(1,657,309)	(683,537)	973,772
Other financing sources (uses)				
Transfers in	606,330	606,330	490,327	(116,003)
Transfers out	(38,408)	(38,408)	(32,502)	5,906
Total other financing sources (uses)	567,922	567,922	457,825	(110,097)
Net change in fund balances	(1,089,387)	(1,089,387)	(225,712)	863,675
Fund balances - beginning of year	1,136,485	1,136,485	4,202,344	3,065,859
Fund balances - end of year	\$ 47,098	\$ 47,098	\$ 3,976,632	\$ 3,929,534

Newport Independent School District
 Budgetary Comparison Schedule – Special Revenue Fund
 June 30, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final		Final to Actual
Revenues				
Local sources	\$ 110,555	\$ 110,555	\$ 136,326	\$ 25,771
State sources	1,455,652	1,455,652	601,155	(854,497)
Federal sources	8,175,248	8,175,248	11,241,648	3,066,400
Total revenues	9,741,455	9,741,455	11,979,129	2,237,674
Expenditures				
Instruction	6,230,788	6,230,788	5,632,541	598,247
Support services:			-	
Student	139,036	139,036	149,286	(10,250)
Instruction staff	617,583	617,583	222,280	395,303
District admin	-	-	1,448,750	(1,448,750)
Business support	11,186	11,186	93,270	(82,084)
Plant operations	(515,594)	(515,594)	(515,594)	-
Food service	-	-	1,004	(1,004)
Community services	1,216,055	1,216,055	905,068	310,987
Total expenditures	7,699,054	7,699,054	7,936,605	(237,551)
Excess (deficiency) of revenues over expenditures	2,042,401	2,042,401	4,042,524	2,000,123
Other financing sources (uses)				
Transfers in	269,839	269,839	29,362	(240,477)
Transfers out	(2,081,323)	(2,081,323)	(1,993,046)	88,277
Total other financing sources (uses)	(1,811,484)	(1,811,484)	(1,963,684)	(152,200)
Net change in fund balances	230,917	230,917	2,078,840	1,847,923
Fund balances - beginning of year	-	-	(2,078,840)	(2,078,840)
Fund balances - end of year	\$ 230,917	\$ 230,917	\$ -	\$ (230,917)

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 accounting method and GAAP are:

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

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

In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy and from estimates of other Local, State and Federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay and other necessary expenses. The budget must be approved by the Board.

The District must formally and publicly examine estimated revenues and expenditures for the subsequent fiscal year by January 31 of each calendar year.

The District must prepare an annual allocation to schools by March 1 of each year for the following fiscal year. This allocation must include the amount for certified and classified staff based on the District's staffing policy and the amount for instructional supplies, materials, travel and equipment.

The District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each year. This budget must contain a minimum 2.00% contingency.

Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of the current fiscal year.

The Board has the ability to amend the working budget.

Newport Independent School District
Schedule of District's Share of Net Pension Liability and Contributions – CERS
June 30, 2023

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

Year ended June 30	Measurement period June 30	District's proportion of the net pension liability	District's proportionate share of the net pension liability	District's covered payroll	District's proportionate share of the net pension liability as a percentage covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2023	2022	0.1216%	\$ 8,788,962	\$ 3,362,641	261.37%	52.42%
2022	2021	0.1200%	\$ 7,649,921	\$ 3,026,562	252.76%	55.95%
2021	2020	0.1115%	\$ 9,439,981	\$ 3,669,555	257.25%	47.81%
2020	2019	0.1135%	\$ 8,484,634	\$ 3,691,890	229.82%	50.45%
2019	2018	0.1105%	\$ 7,278,097	\$ 3,800,125	191.52%	53.54%
2018	2017	0.1102%	\$ 7,976,595	\$ 3,351,579	238.00%	53.32%
2017	2016	0.1138%	\$ 6,947,591	\$ 3,369,890	206.17%	55.50%
2016	2015	0.1108%	\$ 5,852,826	\$ 3,172,389	184.49%	59.97%
2015	2014	0.1125%	\$ 4,295,000	\$ 2,958,220	145.19%	66.80%

Schedule of District's Contributions - CERS

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2023	\$ 940,115	\$ 940,115	\$ -	\$ 3,919,030	23.99%
2022	\$ 711,833	\$ 711,833	\$ -	\$ 3,362,641	21.17%
2021	\$ 584,126	\$ 584,126	\$ -	\$ 3,026,562	19.30%
2020	\$ 882,895	\$ 882,895	\$ -	\$ 3,669,555	24.06%
2019	\$ 793,018	\$ 793,018	\$ -	\$ 3,691,890	21.48%
2018	\$ 728,864	\$ 728,864	\$ -	\$ 3,800,125	19.18%
2017	\$ 626,075	\$ 626,075	\$ -	\$ 3,351,579	18.68%
2016	\$ 574,902	\$ 574,902	\$ -	\$ 3,369,890	17.06%
2015	\$ 560,614	\$ 560,614	\$ -	\$ 3,172,389	17.67%

Changes Since Last Actuarial Valuation

Benefits

No changes

Assumptions

No material changes

Newport Independent School District
 Schedule of District's Share of Net Pension Liability and Contributions - TRS
 June 30, 2023

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

Year ended June 30	Measurement period June 30	District's proportion of the net pension liability	District's proportionate share of the net pension liability	State's proportionate share of the net pension liability associated with the District	District's covered payroll	District's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2023	2022	0.0000%	\$ -	\$ 48,622,018	\$ 9,080,267	0.00%	56.41%
2022	2021	0.0000%	\$ -	\$ 38,782,509	\$ 9,388,600	0.00%	65.59%
2021	2020	0.0000%	\$ -	\$ 40,840,230	\$ 8,514,955	0.00%	58.27%
2020	2019	0.0000%	\$ -	\$ 38,033,090	\$ 9,525,139	0.00%	58.76%
2019	2018	0.0000%	\$ -	\$ 35,274,587	\$ 9,434,495	0.00%	59.30%
2018	2017	0.0000%	\$ -	\$ 79,502,497	\$ 10,236,247	0.00%	39.83%
2017	2016	0.0000%	\$ -	\$ 90,960,338	\$ 10,278,171	0.00%	35.22%
2016	2015	0.0000%	\$ -	\$ 72,203,325	\$ 10,095,979	0.00%	42.49%
2015	2014	0.0000%	\$ -	\$ 63,244,526	\$ 11,466,263	0.00%	45.59%

Schedule of District's Contributions - TRS

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2023	\$ -	\$ -	\$ -	\$ 8,980,533	0.00%
2022	\$ -	\$ -	\$ -	\$ 9,080,267	0.00%
2021	\$ -	\$ -	\$ -	\$ 9,388,600	0.00%
2020	\$ -	\$ -	\$ -	\$ 8,514,955	0.00%
2019	\$ -	\$ -	\$ -	\$ 9,525,139	0.00%
2018	\$ -	\$ -	\$ -	\$ 9,434,495	0.00%
2017	\$ -	\$ -	\$ -	\$ 10,236,247	0.00%
2016	\$ -	\$ -	\$ -	\$ 10,278,171	0.00%
2015	\$ -	\$ -	\$ -	\$ 10,095,979	0.00%

Changes Since Last Actuarial Valuation

Benefits

No changes

Assumptions

No material changes

Newport Independent School District
Schedule of City's Share of Net OPEB Liability and Contributions – CERS
June 30, 2023

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

Year ended June 30	Measurement period June 30	District's proportion of the net OPEB liability	District's proportionate share of the net OPEB liability	District's covered payroll	District's proportionate share of the net OPEB liability as a percentage covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2023	2022	0.1216%	\$ 2,398,964	\$ 3,362,461	71.35%	60.95%
2022	2021	0.1200%	\$ 2,296,498	\$ 3,026,562	75.88%	58.41%
2021	2020	0.1115%	\$ 2,971,090	\$ 3,669,555	80.97%	51.67%
2020	2019	0.1134%	\$ 2,021,390	\$ 3,691,890	54.75%	60.44%
2019	2018	0.4405%	\$ 2,121,663	\$ 3,800,125	55.83%	57.62%
2018	2017	0.1102%	\$ 2,739,594	\$ 3,351,579	81.74%	52.39%

Schedule of District's Contributions - CERS

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2023	\$ 136,197	\$ 136,197	\$ -	\$ 4,017,611	3.39%
2022	\$ 194,352	\$ 194,352	\$ -	\$ 3,362,461	5.78%
2021	\$ 144,064	\$ 144,064	\$ -	\$ 3,026,562	4.76%
2020	\$ 174,670	\$ 174,670	\$ -	\$ 3,669,555	4.76%
2019	\$ 194,193	\$ 194,193	\$ -	\$ 3,691,890	5.26%
2018	\$ 178,605	\$ 178,605	\$ -	\$ 3,800,125	4.70%
2017	\$ 158,259	\$ 158,259	\$ -	\$ 3,351,579	4.72%

Changes Since Last Actuarial Valuation

Benefits

No changes

Assumptions

The discount rate to calculate the total OPEB liability and OPEB expense increased from 5.0% to 5.70%. There were no other material plan provision changes.

Newport Independent School District
 Schedule of City's Share of Net OPEB Liability and Contributions – TRS MIF
 June 30, 2023

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

Year ended June 30	Measurement period June 30	District's proportion of the net OPEB liability	District's proportionate share of the net OPEB liability	State's proportionate share of the net OPEB liability associated with the District	District's covered payroll	District's proportionate share of the net OPEB liability as a percentage covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2023	2022	0.2053%	\$ 5,097,000	\$ 1,674,000	\$ 9,080,267	56.13%	47.75%
2022	2021	0.0206%	\$ 3,372,000	\$ 2,738,000	\$ 9,388,600	35.92%	51.47%
2021	2020	0.0239%	\$ 3,855,000	\$ 3,088,000	\$ 8,523,566	45.23%	32.58%
2020	2019	0.0239%	\$ 4,298,000	\$ 4,461,000	\$ 8,132,466	52.85%	32.58%
2019	2018	0.0229%	\$ 4,752,000	\$ 4,095,000	\$ 8,747,133	54.33%	25.54%
2018	2017	0.0222%	\$ 5,462,000	\$ 3,471,000	\$ 9,254,519	59.02%	21.18%

Schedule of District's Contributions - TRS Medical Insurance Plan

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2023	\$ 269,416	\$ 269,416	\$ -	\$ 8,980,533	3.00%
2022	\$ 272,408	\$ 272,408	\$ -	\$ 9,080,267	3.00%
2021	\$ 281,658	\$ 281,658	\$ -	\$ 9,388,600	3.00%
2020	\$ 255,707	\$ 255,707	\$ -	\$ 8,523,566	3.00%
2019	\$ 243,974	\$ 243,974	\$ -	\$ 8,132,466	3.00%
2018	\$ 262,414	\$ 262,414	\$ -	\$ 8,747,133	3.00%
2017	\$ 277,636	\$ 277,636	\$ -	\$ 9,254,519	3.00%

Changes Since Last Actuarial Valuation

Benefits

No changes

Assumptions

No changes

Newport Independent School District
 Schedule of City's Share of Net OPEB Liability and Contributions – TRS LIF
 June 30, 2023

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

Year ended June 30	Measurement period June 30	District's proportion of the net OPEB liability	District's proportionate share of the net OPEB liability	State's proportionate share of the net OPEB liability associated with the District	District's covered payroll	District's proportionate share of the net OPEB liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2023	2022	0.0000%	\$ -	\$ 83,000	\$ 9,080,267	0.00%	73.97%
2022	2021	0.0000%	\$ -	\$ 36,000	\$ 9,388,600	0.00%	89.15%
2021	2020	0.0000%	\$ -	\$ 93,000	\$ 8,523,566	0.00%	71.57%
2020	2019	0.0000%	\$ -	\$ 81,000	\$ 8,132,466	0.00%	73.40%
2019	2018	0.0000%	\$ -	\$ 70,000	\$ 8,747,133	0.00%	74.97%
2018	2017	0.0000%	\$ -	\$ 60,000	\$ 9,254,519	0.00%	79.99%

Schedule of District's Contributions - TRS Life Insurance Plan

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2023	\$ -	\$ -	\$ -	\$ 8,980,533	0.00%
2022	\$ -	\$ -	\$ -	\$ 9,080,267	0.00%
2021	\$ -	\$ -	\$ -	\$ 9,388,600	0.00%
2020	\$ -	\$ -	\$ -	\$ 8,523,566	0.00%
2019	\$ -	\$ -	\$ -	\$ 8,132,466	0.00%
2018	\$ -	\$ -	\$ -	\$ 8,747,133	0.00%
2017	\$ -	\$ -	\$ -	\$ 9,254,519	0.00%

Changes Since Last Actuarial Valuation

Benefits

No changes

Assumptions

No changes

SUPPLEMENTARY INFORMATION

Newport Independent School District
Combining Balance Sheet – Nonmajor Funds
June 30, 2023

	District Activity Fund	Student Activity Fund	Capital Outlay Fund	Building Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Assets						
Cash and cash equivalents	\$ 80,770	\$ 139,131	\$ -	\$ 381,464	\$ -	\$ 601,365
Total assets	\$ 80,770	\$ 139,131	\$ -	\$ 381,464	\$ -	\$ 601,365
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-	-	-
Fund balances						
Restricted	80,770	139,131	-	381,464	-	601,365
Unassigned	-	-	-	-	-	-
Total fund balances	80,770	139,131	0	381,464	0	601,365
Total liabilities and fund balances	\$ 80,770	\$ 139,131	\$ -	\$ 381,464	\$ -	\$ 601,365

See accompanying notes to financial statements.

Newport Independent School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance – Nonmajor Funds
June 30, 2023

	District Activity Fund	Student Activity Fund	Capital Outlay Fund	Building Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues						
From local sources:						
Property taxes	\$ -	\$ -	\$ -	\$ 1,103,014	\$ -	\$ 1,103,014
Other local revenue	28,737	133,197	-	-	-	161,934
State SEEK	-	-	139,819	317,544	-	457,363
State on-behalf	-	-	-	-	363,899	363,899
Total revenues	28,737	133,197	139,819	1,420,558	363,899	2,086,210
Expenditures						
Instruction	23,782	107,455	-	-	-	131,237
Support services:						
Student	-	6,848	-	-	-	6,848
Debt service						
Principal	-	-	-	-	870,000	870,000
Interest	-	-	-	-	570,458	570,458
Total expenditures	23,782	114,303	0	0	1,440,458	1,578,543
Excess of revenues over (under) expenditures	4,955	18,894	139,819	1,420,558	(1,076,559)	507,667
Other financing sources (uses)						
Transfers in	-	-	-	-	1,076,559	1,076,559
Transfers out	-	-	(346,943)	(2,450,595)	-	(2,797,538)
Total other financing sources (uses)	-	-	(346,943)	(2,450,595)	1,076,559	(1,720,979)
Net change in fund balances	4,955	18,894	(207,124)	(1,030,037)	-	(1,213,312)
Fund balances - beginning	75,815	120,237	207,124	1,411,501	-	1,814,677
Fund balances - end of year	\$ 80,770	\$ 139,131	\$ -	\$ 381,464	\$ -	\$ 601,365

See accompanying notes to financial statements.

Newport Independent School District
 Combining Statement of School Activity Funds
 June 30, 2023

	Cash Balance July 1, 2022	Receipts	Expenditure	Cash Balance June 30, 2023
Newport High School	\$ 89,689	\$ 115,650	\$ 96,474	\$ 108,865
Newport Intermediate	11,514	8,582	8,145	11,951
Newport Primary	15,901	4,276	3,485	16,692
Newport Alternative	3,133	4,689	6,199	1,623
<u>Totals</u>	<u>\$ 120,237</u>	<u>\$ 133,197</u>	<u>\$ 114,303</u>	<u>\$ 139,131</u>

Newport Independent School District
Statement of School Activity Funds
Newport High School
June 30, 2023

Fund Name	Cash Balance July 1, 2022	Receipts	Expenditure	Transfers	Cash Balance June 30, 2023
Annual	\$ 3,326	\$ -	\$ -	\$ (3,326)	\$ -
Archery club	5	-	-	-	5
Band	794	-	-	-	794
Baseball	705	-	-	-	705
Basketball	2,457	6,358	5,942	203	3,076
Basketball regional	-	960	960	-	-
Carpentry	590	-	-	-	590
Charitable donations	-	500	500	-	-
Cheerleading	1,846	5,029	1,145	(150)	5,580
Class of 2021	157	-	-	(157)	-
Class of 2022	112	-	-	(112)	-
Class of 2023	-	15	44	268	239
District	2,030	-	-	(2,030)	-
Donna Murphy Invitational Tour	(325)	2,637	2,312	-	-
Drama	1,639	3,661	1,440	338	4,198
FBLA	383	170	375	-	178
FCCLA	46	1,219	1,165	-	100
Football	5,185	6,406	2,571	-	9,020
Girls basketball	(1,724)	4,372	3,842	1,604	410
Graphic arts	555	-	899	426	82
GSA	188	-	-	(188)	-
Interest account	5,469	1,647	67	-	7,049
John Turner Memorial Tournament	3,318	7,808	3,644	-	7,482
Library	3,761	1,381	2,897	(63)	2,182
Lockers	5	-	-	-	5
MS Cheer	-	400	-	-	400
MS Football	-	250	-	-	250
National Honor Society	431	-	-	-	431
Newport Strong	590	-	-	-	590
Officials	41,288	43,778	48,949	210	36,327
Pep club	267	-	-	-	267
Prom	(723)	4,204	436	-	3,045

Newport Independent School District
Statement of School Activity Funds - Continued
Newport High School
June 30, 2023

Fund Name	Cash Balance			Transfers	Cash Balance
	July 1, 2022	Receipts	Expenditure		June 30, 2023
Records and postage	1,114	5	-	-	1,119
Skills USA	1,431	760	1,440	-	751
Soccer	1,895	-	-	-	1,895
Softball	1,617	-	-	-	1,617
Spirit shop	1,286	3,166	2,549	325	2,228
Spongebob play	-	1,000	1,000	-	-
Start up	400	651	200	-	851
Student activity	(41)	624	521	544	606
Student council	1,700	1,130	455	-	2,375
Teachers lounge	485	708	537	-	656
Track	2,184	33	2,041	-	176
Volleyball	5,086	3,449	4,148	-	4,387
Wrestling	84	-	-	-	84
Yearbook	-	4,695	2,130	2,108	4,673
YSC general fund	48	5,198	2,015	(50)	3,181
YSC class of 1964	25	3,436	2,250	50	1,261
Totals	\$ 89,689	\$ 115,650	\$ 96,474	\$ -	\$ 108,865

Newport Independent School District
 Schedule of Expenditures of Federal Awards
 June 30, 2023

<u>Federal Grantor/Pass-Through Grantor/ Program or Clust</u>	<u>Federal Assistance Listing</u>	<u>Pass Through Grantor's Number</u>	<u>Federal Expenditure for FYE 6/30/2023</u>	
U.S. Department of Education				
<i>Passed through Kentucky Department of Education</i>				
Special Education Cluster (IDEA)				
<i>Special Education Grants to States (IDEA, Part B)</i>	84.027	3810002 21	\$ 131,702	
	84.027	3810002 22	234,181	
	84.027	49100002	61,562	\$ 427,445
<i>Special Education Preschool Grants (IDEA, Preschool</i>	84.173	3800003 21	13,231	
	84.173	3800003 22	<u>329</u>	13,560
Title I Grants to Local Educational Agencies	84.010	3100002 19	1,164	
	84.010	3100002 20	156,939	
	84.010	3100002 21	211,291	
	84.010	3100002 22	1,215,013	
	84.010	3100102 20	39,707	
	84.010	3100102 21	1,879	
	84.010	3100202 19	72,884	
	84.010	3100202 20	71,435	
	84.010	3100202 21	160,871	
	84.010	3100202 22	<u>23,568</u>	1,954,751
English Language Acquisition State Grants	84.365	3300002 19	1,529	
	84.365	3300002 20	11,816	
	84.365	3300002 21	12,644	
	84.365	3300002 22	<u>11,046</u>	37,035
Adult Education - Basic Grants	84.002	2000000426	<u>143,769</u>	143,769
Title IV Student Support and Academic Enrichment	84.196	3990002 21	63,440	
	84.196	3990002 22	<u>10,683</u>	74,123
Career and Technical Educations - Basic Grants to States	84.048	3710002 21	5,454	
	84.048	3710002 22	<u>20,603</u>	26,057
Twenty-First Century Community Learning Centers	84.287	3400002 19	54	
	84.287	3400002 20	16,949	
	84.287	3400002 21	<u>257,264</u>	274,267

Newport Independent School District
 Schedule of Expenditures of Federal Awards
 June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Clust	Federal Assistance Listing	Pass Through Grantor's Number	Federal Expenditure for FYE 6/30/2023	
Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act	84.425		134,388	
	84.425C		134,622	
	84.425D	4200002 21	3,342,343	
	84.425U	4300002 21	1,894,193	
	84.425U	4300003 21	1,592	5,507,138
Total U.S Department of Education				<u>8,458,145</u>
<u>U.S. Department of Health and Human Services</u>				
<i>Passed through Kentucky Department of Education</i>				
Child Care and Development Block Grant	93.575		174,634	174,634
Total U.S. Department of Health and Human Services				<u>174,634</u>
<u>U.S. Department of Agriculture</u>				
<i>Passed through Kentucky Department of Education</i>				
Child Nutrition Cluster				
<i>School Breakfast Program</i>	10.553	7760005 22	68,964	
	10.553	7760005 23	180,521	
<i>National School Lunch Program</i>	10.555	7750002 22	218,900	
	10.555	7750002 23	506,774	
	10.555	9980000 22	36,025	
	10.555	9980000 23	18,500	
<i>Commodities</i>	10.555	Commoditie	62,920	1,092,604
Child and Adult Care Food Program	10.558	7790021 21	9,104	
	10.558	7790021 22	68,773	
	10.558	7800016 22	678	
	10.558	7800016 23	5,109	83,664
State Administrative Expenses for Child Nutrition	10 560	7700001 22	459	459
State Pandemic EBT Adminstrative Costs Grant	10.649	9990000 22	3,135	3,135
Total U.S. Department of Agriculture				<u>1,179,862</u>
Total Expenditures of Federal Awards				<u>\$ 9,812,641</u>

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, 2023. 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, 2023.

NOTE 5: COMMODITIES

Nonmonetary assistance is reported in the schedule at the fair value of the USDA commodities received and disbursed.

NOTE 6: FEDERAL AWARDS RECONCILIATION

Federal revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	\$ 11,531,348
Federal grants reported on the Statement or Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	1,116,942
Donated commodities reported on the Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	62,920
Total federal awards	<u>12,711,210</u>
Less: Medicaid reimbursement and adjustments	<u>(2,898,569)</u>
Schedule of expenditures of federal awards	<u><u>\$ 9,812,641</u></u>



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, the financial statements of the governmental activities and each major fund of the Newport Independent School District (District) as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the District basic financial statements and have issued our report thereon dated November 6, 2023.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 6, 2023.

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 6, 2023

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Program

We have audited Newport Independent School District's (District) compliance with the types of compliance requirements identified as subject to audit 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, 2023. 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.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and the audit requirements prescribed by the Kentucky State Committee for School District Audits, in the *Auditor Responsibilities and State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, we:

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

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

Report on Internal Control over Compliance

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

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

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

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

Maddox & Associates CPAs Inc.

Fort Thomas, Kentucky

November 6, 2023

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 CFR 500.516(a))?

_____ Yes X None reported

Identification of Major Programs

ALN	Name of Federal Program or Cluster
84.425C	COVID-19 Governor's Emergency Education Relief Fund (GEER)
84.425D	COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER)
84.425U	COVID-19 American Rescue Plan (ARP) ESSER
84.425W	COVID-19 American Rescue Plan (ARP) ESSER Homeless

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

\$ 750,000

Auditee qualified as low-risk auditee

_____ Yes X No

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

NO PRIOR FINDINGS

Newport Independent School District
Management Letter
June 30, 2023

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, 2023, 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 6, 2023, contains our report on the District's internal control. This letter does not affect our report dated November 6, 2023 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.
November 6, 2023

Newport Primary School

2023-01. During our testing of school activity fund receipts, we noted that receipts were not always signed by the school bookkeeper. *Accounting Procedures for Kentucky School Activity Funds* (Redbook) sets accounting guidelines for properly recording receipts.

Newport Intermediate School

2023-02. During our testing of school activity fund disbursements, we noted instances of disbursements that did not have sufficient supporting documentation. Disbursements must have sufficient documentation to support the expenditure.

2023-03. During our testing of monthly bank reconciliations, we noted that the reconciliation for November 2022 was not completed until January 2023. *Accounting Procedures for Kentucky School Activity Funds* (Redbook) sets accounting guidelines for the timely reconciliation and approval of bank balances.

Newport Independent High School

2023-04. During our testing of school activity fund receipts, we noted that receipts were not always signed by the school bookkeeper. *Accounting Procedures for Kentucky School Activity Funds* (Redbook) sets accounting guidelines for properly recording receipts. This is a repeat comment from the prior year.

2023-05. During our testing of school activity fund disbursements, we noted instances of disbursements that did not have the required bookkeeper and/or principal signature. *Accounting Procedures for Kentucky School Activity Funds* (Redbook) sets accounting guidelines for approval of disbursements.

2023-06. During our testing of school activity fund disbursements, we noted instances of disbursements that were not accurately reconciled to the supporting documentation.

2023-07. During our testing of monthly bank reconciliations, we noted that the reconciliation for November 2022 was not completed until January 2023. *Accounting Procedures for Kentucky School Activity Funds* (Redbook) sets accounting guidelines for the timely reconciliation and approval of bank balances.

2023-08. Several student organizations/clubs had no activity during the fiscal year and, therefore, are considered inactive. *Accounting Procedures for Kentucky School Activity Funds* (Redbook) requires these accounts to be closed and transferred to the organization designated by the inactive account sponsor or transferred to the general activity fund if no designation is made.

District Response

Redbook procedures will be reviewed with the appropriate staff.