

NEWPORT INDEPENDENT SCHOOL DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2025

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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, 2025, 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, 2025 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 conditions 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 January 26, 2026, 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
January 26, 2026

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, 2025. 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 \$6,764,912 (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 (\$8,282,642). 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 \$10,711,226 which caused the deficit balance in the unrestricted net position. The District's total net position increased by \$684,883 .

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 11-17 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 18-50 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, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Assets				
Current assets	\$ 9,232,847	\$ 9,176,070	\$ 457,631	\$ 474,911
Noncurrent assets	32,404,138	31,724,889	45,661	50,155
Total assets	41,636,985	40,900,959	503,292	525,066
Deferred outflows	3,840,975	5,092,656	186,907	262,422
Liabilities				
Current liabilities	2,882,620	1,989,352	1,094	(106)
Noncurrent liabilities	29,886,279	30,680,452	705,350	793,119
Total liabilities	32,768,899	32,669,804	706,444	793,013
Deferred inflows	5,621,463	6,400,962	306,441	359,403
Net position				
Net investment in capital assets	12,298,168	11,994,885	20,739	33,090
Restricted	3,072,072	3,592,292	(343,425)	(398,018)
Unrestricted	(8,282,642)	(8,664,328)	-	-
Total net position	\$ 7,087,598	\$ 6,922,849	\$ (322,686)	\$ (364,928)

Change in Net Position

	Governmental Activities		Business-Type Activities	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Revenues:				
Local revenue sources	\$ 13,709,435	\$ 13,534,762	\$ 45,878	\$ 76,827
State revenue sources	10,637,460	11,068,375	202,474	234,193
Federal revenue sources	4,537,583	8,849,040	1,164,925	1,240,615
Total revenues	\$ 28,884,478	\$ 33,452,177	\$ 1,413,277	\$ 1,551,635
Expenses:				
Instruction	19,129,513	19,658,251	-	-
Student support	1,119,571	924,833	-	-
Instruction staff	488,420	519,030	-	-
District administrative	2,266,841	1,708,925	-	-
School administrative	1,166,651	1,184,126	-	-
Business support	741,718	885,273	-	-
Plant operations	1,576,613	3,476,633	-	-
Student transportation	598,588	636,048	-	-
Food service	-	7,285	1,294,619	1,396,414
Community services	532,971	1,080,760	-	-
Building improvements	-	-	-	-
Interest on long-term debt	697,366	749,074	-	-
Total expenses	\$ 28,318,252	\$ 30,830,238	\$ 1,294,619	\$ 1,396,414
Transfers	76,416	94,022	(76,416)	(94,022)
Change in net position	\$ 642,642	\$ 2,715,961	\$ 42,242	\$ 61,199

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 \$7,817,648 a change of (\$746,530) from 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 \$1,081,785 . The total general fund balance increased (\$1,354,747).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the District had \$31,664,792 in capital assets net of depreciation. Net capital assets changed by \$841,357 .

	Governmental Activities		Business-Type Activities	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Land	\$ 1,109,955	\$ 1,109,955	\$ -	\$ -
Land and improvements	196,141	215,142	-	-
Buildings and improvements	27,796,771	27,954,556	-	-
Technology equipment	328	155,967	-	-
Vehicles	99,693	152,160	-	-
General equipment	454,635	519,802	20,739	33,090
Construction in progress	1,986,530	682,763	-	-
Total capital assets, net	\$ 31,644,053	\$ 30,790,345	\$ 20,739	\$ 33,090

Long-Term Obligations

At the end of the fiscal year, the District had \$31,217,472 in long-term liabilities. Long-term liabilities increased (\$800,596).

	Governmental Activities		Business-Type Activities	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Compensated absences	\$ 1,114,486	\$ 580,869	\$ -	\$ -
Operating leases	484,177	756,521	-	-
Financed purchases	267,048	331,135	-	-
Bonds payable	19,345,885	18,795,460	-	-
Net OPEB liability	2,874,000	3,447,000	-	-
Net pension liability	7,131,876	8,019,314	705,350	793,119
Total long-term liabilities	\$ 31,217,472	\$ 31,930,299	\$ 705,350	\$ 793,119

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 3%.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

General fund revenue for the District for 2025 is budgeted to decrease approximately \$2,000,000. Expenditures are budgeted to increase approximately \$2,000,000 over the prior year. The 2025 budget has a 2% contingency.

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, Kimberly Snapp, 30 West 8th St., Newport, KY 41071.

Newport Independent School District
Statement of Net Position
June 30, 2025

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 7,092,438	\$ 447,654	\$ 7,540,092
Receivables	2,140,409	-	2,140,409
Inventory	-	9,977	9,977
Noncurrent assets			
Net OBEP asset - CERS	251,988	24,922	276,910
Right of use assets, net	508,097	-	508,097
Capital assets, net	31,644,053	20,739	31,664,792
Total assets	41,636,985	503,292	42,140,277
Deferred outflows of resources			
OPEB related	2,465,968	47,498	2,513,466
Pension related	1,375,007	139,409	1,514,416
Total deferred outflows of resources	3,840,975	186,907	4,027,882
Liabilities			
Current liabilities			
Accounts payable	188,328	1,094	189,422
Accrued salaries and benefits	586,720	-	586,720
Unearned revenue	640,151	-	640,151
Accrued interest payable	136,228	-	136,228
Lease liability	272,344	-	272,344
Financed purchases	64,087	-	64,087
Bonds payable	994,762	-	994,762
Noncurrent liabilities			
Compensated absences	1,114,486	-	1,114,486
Lease liability	211,833	-	211,833
Financed purchases	202,961	-	202,961
Bonds payable	18,351,123	-	18,351,123
Net OPEB liability - TRS	2,874,000	-	2,874,000
Net pension liability	7,131,876	705,350	7,837,226
Total liabilities	32,768,899	706,444	33,475,343
Deferred inflows of resources			
OPEB related	4,576,517	203,095	4,779,612
Pension related	1,044,946	103,346	1,148,292
Total deferred inflows of resources	5,621,463	306,441	5,927,904
Net position			
Net investment in capital assets	12,298,168	20,739	12,318,907
Restricted (deficit)	3,072,072	(343,425)	2,728,647
Unrestricted (deficit)	(8,282,642)	-	(8,282,642)
Total net position (deficit)	\$ 7,087,598	\$ (322,686)	\$ 6,764,912

Newport Independent School District
Statement of Activities
Year Ended June 30, 2025

	Expenses	Charges for Services	Operating Grants and Contribution	Capital Grants and Contributions	Revenue over Expenses
Governmental Activities					
Instruction	\$ 19,129,513	\$ -	\$ 9,363,236	\$ -	\$ (9,766,277)
Support services:					
Student	1,119,571	-	133,435	-	(986,136)
Instructional staff	488,420	-	261,227	-	(227,193)
District administration	2,266,841	-	(53,885)	-	(2,320,726)
School administration	1,166,651	-	-	-	(1,166,651)
Business	741,718	-	38,851	-	(702,867)
Plant operation	1,576,613	-	22,000	-	(1,554,613)
Student transportation	598,588	-	-	-	(598,588)
Community service	532,971	-	587,402	-	54,431
Interest on long-term debt	697,366	-	-	361,449	(335,917)
Total governmental activities	28,318,252	-	10,352,266	361,449	(17,604,537)
Business-Type Activities					
Food service	1,294,619	45,878	1,367,399	-	118,658
Total business-type activities	1,294,619	45,878	1,367,399	-	118,658
Total school district	\$ 29,612,871	\$ 45,878	\$ 11,719,665	\$ 361,449	(17,485,879)
			Governmental	Business-Type	
			Activities	Activities	Total
Revenue over expenses			\$ (17,604,537)	\$ 118,658	\$ (17,485,879)
General Revenues					
Property taxes			11,687,016	-	11,687,016
Motor vehicle taxes			1,107,356	-	1,107,356
State and federal aid			352,405	-	352,405
SEEK			3,734,734	-	3,734,734
Federal direct revenue			374,188	-	374,188
Investment earnings			348,432	-	348,432
Other			566,631	-	566,631
Transfers			76,416	(76,416)	-
Total general revenues			18,247,178	(76,416)	18,170,762
Change in net position			642,641	42,242	684,883
Net position (deficit) - beginning of year, as restated			6,444,957	(364,928)	6,080,029
Net position (deficit) - end of year			\$ 7,087,598	\$ (322,686)	\$ 6,764,912

The notes to the financial statements are an integral part of this statement.

Newport Independent School District
Balance Sheet – Governmental Funds
June 30, 2025

	General Fund	Special Revenue Fund	Construction Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents (over)	\$ 2,722,802	\$ -	\$ 3,863,764	\$ 505,872	\$ 7,092,438
Receivables	233,704	1,906,705	-	-	2,140,409
Interfund receivable	1,344,750	-	-	-	1,344,750
Total assets	\$ 4,301,256	\$ 1,906,705	\$ 3,863,764	\$ 505,872	\$ 10,577,597
Liabilities					
Accounts payable	\$ 97,397	\$ 16,404	\$ 73,908	\$ 619	\$ 188,328
Accrued salaries and benefits	586,720	-	-	-	586,720
Unearned revenue	-	640,151	-	-	640,151
Interfund payable	-	1,249,816	-	94,934	1,344,750
Total liabilities	684,117	1,906,371	73,908	95,553	2,759,949
Fund balances					
Restricted	-	-	2,661,753	410,319	3,072,072
Committed	2,535,354	-	-	-	2,535,354
Assigned	-	54,974	-	-	54,974
Unassigned	1,081,785	(54,640)	1,128,103	-	2,155,248
Total fund balances	3,617,139	334	3,789,856	410,319	7,817,648
Total liabilities and fund balances	\$ 4,301,256	\$ 1,906,705	\$ 3,863,764	\$ 505,872	\$ 10,577,597

Newport Independent School District
 Reconciliation of the Balance Sheet – Governmental Funds
 to the Statement of Net Position
 June 30, 2025

Total fund balances - governmental funds	\$	7,817,648
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets		31,644,053
Right of use assets		508,097

Deferred outflow and inflow of resources are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows - OPEB		2,465,968
Deferred outflows - pensions		1,375,007
Deferred inflows - OPEB		(4,576,517)
Deferred inflows - pension		(1,044,946)

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

Accrued interest payable		(136,228)
Lease liability		(484,177)
Financed purchases		(267,048)
Bonds payable		(19,345,885)
Compensated absences		(1,114,486)
Net OPEB liability (asset)		(2,622,012)
Net pension liability		(7,131,876)

Net position of governmental activities	\$	7,087,598
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The notes to the financial statements are an integral part of this statement.

Newport Independent School District
Statement of Revenues, Expenditures and Changes in Fund
Balances – Governmental Funds
Year Ended June 30, 2025

	General Fund	Special Revenue Fund	Construction Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
From local sources:					
Property taxes	\$ 10,184,696	\$ -	\$ -	\$ 1,502,320	\$ 11,687,016
Motor vehicle taxes	1,107,356	-	-	-	1,107,356
Earnings on investments	348,432	-	-	-	348,432
Other local revenue	232,727	2,565	-	331,339	566,631
Intergovernmental state:					
SEEK	3,582,642	-	-	152,092	3,734,734
On-behalf	5,107,555	-	-	361,449	5,469,004
Other	28,879	1,404,843	-	-	1,433,722
Intergovernmental federal	-	4,163,395	-	-	4,163,395
Federal direct	374,188	-	-	-	374,188
Total revenues	20,966,475	5,570,803	-	2,347,200	28,884,478
Expenditures					
Instruction	14,441,345	4,255,682	-	522,509	19,219,536
Support services:					
Student	1,016,428	133,435	-	3,307	1,153,170
Instruction staff	231,234	261,227	-	-	492,461
District administrative	2,322,814	(53,885)	-	-	2,268,929
School administrative	1,224,654	-	-	-	1,224,654
Business support	793,170	38,851	-	-	832,021
Plant operation	2,580,469	22,000	-	-	2,602,469
Student transpiration	615,866	-	-	-	615,866
Community services	-	587,402	-	-	587,402
Building improvements	-	-	518,191	-	518,191
Debt service					
Principal	64,087	-	-	920,000	984,087
Interest	9,707	-	-	636,868	646,575
Total expenditures	23,299,774	5,244,712	518,191	2,082,684	31,145,361
Excess of revenues over (under) expenditures	(2,333,299)	326,091	(518,191)	264,516	(2,260,883)
Other financing sources (uses)					
Transfers in	1,003,994	25,442	208,357	1,195,419	2,433,212
Transfers out	(25,442)	(351,199)	-	(1,980,155)	(2,356,796)
Bond discount	-	-	(27,250)	-	(27,250)
Bond premium	-	-	20,187	-	20,187
Bond proceeds	-	-	1,445,000	-	1,445,000
Total other financing sources (uses)	978,552	(325,757)	1,646,294	(784,736)	1,514,353
Net change in fund balances	(1,354,747)	334	1,128,103	(520,220)	(746,530)
Fund balances - beginning	4,971,886	-	2,661,753	930,539	8,564,178
Fund balances - end of year	\$ 3,617,139	\$ 334	\$ 3,789,856	\$ 410,319	\$ 7,817,648

Newport Independent School District
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances – Governmental Funds
 to the Statement of Activities
 Year Ended June 30, 2025

Net change in fund balances - total governmental funds \$ (746,530)

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those asset is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	2,729,466
Depreciation expense	(1,875,758)

The issuance of long-term debt provides current financial resources to governmental funds, but the proceeds increase long-term liabilities in the statement of net position. (1,465,187)

Repayment of long-term debt are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 978,849

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

Lease amortization	18,446
Change in accrued interest payable	(8,615)
Change in compensated absences	(55,725)
Change in OPEB liabilities and deferred amounts	962,211
Change in pension liabilities and deferred amounts	103,844

Change in net position of governmental activities	\$ 641,001
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The notes to the financial statements are an integral part of this statement.

Newport Independent School District
Statement of Net Position – Proprietary Fund
June 30, 2025

	Food Service
Assets	
Current assets	
Cash and cash equivalents	\$ 447,654
Inventories for consumption	9,977
Total current assets	457,631
Noncurrent assets	
Net OPEB asset - CERS	24,922
Capital assets, net	20,739
Total noncurrent assets	45,661
Total assets	503,292
Deferred outflows of resources	
OPEB related	47,498
Pension related	139,409
Total deferred outflows of resources	186,907
Liabilities	
Current liabilities	
Accounts payable	1,094
Total current liabilities	1,094
Long-term liabilities	
Net pension liability	705,350
Total long-term liabilities	705,350
Total liabilities	706,444
Deferred inflows of resources	
OPEB related	203,095
Pension related	103,346
Total deferred inflow of resources	306,441
Net position	
Net investment in capital assets	20,739
Restricted	(343,425)
Total net position (deficit)	\$ (322,686)

The notes to the financial statements are an integral part of this statement.

Newport Independent School District
Statement of Revenue, Expenses, and Changes
In Fund Net Position – Proprietary Fund
Year Ended June 30, 2025

	Food Service
Operating revenues	
Food service	\$ 44,347
Other operating revenue	1,531
Total operating revenues	45,878
Operating expenses	
Salaries and wages	488,459
Employee benefits	242,722
Purchased services	40,894
Materials and supplies	511,807
Other operating expenses	(1,614)
Depreciation	12,351
Total operating expenses	1,294,619
Operating loss	(1,248,741)
Non operating revenues	
Operating grants - state	860
On-behalf revenue	201,614
Operating grants - federal	1,105,698
Donated commodities	59,227
Transfers out	(76,416)
Total other financing sources (uses)	1,290,983
Net change in fund balances	42,242
Fund balances - beginning of year	(364,928)
Fund balances - end of year	\$ (322,686)

The notes to the financial statements are an integral part of this statement.

Newport Independent School District
Statement of Cash Flows – Proprietary Fund
Year Ended June 30, 2025

	Food Service
Cash flows from operating activities	
Cash received:	
From food service sales	\$ 45,878
From tuition	-
Cash paid:	
To employees	(804,254)
To suppliers	(515,804)
For operating expenses	(39,280)
Cash transfer	(76,416)
Net cash used in operating activities	(1,389,876)
Cash flows from noncapital financing activities	
Non operating grants	1,367,399
Net cash provided by noncapital financing activities	1,367,399
Net increase in cash	(22,477)
Cash - beginning of year	470,131
Cash - end of year	<u>\$ 447,654</u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (1,248,741)
Adjustments to reconcile operating loss to net cash in operating activities	
Depreciation	12,351
Transfers out	(76,416)
Changes in:	
Inventory	(5,197)
Payables	1,200
Deferred outflows	75,515
Deferred inflows	(52,962)
Net OPEB liability	(7,857)
Net pension liability	(87,769)
Net cash used in operating activities	\$ (1,389,876)
Noncash activities	
Commodities received from federal	<u>\$ 59,227</u>
On-behalf payments received state	<u>\$ 201,614</u>

The notes to the financial statements are an integral part of this statement.

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 January 26, 2026, the date the financial statements were available to be issued.

NOTE 2: CASH AND INVESTMENTS

At year end, the District’s bank balance was \$8,547,024 and the carrying amount was \$7,540,092 . 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.

Cash and cash equivalents at year-end consisted of the following:

Account	Checking	Money Market	Total
Operating	\$ 7,252,324	\$ -	\$ 7,252,324
General	-	1,166,341	1,166,341
High School	89,443	-	89,443
Intermediate School	20,167	-	20,167
Primary School	17,836	-	17,836
Adult Education	913	-	913
Total bank balances	\$ 7,380,683	\$ 1,166,341	\$ 8,547,024
Outstanding items	(1,006,932)	-	(1,006,932)
Book balance	\$ 6,373,751	\$ 1,166,341	\$ 7,540,092

Governmental funds	\$ 7,092,438
Proprietary fund	447,654
Total funds	\$ 7,540,092

Custodial credit risk- deposits. 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.

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year is summarized below:

	Balance 6/30/2024	Additions	Disposals	Balance 6/30/2025
Governmental Activities				
Land	\$ 1,109,955	\$ -	\$ -	\$ 1,109,955
Land improvements	380,037	-	-	380,037
Buildings and improvements	51,634,926	1,425,699	-	53,060,625
Technology equipment	2,265,105	-	-	2,265,105
Vehicles	537,856	-	-	537,856
General equipment	1,594,342	-	-	1,594,342
Construction in progress	682,763	1,303,767	-	1,986,530
Total at historical cost	58,204,984	2,729,466	-	60,934,450
Less accumulated depreciation				
Land improvements	164,895	19,001	-	183,896
Buildings and improvements	23,680,370	1,583,484	-	25,263,854
Technology equipment	2,109,138	155,639	-	2,264,777
Vehicles	385,696	52,467	-	438,163
General equipment	1,074,540	65,167	-	1,139,707
Total accumulated depreciation	27,414,639	1,875,758	-	29,290,397
Capital assets - net	\$30,790,345	\$ 853,708	\$ -	\$31,644,053
	Balance 6/30/2024	Additions	Disposals	Balance 6/30/2025
Business-type Activities				
Technology equipment	14,286	-	6,126	8,160
General equipment	698,755	-	-	698,755
Total at historical cost	713,041	-	6,126	706,915
Less accumulated depreciation				
Technology equipment	14,286	-	6,126	8,160
General equipment	665,665	12,351	-	678,016
Total accumulated depreciation	679,951	12,351	6,126.00	686,176
Capital assets - net	\$ 33,090	\$ (12,351)	\$ -	\$ 20,739

NOTE 3: CAPITAL ASSETS – CONTINUED

Depreciation was charged to following government functions:

	Governmental	Business-type
Instruction	\$ 452,222	\$ -
Student support	15,745	-
District admin support	25,901	-
School admin support	11,248	-
Plant operations	1,334,734	-
Student transportation	35,807	-
Food service	-	12,351
Community services	101	-
Depreciation expense	\$ 1,875,758	\$ 12,351

NOTE 4: LONG-TERM LIABILITIES

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

	Balance			Amount		
Governmental Activities:	July 1, 2024	Additions	Reductions	Balance June 30, 2025	Due Within One Year	Long- Term
Compensated absences	\$ 580,869	\$ 533,617	\$ -	\$ 1,114,486	\$ -	\$ 1,114,486
Financed purchases	331,135	-	64,087	267,048	64,087	202,961
Operating leases	756,521	-	272,344	484,177	272,344	211,833
Bonds payable	18,795,460	1,465,187	914,762	19,345,885	994,762	18,351,123
Net OPEB liability	3,447,000	-	573,000	2,874,000	-	2,874,000
Net pension liability	8,019,314	-	887,438	7,131,876	-	7,131,876
Total long-term liabilities	\$ 31,930,299	\$ 1,998,804	\$ 2,711,631	\$ 31,217,472	\$ 1,331,193	29,886,279

	Balance			Amount		
Business-type Activities	July 1, 2024	Additions	Reductions	Balance June 30, 2025	Due Within One Year	Long- Term
Net pension liability	\$ 793,119	\$ -	\$ 87,769	\$ 705,350	\$ -	\$ 705,350
Total long-term liabilities	\$ 793,119	\$ -	\$ 87,769	\$ 705,350	\$ -	705,350

NOTE 4: LONG-TERM LIABILITIES - CONTINUED

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	Proceeds	Rates	Balance June 30, 2024
2014	\$ 2,125,000	0.350% - 4.000%	\$ 1,095,000
2014B	9,715,000	0.045% - 3.600%	5,560,000
2017	1,540,000	3.000% - 3.625%	1,245,000
2018	3,310,000	3.000% - 3.250%	2,810,000
2021	1,365,000	1.000% - 1.300%	965,000
2022	3,585,000	3.000% - 4.125%	3,320,000
2023	3,015,000	4.000% - 4.125%	3,005,000
2025	1,445,000	4.000% - 4.125%	1,445,000
Total	\$ 26,100,000		19,445,000
Bond discount			(117,956)
Bond premium			18,841
Bonds payable, net			\$ 19,345,885

Bond activity for the year is summarized below:

Issue	Balance			Balance June 30, 2025	Amount	
	July 1, 2024	Additions	Reductions		Due Within One Year	Long- Term
Series 2014	\$ 1,195,000	\$ -	\$ 100,000	\$ 1,095,000	\$ 105,000	\$ 990,000
Series 2014B	6,020,000	-	460,000	5,560,000	475,000	5,085,000
Series 2017	1,290,000	-	45,000	1,245,000	45,000	1,200,000
Series 2018	2,895,000	-	85,000	2,810,000	85,000	2,725,000
Series 2021	1,095,000	-	130,000	965,000	135,000	830,000
Series 2022	3,410,000	-	90,000	3,320,000	90,000	3,230,000
Series 2023	3,015,000	-	10,000	3,005,000	15,000	2,990,000
Series 2025	-	1,445,000	-	1,445,000	50,000	1,395,000
Total bonds	\$ 18,920,000	\$ 1,445,000	\$ 920,000	\$ 19,445,000	\$ 1,000,000	\$ 18,445,000
Bond discount	(124,540)	-	(6,584)	(117,956)	(6,584)	(111,372)
Bond premium	-	20,187	1,346	18,841	1,346	17,495
Bonds payable, net	\$ 18,795,460	\$ 1,465,187	\$ 914,762	\$ 19,345,885	\$ 994,762	\$ 18,351,123

NOTE 4: LONG-TERM LIABILITIES – CONTINUED

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

	Newport Independent School District		School Facility Construction Commission		Total Debt Service
	Principal	Interest	Principal	Interest	
2026	\$ 724,945	\$ 592,531	\$ 275,055	\$ 87,944	\$ 1,680,475
2027	747,263	571,118	277,737	136,194	1,732,312
2028	769,245	547,674	285,755	76,237	1,678,911
2029	794,902	521,841	290,098	69,444	1,676,285
2030	825,069	493,181	299,931	62,311	1,680,492
2031-2035	4,602,330	1,995,119	1,092,670	194,821	7,884,940
2036-2040	5,059,455	1,148,805	350,545	77,232	6,636,037
2041-2045	2,888,923	259,534	161,077	10,034	3,319,568
Total payments	\$ 16,412,132	\$ 6,129,803	\$ 3,032,868	\$ 714,217	\$ 26,289,020
			Total principal payments		\$ 19,445,000
			Total interest payments		6,844,020
			Total debt service		<u>\$ 26,289,020</u>

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. The compensated absences at year end is \$1,114,486 .

NOTE 5: PENSION PLANS

The District participates in the following retirement systems:

County Employees' Retirement System (CERS)

CERS is a component unit of the Commonwealth of Kentucky and covers employees whose position does not require a college degree or teaching certification. See Note 6a.

Teachers Retirement System (TRS)

TRS is a blended component unit of the Commonwealth of Kentucky and covers employees whose position requires teaching certification or otherwise requires a college degree. See Note 6b.

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.

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NOTE 5a – CERS PENSION PLAN

Plan Description

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

Benefits Provided

CERS provides retirement, death, and disability benefits to plan members. District employees participating in CERS are provided benefits through the nonhazardous plan. Employees are vested in the plan after five years of service. 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 of service or 65 years old At least 5 years of service and 65 years old, or At least 25 years of service and any age
Tier 2	Participation date Unreduced retirement Reduced retirement	September 1, 2008 to December 31, 2013 At least 5 years of service and 65 years old, or Age 57 and sum of service years plus age equal 87 At least 10 years of service and 60 years old
Tier 3	Participation date Unreduced retirement Reduced retirement	After December 31, 2013 At least 5 years of service and 65 years old, or Age 57 and sum of service years plus age equal 87 Not available

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 19.71%. The District made all required contributions for fiscal year in the amount of \$808,868 .

NOTE 5a – CERS PENSION PLAN - CONTINUED

Pension Liability

At June 30, 2025, the District reported a liability of \$7,837,226 for its proportionate share of the net pension liability for CERS. The net pension liability for the plan was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures. The District's proportion of the net pension liability for CERS was based on the District's share of 2024 contributions to the pension plan relative to the 2024 contributions of all participating employers determined by the actuary. At June 30, 2024, the District's proportion was 0.1310%.

Pension Expense

For the year ended June 30, 2025, the District recognized pension expense of \$687,308 related to CERS

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2025, 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	\$ 379,336	\$ -	
Change of assumptions	-	354,089	
Change in investment experience	-	503,892	
Change in proportionate share of contributions	326,212	290,311	
	<u>705,548</u>	<u>\$ 1,148,292</u>	<u>\$ (442,744)</u>
Subsequent contributions	808,868		
Total	<u>\$ 1,514,416</u>		

NOTE 5a – CERS PENSION PLAN - CONTINUED

The contributions subsequent to the measurement date of \$808,868 will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. The net deferral of (\$442,744) will be recognized in pension expense as follows:

Year ending June 30	Net Deferral
2026	\$ (169,269)
2027	32,525
2028	(193,702)
2029	(112,298)
	<u>\$ (442,744)</u>

Actuarial Assumptions

The total pension liability, net pension liability, and sensitivity information as of June 30, 2024 were based on an actuarial valuation date of June 30, 2023. The total pension liability was rolled forward from the valuation date to the plan’s fiscal year ending June 30, 2024, using generally accepted actuarial principles.

There have been no assumption, method, or plan provisions that would materially impact the total pension liability since June 30, 2023.

The significant actuarial assumptions are:

Employer fiscal year end	2025
Plan year end	2024
Actuarial valuation date	June 30, 2023
Inflation	2.50%
Salary increases	3.00% to 7.50%
Investment return	7.10%
Post-retirement adjustment	1.50%
Municipal bond index rate	3.94%
Single equivalent interest rate	7.10%

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 5a – CERS PENSION PLAN - CONTINUED

Asset Class	Target Allocation	Long-term Expected Nominal Return
Public equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Core Bonds	10.00%	2.45%
Specialty credit/high yield	10.00%	3.65%
Cash	0.00%	1.39%
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
Expected real return	100.00%	
Long-term inflation assumption		2.50%

Discount rate

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. 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.

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 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 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
District's proportionate share of the CERS net pension liability	\$10,103,465	\$ 7,837,226	\$ 5,956,845

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 5b – 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 (TRS)—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. TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at http://www.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.

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

NOTE 5b – TRS PENSION PLAN - CONTINUED

Contributions

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

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

Pension Liability

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 State's proportionate share of the TRS net pension liability associated with the district is \$40,799,431 .

Pension Expense

For the year ended June 30, 2025, the District recognized pension expense of \$2,651,831 related to TRS. The District also recognized revenue of \$2,651,831 for TRS support provided by the Commonwealth.

Deferred Outflows of Resources and Deferred Inflows of Resources

The District did not report any deferred outflows of resources and deferred inflows of resources related to the TRS plan.

Actuarial Assumptions

The assumption for the municipal bond index rate increased from 3.66% to 3.94%.

The significant actuarial assumptions are:

Employer fiscal year end	2025
Plan year end	2024
Actuarial valuation date	June 30, 2023
Inflation	2.50%
Salary increases	3.00% to 7.50%
Investment return	7.10%
Post-retirement adjustment	1.50%
Municipal bond index rate	3.94%
Single equivalent interest rate	7.10%

NOTE 5B – TRS PENSION PLAN - CONTINUED

Long-term expected rate of return

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Nominal Return</u>
Large Cap U.S. Equity	35.40%	5.00%
Small Cap U.S. Equity	2.60%	5.50%
Developed International Equity	15.70%	5.50%
Emerging Markets Equity	5.30%	6.10%
Fixed Income	15.00%	1.90%
High Yield Bonds	2.00%	3.80%
Other Categories	8.00%	3.60%
Real Estate	7.00%	3.20%
Private Equity	7.00%	8.00%
Cash	2.00%	1.60%
<u>Expected real return</u>	<u>100.00%</u>	
<u>Long-term inflation assumption</u>		<u>2.50%</u>

Discount rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. 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.

NOTE 6: OPEB PLAN

The District participates in the following retirement systems:

County Employees' Retirement System (CERS)

CERS is a component unit of the Commonwealth of Kentucky and covers employees whose position does not require a college degree or teaching certification. See Note 7a.

Teachers Retirement System (TRS)

TRS is a blended component unit of the Commonwealth of Kentucky and covers employees whose position requires teaching certification or otherwise requires a college degree. See Note 7b.

OPEB 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 6a: CERS OPEB 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.

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

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 0.00%. The District made all required contributions for the fiscal year in the amount of \$0 .

Note 6a: CERS OPEB Plan – Continued

OPEB Liability

At June 30, 2025, the District reported an asset of \$276,910 for its proportionate share of the net OPEB liability for CERS. The net OPEB liability for the plan was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard actuarial procedures. The District’s proportion of the net OPEB liability was based on the District’s share of 2024 contributions to the OPEB plan relative to the 2024 contributions of all participating employers, actuarially determined. At June 30, 2024 the District’s proportionate share was 0.13112%.

OPEB Expense

For the year ended June 30, 2025, the District recognized OPEB expense of (\$615,068) related to CERS.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2025, 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	\$ 125,887	\$ 1,785,336	
Change of assumptions	205,608	160,109	
Change in investment experience	-	207,069	
Change in proportionate share of contributions	196,261	104,098	
	<u>527,756</u>	<u>\$ 2,256,612</u>	<u>\$ (1,728,856)</u>
Subsequent contributions	-		
Total	<u>\$ 527,756</u>		

The contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent year. The net deferral will be recognized in pension expense as follows:

Year ending June 30	Net Deferral
2026	\$ (702,141)
2027	(523,516)
2028	(467,811)
2029	(35,388)
	<u>\$ (1,728,856)</u>

Note 6a: CERS OPEB Plan – Continued

Actuarial assumptions

The total OPEB liability, net OPEB liability, and sensitivity information shown in this report are based on an actuarial valuation date of June 30, 2023. The total OPEB liability was rolled forward from the valuation date to the plan’s fiscal year ending June 30, 2024, using generally accepted actuarial principles

The discount rate used to calculate the total OPEB liability increased from 5.93% to 5.99%. The total OPEB liability as of June 30, 2024 is determined using these updated assumptions.

Payroll growth rate	2.00%
Investment return	6.50%
Inflation	2.30%
Salary increases	3.30% to 10.30%

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.

Asset Class	Target Allocation	Long-term Expected Nominal Return
Public equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Core Bonds	10.00%	2.45%
Specialty credit/high yield	10.00%	3.65%
Cash	0.00%	1.39%
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
<u>Expected real return</u>	<u>100.00%</u>	
<u>Long-term inflation assumption</u>		<u>2.50%</u>

Note 6a: CERS OPEB Plan – Continued

Discount rate

The discount rate used to measure the total pension liability was 5.99%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. 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.

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 as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>4.93%</u>	<u>5.93%</u>	<u>6.93%</u>
District's proportionate share of the CERS net OPEB liability (asset)	\$ 306,808	\$ (276,910)	\$ (675,662)

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 (asset)	\$ (545,918)	\$ (276,910)	\$ 144,712

Note 6b: TRS OPEB Health Insurance Plan

Plan Description

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 (TRS) - a cost-sharing multiple-employer defined OPEB pension plan with a special funding situation established to provide retirement, health, and life insurance benefits for local school districts and other public educational agencies in the state.

TRS provides post-employment healthcare benefits to eligible members and dependents. The TRS Health Insurance Trust is a cost-sharing multiple-employer defined benefit plan with a special funding situation, funded by employer and member contributions.

Benefits Provided

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

Contributions

Local school districts contribute 3.00% of members' salaries and the state contributes the net cost of the health insurance premiums. The District made all required contributions for the fiscal year in the amount of \$308,710 .

OPEB Liability

At June 30, 2025, the District reported a liability of \$2,874,000 for its proportionate share of the net OPEB liability for TRS . The net OPEB liability for the plan was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard actuarial procedures. The District's proportion of the net OPEB liability was based on the District's share of 2024 contributions to the OPEB plan relative to the 2024 contributions of all participating employers, actuarially determined. At June 30, 2024 the District's proportionate share was 0.12892%.

OPEB Expense

For the year ended June 30, 2025, the District recognized pension expense of related to TRS and on-behalf revenue of for TRS support provided by the Commonwealth.

Note 6b: TRS OPEB Health Insurance Plan - Continued

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2025, 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	\$ -	\$ 863,000	
Change of assumptions	732,000	-	
Change in investment experience	-	92,000	
Change in proportionate share of contributions	945,000	1,568,000	
	<u>1,677,000</u>	<u>\$ 2,523,000</u>	<u>\$ (846,000)</u>
Subsequent contributions	308,710		
Total	<u>\$ 1,985,710</u>		

The contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent year. The net deferral of will be recognized in pension expense as follows:

Year ending June 30	Net Deferral
2026	\$ (209,000)
2027	(48,000)
2028	(114,000)
2029	(248,000)
2030	(199,000)
Thereafter	(28,000)
	<u>\$ (846,000)</u>

Note 6b: TRS OPEB Health Insurance Plan - Continued

Actuarial Assumptions

There were no changes in the actuarial assumptions from the prior year. Assumptions used to determine the net OPEB liability are as follows:

Employer fiscal year end	2025
Plan year end	2024
Inflation	2.50%
Salary increases	3.00% to 7.50%
Investment return	7.10%
Post-retirement adjustment	1.50%
Municipal bond index rate	3.94%
Single equivalent interest rate	7.10%

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.

Asset Class	Target Allocation	Long-term Expected Nominal Return
Large Cap U.S. Equity	35.40%	5.00%
Small Cap U.S. Equity	2.60%	5.50%
Developed International Equity	15.00%	5.50%
Emerging Markets Equity	5.00%	6.10%
Fixed Income	9.00%	1.90%
High Yield Bonds	8.00%	3.80%
Other Categories	9.00%	3.70%
Real Estate	6.50%	3.20%
Private Equity	8.50%	8.00%
Cash	1.00%	1.60%
Expected real return	100.00%	
Long-term inflation assumption		2.50%

Note 6b: TRS OPEB Health Insurance Plan - Continued

Discount rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. 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.

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	6.10%	7.10%	8.10%
District's proportionate share of the TRS net OPEB liability	\$ 3,818,000	\$ 2,874,000	\$ 2,091,000

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 TRS net OPEB liability	1,941,000	2,874,000	4,032,000

Note 6c: Combined Deferred Outflows of Resources and Deferred Inflows of Resources

The combined CERS and TRS OPEB deferred outflows of resources and deferred inflows of resources are as follows:

	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 125,887	\$ 2,648,336	
Change of assumptions	937,608	160,109	
Change in investment experience	-	299,069	
Change in proportionate share of contributions	<u>1,141,261</u>	<u>1,672,098</u>	
	2,204,756	<u>\$ 4,779,612</u>	<u>\$ (2,574,856)</u>
Subsequent contributions	<u>308,710</u>		
Total	<u>\$ 2,513,466</u>		

The contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent year. The net deferral will be recognized in pension expense as follows:

Year ending <u>June 30</u>	Net <u>Deferral</u>
2026	\$ (911,141)
2027	(571,516)
2028	(581,811)
2029	(283,388)
2030	(199,000)
Thereafter	<u>(28,000)</u>
	<u>\$ (2,574,856)</u>

Note 6d: TRS OPEB Life Insurance Trust

Plan Description

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 (TRS) - a cost-sharing multiple-employer defined OPEB pension plan with a special funding situation established to provide retirement, health, and life insurance benefits for local school districts and other public educational agencies in the state.

TRS provides life insurance benefits to retired and active members. The TRS Life Insurance Trust is a cost-sharing multiple-employer defined benefit plan with a special funding situation.

Benefits Provided

TRS provides a life insurance benefit of \$5,000 for members who are retired for service or disability and \$2,000 for active contributing members who began participating before January 1, 2022. For TRS 4 members, the life insurance benefit payable upon the death of a member is \$5,000 for active contributing members and \$10,000 for retired or disabled members.

Contributions

The state contributes 0.08% of members' salaries for the life insurance trust. Local school districts do not contribute to the plan.

OPEB Liability

The District did not report a liability for the District's proportionate share of the net OEBP liability for TRS because the Commonwealth of Kentucky provides the OPEB support directly to TRS on behalf of the District. The State's proportionate share of the TRS net OPEB liability associated with the district is .

OPEB Expense

For the year ended June 30, 2025, the District recognized pension expense of related to TRS and on-behalf revenue of for TRS support provided by the Commonwealth.

Deferred Outflows of Resources and Deferred Inflows of Resources

The District did not report any deferred outflows of resources and deferred inflows of resources related to the TRS plan.

Note 6d: TRS OPEB Life Insurance Trust - Continued

Actuarial Assumptions

There were no changes in the actuarial assumptions from the prior year. Assumptions used to determine the net OPEB liability are as follows:

Employer fiscal year end	2025
Plan year end	2024
Inflation	2.50%
Salary increases	3.00% to 7.50%
Investment return	7.10%
Post-retirement adjustment	1.50%
Municipal bond index rate	3.94%
Single equivalent interest rate	7.10%

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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Nominal Return</u>
Large Cap U.S. Equity	40.00%	5.00%
Developed International Equity	15.00%	5.50%
Emerging Markets Equity	5.00%	6.10%
Fixed Income	21.00%	1.90%
Other Categories	5.00%	3.70%
Real Estate	7.00%	3.20%
Private Equity	5.00%	8.00%
Cash	2.00%	1.60%
<u>Expected real return</u>	<u>100.00%</u>	
<u>Long-term inflation assumption</u>		<u>2.50%</u>

Discount rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. 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.

NOTE 7: ON-BEHALF

For the year ended June 30, 2025, 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	\$ 5,107,555
Debt service	361,449
Food service	201,614
	<u>\$ 5,670,618</u>

Type	
Retirement - TRS	\$ 2,651,831
Medical insurance fund - TRS	238,488
Life insurance fund - TRS	7,139
Health insurance	2,598,157
Less federal reimbursement	(322,925)
Life insurance	3,082
Administrative fee	24,644
HRA/Dental/Vision insurance	66,325
Technology	42,428
Debt service	361,449
	<u>\$ 5,670,618</u>

NOTE 9: FUND TRANSFERS

The following transfers were made during the year:

From	To	Purpose	Amount
General fund	Special revenue	Technology Match	\$ 25,442
Special revenue	General fund	Indirect costs	335,049
Special revenue	General fund	Projects	16,150
Building	Debt service	Debt service	1,195,419
Building	Construction fund	Projects	208,357
Building	General fund	Projects	354,606
Capital outlay	General fund	Projects	221,773
Food service	General fund	Indirect costs	76,516
		<u>Total transfers</u>	<u>\$ 2,433,312</u>

NOTE 8: FUND TRANSFERS - CONTINUED

Transfers are reported in financial statements as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfer</u>
Governmental funds	\$ 2,433,312	\$ 2,356,796	\$ 76,516
Proprietary fund	-	76,516	(76,516)
	<u>\$ 2,433,312</u>	<u>\$ 2,433,312</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 any 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, 2025, 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: DEFICIT FUND BALANCES AND CURRENT YEAR DEFICITS

There are no funds that have a deficit balance at the end of the fiscal year.

The following funds had a current year net decrease in fund balance: General fund (\$1,354,747), District activity fund (\$171,426), Student activity fund (\$23,051), Capital outlay fund (\$95,578), and Building fund (\$230,165).

NOTE 13: ADJUSTMENTS TO AND RESTATEMENTS OF BEGINNING BALANCES

During the fiscal year, the beginning net position / fund balance are restated as follows:

	6/30/2024		Change to		6/30/2024
	Net Position /	Change in	or Within the	Error	Net Position /
	Fund Balance	Accounting	Reporting	Correction	Fund Balance
	As previously	Principle	Entity		As adjusted /
	reported				corrected
Government-wide					
Governmental activities	\$ 28,055,374	\$ (477,892)	\$ -	\$ -	\$ 27,577,482
Business-type activities	48,261	-	-	-	48,261
Total primary government	<u>\$ 28,103,635</u>	<u>\$ (477,892)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,625,743</u>
Governmental funds	<u>\$ 12,495,464</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,495,464</u>
Proprietary funds	<u>\$ 48,261</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,261</u>

NOTE 14: CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2024, the District implemented Government Accounting Standards Board (GASB) Statement No. 100, Accounting Changes and Error Corrections and GASB Statement No. 101, Compensated Absences.

GASB 100 will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision-useful, understandable, and comprehensive information for users about accounting changes and error corrections. The implementation of GASB 100 did not have any effect on beginning net position/ fund.

GASB 101 will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The implementation of GASB 101 resulted in recognizing additional compensated absence liabilities of \$55,724 and caused the beginning net position of governmental activities to decrease by \$477,892.

REQUIRED SUPPLEMENTARY INFORMATION

Newport Independent School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance
	Original	Final		Final to Actual
Revenues				
From local sources:				
Property taxes	\$10,431,870	\$10,431,870	\$10,184,696	\$ (247,174)
Motor vehicle taxes	1,032,550	1,032,550	1,107,356	74,806
Utility taxes	25,000	25,000	-	(25,000)
Earnings on investments	100,000	100,000	348,432	248,432
Other local revenue	1,345,439	1,345,439	232,727	(1,112,712)
Intergovernmental state:				
SEEK	3,960,077	3,960,077	3,582,642	(377,435)
On-behalf	-	-	5,107,555	5,107,555
Other	4,140	4,140	28,879	24,739
Federal direct	300,000	300,000	374,188	74,188
Total revenues	17,199,076	17,199,076	20,966,475	3,767,399
Expenditures				
Instruction	8,856,460	8,856,460	14,441,345	(5,584,885)
Support services:				
Student	1,010,877	1,010,877	1,016,428	(5,551)
Instruction staff	671,521	671,521	231,234	440,287
District administrative	1,814,758	1,814,758	2,322,814	(508,056)
School administrative	1,201,915	1,201,915	1,224,654	(22,739)
Business support	863,420	863,420	793,170	70,250
Plant operation and maintenance	2,855,700	2,855,700	2,580,469	275,231
Student transportation	631,476	631,476	615,866	15,610
Debt service				
Principal	80,445	80,445	64,087	16,358
Interest	-	-	9,707	(9,707)
Contingency	526,127	526,127	-	526,127
Total expenditures	18,512,699	18,512,699	23,299,774	(4,787,075)
Excess of revenues over (under) expenditures	(1,313,623)	(1,313,623)	(2,333,299)	(1,019,676)
Other financing sources (uses)				
Transfers in	89,841	89,841	1,003,994	914,153
Transfers out	(37,980)	(37,980)	(25,442)	12,538
Total other financing sources (uses)	51,861	51,861	978,552	926,691
Net change in fund balances	(1,261,762)	(1,261,762)	(1,354,747)	(92,985)
Fund balances - beginning	1,207,893	1,207,893	4,971,886	3,763,993
Fund balances - end of year	\$ (53,869)	\$ (53,869)	\$ 3,617,139	\$ 3,671,008

Newport Independent School District
 Budgetary Comparison Schedule – Special Revenue Fund
 Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance
	Original	Final		Final to Actual
Revenues				
From local sources:				
Other local revenue	\$ 4,280	\$ 4,280	\$ 2,565	\$ (1,715)
Intergovernmental state:				
Other	1,445,354	1,445,354	1,404,843	(40,511)
Intergovernmental federal	3,147,389	3,147,389	4,163,395	1,016,006
Total revenues	4,597,023	4,597,023	5,570,803	973,780
Expenditures				
Instruction	3,753,409	3,753,409	4,255,682	(502,273)
Support services:				
Student	9,264	9,264	133,435	(124,171)
Instruction staff	116,691	116,691	261,227	(144,536)
District administrative	-	-	(53,885)	53,885
Business support	31,140	31,140	38,851	(7,711)
Plant operation and maintenance	19,904	19,904	22,000	(2,096)
Student transportation	-	-	-	-
Food service	-	-	-	-
Community services	770,283	770,283	587,402	182,881
Total expenditures	4,700,691	4,700,691	5,244,712	(544,021)
Excess of revenues over (under) expenditures	(103,668)	(103,668)	326,091	429,759
Other financing sources (uses)				
Transfers in	49,851	49,851	25,442	(24,409)
Transfers out	(13,066)	(13,066)	(351,199)	(338,133)
Total other financing sources (uses)	36,785	36,785	(325,757)	(362,542)
Net change in fund balances	(66,883)	(66,883)	334	67,217
Fund balances - beginning	-	-	-	-
Fund balances - end of year	\$ (66,883)	\$ (66,883)	\$ 334	\$ 67,217

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.

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 (asset)	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
2025	2024	0.1312%	\$ (276,910)	\$ 4,103,846	-6.75%	104.89%
2024	2023	0.1373%	\$ (189,614)	\$ 4,137,750	-4.58%	104.23%
2023	2022	0.1216%	\$ 2,398,964	\$ 4,017,611	59.71%	60.95%
2022	2021	0.1200%	\$ 2,296,498	\$ 3,362,461	68.30%	58.41%
2021	2020	0.1115%	\$ 2,971,090	\$ 3,026,562	98.17%	51.67%
2020	2019	0.1134%	\$ 2,021,390	\$ 3,669,555	55.09%	60.44%
2019	2018	0.4405%	\$ 2,121,663	\$ 3,691,890	57.47%	57.62%
2018	2017	0.1102%	\$ 2,739,594	\$ 3,800,125	72.09%	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
2025	\$ -	\$ -	\$ -	\$ 4,103,846	0.00%
2024	\$ -	\$ -	\$ -	\$ 4,137,750	0.00%
2023	\$ 136,197	\$ 136,197	\$ -	\$ 4,017,611	3.39%

Newport Independent School District
 Schedule of District's Share of Net Pension Liability and Contributions - TRS
 June 30, 2025

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 covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2025	2024	0.0000%	\$ -	\$ 40,799,431	\$ 10,290,333	0.00%	60.36%
2024	2023	0.0000%	\$ -	\$ 45,725,561	\$ 8,919,000	0.00%	57.68%
2023	2022	0.0000%	\$ -	\$ 48,622,018	\$ 8,980,533	0.00%	56.41%
2022	2021	0.0000%	\$ -	\$ 38,782,509	\$ 9,080,267	0.00%	65.59%
2021	2020	0.0000%	\$ -	\$ 40,840,230	\$ 9,388,600	0.00%	58.27%
2020	2019	0.0000%	\$ -	\$ 38,033,090	\$ 8,514,955	0.00%	58.76%
2019	2018	0.0000%	\$ -	\$ 35,274,587	\$ 9,525,139	0.00%	59.30%
2018	2017	0.0000%	\$ -	\$ 79,502,497	\$ 9,434,495	0.00%	39.83%
2017	2016	0.0000%	\$ -	\$ 90,960,338	\$ 10,236,247	0.00%	35.22%
2016	2015	0.0000%	\$ -	\$ 72,203,325	\$ 10,278,171	0.00%	42.49%

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
2025	\$ -	\$ -	\$ -	\$ 10,290,333	0.00%
2024	\$ -	\$ -	\$ -	\$ 8,919,000	0.00%
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%

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 (asset)	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
2025	2024	0.1312%	\$ (276,910)	\$ 4,103,846	-6.75%	104.89%
2024	2023	0.1373%	\$ (189,614)	\$ 4,137,750	-4.58%	104.23%
2023	2022	0.1216%	\$ 2,398,964	\$ 4,017,611	59.71%	60.95%
2022	2021	0.1200%	\$ 2,296,498	\$ 3,362,461	68.30%	58.41%
2021	2020	0.1115%	\$ 2,971,090	\$ 3,026,562	98.17%	51.67%
2020	2019	0.1134%	\$ 2,021,390	\$ 3,669,555	55.09%	60.44%
2019	2018	0.4405%	\$ 2,121,663	\$ 3,691,890	57.47%	57.62%
2018	2017	0.1102%	\$ 2,739,594	\$ 3,800,125	72.09%	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
2025	\$ -	\$ -	\$ -	\$ 4,103,846	0.00%
2024	\$ -	\$ -	\$ -	\$ 4,137,750	0.00%
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%

Newport Independent School District
 Schedule of District's Share of Net OPEB Liability and Contributions – TRS Medical Insurance Plan
 June 30, 2025

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 of covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2025	2024	0.1289%	\$ 2,874,000	\$ 2,560,000	\$ 10,290,333	27.93%	59.81%
2024	2023	0.1451%	\$ 3,447,000	\$ 2,905,000	\$ 8,919,000	38.65%	52.97%
2023	2022	0.2053%	\$ 5,097,000	\$ 1,674,000	\$ 8,980,533	56.76%	47.75%
2022	2021	0.0206%	\$ 3,372,000	\$ 2,738,000	\$ 9,080,267	37.14%	51.47%
2021	2020	0.0239%	\$ 3,855,000	\$ 3,088,000	\$ 9,388,600	41.06%	32.58%
2020	2019	0.0239%	\$ 4,298,000	\$ 4,461,000	\$ 8,523,566	50.42%	32.58%
2019	2018	0.0229%	\$ 4,752,000	\$ 4,095,000	\$ 8,132,466	58.43%	25.54%
2018	2017	0.0222%	\$ 5,462,000	\$ 3,471,000	\$ 8,747,133	62.44%	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
2025	\$ 308,710	\$ 308,710	\$ -	\$ 10,290,333	3.00%
2024	\$ 267,570	\$ 267,570	\$ -	\$ 8,919,000	3.00%
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%

Newport Independent School District
 Schedule of District's Share of Net OPEB Liability and Contributions – TRS Life Insurance Plan
 June 30, 2025

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
2025	2024	0.0000%	\$ -	\$ 85,000	\$ 10,290,333	0.00%	80.56%
2024	2023	0.0000%	\$ -	\$ 72,000	\$ 8,919,000	0.00%	76.91%
2023	2022	0.0000%	\$ -	\$ 83,000	\$ 8,980,533	0.00%	73.97%
2022	2021	0.0000%	\$ -	\$ 36,000	\$ 9,080,267	0.00%	89.15%
2021	2020	0.0000%	\$ -	\$ 93,000	\$ 9,388,600	0.00%	71.57%
2020	2019	0.0000%	\$ -	\$ 81,000	\$ 8,523,566	0.00%	73.40%
2019	2018	0.0000%	\$ -	\$ 70,000	\$ 8,132,466	0.00%	74.97%
2018	2017	0.0000%	\$ -	\$ 60,000	\$ 8,747,133	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
2025	\$ -	\$ -	\$ -	\$ 10,290,333	0.00%
2024	\$ -	\$ -	\$ -	\$ 8,919,000	0.00%
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%

SUPPLEMENTARY INFORMATION

Newport Independent School District
Combining Balance Sheet – Nonmajor Funds
June 30, 2025

	District Activity Fund	Student Activity Fund	Capital Outlay Fund	Building Fund	Debt Service Fund	Total Non-Major Governmental Funds
Assets						
Cash and cash equivalents	\$ -	\$ 124,408	\$ -	\$381,464	\$ -	\$ 505,872
Total assets	\$ -	\$ 124,408	\$ -	\$381,464	\$ -	\$ 505,872
Liabilities						
Accounts payable	\$ 619	\$ -	\$ -	\$ -	\$ -	\$ 619
Interfund payable	94,934	-	-	-	-	94,934
Total liabilities	95,553	-	-	-	-	95,553
Fund balances						
Restricted	(95,553)	124,408	-	381,464	-	410,319
Total fund balances	(95,553)	124,408	-	381,464	-	410,319
Total liabilities and fund balances	\$ -	\$ 124,408	\$ -	\$381,464	\$ -	\$ 505,872

Newport Independent School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance – Nonmajor Funds
Year Ended June 30, 2025

	District Activity Fund	Student Activity Fund	Capital Outlay Fund	Building Fund	Debt Service Fund	Total Non-Major Governmental Funds
Revenues						
From local sources:						
Property taxes	\$ -	\$ -	\$ -	\$ 1,502,320	\$ -	\$ 1,502,320
Other local revenue	167,338	164,001	-	-	-	331,339
Intergovernmental state:						
SEEK	-	-	126,195	25,897	-	152,092
On-behalf	-	-	-	-	361,449	361,449
Total revenues	167,338	164,001	126,195	1,528,217	361,449	2,347,200
Expenditures						
Instruction	338,764	183,745	-	-	-	522,509
Support services:						
Student	-	3,307	-	-	-	3,307
Principal	-	-	-	-	920,000	920,000
Interest	-	-	-	-	636,868	636,868
Total expenditures	338,764	187,052	-	-	1,556,868	2,082,684
Excess of revenues over (under) expenditures	(171,426)	(23,051)	126,195	1,528,217	(1,195,419)	264,516
Other financing sources (uses)						
Transfers in	-	-	-	-	1,195,419	1,195,419
Transfers out	-	-	(221,773)	(1,758,382)	-	(1,980,155)
Total other financing sources (uses)	-	-	(221,773)	(1,758,382)	1,195,419	(784,736)
Net change in fund balances	(171,426)	(23,051)	(95,578)	(230,165)	-	(520,220)
Fund balances - beginning	75,873	147,459	95,578	611,629	-	930,539
Fund balances - end of year	\$ (95,553)	\$ 124,408	\$ -	\$ 381,464	\$ -	\$ 410,319

Newport Independent School District
 Combining Statement of School Activity Funds
 Year Ended June 30, 2025

	Cash Balance June 30, 2024	Receipts	Expenditure	Cash Balance June 30, 2025
Newport High School	\$ 104,524	\$ 132,910	\$ 151,850	\$ 85,584
Newport Intermediate	22,903	14,835	17,524	20,214
Newport Primary	16,834	15,284	14,372	17,746
Newport Alternative	3,198	972	3,306	864
<u>Totals</u>	<u>\$ 147,459</u>	<u>\$ 164,001</u>	<u>\$ 187,052</u>	<u>\$ 124,408</u>

Newport Independent School District
Statement of School Activity Funds
Newport High School
Year Ended June 30, 2025

Fund Name	Cash Balance			Transfers	Cash Balance
	June 30, 2024	Receipts	Expenditure		June 30, 2025
Archery club	\$ 5	\$ -	\$ -	\$ -	\$ 5
Band	73	3,258	2,841	300	790
Baseball	250	-	-	(250)	-
HS Baseball	1,110	2,002	1,948	(38)	1,126
Basketball	1,520	11,865	8,621	(1,335)	3,429
Carpentry	590	320	292	-	618
Cheerleading	773	3,030	845	(445)	2,513
Class of 2022	14	-	-	-	14
Class of 2025	239	5,393	4,708	590	1,514
Donna Murphy Invitational Tour	2,856	1,486	2,740	-	1,602
Drama	2,693	4,655	4,518	(195)	2,635
FBLA	164	1,085	695	-	554
FCCLA	1,022	2,954	2,480	136	1,632
Football	8,628	4,692	10,611	(355)	2,354
Girls basketball	645	945	100	-	1,490
Graphic arts	3,692	5,629	10,070	3,413	2,664
Interest account	11,986	3,698	-	-	15,684
John Turner Memorial Tourname	19,862	4,879	9,883	-	14,858
Library	2,344	1,180	877	-	2,647
Lockers	-	5	-	-	5
MS Cheer	641	566	1,315	250	142
MS Football	400	-	-	-	400
MS Student Incentives	-	750	-	(40)	710
MS PBIS Rewards	-	16	-	-	16
National Honor Society	431	-	-	(431)	-
Newport Strong	590	-	-	(590)	-
Officials	24,267	34,364	51,366	(455)	6,810
Pep club	267	-	-	-	267
Prom	4,616	790	2,017	-	3,389
Records and postage	1,119	3	-	-	1,122
Skills USA	553	1,893	1,963	-	483
Soccer	1,895	-	-	-	1,895
Softball	1,863	2,560	1,855	-	2,568
Start up	851	1,650	1,650	-	851
Student activity	803	2,480	1,619	(310)	1,354
Student council	2,410	1,400	1,968	-	1,842
Teachers lounge	263	107	-	(370)	-
Track	176	4,568	4,125	(275)	344
Volleyball	1,020	529	986	200	763
Wrestling	231	-	-	-	231
Yearbook	3,333	880	2,523	-	1,690
VSC general fund	329	23,278	19,234	200	4,573
Totals	\$ 104,524	\$ 132,910	\$ 151,850	\$ -	\$ 85,584

Newport Independent School District
 Schedule of Federal Expenditures
 Year Ended June 30, 2025

Federal Grantor <i>Pass-Through Grantor</i> Program or Cluster Title	Federal Assistance Listing	Pass Through Grantor's Number	Federal Expenditure for FYE 6/30/2025
<u>U.S. Department of Education</u>			
<i>Passed through Kentucky Department of Education</i>			
Special Education Cluster (IDEA)			
Special Education_Grants to States (IDEA, Part B)	84.027	3810002 22	\$ 85,590
	84.027	3810002 23	126,335
	84.027	3810002 24	332,279
Special Education_Preschool Grants (IDEA, Preschool)	84.173	3800002 22	8,429
	84.173	3800002 23	4,736
	84.173	3800002 24	9,865
			<u>567,234</u>
Title I Grants to Local Educational Agencies	84.010	3100002 22	19,795
	84.010	3100002 23	478,009
	84.010	3100002 24	893,373
	84.010	3100102 24	92,975
	84.010	3100202 22	26,573
	84.010	3100202 23	161,649
			<u>1,672,374</u>
Adult Education	84.022		154,638
			<u>154,638</u>
Career and Technical Education - Basic Grants to States	84.048	3710002 23	2,376
	84.048	3710002 24	31,257
			<u>33,633</u>
Education for Homeless Children and Youth	84.196	3900002 23	42,629
	84.196	3900002 24	111,896
			<u>154,525</u>
Twenty-First Century Community Learning Centers	84.287		185,926
			<u>185,926</u>
English Language Acquisition State Grants	84.365	3300002 23	5,836
	84.365	3300002 24	120
			<u>5,956</u>
Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act	84.425	4200002 21	1,274,514
	84.425	4980002 21	38,407
			<u>1,312,921</u>
<i>Passed through NKCES</i>			
School-Based Mental Health Services	84.184		76,188
			<u>76,188</u>
Total U.S Department of Education			<u>4,163,395</u>

Newport Independent School District
 Schedule of Federal Expenditures
 Year Ended June 30, 2025

Federal Grantor <i>Pass-Through Grantor</i> Program or Cluster Title	Federal Assistance Listing	Pass Through Grantor's Number	Federal Expenditure for FYE 6/30/2025
U.S. Department of Agriculture			
<i>Passed through Kentucky Department of Education</i>			
Child Nutrition Cluster			
School Breakfast Program	10.553	7760005 24	44,713
	10.553	7760005 25	205,332
National School Lunch Program	10.555	7750002 24	130,371
	10.555	7750002 25	627,784
Summer Food Service Program for Children	10.559	7690024 24	1,779
	10.559	7740023 24	17,353
			<u>1,027,332</u>
Child and Adult Care Food Program			
	10.558	7790021 24	8,129
	10.558	7790021 25	64,461
	10.558	7800016 24	551
	10.558	7800016 25	4,365
			<u>77,506</u>
State Administrative Expenses for Child Nutrition	10.560	7700001 23	860
			<u>860</u>
Commodities	10.565		59,227
			<u>59,227</u>
Total U.S Department of Agriculture			<u>1,164,925</u>
Total Federal Expenditures			<u>5,328,320</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, 2025. 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, 2025.

NOTE 5: COMMODITIES

Nonmonetary assistance is recorded 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	\$ 4,163,395
Federal grants reported on the Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	1,105,698
Donated commodities reported on the Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	59,227
Schedule of expenditures of federal awards	<u>\$ 5,328,320</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, 2025 and the related notes to the financial statements, which collectively comprise the District basic financial statements and have issued our report thereon dated January 26, 2026.

Report on 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.

Report on 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 January 26, 2026.

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.

Newport, Kentucky

January 26, 2026

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, 2025. 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, 2025.

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

January 26, 2026

1. SUMMARY OF AUDITOR'S RESULTS	
Type of Financial Statement Opinion	Unmodified
Were there any material weaknesses in internal control reported at the financial statement level?	No
Were there any significant deficiencies in internal control reported at the financial statement level?	No
Was there any reported material noncompliance at the financial statement level?	No
Were there any material weaknesses in internal control reported for major federal programs?	No
Were there any significant deficiencies in internal control reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unmodified
Are there any reportable findings under 2 CFR 200.516(a)?	No
<u>Major Programs</u>	<u>AL#</u>
<u>Education Stabilization Fund</u>	<u>84.425</u>
Child Nutrition Cluster	10.553/10.555,10.559
Dollar Threshold: Type A/B Programs	Type A: > \$750,000 Type B: all others
Low risk auditee under 2 CFR 200.520	No

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED
None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
None

NO PRIOR FINDINGS

Newport Independent School District
Management Letter
Year Ended June 30, 2025

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, 2025, 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 January 26, 2026 contains our report on the District's internal control. This letter does not affect our report dated January 26, 2026 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.

January 26, 2026

Central Office

No matters are reportable

Newport Primary School

2025-01. During our testing of school activity fund receipts, we noted that receipts were not always signed by the remitter and/or bookkeeper. *Accounting Procedures for Kentucky School Activity Funds* (Redbook) sets accounting guidelines for properly recording receipts. This is repeat of prior year comment 2024-02.

2025-02. During our testing of school activity fund receipts, we noted that deposits were not made timely are required by *Accounting Procedures for Kentucky School Activity Funds* (Redbook). This is repeat of prior year comment 2024-03

2025-03. During our testing of school activity fund disbursements, we noted instances of disbursements that did not have the required sponsor and/or principal signature. *Accounting Procedures for Kentucky School Activity Funds* (Redbook) sets accounting guidelines for approval of disbursements. This is a repeat of prior year comment 2024-04.

Newport Intermediate School

2025-04. During our testing of school activity fund disbursements, we noted instances of disbursements that did not have the required sponsor signature and supporting documentation. *Accounting Procedures for Kentucky School Activity Funds* (Redbook) sets accounting guidelines for approval of disbursements. This is a repeat of prior year comment 2024-05.

Newport High School

No matters are reportable

District Response

Redbook procedures will be reviewed with the appropriate staff.

Prior Year Comments

- 2024-01 Not repeated in current year
- 2024-02 Repeated as 2025-01
- 2024-03 Repeated as 2025-02
- 2024-04 Repeated as 2025-03
- 2024-05 Repeated as 2025-04
- 2024-06 Not repeated in current year
- 2024-07 Not repeated in current year