

# **Newport Independent School District**

**Financial Statements  
With Supplementary Information  
Year Ended June 30, 2020  
With Independent Auditors' Report**

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

**Year Ended June 30, 2020**

**Table of Contents**

---

Independent Auditors' Report	1-2
Management's Discussion and Analysis (MD&A) (Unaudited)	3-9
Basic Financial Statements:	
<b>District Wide Financial Statements:</b>	
Statement of Net Position - District Wide	10
Statement of Activities - District Wide	11
<b>Fund Financial Statements:</b>	
Balance Sheet - Governmental Funds	12
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Net Position - Proprietary Fund	16
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund	17
Statement of Cash Flows - Proprietary Fund	18
Statement of Fiduciary Net Position	19
Statement of Changes in Fiduciary Funds	20
Notes to the Financial Statements	21-53

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

**Year Ended June 30, 2020**

**Table of Contents (Continued)**

---

Required Supplementary Information and Other Information:

Combining Statements - Nonmajor Funds:

Combining Balance Sheet - Nonmajor Governmental Funds	54
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	55
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – General Fund	56
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – Special Revenue Fund	57
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – Building Fund	58
Statement of Receipts, Disbursements and Fund Balances - Bond and Interest Redemption Funds	59
Statement of Receipts, Disbursements and Fund Balances – Newport High School Activity Funds	60-61
Statement of Receipts, Disbursements and Fund Balances - School Activity Funds	62
Schedule of the District’s Proportionate Share of the Net Pension Liability – TRS	63
Schedule of District Contributions – TRS	64
Schedule of the District’s Proportionate Share of the Net Pension Liability – CERS	65
Schedule of District Contributions – CERS	66
Schedule of the District’s Proportionate Share of the Net OPEB Liability – LIF	67
Schedule of District Contributions – LIF	68
Schedule of the District’s Proportionate Share of the Net OPEB Liability – MIF	69
Schedule of District Contributions – MIF	70
Schedule of the District’s Proportionate Share of the Net OPEB Liability – MIF (CERS)	71
Schedule of District Contributions – MIF (CERS)	72
Schedule of Expenditures of Federal Awards	73
Notes to the Schedule of Expenditures of Federal Awards	74

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

**Year Ended June 30, 2020**

**Table of Contents (Continued)**

---

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	75-76
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	77-78
Schedule of Findings and Questioned Costs	79-80
Schedule of Prior Year Findings and Questioned Costs	81
Management Letter Comments	82-83

## **Independent Auditors' Report**

To the Members of the Board of Education  
Newport Independent School District  
Newport, Kentucky

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Newport Independent School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Newport Independent School District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Newport Independent School District, as of June 30, 2020, 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.

**Independent Auditors' Report  
(Continued)**

**Other Matters**

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the information on pages 3-9 (unaudited), 56-58, and 63-72 as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Newport Independent School District's basic financial statements. The information on pages 54-55, 59-62, and 73-74 as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The information on pages 54-55, 59-62, and 73-74 as listed in the table of contents is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information on 54-55, 59-62, and 73-74 as listed in the table of contents is 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 December 9, 2020 on our consideration of the Newport Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Newport Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Newport Independent School District's internal control over financial reporting and compliance.



## **NEWPORT INDEPENDENT SCHOOL DISTRICT**

### **Management's Discussion and Analysis (MD&A) Year Ended June 30, 2020**

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, 2020. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

The District continues to move forward with three major goals: 1. Increase the reading and math K-PREP scores for elementary and middle school students; 2. Increase the use of academic monitoring/tracking of student progress to make data-driven decisions; 3. Develop a culture where all staff knows our students and every child has an adult advocate.

#### **ACADEMIC PROGRESS HIGHLIGHTS**

- The District continues to use the Measures of Academic Progress (MAP) assessment tool to monitor K-12 learning throughout the year. The MAP program provides teachers with student achievement data to pinpoint instructional adjustments and better meet individual student needs. Additionally, the data derived from the MAP reading and mathematics assessments compares student learning over time and against national averages. Using the July 2020 Kentucky K-Prep Linking Study, schools using MAP can predict above Proficiency on K-Prep with 80% or better accuracy.
- As a District, based on 2018 K-PREP data, it is imperative for Newport Independent Schools to focus on literacy and numeracy intervention initiatives. Each school plans intentional initiatives to monitor the growth of students throughout the year in both reading and mathematics.
- The Kentucky Department of Education (KDE) canceled Spring 2020 K-Prep testing due to the 2020 COVID pandemic. Newport Primary and Newport Intermediate schools continue to be labeled as Comprehension School Improvement (CSI). This distinction makes both schools eligible to receive assistance from the KDE with the assignment of two fulltime Education Recovery Specialists and being awarded federal School Improvement Fund (SIF) grants. The CSI classification continues for the 2020-2021 school year until the 2020-2021 state assessments are completed. To lift this classification, the Newport Intermediate School must demonstrate marked student improvements on the following K-Prep areas: 1) Proficiency (reading and math), 2) Separate Academic (science, social studies and writing), and 3) Growth (reading, mathematics, proficiency/English attainment (English learners only).
- For Newport High School, the composite ACT score for the students in grade 11 from Spring 2020 was 16.4, this is an .4 increase from the 2019 composite score.
- Any high school student needing credits can participate in the credit recovery program using the Edgenuity program. It provides credit recovery courses designed to help students learn at their own pace. The flexibility and design of these courses empower students to focus on exactly the needed content in order to catch up, recover lost credits, and graduate on time. Supports for student success is paramount and the high school provides skilled personnel to tutor and support these students.
- In 2020, the high school graduation rate was 96.56 which had steadily increased from 67.2 in 2012. Newport High School experienced a slight decline in graduation rate from 2019-2020 due to COVID-19 school closures.

## NEWPORT INDEPENDENT SCHOOL DISTRICT

### Management's Discussion and Analysis (MD&A) Year Ended June 30, 2020 (Continued)

#### ACADEMIC PROGRESS HIGHLIGHTS (CONTINUED)

- The Newport School of Innovation for grades 6-12 (NSOI) continues to provide alternative learning opportunities to students. Initially, the goal for student enrollment was 20 students; however, NSOI ended the 2019-2020 school year with 65 students. Of these 65 students, 8% returned to get their diploma after dropping out of traditional high school. 10% have moved into the district to attend NSOI, 20% are students that struggled at the high school with behavior and NSOI was an opportunity for them to get back on the right path. For 2019-2020, NSOI had 100% graduation rate with 11 out of 11 seniors graduating. The junior composite ACT score was 13.75.
- Most district administrators and teachers received RTI training and support through Solution Tree. For the 2020-21 school year, RTI processes and procedures is being revisited by the RTI committee which consists of teachers from all three schools.
- Parent involvement is encouraged at all schools through structured parent night events that bring awareness to social/emotional well-being and academic supports. Bringing awareness and offering resources, to not just students but families, about bullying, mental/physical health, academic support, and post-secondary options help address the needs of at-risk students and families. One focus of Newport Schools is to provide families with resources that help address or the meet the needs of students and strengthen family support in the academic setting.
- The 21st Century Community Learning Center grants continues to target at-risk students and provide interventions centered on reducing barriers to learning for students, enrichment activities, and increase college and career readiness. The grant provides summer, before-school and after-school programs to assist with intervention and enrichment activities for K-12<sup>th</sup> grade students.
- ESS services continue to be offered through before school services, after-school tutoring services, day-waiver programs during the school day and/or summer school services to provide intervention opportunities for ask-risk students.
- Students enrolled in the Newport Independent School District are served breakfast and lunch at no charge through the USDA's Community Eligibility Provision (CEP). There is also an after-school super snack program that provides snacks for our K-12 students. Students receive the option of also purchasing a la carte food and beverage items.
- The district's school calendar continues to support increased and ongoing job embedded professional development through the use of four built in days for professional growth opportunities and 10 days for Professional Learning Community (PLC). The PLC days consist of teachers and administration collaborating among their colleagues to share their expertise, and analyze multiple sources of data to strategically plan and improve student achievement.
- The District continues to use the District/School Websites, School Messenger, Facebook, Twitter, and other mediums to communicate up-to-date information to students, parents, community, and all stakeholders involved in the academic success of students.
- Professional learning opportunities continue to be focused on academic standards, interventions, small group instruction, data analysis, guided reading, instructional strategies and the alignment of the Kentucky Core Academic Standards. A concentrated effort was placed on instructional technology in a virtual environment. Teachers participated in online learning modules focused on technology and best instructional practices for teaching in an online environment.



## **NEWPORT INDEPENDENT SCHOOL DISTRICT**

### **Management's Discussion and Analysis (MD&A) Year Ended June 30, 2020 (Continued)**

#### **ACADEMIC PROGRESS HIGHLIGHTS (CONTINUED)**

- The District expanded its technology by developing an initiative for 1:1 Technology in all schools, providing iPads to all students in grades K-8 and MacBook Air laptops to students in grades 9-12. For the 2020 school year, our technology department supports 1,656 student devices. The building breakdown of these student devices are as follows:
  - Newport Primary School (K-2) – 423
  - Newport Intermediate School (3-6) - 522
  - Newport High School (7-12) - 649
  - Newport School of Innovation – 62

Newport Independent School District invites you to learn more about our ongoing efforts to become a more effective small urban school district.

#### **FINANCIAL HIGHLIGHTS**

- The beginning cash balance for the District was \$7,368,041.
- The General Fund had \$19,594,935 in revenue, excluding inter-fund transfers and proceeds from sales of assets, which primarily consisted of the state program (SEEK), property, local occupational license taxes, utilities, and motor vehicle taxes and the sale of a building. Excluding inter-fund transfers, there was \$21,034,446 in General Fund expenditures.
- Our primary financial concern continues to be state funding which has not kept up with the increases in operating expenses due to inflation, increased salaries - some of which are a direct result of mandates by the state, and an increasing portion of the retirement shortfall that we have been asked to fund. After many years of not making the necessary contributions to fully fund the Kentucky Teachers' Retirement System (TRS), the legislature passed along a portion of the funding shortfall to employees and a larger portion to school districts. As a result, our district has paid hundreds of thousands of dollars into the retirement system over the past six years and will pay millions of dollars in the future in an effort to help stabilize the fund. For the first time this year we are also being required to record the portion of the unfunded state liability in our financial statements attributable to our employees, as determined by TRS. While it remains to be seen if districts, including our own, will end up shouldering more this deficit over the years to come, if the state does not start responsibly funding the system it can be safely assumed that we will. This will continue to shift more of the responsibility for funding our education system onto the backs of school districts and subsequently local tax payers. The continual erosion of state funding makes it increasingly difficult to maintain the high standard of education and programming that our students deserve without increasing taxes locally. In this climate of shrinking state support the Newport Independent School District will maintain fiscally responsible policies in order to continue providing quality academic, extra-curricular and community service programs to all of its students.

## NEWPORT INDEPENDENT SCHOOL DISTRICT

### Management's Discussion and Analysis (MD&A) Year Ended June 30, 2020 (Continued)

#### OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The district-wide financial statements can be found on pages 10 and 11 of this report.

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

The basic governmental fund financial statements can be found on pages 12 through 20 of this report.

***Notes to the financial statements.*** The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 21 through 53 of this report.

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

**Management's Discussion and Analysis (MD&A)  
Year Ended June 30, 2020  
(Continued)**

**DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$6,766,233 as of June 30, 2020.

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

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

**Net Position for the periods ending June 30, 2020 and 2019**

The following is a summary of net position for the fiscal years ended June 30, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Current assets	\$ 7,630,905	\$ 9,935,693
Noncurrent assets	<u>29,975,885</u>	<u>29,917,434</u>
Total assets	<u>37,606,790</u>	<u>39,853,127</u>
<b>Deferred outflows</b>	<u>3,464,662</u>	<u>2,835,534</u>
<b>Liabilities</b>		
Current liabilities	1,133,380	2,052,390
Noncurrent liabilities	<u>30,108,414</u>	<u>30,299,178</u>
Total liabilities	<u>31,241,794</u>	<u>32,351,568</u>
<b>Deferred inflows</b>	<u>3,063,425</u>	<u>2,592,701</u>
<b>Net position</b>		
Investment in capital assets (net of debt)	14,180,888	13,491,175
Restricted	(12,735,402)	(12,501,144)
Unassigned	<u>5,320,747</u>	<u>6,754,361</u>
Total net position	<u>\$ 6,766,233</u>	<u>\$ 7,744,392</u>

**Comments on General Fund Budget Comparisons**

- The District's total general fund revenues for the fiscal year ended June 30, 2020, net of inter-fund transfer and sale of fixed assets, were \$19,594,935.
- General fund budget compared to actual revenue varied from line item to line item with the ending actual balance being \$5,244,391, more than budget or approximately 26.6%. The majority of the difference is the result of the District recording "on behalf" payments made by the state.

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

**Management's Discussion and Analysis (MD&A)  
Year Ended June 30, 2020  
(Continued)**

**DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

- The total cost of all programs and services in the general fund was \$21,034,446, net of inter-fund transfers.
- General Fund actual expenditures were more than budgeted expenditures by \$386,734.

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 104,938	\$ 90,899
Operating grants and contributions	<u>5,692,362</u>	<u>6,448,656</u>
Total program revenues	<u>5,797,300</u>	<u>6,539,555</u>
General revenues:		
Taxes	10,131,863	9,781,500
Federal and state sources	3,351,402	3,293,204
Earnings on investments	134,720	236,983
Miscellaneous	<u>540,690</u>	<u>(618,175)</u>
Total general revenues	<u>14,158,675</u>	<u>12,693,512</u>
Total revenues	<u>19,955,975</u>	<u>19,233,067</u>
<b>Expenses:</b>		
Instruction	8,112,741	7,564,564
Student support services	913,911	820,221
Instructional support	1,304,972	1,351,318
District administration	1,770,734	1,463,200
School administration	1,378,923	1,220,870
Business support	1,355,652	951,763
Plant operations	2,921,159	2,694,486
Student transportation	511,173	660,338
Community support	531,444	586,242
Facility acquisition and construction	125,272	(128,050)
Debt service	507,390	504,745
Food service	<u>1,500,763</u>	<u>1,573,302</u>
District Activity	<u>-</u>	<u>-</u>
Total expenses	<u>20,934,134</u>	<u>19,262,999</u>
Change in net position	<u>\$ (978,159)</u>	<u>\$ (29,932)</u>

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

**Management's Discussion and Analysis (MD&A)  
Year Ended June 30, 2020  
(Continued)**

**BUDGETARY IMPLICATIONS**

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal, operate on a different fiscal calendar but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget with \$4,243,963 in contingency (20.5%). The beginning cash balance of the fiscal year was \$7,368,041.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to reflect the District's accountability for the funds it receives. Questions or comments about this report should be directed to Mr. Tony Watts, Superintendent, or Mrs. Jennifer Hoover, Chief Finance Officer, by telephone at 859-292-3004 or by mail to the Central Office, 30 West 8<sup>th</sup> Street, Newport, KY 41071.

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

**Statement of Net Position – District Wide  
As of June 30, 2020**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents	\$ 6,080,444	\$ 62,766	\$ 6,143,210
Accounts receivable	1,424,041	58,581	1,482,622
Inventories for consumption	-	5,073	5,073
Total current assets	<u>7,504,485</u>	<u>126,420</u>	<u>7,630,905</u>
<b>Noncurrent</b>			
Nondepreciated capital assets:			
Land and land improvements	1,489,992	-	1,489,992
Construction in progress	19,227,391	-	19,227,391
Depreciated capital assets:			
Buildings and improvements	23,417,111	-	23,417,111
Furniture and equipment	5,908,008	705,564	6,613,572
Less: accumulated depreciation	<u>(20,143,940)</u>	<u>(628,241)</u>	<u>(20,772,181)</u>
Total noncurrent	<u>29,898,562</u>	<u>77,323</u>	<u>29,975,885</u>
Total assets	<u>37,403,047</u>	<u>203,743</u>	<u>37,606,790</u>
<b>Deferred outflows</b>	<u>3,339,496</u>	<u>125,166</u>	<u>3,464,662</u>
<b>Liabilities</b>			
<b>Current</b>			
Current portion of bonds payable	782,723	-	782,723
Current portion of accrued sick leave	35,791	-	35,791
Accounts payable	78,670	7,007	85,677
Accrued interest	97,439	-	97,439
Unearned revenues	<u>131,750</u>	<u>-</u>	<u>131,750</u>
Total current	<u>1,126,373</u>	<u>7,007</u>	<u>1,133,380</u>
<b>Noncurrent</b>			
Accrued sick leave	322,116	-	322,116
CERS net pension liability	8,149,198	305,436	8,454,634
MIF net OPEB liability	6,091,357	228,033	6,319,390
Long term bonds payable	<u>15,012,274</u>	<u>-</u>	<u>15,012,274</u>
Total noncurrent	<u>29,574,945</u>	<u>533,469</u>	<u>30,108,414</u>
Total liabilities	<u>30,701,318</u>	<u>540,476</u>	<u>31,241,794</u>
<b>Deferred inflows</b>	<u>2,952,754</u>	<u>110,671</u>	<u>3,063,425</u>
<b>Net Position</b>			
Invested in capital assets, net of related debt	14,103,565	77,323	14,180,888
Restricted	(12,335,841)	(399,561)	(12,735,402)
Unrestricted	<u>5,320,747</u>	<u>-</u>	<u>5,320,747</u>
Total net position	<u>\$ 7,088,471</u>	<u>\$ (322,238)</u>	<u>\$ 6,766,233</u>

The accompanying notes are an integral part of these financial statements



**NEWPORT INDEPENDENT SCHOOL DISTRICT**

**Balance Sheet – Governmental Funds  
As of June 30, 2020**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Building Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Current					
Cash and cash equivalents (deficit)	\$ 5,337,374	\$ (561,080)	\$ 794,627	\$ 509,523	\$ 6,080,444
Accounts receivable	692,501	731,540	-	-	1,424,041
Total current	<u>\$ 6,029,875</u>	<u>\$ 170,460</u>	<u>\$ 794,627</u>	<u>\$ 509,523</u>	<u>\$ 7,504,485</u>
<b>Liabilities and Fund Balance</b>					
Current					
Accounts payable and accrued expenses	39,960	\$ 38,710	\$ -	\$ -	\$ 78,670
Deferred revenues	-	131,750	-	-	131,750
Total current	<u>39,960</u>	<u>170,460</u>	<u>-</u>	<u>-</u>	<u>210,420</u>
Fund Balance					
Restricted					
Capital projects	-	-	-	441,974	441,974
Other	-	-	794,627	-	794,627
Committed					
Accrued sick leave	150,000	-	-	-	150,000
Other	2,500,000	-	-	-	2,500,000
Assigned					
Purchase obligations	213,822	-	-	67,549	281,371
Unassigned	3,126,093	-	-	-	3,126,093
Total fund balances	<u>5,989,915</u>	<u>-</u>	<u>794,627</u>	<u>509,523</u>	<u>7,294,065</u>
Total liabilities and fund balances	<u>\$ 6,029,875</u>	<u>\$ 170,460</u>	<u>\$ 794,627</u>	<u>\$ 509,523</u>	<u>\$ 7,504,485</u>

The accompanying notes are an integral part of these financial statements



**NEWPORT INDEPENDENT SCHOOL DISTRICT**

**Reconciliation of the Balance Sheet  
Governmental Funds to the Statement of Net Position  
As of June 30, 2020**

Total fund balance per fund financial statements		\$ 7,294,065
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds		
Construction in progress	19,227,391	
Cost of capital assets	30,815,111	
Accumulated depreciation	<u>(20,143,940)</u>	29,898,562
Deferred outflows		
Related to CERS	1,228,442	
CERS contributions made after the measurement date	697,235	
Related to MIF	1,013,632	
MIF contributions made after the measurement date	<u>400,187</u>	3,339,496
Deferred inflows		
Related to CERS	(678,752)	
Related to MIF	<u>(2,274,002)</u>	(2,952,754)
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds		
Long-term liabilities at year end consist of:		
Bonds payable	(15,794,997)	
Assessed KISBIT liability	-	
Accrued interest	(97,439)	
Net pension liability	(8,149,198)	
Net OPEB liability	(6,091,357)	
Accrued sick leave	<u>(357,907)</u>	<u>(30,490,898)</u>
Net position for governmental activities		<u>\$ 7,088,471</u>

The accompanying notes are an integral part of these financial statements

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2020**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Building Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Taxes	\$ 9,227,435	\$ -	904,428	\$ -	\$ 10,131,863
Earnings on investments	134,720	-	-	-	134,720
State sources	9,376,956	1,447,914	131,646	419,386	11,375,902
Federal sources	265,111	2,753,943	-	-	3,019,054
Other sources	<u>590,713</u>	<u>114,906</u>	<u>-</u>	<u>30,326</u>	<u>735,945</u>
 Total revenues	 <u>19,594,935</u>	 <u>4,316,763</u>	 <u>1,036,074</u>	 <u>449,712</u>	 <u>25,397,484</u>
<b>Expenditures:</b>					
Instructional	11,586,091	3,081,425	-	9,196	14,676,712
Student support services	704,263	178,064	-	-	882,327
Staff support services	804,760	446,561	-	-	1,251,321
District administration	1,757,693	-	-	-	1,757,693
School administration	1,363,958	-	-	-	1,363,958
Business support services	1,276,274	78,737	-	-	1,355,011
Plant operation and maintenance	2,999,734	-	-	-	2,999,734
Student transportation	484,916	-	-	-	484,916
Community service operation	-	531,342	-	-	531,342
Facility acquisition and construction	-	-	-	181,015	181,015
Debt service:					
Principal	48,110	-	-	710,001	758,111
Interest	<u>8,647</u>	<u>-</u>	<u>-</u>	<u>502,243</u>	<u>510,890</u>
 Total expenditures	 <u>21,034,446</u>	 <u>4,316,129</u>	 <u>-</u>	 <u>1,402,455</u>	 <u>26,753,030</u>
 Excess (deficit) of revenues over expenditures	 <u>(1,439,511)</u>	 <u>634</u>	 <u>1,036,074</u>	 <u>(952,743)</u>	 <u>(1,355,546)</u>
<b>Other financing sources (uses)</b>					
Operating transfers in	84,231	28,077	-	926,559	1,038,867
Operating transfers out	<u>(28,077)</u>	<u>(28,711)</u>	<u>(926,559)</u>	<u>-</u>	<u>(983,347)</u>
 Total other financing sources (uses)	 <u>56,154</u>	 <u>(634)</u>	 <u>(926,559)</u>	 <u>926,559</u>	 <u>55,520</u>
 Net change in fund balances	 (1,383,357)	 -	 109,515	 (26,184)	 (1,300,026)
 Fund balance, July 1, 2019	 <u>7,373,272</u>	 <u>-</u>	 <u>685,112</u>	 <u>535,707</u>	 <u>8,594,091</u>
 Fund balance, June 30, 2020	 <u>\$ 5,989,915</u>	 <u>\$ -</u>	 <u>\$ 794,627</u>	 <u>\$ 509,523</u>	 <u>\$ 7,294,065</u>

The accompanying notes are an integral part of these financial statements

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2020**

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

Net change in total fund balances per fund financial statements		\$ (1,300,026)
Proceeds from sale of bonds and other related costs		(126,849)
Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense for the year.		
Construction in progress	181,014	
Depreciation expense	(1,085,026)	
Capital outlays	1,476,095	
Retirements of capital assets	<u>(501,246)</u>	70,837
Bond proceeds are reported as financing sources in governmental fund and thus contribute to the change in fund balance. In the statement of net position however, issuing debt increase long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position		
Principal paid	<u>758,111</u>	758,111
Deferred outflow related to pensions		28,487
Deferred outflow related to OPEB		571,409
Deferred inflows related to pensions		472,811
Deferred inflows related to OPEB		(920,583)
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.		<u>(404,460)</u>
Changes in net position of governmental activities		<u><u>\$ (850,263)</u></u>

The accompanying notes are an integral part of these financial statements

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

**Statement of Net Position – Proprietary Fund  
As of June 30, 2020**

	<b>Food Service Fund</b>	<b>Total</b>
	<u>                    </u>	<u>                    </u>
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 62,766	\$ 62,766
Accounts receivable	58,581	58,581
Inventories for consumption	<u>5,073</u>	<u>5,073</u>
Total current	<u>126,420</u>	<u>126,420</u>
<b>Noncurrent</b>		
Furniture and equipment	705,564	705,564
Less: accumulated depreciation	<u>(628,241)</u>	<u>(628,241)</u>
Total noncurrent	<u>77,323</u>	<u>77,323</u>
Total assets	<u>203,743</u>	<u>203,743</u>
<b>Deferred outflows</b>	<u>125,166</u>	<u>125,166</u>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable	<u>7,007</u>	<u>7,007</u>
Total current	<u>7,007</u>	<u>7,007</u>
<b>Noncurrent</b>		
MIF net OPEB liability	228,033	228,033
CERS net pension liability	<u>305,436</u>	<u>305,436</u>
Total noncurrent	<u>533,469</u>	<u>533,469</u>
Total liabilities	<u>540,476</u>	<u>540,476</u>
<b>Deferred inflows</b>	<u>110,671</u>	<u>110,671</u>
<b>Net Position</b>		
Invested in assets, net of debt	77,323	77,323
Restricted	<u>(399,561)</u>	<u>(399,561)</u>
Total net position	<u><u>\$ (322,238)</u></u>	<u><u>\$ (322,238)</u></u>

The accompanying notes are an integral part of these financial statements

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

**Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund  
Year Ended June 30, 2020**

	<b>Food Service Fund</b>	<b>Total</b>
	<u>          </u>	<u>          </u>
<b>Operating revenues</b>		
Lunchroom sales	\$ 52,788	\$ 52,788
Other operating revenues	-	-
	<u>          </u>	<u>          </u>
Total operating revenues	<u>52,788</u>	<u>52,788</u>
<b>Operating expenses</b>		
Salaries and benefits	870,005	870,005
Contract services	19,030	19,030
Materials and supplies	599,342	599,342
Depreciation	12,386	12,386
	<u>          </u>	<u>          </u>
Other operating expenses	-	-
	<u>          </u>	<u>          </u>
Total operating expenses	<u>1,500,763</u>	<u>1,500,763</u>
Operating loss	<u>(1,447,975)</u>	<u>(1,447,975)</u>
<b>Nonoperating revenues (expenses)</b>		
Federal grants	1,072,293	1,072,293
State grants	227,320	227,320
Donated commodities and other donations	75,986	75,986
Gain on disposal of fixed assets	-	-
Transfers	<u>(55,520)</u>	<u>(55,520)</u>
Interest income	<u>          </u>	<u>          </u>
Total nonoperating revenues (expenses)	<u>1,320,079</u>	<u>1,320,079</u>
Net income	(127,896)	(127,896)
Total net position, July 1, 2019	<u>(194,342)</u>	<u>(194,342)</u>
Total net position, June 30, 2020	<u>\$ (322,238)</u>	<u>\$ (322,238)</u>

The accompanying notes are an integral part of these financial statements

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

**Statement of Cash Flows – Proprietary Fund  
Year Ended June 30, 2020**

	<u>Food Service Fund</u>	<u>Total</u>
<b>Cash flows from operating activities</b>		
Cash received from lunchroom sales	\$ 52,788	\$ 52,788
Cash received from other activities	(43,264)	(43,264)
Cash payments to employees for services	(821,613)	(821,613)
Cash payments to suppliers for goods and services	(611,365)	(611,365)
Cash transfers	<u>(55,520)</u>	<u>(55,520)</u>
Net cash used in operating activities	<u>(1,478,974)</u>	<u>(1,478,974)</u>
<b>Cash flows from noncapital financing activities</b>		
Non-operating revenues received	<u>1,375,599</u>	<u>1,375,599</u>
Net cash provided by noncapital financing activities	<u>1,375,599</u>	<u>1,375,599</u>
<b>Cash flows from investing activities</b>		
Interest on investments	<u>-</u>	<u>-</u>
Net cash flows provided by investing activities	<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents	(103,375)	(103,375)
Cash and cash equivalents - beginning	<u>166,141</u>	<u>166,141</u>
Cash and cash equivalents - ending	<u>\$ 62,766</u>	<u>\$ 62,766</u>
<b>Reconciliation of operating loss to net cash used in operating activities</b>		
Operating loss	\$ (1,447,975)	\$ (1,447,975)
<b>Adjustment to reconcile operating loss to net cash used in operating activities</b>		
Depreciation	12,386	12,386
Interfund transfers	(55,520)	(55,520)
Changes in assets and liabilities:		
Decrease in deferred outflows	(29,232)	(29,232)
Decrease in deferred inflows	22,952	22,952
Decrease in accounts receivable	(43,264)	(43,264)
(Decrease) in MIF net OPEB liability	(4,524)	(4,524)
Increase in CERS net pension liability	59,196	59,196
(Decrease) in accounts payable	<u>7,007</u>	<u>7,007</u>
Net cash used in operating activities	<u>\$ (1,478,974)</u>	<u>\$ (1,478,974)</u>
<b>Schedule of non-cash transactions</b>		
Donated commodities received from the federal government	<u>\$ 75,986</u>	<u>\$ 75,986</u>
On-behalf payments	<u>\$ 218,211</u>	<u>\$ 218,211</u>

The accompanying notes are an integral part of these financial statements

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

**Statement of Fiduciary Net Position  
As of June 30, 2020**

	<u>Trust</u>	<u>Fund</u>	<u>Chester Davis Scholarship Fund</u>	<u>School Activity Fund</u>	<u>Total</u>
<b>Assets</b>					
<b>Current</b>					
Cash and cash equivalents (deficit)	\$	-	\$ 185,624	\$ 121,920	\$ 307,544
Investments		-	819,578	-	819,578
			<u>1,005,202</u>	<u>121,920</u>	<u>1,127,122</u>
Total current assets		-			
<b>Liabilities</b>					
<b>Current</b>					
Due to student groups		-	-	121,920	121,920
			<u>-</u>	<u>121,920</u>	<u>121,920</u>
Total current		-	-	121,920	121,920
<b>Net Position</b>					
Restricted		-	1,005,202	-	1,005,202
			<u>1,005,202</u>	<u>-</u>	<u>1,005,202</u>
Total net position	\$	-	\$ 1,005,202	\$ -	\$ 1,005,202

The accompanying notes are an integral part of these financial statements

**NEWPORT INDEPENDENT SCHOOL DISTRICT**  
**Statement of Changes in Fiduciary Net Position**  
**Year Ended June 30, 2020**

	<u>Trust</u>	<u>Fund</u>	<u>Chester Davis Scholarship Fund</u>	<u>Total</u>
<b>Additions</b>				
Net interest and investment gains	\$	-	\$ (66,349)	\$ (66,349)
Taxes		130,927	-	130,927
Private donations and other		-	(19,348)	(19,348)
		<u>130,927</u>	<u>(85,697)</u>	<u>45,230</u>
<b>Deductions</b>				
Instruction		<u>130,814</u>	<u>-</u>	<u>130,814</u>
		<u>130,814</u>	<u>-</u>	<u>130,814</u>
Change in net position		113	(85,697)	(85,584)
Net position - July 1, 2019		<u>(113)</u>	<u>1,090,899</u>	<u>1,090,786</u>
Net position - June 30, 2020	\$	<u>-</u>	\$ <u>1,005,202</u>	\$ <u>1,005,202</u>

The accompanying notes are an integral part of these financial statements



## NEWPORT INDEPENDENT SCHOOL DISTRICT

### Notes to the Financial Statements

#### NOTE 1 SUMMARY OF SIGNIFICANT 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 school education within the jurisdiction of the 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 in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

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

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

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

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

##### ***Basis of Presentation***

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

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

## NEWPORT INDEPENDENT SCHOOL DISTRICT

### Notes to the Financial Statements (Continued)

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *Basis of Presentation (Continued)*

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

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

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

The District has the following funds:

##### I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the schedule of expenditures of federal awards included in this report on page 73. This is a major fund of the District.
- (C) Special Revenue Activity Fund is used to support co-curricular activities, and are not raised and expended by student groups. District activity funds accounted for in the District bank account are not subject to the Redbook and may be expended with more flexibility than school activity funds but must meet the "educational purpose" standard for all District expenditures.

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Basis of Presentation (Continued)***

I. Governmental Fund Types (Continued)

- (D) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.
  2. The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
  3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

II. Debt Service Fund

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

III. Proprietary Fund (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). The Food Service fund is a major fund of the District.

IV. Fiduciary Fund Type (Agency and Trust Funds)

The Activity Funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with Uniform Program of Accounting for School Activity Funds.

The District applies all Governmental Accounting Standards Board (GASB) pronouncements to proprietary funds as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

## NEWPORT INDEPENDENT SCHOOL DISTRICT

### Notes to the Financial Statements (Continued)

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### ***Basis of Accounting***

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The GASB is responsible for establishing GAAP for state and local government through its pronouncements (Statements and Interpretations).

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Unearned Revenue – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

##### ***Taxes***

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

## NEWPORT INDEPENDENT SCHOOL DISTRICT

### Notes to the Financial Statements (Continued)

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### ***Budgetary Process***

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than GAAP of the United States of America. The major differences between the budgetary basis and the GAAP basis are:

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

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

##### ***Cash and Cash Equivalents***

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

##### ***Inventories***

Supplies and materials are charged to expenditures when purchased, except for inventories in the Proprietary Fund, which are capitalized at the lower of cost or market.

##### ***Investments***

Investments in equity securities are carried at fair market value. Investment return includes dividends, interest distributed earnings from asset funds and net realized and unrealized gains and losses on investments, net of investment expenses.

##### ***Fair Value Measurements***

Generally accepted accounting principles has established a three-level hierarchy for fair value measurements based on transparency of valuation inputs as of the measurement date. The hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows; Level 1 inputs are unadjusted quoted prices for identical assets active markets; Level 2 inputs are observable quoted prices for similar assets in active markets; Level 3 inputs are unobservable and reflect management's best estimate of what market participants would use as fair value.

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

##### ***Capital Assets***

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the district-wide statement of net position and in the respective funds.

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Capital Assets (Continued)***

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars, with the exception of computers, digital cameras and real property, for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Governmental Activities Estimated Lives
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Other	10 years

***Accumulated Unpaid Sick Leave Benefits***

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's experience of making termination payments. The entire compensated absence liability is reported on the district-wide financial statements.

***Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

***Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Accrued Liabilities and Long-Term Obligations (Continued)***

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

***Fund Balance Reserves***

Beginning with fiscal year 2012 the District implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint.

Assigned fund balance – amounts the District intends to use for specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority.

Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the General fund.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

Encumbrances are not liabilities and are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance in the governmental funds balance sheet.

## NEWPORT INDEPENDENT SCHOOL DISTRICT

### Notes to the Financial Statements (Continued)

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### ***Net Position***

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

##### ***Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools.

##### ***Interfund Activity***

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

##### ***Pensions***

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

##### ***Postemployment Benefits Other than Pensions (OPEB)***

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



**NEWPORT INDEPENDENT SCHOOL DISTRICT**

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

**NOTE 2 ESTIMATES**

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

**NOTE 3 CASH AND CASH EQUIVALENTS**

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

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

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

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Balance June 30, 2019	Additions	Deductions	Balance June 30, 2020
<u>Governmental Activities</u>				
Land	\$ 1,109,955	\$ -	\$ -	\$ 1,109,955
Land improvements	380,037	-	-	380,037
Buildings and improvements	23,361,368	55,743	-	23,417,111
Technology equipment	3,803,968	1,213,572	1,142,596	3,874,944
Vehicles	707,668	-	-	707,668
General equipment	1,118,616	206,780	-	1,325,396
Construction in progress	19,046,377	181,014	-	19,227,391
Totals at historical cost	<u>49,527,989</u>	<u>1,657,109</u>	<u>1,142,596</u>	<u>50,042,502</u>
Less: accumulated depreciation				
Land improvements	69,885	19,002	-	88,887
Buildings and improvements	15,767,014	417,623	-	16,184,637
Technology equipment	2,532,684	571,478	641,350	2,462,812
Vehicles	600,496	24,003	-	624,499
General equipment	730,185	52,920	-	783,105
Total accumulated depreciation	<u>19,700,264</u>	<u>1,085,026</u>	<u>641,350</u>	<u>20,143,940</u>
Governmental activities capital assets - net	<u>\$ 29,827,725</u>	<u>\$ 572,083</u>	<u>\$ 501,246</u>	<u>\$ 29,898,562</u>
<u>Business - Type Activities</u>				
General equipment	\$ 691,278	\$ -	\$ -	\$ 691,278
Technology equipment	14,286	-	-	14,286
Totals at historical cost	<u>705,564</u>	<u>-</u>	<u>-</u>	<u>705,564</u>
Less: accumulated depreciation				
General equipment	608,268	10,664	-	618,932
Technology equipment	7,587	1,722	-	9,309
Total accumulated depreciation	<u>615,855</u>	<u>12,386</u>	<u>-</u>	<u>628,241</u>
Business - type activities capital assets - net	<u>\$ 89,709</u>	<u>\$ (12,386)</u>	<u>\$ -</u>	<u>\$ 77,323</u>

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

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

**NOTE 4 CAPITAL ASSETS (CONTINUED)**

Depreciation expense by function for the fiscal year ended June 30, 2020 was as follows:

	<u>Governmental</u>	<u>Business-Type</u>
Instructional	\$ 842,346	\$ -
Student support services	31,584	-
Staff support services	53,651	-
District administration	13,041	-
School administration	14,965	-
Business support services	641	-
Plant operation and maintenance	102,439	-
Student transportation	26,257	-
Community service operations	102	-
Food service	-	12,386
Total	<u>\$ 1,085,026</u>	<u>\$ 12,386</u>

**NOTE 5 ACCUMULATED UNPAID SICK LEAVE BENEFITS**

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System, certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2020 this amount totaled approximately \$357,907 for those employees with twenty-seven or more years of experience or fifty-nine and a half years old.

**NOTE 6 COMMITMENTS UNDER NON-CAPITAL LEASES**

The District is the lessee of equipment under operating leases expiring between 2021 and 2025. Expenditures for the equipment under these operating leases totaled \$191,387 for the year ended June 30, 2019.

Future minimum lease payments under capital leases as of June 30, 2020, in the aggregate are as follows:

Year Ending <u>June 30,</u>	
2020-2021	\$ 197,692
2021-2022	80,160
2022-2023	49,836
2023-2024	49,836
2024-2025	<u>49,836</u>
Total minimum payments	<u>\$ 427,360</u>

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

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

**NOTE 7 BONDED DEBT**

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued.

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
January 12, 2012	\$ 2,365,000	1.500% - 3.250%
September 1, 2012	108,289	3.500%
March 6, 2014	2,125,000	0.350% - 4.000%
November 1, 2014	9,715,000	0.450% - 3.600%
September 1, 2015	113,107	2.000% - 2.500%
February 1, 2017	132,525	2.550%
December 5, 2017	1,540,000	3.000% - 3.625%
June 6, 2018	3,310,000	3.000% - 3.250%
March 6, 2019	126,849	3.000%

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

The District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. Note 17 sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal has been recorded in the financial statements.

All issues may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2020 for debt service (principal and interest) are reported in Note 17.

**NOTE 8 RETIREMENT PLANS**

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

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

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

**NOTE 8 RETIREMENT PLANS (CONTINUED)**

**General information about the County Employees Retirement System Non-Hazardous**

***Plan description***

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

***Benefits provided***

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

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. One month's service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 75% of the decedent's monthly average rate of pay and any dependent child will receive 50% of the decedent's monthly final rate of pay up to 75% for all dependent children. Five years' service is required for nonservice-related disability benefits.

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

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

**NOTE 8 RETIREMENT PLANS (CONTINUED)**

***Contributions***

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

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

The contribution requirement for CERS for the year ended June 30, 2020, was \$892,445, which consisted of \$723,398 from the District and \$169,047 from the employees. Total contributions for the year ended June 30, 2019 and 2018 were \$821,447 and \$733,710, respectively. The contributions have been contributed in full for fiscal years 2020, 2019, and 2018.

**General information about the Teachers' Retirement System of the State of Kentucky**

***Plan description***

Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/administration/financial-reports-information/>.

***Benefits provided***

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

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

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

## NEWPORT INDEPENDENT SCHOOL DISTRICT

### Notes to the Financial Statements (Continued)

#### NOTE 8 RETIREMENT PLANS (CONTINUED)

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

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

Contributions—Contribution rates are established by Kentucky Revised Statutes. Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 10.400% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 8.185% of their salary to TRS. The contribution requirement for TRS for the year ended June 30, 2020, was \$1,494,074 which consisted of \$399,778 from the District and \$1,094,296 from the employees. Total contributions for the year ended June 30, 2019 and 2018 were \$1,658,666 and \$1,667,157, respectively. The contributions have been contributed in full for fiscal years 2020, 2019 and 2018.

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

#### **Medical Insurance Plan**

##### ***Plan description***

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

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

##### ***Funding policy***

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

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

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

**NOTE 8 RETIREMENT PLANS (CONTINUED)**

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

At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$ 8,454,634
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	<u>38,033,090</u>
	<u><u>\$ 46,487,724</u></u>

The net pension liability for each plan was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2019, the District's proportion was 0.120213% percent.

For the year ended June 30, 2020, Newport independent Schools recognized pension expense of \$688,870 related to CERS. The Newport Independent Schools District also recognized a reduction of expense of \$6,838,288 and a reduction of revenue of \$6,838,288 for TRS support provided by the Commonwealth due to a change in assumptions. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



**NEWPORT INDEPENDENT SCHOOL DISTRICT**

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

**NOTE 8 RETIREMENT PLANS (CONTINUED)**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual performance	\$ 215,872	\$ 35,723
Net difference between projected and actual earnings on pension plan investments	162,296	298,588
Change of Assumptions	855,705	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	40,665	369,910
District contributions subsequent to the measurement date	<u>723,398</u>	<u>-</u>
Total	<u><u>\$ 1,997,936</u></u>	<u><u>\$ 704,221</u></u>

\$723,398 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:

Year ended June 30:	
2021	\$ 346,421
2022	121,849
2023	92,376
2024	9,671
2025	-

***Actuarial assumptions***

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>CERS</u>	<u>KTRS</u>
Inflation	2.30%	3.00%
Projected salary increases	3.30%	3.5 - 7.3%
Investment rate of return, net of investment expense and inflation	6.25%	7.50%

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

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

**NOTE 8 RETIREMENT PLANS (CONTINUED)**

For CERS, mortality rates used for activity members was PUB-2010 General Mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on a mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

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

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

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

**NOTE 8 RETIREMENT PLANS (CONTINUED)**

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

<u>Asset Class</u>	<u>KTRS Target Allocation</u>	<u>KTRS Long-Term Expected Real Rate of Return</u>	<u>CERS Target Allocation</u>	<u>CERS Long-Term Expected Real Rate of Return</u>
US equity	40.0%	4.20%	18.8%	4.30%
International Equity	22.0%	5.20%	18.8%	4.80%
Core bonds			13.5%	1.35%
Private equity	7.0%	6.30%	10.0%	6.65%
High yield			15.0%	2.60%
Fixed income	15.0%	1.20%		
Additional categories	8.0%	3.30%		
Real estate	6.0%	3.80%	5.0%	4.85%
Opportunistic			3.0%	2.97%
Real return			15.0%	4.10%
Cash	2.0%	0.90%	1.0%	0.20%
Total	<u>100%</u>		<u>100%</u>	

***Discount rate***

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

For TRS, the discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates, adjusted by 95%, for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit to determine the total pension liability.

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

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

**NOTE 8 RETIREMENT PLANS (CONTINUED)**

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 10,574,349	\$ 8,454,634	\$ 6,687,872
KTRS	6.50%	7.50%	8.50%
District's proportionate share of net pension liability	-	-	-

***Pension plan fiduciary net position***

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

**NOTE 9 OPEB PLANS**

**General information about the Teachers' Retirement System OPEB Plan**

***Plan description***

Teaching-certified employees of the Newport Independent Schools are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS) – a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information>.

The state reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the TRS Medical Insurance and Life Insurance Plans. The following information is about the TRS plans.

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

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

**NOTE 9 OPEB PLANS (CONTINUED)**

**Medical Insurance Plan**

***Plan description***

In addition to the OPEB benefits described above, Kentucky Revised Statute 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The TRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

***Benefits provided***

To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund (MIF) offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. TRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member's supplement is based on a contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

***Contributions***

In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three and three quarters percent (3.75%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

**General information about the County Employees Retirement System Non-Hazardous OPEB Plan**

***Plan description***

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

***Benefits provided***

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

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

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

**NOTE 9 OPEB PLANS (CONTINUED)**

***Contributions***

Required contributions by the employee are based on the tier disclosed in Note 8.

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

At June 30, 2020, the Newport Independent School District reported a liability of \$6,319,390 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the Newport Independent Schools district proportion was 0.15% for TRS, which was an increase of 0.01% from its proportion measured as of June 30, 2018 and 0.12% for CERS which was the same proportion measured as of June 30, 2018.

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

District's proportionate share of the CERS net OPEB liability	\$ 2,021,390
District's proportionate share of the TRS net OPEB liability	4,298,000
State's proportionate share of the net OPEB liability associated with the District	<u>3,471,000</u>
	<u><u>\$ 9,790,390</u></u>

For the year ended June 30, 2020, the District recognized OPEB expense of \$404,118 and revenue of \$206,502 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

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

**NOTE 9 OPEB PLANS (CONTINUED)**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual performance	\$ -	\$ 1,649,900
Net difference between projected and actual earnings on OPEB plan investments	31,315	103,096
Change of assumptions	712,148	4,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	308,059	602,208
District contributions subsequent to the measurement date	<u>415,204</u>	<u>-</u>
Total	<u>\$ 1,466,726</u>	<u>\$ 2,359,204</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$415,204 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	
2020	\$ (268,771)
2021	(268,771)
2022	(230,226)
2023	(286,797)
2024	(185,263)
Thereafter	(67,854)

***Actuarial assumptions***

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

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

**NOTE 9 OPEB PLANS (CONTINUED)**

	<u>TRS</u>	<u>CERS</u>
Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation.	6.25%
Projected salary increases	3.50 - 7.20%, including inflation	3.30% to 11.55%, varies by service
Inflation rate	3.00%	2.30%
Real Wage Growth	0.50%	
Wage Inflation	3.50%	
Healthcare cost trend rates		
Under 65	7.50% for FY 2019 decreasing to an ultimate rate of 5.00% by FY 2024	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
Ages 65 and Older	5.50% for FY 2019 decreasing to an ultimate rate of 5.00% by FY 2021	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.
Medicare Part B Premiums	2.63% for FY 2019 with an ultimate rate of 5.00% by 2031	
Municipal Bond Index Rate	3.5	3.13%
Discount Rate	8.00%	5.68%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation	

For TRS, Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

For CERS, mortality rates were based on the RP-2000 Combined Mortality Table projected to 2013 with projection scale BB and set back one year for females.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2015 valuation.

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



**NEWPORT INDEPENDENT SCHOOL DISTRICT**

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

**NOTE 9 OPEB PLANS (CONTINUED)**

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	58.0%	5.1%
Fixed Income	9.0%	1.2%
Real Estate	6.5%	3.8%
Private Equity	8.5%	6.3%
Other Additional Categories	17.0%	3.2%
Cash (LIBOR)	1.0%	0.9%
Total	<u>100.0%</u>	

***Discount rate***

For TRS, the discount rate used to measure the total OPEB liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

For CERS, the discount rate used to measure the total OPEB liability was 5.68%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

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

**NOTE 9 OPEB PLANS (CONTINUED)**

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
TRS			
District's net OPEB liability	\$ 5,091,000	\$ 4,298,000	\$ 3,633,000
	<u>1% Decrease (4.68%)</u>	<u>Current Discount Rate (5.68%)</u>	<u>1% Increase (6.68%)</u>
CERS			
District's net OPEB liability	\$ 2,707,831	\$ 2,021,390	\$ 1,455,808

***Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates***

The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
TRS			
District's net OPEB liability	\$ 3,499,000	\$ 4,298,000	\$ 5,281,000
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
CERS			
District's net OPEB liability	\$ 1,503,318	\$ 2,021,390	\$ 2,649,614

***OPEB plan fiduciary net position***

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

**Life Insurance Plan**

***Plan description***

TRS administers the life insurance plan as provided by Kentucky Revised Statute 161.655 to eligible active and retired members. The TRS Life Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the life insurance plan may be made by the TRS Board of Trustees and the General Assembly.

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

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

**NOTE 9 OPEB PLANS (CONTINUED)**

***Benefits provided***

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

***Contributions***

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

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

At June 30, 2020, the Newport Independent School District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the District	<u>81,000</u>
	<u><u>\$ 81,000</u></u>

For the year ended June 30, 2020, the District recognized OPEB expense of \$-0- and revenue of \$3,409 for support provided by the State.

***Actuarial assumptions***

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

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

**NOTE 9 OPEB PLANS (CONTINUED)**

Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 - 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Municipal Bond Index Rate	3.89%
Discount Rate	7.50%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2015 valuation.

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

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

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

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

**NOTE 9 OPEB PLANS (CONTINUED)**

<u>Asset Class*</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. Large Cap Equity	40.0%	4.3%
International Equity	23.0%	5.2%
Fixed Income	18.0%	1.2%
Real Estate	6.0%	3.8%
Private Equity	5.0%	6.3%
Other Additional Categories	6.0%	3.2%
Cash (LIBOR)	2.0%	0.9%
Total	<u>100.0%</u>	

*\* As the LIF investment policy is to change, the above reflects the pension allocation and returns that achieve the target 7.5% long-term rate of return*

***Discount rate***

The discount rate used to measure the total OPEB liability for life insurance was 7.50%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's net OPEB liability	\$ -	\$ -	\$ -

***OPEB plan fiduciary net position***

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

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

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

**NOTE 10 CONTINGENCIES**

Grant Fund Approval

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue the programs.

**NOTE 11 INSURANCE AND RELATED ACTIVITIES**

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated, which includes workers' compensation insurance.

**NOTE 12 DEFICIT OPERATING/FUND BALANCES**

The Food Service Fund and Trust/Agency Fund currently have a deficit fund balance. The following funds have operations that resulted in a current year deficit of revenues over expenditures, resulting in a corresponding reduction of fund balance:

General Fund	\$ 1,383,357
Food Service Fund	127,896
Chester Davis	85,697
Construction Fund	181,015
Newport Primary School	1,347
Newport Alternative High School	586

**NOTE 13 COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

**NOTE 14 CONTINGENT LIABILITY**

The District is a participant in the Kentucky School Board Insurance Trust in which the District purchases general liability and workers' compensation insurance. As of June 30, 2020, the District has paid its portion of the deficit in the trust. No contingent liability needs to be recorded in the District Wide Financial Statements.

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

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

**NOTE 15 TRANSFER OF FUNDS**

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Food Service Fund	General Fund	Indirect Costs	\$ 55,520
Special Revenue Fund	General Fund	Indirect Costs	28,711
Building Fund	Debt Service Fund	Debt Service	926,559
General Fund	Special Revenue Fund	Operating Costs	28,077

**NOTE 16 ON-BEHALF PAYMENTS**

For the year ended June 30, 2020 total payments of \$5,228,769 were made for life insurance, health insurance, TRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities.

General Fund	\$ 4,724,873
Debt Service Fund	285,685
Food Service Fund	<u>218,211</u>
 Total On-Behalf	 <u><u>\$ 5,228,769</u></u>

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

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

**NOTE 17 SCHEDULE OF LONG-TERM DEBT**

A summary of the changes in the outstanding principal for the District during the fiscal year ended June 30, 2020 is as follows:

Fiscal Year	2012, 2014, 2014B, 2017, 2018 and KISTA Bus Loans						Total Requirements
	Newport Independent School District			KY School Facilities Construction Commission			
	Principal	Interest	Total	Principal	Interest	Total	
2020-2021	\$ 586,454	\$ 405,528	\$ 991,982	\$ 196,269	\$ 89,416	\$ 285,685	\$ 1,277,667
2021-2022	596,325	392,370	988,695	200,256	85,428	285,684	1,274,379
2022-2023	603,105	378,147	981,252	204,578	81,106	285,684	1,266,936
2023-2024	612,456	362,285	974,741	209,232	76,451	285,683	1,260,424
2024-2025	633,031	344,470	977,501	214,693	70,992	285,685	1,263,186
2025-2026	640,314	324,901	965,215	220,491	65,194	285,685	1,250,900
2026-2027	659,701	304,979	964,680	226,836	58,850	285,686	1,250,366
2027-2028	661,998	284,370	946,368	233,478	52,209	285,687	1,232,055
2028-2029	684,852	262,332	947,184	240,928	44,757	285,685	1,232,869
2029-2030	696,205	238,281	934,486	248,795	36,890	285,685	1,220,171
2030-2031	717,649	213,800	931,449	257,351	28,334	285,685	1,217,134
2031-2032	743,762	188,340	932,102	266,238	19,447	285,685	1,217,787
2032-2033	769,177	162,024	931,201	125,823	10,255	136,078	1,067,279
2033-2034	797,507	134,559	932,066	127,493	5,409	132,902	1,064,968
2034-2035	827,285	105,232	932,517	37,715	663	38,378	970,895
2035-2036	835,000	85,185	920,185	-	-	-	920,185
2036-2037	850,000	56,614	906,614	-	-	-	906,614
2037-2038	870,000	26,534	896,534	-	-	-	896,534
	<u>\$ 12,784,821</u>	<u>\$ 4,269,951</u>	<u>\$ 17,054,772</u>	<u>\$ 3,010,176</u>	<u>\$ 725,401</u>	<u>\$ 3,735,577</u>	<u>\$ 20,790,349</u>

A summary of the changes in principal of the outstanding bond obligations and sick leave for the District during the year ended June 30, 2020 is as follows:

Governmental Activities	Balance July 1, 2019	Additions	Payments	Balance June 30, 2020
Bond Obligations	<u>\$ 16,426,259</u>	<u>\$ 126,849</u>	<u>\$ 758,111</u>	<u>\$ 15,794,997</u>
Sick Leave	<u>\$ 517,539</u>	<u>\$ -</u>	<u>\$ 159,632</u>	<u>\$ 357,907</u>

**NOTE 18 INVESTMENTS AT FAIR VALUE**

Current accounting and reporting standards define fair value, establish a three-level hierarchy for fair value measurements based on transparency of valuation inputs and require disclosures about fair value measurements. The hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows:

- Level 1 - Inputs are unadjusted quoted prices for identical assets in active markets.
- Level 2 - Inputs are observable quoted prices for similar assets in active markets.
- Level 3 - Inputs are unobservable and reflect our best estimate of what market participants would use as fair value.



**NEWPORT INDEPENDENT SCHOOL DISTRICT**

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

**NOTE 18 INVESTMENTS AT FAIR VALUE (CONTINUED)**

Investments consisted of the following at June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash Equivalents	\$ 13,534	\$ -	\$ -	\$ 13,534
Equity Securities	806,044	-	-	806,044
Total Investments	<u>\$ 819,578</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 819,578</u>

The following is a description of the valuation methodologies used for investments measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification pursuant to the valuation hierarchy. There were no valuations using Level 2 or 3 inputs.

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models or quoted prices of securities with similar characteristics.

**NOTE 19 TAX ABATEMENTS**

The local government enters into tax abatement agreements with businesses. The locality may grant property tax abatements on property tax bills for the purposes of attracting or retaining businesses within their jurisdiction. The local government has chosen not to disclose the nature or amount of those abatements

**NOTE 20 SUBSEQUENT EVENTS**

The COVID-19 outbreak in the United States has caused disruption through limited district activities. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the disruption. At this time, the District is uncertain on the disruption's impact on its operating results.

Subsequent events were considered through December 9, 2020, which represents the release date of our report.

SUPPLEMENTARY  
INFORMATION

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

**Combining Balance Sheet – Nonmajor Governmental Funds  
As of June 30, 2020**

	<u>Capital Outlay Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>District Activity Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>					
Current					
Cash and cash equivalents	\$ 201,006	\$ 240,968	\$ -	\$ 67,549	\$ 509,523
Total assets	<u>\$ 201,006</u>	<u>\$ 240,968</u>	<u>\$ -</u>	<u>\$ 67,549</u>	<u>\$ 509,523</u>
<b>Liabilities and Fund Balances</b>					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances					
Restricted:					
SFCC Escrow	201,006	240,968	-	-	441,974
Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,549</u>	<u>67,549</u>
Total fund balances	<u>201,006</u>	<u>240,968</u>	<u>-</u>	<u>67,549</u>	<u>509,523</u>
Total liabilities and fund balances	<u>\$ 201,006</u>	<u>\$ 240,968</u>	<u>\$ -</u>	<u>\$ 67,549</u>	<u>\$ 509,523</u>

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

**Combining Statement of Revenues Expenditures and  
Changes in Fund Balances – Nonmajor Governmental Funds  
Year Ended June 30, 2020**

	<b>Capital Outlay Fund</b>	<b>Construction Fund</b>	<b>Debt Service Fund</b>	<b>District Activity Fund</b>	<b>Total Nonmajor Government Funds</b>
<b>Revenues</b>					
State sources	\$ 133,701	\$ -	\$ 285,685	\$ -	\$ 419,386
Federal sources	-	-	-	-	-
Other sources	-	-	-	30,326	30,326
Total revenues	<u>133,701</u>	<u>-</u>	<u>285,685</u>	<u>30,326</u>	<u>449,712</u>
<b>Expenditures</b>					
Instructional	-	-	-	9,196	9,196
Facility acquisition and construction	-	181,015	-	-	181,015
Debt service:					
Principal	-	-	710,001	-	710,001
Interest	-	-	502,243	-	502,243
Total expenditures	<u>-</u>	<u>181,015</u>	<u>1,212,244</u>	<u>9,196</u>	<u>1,402,455</u>
Excess of expenditures over revenues	<u>133,701</u>	<u>(181,015)</u>	<u>(926,559)</u>	<u>21,130</u>	<u>(952,743)</u>
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	-	-	926,559	-	926,559
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>926,559</u>	<u>-</u>	<u>926,559</u>
Net change in fund balance	133,701	(181,015)	-	21,130	(26,184)
Total fund balance, July 1, 2019	<u>67,305</u>	<u>421,983</u>	<u>-</u>	<u>46,419</u>	<u>535,707</u>
Total fund balance, June 30, 2020	<u>\$ 201,006</u>	<u>\$ 240,968</u>	<u>\$ -</u>	<u>\$ 67,549</u>	<u>\$ 509,523</u>

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund  
Balance – Budget to Actual – General Fund  
Year Ended June 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance With Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Taxes	\$ 9,112,982	\$ 9,112,982	\$ 9,227,435	\$ 114,453
Other local sources	413,152	413,152	725,433	312,281
State sources	4,578,500	4,578,500	9,376,956	4,798,456
Federal sources	206,439	206,439	265,111	58,672
Other sources	<u>123,702</u>	<u>123,702</u>	<u>84,231</u>	<u>(39,471)</u>
Total revenues	<u>14,434,775</u>	<u>14,434,775</u>	<u>19,679,166</u>	<u>5,244,391</u>
<b>Expenditures</b>				
Instructional	7,954,052	8,499,133	11,586,091	(3,086,958)
Student support services	675,402	583,402	704,263	(120,861)
Staff support services	636,929	611,306	804,760	(193,454)
District administration	1,480,669	1,511,194	1,757,693	(246,499)
School administration	940,821	963,790	1,363,958	(400,168)
Business support services	1,069,485	1,069,485	1,276,274	(206,789)
Plant operation and maintenance	2,505,086	2,510,086	2,999,734	(489,648)
Student transportation	511,650	511,650	484,916	26,734
Community service operation	28,250	28,250	-	28,250
Debt Service	67,266	67,266	56,757	10,509
Other	<u>4,721,264</u>	<u>4,320,227</u>	<u>28,077</u>	<u>4,292,150</u>
Total expenditures	<u>20,590,874</u>	<u>20,675,789</u>	<u>21,062,523</u>	<u>(386,734)</u>
Net change in fund balance	(6,156,099)	(6,241,014)	(1,383,357)	4,857,657
Fund balance, July 1, 2019	<u>6,156,099</u>	<u>6,156,099</u>	<u>7,373,272</u>	<u>(1,217,173)</u>
Fund balance, June 30, 2020	<u>\$ -</u>	<u>\$ (84,915)</u>	<u>\$ 5,989,915</u>	<u>\$ 6,074,830</u>

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund  
Balance – Budget to Actual – Special Revenue Fund  
Year Ended June 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance With Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Other local sources	\$ 101,686	\$ 100,431	\$ 114,906	\$ 14,475
State sources	1,680,429	1,495,263	1,447,914	(47,349)
Federal sources	3,943,842	5,366,703	2,753,943	(2,612,760)
Other sources	<u>200,319</u>	<u>484,376</u>	<u>28,077</u>	<u>(456,299)</u>
Total revenues	<u>5,926,276</u>	<u>7,446,773</u>	<u>4,344,840</u>	<u>(3,101,933)</u>
<b>Expenditures</b>				
Instructional	3,999,394	5,114,829	3,081,425	2,033,404
Student support services	202,253	179,918	178,064	1,854
Staff support services	939,205	706,713	446,561	260,152
District administration	-	13,145	-	13,145
School administration	1,765	-	-	-
Business support services	92,735	85,620	78,737	6,883
Food service operation	-	33,800	-	33,800
Community service operation	471,636	682,725	531,342	151,383
Other	<u>219,288</u>	<u>224,062</u>	<u>28,711</u>	<u>195,351</u>
Total expenditures	<u>5,926,276</u>	<u>7,040,812</u>	<u>4,344,840</u>	<u>2,695,972</u>
Net change in fund balance	-	405,961	-	(405,961)
Fund balance, July 1, 2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2020	<u>\$ -</u>	<u>\$ 405,961</u>	<u>\$ -</u>	<u>\$ (405,961)</u>

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund  
Balance – Budget to Actual – Building Fund  
Year Ended June 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance With Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Taxes	\$ 871,020	\$ 871,020	\$ 904,428	\$ 33,408
State sources	144,957	144,957	131,646	(13,311)
	<u>1,015,977</u>	<u>1,015,977</u>	<u>1,036,074</u>	<u>20,097</u>
Total revenues				
<b>Expenditures</b>				
Facility acquisition and construction	435,510	435,510	-	435,510
Other	580,467	580,467	926,559	(346,092)
	<u>1,015,977</u>	<u>1,015,977</u>	<u>926,559</u>	<u>89,418</u>
Total expenditures				
Net change in fund balance	-	-	109,515	109,515
Fund balance, July 1, 2019	<u>-</u>	<u>-</u>	<u>685,112</u>	<u>(685,112)</u>
Fund balance, June 30, 2020	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 794,627</u></u>	<u><u>\$ 794,627</u></u>

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balances  
Bond and Interest Redemption Funds  
Year Ended June 30, 2020**

	<u>Issue of 2012</u>	<u>Issue of 2012 KISTA</u>	<u>Issue of 2014</u>	<u>Issue of 2014B</u>	<u>Issue of 2015 KISTA</u>	<u>Issue of 2017</u>	<u>Issue of 2017 KISTA</u>	<u>Issue of 2018</u>	<u>Issue of 2019 KISTA</u>	<u>Total</u>
<b>Cash at July 1, 2019</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Receipts:</b>										
Transfers and miscellaneous deposits	153,206	11,915	145,406	652,987	12,537	86,206	15,068	174,438	17,238	1,269,001
<b>Disbursements:</b>										
Bonds paid	110,000	11,177	90,000	410,000	11,035	40,000	12,414	60,000	13,485	758,111
Interest coupons	43,206	738	55,406	242,987	1,502	46,206	2,654	114,438	3,753	510,890
Total disbursements	153,206	11,915	145,406	652,987	12,537	86,206	15,068	174,438	17,238	1,269,001
Excess of receipts over disbursements	-	-	-	-	-	-	-	-	-	-
<b>Cash at June 30, 2020</b>	-	-	-	-	-	-	-	-	-	-
<b>Accounts Receivable and Payable</b>										
Matured interest and bonds outstanding	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-
Total accounts receivable	-	-	-	-	-	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-	-	-	-	-	-
<b>Fund balance at June 30, 2020</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



**NEWPORT INDEPENDENT SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balances  
Newport High School Activity Funds  
Year Ended June 30, 2020**

	<b>Fund Balance July 1, 2019</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Fund Balance June 30, 2020</b>
Annual	\$ 1,628	\$ 2,121	\$ 3,649	\$ 100
Archery club	5	-	-	5
Band	112	915	669	358
Baseball	1,060	-	105	955
Basketball	1,931	600	900	1,631
Carpentry	590	-	-	590
Cheerleading	1,962	1,693	1,061	2,594
Class of 2019	101	-	101	-
Class of 2020	-	101	-	101
Donna Murphy Invitational Tour	912	-	-	912
F.B.L.A.	864	1,723	2,276	311
F.C.C.L.A.	252	197	394	55
Football activities	7,780	8,125	12,117	3,788
Girls basketball	4,022	1,777	3,829	1,970
Graphic arts	762	2,731	2,184	1,309
GSA	188	-	-	188
Interest account	4,168	1,008	-	5,176
iPad take home fee	-	-	-	-
John Turner memorial donations	6,949	-	285	6,664
Key club	-	-	-	-
Library	923	1,587	348	2,162
Lockers	5	-	-	5
National Honor's Society	431	-	-	431
Newport Mason Donation	-	-	-	-
Newport Strong	590	-	-	590
Officials	6,484	46,407	16,578	36,313
PE and health	-	-	-	-
PE uniforms purchased	-	-	-	-
Pep Club	267	-	-	267
Physical education - grant	-	-	-	-
Prom	3,073	2,200	2,200	3,073
Records and Postage	1,173	105	209	1,069
Recycling	-	-	-	-

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balances  
Newport High School Activity Funds (Continued)  
Year Ended June 30, 2020**

	<b>Fund Balance July 1, 2019</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Fund Balance June 30, 2020</b>
Roger Johnson Foundation	\$ -			\$ -
Skills USA	7	1,530	156	1,381
Soccer	2,097	250	452	1,895
Softball	1,107	447	669	885
Student activity	1,266	1,814	-	3,080
Student council	2,300	-	600	1,700
Spirit Shop	-	2,798	995	1,803
Sunshine	148	-	51	97
Teachers lounge coke	1,626	906	2,479	53
Track	2,184	-	-	2,184
Volleyball	807	1,250	190	1,867
Wrestling	1,063	-	732	331
YSC Fundraisers	355	-	299	56
MS Basketball-Boys	-	1,325	1,325	-
Abroad trip	-	463	-	463
Gifted and talented	-	314	314	-
YSC Holiday	183	2,080	1,682	581
<b>Total</b>	<b>\$ 59,375</b>	<b>\$ 84,467</b>	<b>\$ 56,849</b>	<b>\$ 86,993</b>

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balances – School Activity Funds  
Year Ended June 30, 2020**

	<b>Newport Alternative High School</b>	<b>Newport Intermediate School</b>	<b>Newport Primary School</b>	<b>Total</b>
Fund balances at July 1, 2019	\$ 2,768	\$ 7,809	\$ 25,164	\$ 35,741
Add: receipts	2,321	6,052	5,951	14,324
Less: disbursements	<u>(2,907)</u>	<u>(4,933)</u>	<u>(7,298)</u>	<u>(15,138)</u>
Fund balances at June 30, 2020	<u>\$ 2,182</u>	<u>\$ 8,928</u>	<u>\$ 23,817</u>	<u>\$ 34,927</u>

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

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

	Last 10 Fiscal Years*									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
District's proportion of the net pension liability	0%	0%	0%	0%	0%	0%	*	*	*	*
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	*	*	*	*
State's proportionate share of the net pension liability associated with the District	38,033,090	35,274,587	79,502,497	90,960,338	72,203,325	63,244,526	*	*	*	*
<b>Total</b>	<b>\$38,033,090</b>	<b>\$35,274,587</b>	<b>\$79,502,497</b>	<b>\$90,960,338</b>	<b>\$72,203,325</b>	<b>\$63,244,526</b>	*	*	*	*
District's covered-employee payroll	\$ 9,525,139	\$ 9,434,495	\$ 10,236,247	\$ 10,278,171	\$ 10,095,979	\$ 9,642,589	\$ 9,223,450	\$ 9,753,371	*	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0%	0%	0%	0%	0%	0%	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	58.76%	59.27%	39.83%	35.22%	42.49%	45.59%	*	*	*	*

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

*Changes of benefit terms:* None

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

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

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

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

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

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

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

**Schedule of District Contributions - TRS**

Last 10 Fiscal Years\*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 399,778	\$ 429,718	\$ 455,026	\$ 505,164	\$ 464,624	\$ 378,727	\$ 342,523	\$ 276,073	\$ 264,260	*
Contributions in relation to the contractually required contribution									*	*
Contributions in relation to the contractually required contribution	<u>(399,778)</u>	<u>(429,718)</u>	<u>(455,026)</u>	<u>(505,164)</u>	<u>(464,624)</u>	<u>(378,727)</u>	<u>(342,523)</u>	<u>(276,073)</u>	<u>(264,260)</u>	*
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	*
District's covered-employee payroll	\$ 8,514,955	\$ 9,525,139	\$ 9,434,495	\$ 10,236,247	\$ 10,278,171	\$ 10,095,979	\$ 9,642,589	\$ 9,223,450	\$ 9,753,371	*
Contributions as a percentage of covered-employee payroll	4.70%	4.51%	4.82%	4.94%	4.52%	3.75%	3.55%	2.99%	2.71%	*

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

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

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

	Last 10 Fiscal Years*									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
District's proportion of net pension liability	0.120213%	0.119503%	0.136275%	0.141107%	0.136127%	0.132373%	*	*	*	*
District's proportionate share of the net pension liability	\$ 8,454,634	\$ 7,278,097	\$ 7,976,595	\$ 6,947,591	\$ 5,852,826	\$ 4,295,000	*	*	*	*
Total net pension liability	\$7,033,044,552	\$6,090,304,793	\$5,853,307,482	\$ 4,923,618,237	\$ 4,299,525,565	\$ 3,244,377,000	*	*	*	*
District's covered-employee payroll	\$ 3,040,557	\$ 2,981,885	\$ 3,351,575	\$ 3,369,890	\$ 3,172,689	\$ 3,035,128	\$ 3,033,739	\$ 3,230,810	*	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	278.1%	244.1%	238.0%	206.2%	184.5%	141.5%	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%	*	*	*	*

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

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

2014: As cash balance plan was introduced for member whose participation date is on or after January 1, 2014.

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

2015: The assumed investment rate of return was decreased from 7.75% to 7.50%.

2015: The assumed rate of inflation was reduced from 3.50% to 3.25%.

2015: The assumed rate of wage inflation was reduced from 1.00% to 0.75%.

2015: Payroll growth assumption was reduced from 4.50% to 4.00%.

2015: The mortality table used active members is RP-2000 Combined Mortality table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females.)

2015: For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

2015: The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2017: The assumed investment rate of return was decreased from 7.50% to 6.25%.

2017: The assumed rate of inflation was reduced from 3.25% to 2.30%.

2017: The assumed rate of salary growth was reduced from 4.00% to 3.05%.

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

**Schedule of District Contributions – CERS**

Last 10 Fiscal Years\*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 723,398	\$ 653,811	\$ 571,925	\$ 626,075	\$ 574,902	\$ 560,614	\$ 573,336	\$ 593,095	\$ 612,032	*
Contributions in relation to the contractually required contribution	<u>(723,398)</u>	<u>(653,811)</u>	<u>(571,925)</u>	<u>(626,075)</u>	<u>(574,902)</u>	<u>(560,614)</u>	<u>(573,336)</u>	<u>(593,095)</u>	<u>(612,032)</u>	*
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	*
District's covered-employee payroll	\$ 3,028,788	\$ 3,040,557	\$ 2,981,885	\$ 3,351,575	\$ 3,369,890	\$ 3,172,689	\$ 3,035,128	\$ 3,033,739	\$ 3,230,810	*
Contributions as a percentage of of covered-employee payroll	23.88%	21.50%	19.18%	18.68%	17.06%	17.67%	18.89%	19.55%	18.94%	*

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

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

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

	Last 10 Fiscal Years*									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
District's proportion of the collective trust OPEB liability	0%	0%	0%	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ -	\$ -	\$ -	*	*	*	*	*	*	*
State's proportionate share of the collective net OPEB liability (asset) associated with the District	81,000	70,000	60,000	*	*	*	*	*	*	*
Total net OPEB liability	\$ 81,000	\$ 70,000	\$ 60,000	*	*	*	*	*	*	*
District's covered-employee payroll	\$ 9,525,139	\$ 9,525,139	\$ 9,434,495	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	0.0%	0.0%	0.0%	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	73.40%	74.97%	79.99%	*	*	*	*	*	*	*

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

*Changes of benefit terms* - None.

*Methods and assumptions used in the actuarially determined contributions* - The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2019:

Valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	30 years, Open
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.45%
Discount rate	7.50%



**NEWPORT INDEPENDENT SCHOOL DISTRICT**

**Schedule of the District Contributions – LIF**

Last 10 Fiscal Years\*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ -	\$ -	\$ -	*	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Contribution deficiency	<u>-</u>	<u>-</u>	<u>-</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
District's covered-employee payroll	\$ 8,514,955	\$ 9,525,139	\$ 9,434,495	*	*	*	*	*	*	*
Contributions as a percentage of of covered-employee payroll	0.00%	0.00%	0.00%	*	*	*	*	*	*	*

\* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available. No changes were made to the assumptions or benefit terms.

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

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

	Last 10 Fiscal Years*									
	2018	2018	2017	2016	2015	2014	2013	2012	2011	2010
District's proportion of the collective trust OPEB liability	0.146851%	0.136963%	0.153165%	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ 4,298,000	\$ 4,752,000	\$5,462,000	*	*	*	*	*	*	*
State's proportionate share of the collective net OPEB liability associated with the District	\$ 3,471,000	\$ 4,095,000	\$4,461,000	*	*	*	*	*	*	*
Total net OPEB liability	\$ 7,769,000	\$ 8,847,000	\$9,923,000	*	*	*	*	*	*	*
District's covered-employee payroll	\$ 9,525,139	\$ 9,525,139	\$9,525,139	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	45.1%	49.9%	57.3%	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	32.58%	25.54%	21.18%	*	*	*	*	*	*	*

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

*Methods and assumptions used in the actuarially determined contributions* - The actuarially determined contributions rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2019:

Valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	22 years, Closed
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Discount rate	8.00%
Health care cost trends	
Under 65	7.50% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and older	5.50% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B premiums	0.00% for FY 2018 with an ultimate rate of 5.00% by 2030
Under age 65 claims	The current premium charged by KEHP is used as the base cost and is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized).

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

**Schedule of District Contributions – MIF**

	Last 10 Fiscal Years*									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 255,707	\$ 243,974	\$ 262,414	*	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	(255,707)	(243,974)	(262,414)	*	*	*	*	*	*	*
Contribution deficiency	-	-	-	*	*	*	*	*	*	*
District's covered-employee payroll	\$ 8,514,955	\$ 9,525,139	\$ 9,434,495	*	*	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	3.00%	2.56%	2.78%	*	*	*	*	*	*	*

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

*Changes of benefit terms* - None

*Methods and assumptions used in the actuarially determined contributions* - The actuarially determined contributions rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2019:

Valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	22 years, Closed
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Discount rate	8.00%
Health care cost trends	
Under 65	7.50% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and older	5.50% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B premiums	0.00% for FY 2018 with an ultimate rate of 5.00% by 2030
Under age 65 claims	The current premium charged by KEHP is used as the base cost and is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized).

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

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

	Last 10 Fiscal Years*									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
District's proportion of the collective trust OPEB liability	0.120181%	0.119498%	0.136275%	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$2,021,390	\$2,121,663	\$2,739,594	*	*	*	*	*	*	*
State's proportionate share of the collective net OPEB liability associated with the District	\$ -	\$ -	\$ -	*	*	*	*	*	*	*
Total net OPEB liability	\$2,021,390	\$2,121,663	\$2,739,594	*	*	*	*	*	*	*
District's covered-employee payroll	\$ 3,040,557	\$ 2,981,885	\$ 3,351,575	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	66.5%	71.2%	81.7%	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	60.44%	57.62%	52.40%	*	*	*	*	*	*	*

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

*Changes in assumptions: None*

2018: Updated health care trend rates were implemented.

**NEWPORT INDEPENDENT SCHOOL DISTRICT**  
**Schedule of District Contributions – MIF (CERS)**

	Last 10 Fiscal Years*									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 159,497	\$ 139,207	\$ 156,939	*	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	(159,497)	(139,207)	(156,939)	*	*	*	*	*	*	*
Contribution deficiency	-	-	-	*	*	*	*	*	*	*
District's covered-employee payroll	\$ 3,028,788	\$ 3,040,557	\$ 2,981,885	*	*	*	*	*	*	*
Contributions as a percentage of of covered-employee payroll	5.27%	4.58%	5.26%	*	*	*	*	*	*	*

\* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available. No changes were made to the assumptions or benefit terms.

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2020**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Agreement Number</u>	<u>Federal Expenditures for FYE 6/30/2020</u>
<b><u>U.S. Department of Education</u></b>			
<b><i>Passed through Kentucky Department of Education</i></b>			
Special Education Cluster			
Special Education Grants to States	84.027	3810002 17	\$ 3,304
Special Education Grants to States	84.027	3810002 18	37,943
Special Education Grants to States	84.027	3810002 20	413,969
Special Education Preschool Grants	84.173	3800002 17	5,790
Special Education Preschool Grants	84.173	3800002 19	11,709
Total Special Education Cluster			<u>472,715</u>
Title I Grants to Local Educational Agencies	84.010	3100202-17	309,598
Title I Grants to Local Educational Agencies	84.010	3100002-18	221,456
Title I Grants to Local Educational Agencies	84.010	3100002-19	1,143,809
Total for CFDA #84.010			<u>1,674,863</u>
Career and technical Education -Basic Grants to States	84.048	3710002 18	34,755
Education for Homeless Children and Youth	84.196	3990002 18	10,156
Education for Homeless Children and Youth	84.196	3990002 19	71,007
Total for CFDA #84.196			<u>81,163</u>
Twenty-First Century Community Learning Centers	84.287	340002-18	15,571
Twenty-First Century Community Learning Centers	84.287	340002-19	193,084
Total for CFDA #84.287			<u>208,655</u>
Adult Education - Basic Grants to States	84.002	1900000617	(93)
Adult Education - Basic Grants to States	84.002	2000000426	141,855
Total for CFDA #84.002			<u>141,762</u>
English Language Acquisition State Grants	84.365	3300002 17	6,014
English Language Acquisition State Grants	84.365	3300002 18	6,446
English Language Acquisition State Grants	84.365	3300002 19	1,418
Total for CFDA #84.365			<u>13,878</u>
Teacher and School Leader Incentive Grants	84.374	3100202-19	82,561
ESSR Project	84.425	4000002-20	10,091
<b>Total U.S. Department of Education</b>			<u>2,720,443</u>
<b><u>U.S. Department of Agriculture</u></b>			
Child Nutrition Cluster			
<b><i>Passed through Kentucky Department of Education</i></b>			
National School Lunch Program	10.555	7750002 19	133,081
National School Lunch Program	10.555	7750002 20	382,522
School Breakfast Program	10.553	7760005 19	44,506
School Breakfast Program	10.553	7760005 20	129,809
Summer Food Program for Children	10.559	7690024 19	2,039
Summer Food Program for Children	10.559	7740023 19	19,776
Summer Food Program for Children	10.559	7690024 20	21,490
Summer Food Program for Children	10.559	7740023 20	252,678
<b>Passed through Kentucky Department of Agriculture</b>			
National School Lunch Program - Food Donation	10.555	4800014	75,986
Total Child Nutrition Cluster			<u>1,061,887</u>
<b><i>Passed through Kentucky Department of Education</i></b>			
Child and Adult Care Food Program	10.558	7790021 19	8,717
Child and Adult Care Food Program	10.558	7790021 20	45,605
Child and Adult Care Food Program	10.558	7800016 19	584
Child and Adult Care Food Program	10.558	7800016 20	3,019
Total for CFDA #10.558			<u>57,925</u>
Fresh Fruit and Vegetable Program	10.582	7720012 20	27,359
Child Nutrition Discretionary Grants Limited Availability	10.579	7700001 19	1,111
<b>Total U.S. Department of Agriculture</b>			<u>1,148,282</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 3,868,725</u>

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

**Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Newport Independent School District under programs of the federal government for the year ended June 30, 2020, and is reported on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of Newport Independent School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 3 FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. For the year ended June 30, 2020, the District reported food commodities expended in the amount of \$75,986.

**NOTE 4 INDIRECT COST RATE**

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

**NOTE 5 SUBRECIPIENTS**

The District did not have any subrecipients during the year ended June 30, 2020.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Members of the Board of Education  
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, the business-type activities, each major fund, and the aggregate remaining fund information of Newport Independent School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Newport Independent School District's basic financial statements, and have issued our report thereon dated December 9, 2020.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

We noted other matters that we reported to management of the District on pages 82 to 83.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

(Continued)

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Crestview Hills, Kentucky

December 9, 2020

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

Members of the Board of Education  
Newport Independent School District  
Newport, Kentucky

**Report on Compliance for Each Major Federal Program**

We have audited Newport Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Newport Independent School District's major federal programs for the year ended June 30, 2020. Newport Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, Newport Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

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

**Report on Internal Control Over Compliance**

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Barnes, Dennig & Co., Ltd.*

Crestview Hills, Kentucky  
December 9, 2020

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2020**

**SECTION I -SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
  
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None noted
  
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
  
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None noted

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR Section 200.516(a)? \_\_\_\_\_ Yes   X   No

***Identification of major programs***

CFDA No.	Name of Federal Program or Clusters
10.553/10.555/10.559	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2020**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No matters are reportable

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST**

No matters are reportable

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

**Schedule of Prior Findings and Questioned Costs  
Year Ended June 30, 2020**

**SECTION I – SUMMARY OF PRIOR YEAR AUDITOR’S RESULTS**

No matters are reportable

**SECTION II – PRIOR YEAR FINANCIAL STATEMENT FINDINGS**

No matters are reportable

**SECTION III – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COST**

No matters are reportable

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

**Management Letter Comments  
Year Ended June 30, 2020**

In planning and performing our audit of the financial statements of Newport Independent School District for the year ended June 30, 2020, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

This letter summarizes our comments and suggestions regarding those matters. A separate report dated December 9, 2020 contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated December 9, 2020, on the financial statements of the Newport Independent School District.

**CURRENT YEAR RECOMMENDATIONS**

**CENTRAL OFFICE**

No matters are reportable

**ACTIVITY FUNDS**

**NEWPORT HIGH SCHOOL**

No matters are reportable

**NEWPORT ALTERNATIVE HIGH SCHOOL**

No matters are reportable

**NEWPORT INTERMEDIATE SCHOOL**

**2020-01: Negative account balance**

Criteria – Per best practices recommended by the Kentucky Department of Education, individual school activity accounts should not end the fiscal year with a negative (deficit) balance.

Condition – During the testing of the Activity Fund, it was noted that an individual school account had a negative (deficit) balance at the end of the fiscal year.

Effect – Proper documentation over reporting were not followed.

Cause – Internal controls were not properly followed as designed by the District.

Recommendation – We recommend that the financial secretary and principal review all accounts at fiscal year end to ensure that there are no negative (deficit) balances. If any activity account ends with a negative balance, then the general activity account must cover the deficit by June 30.

Board Response – The financial secretary and the principal will review the Annual Financial Report for any negative balances and make adequate transfers to remedy these negative balances.

**NEWPORT PRIMARY SCHOOL**

No matters are reportable

**NEWPORT INDEPENDENT SCHOOL DISTRICT**

**Management Letter Comments (Continued)  
Year Ended June 30, 2020**

**STATUS OF PRIOR YEAR RECOMMENDATIONS**

**CENTRAL OFFICE**

No matters are reportable

**ACTIVITY FUNDS**

**NEWPORT HIGH SCHOOL**

No matters are reportable

**NEWPORT ALTERNATIVE HIGH SCHOOL**

No matters are reportable

**NEWPORT INTERMEDIATE SCHOOL**

Statement of prior year deficiency:

- It was noted that several of the monthly reports were not prepared or reviewed timely.
- It was noted that deposit slips did not individually list checks and a copy of the checks was not retained.
- It was noted that there was a check that was remitted that was higher than the invoiced received.
- It was noted that outstanding check listed were not actual outstanding checks

Current year follow-up: The above issues were not reportable in the current year.

**NEWPORT PRIMARY SCHOOL**

No matters are reportable