

NEWPORT INDEPENDENT SCHOOL DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2021



MADDOX & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matters

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-7, budgetary comparison on pages 45-46, and pension and OPEB schedules on pages 47-53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

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

Maddox & Associates CPAs Inc.

Fort Thomas, Kentucky

November 8, 2021

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

FINANCIAL HIGHLIGHTS

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

See accompanying notes to financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

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

See accompanying notes to financial statements.

Statement of Activities

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

Capital Assets

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

Long-Term Debt

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

REQUESTS FOR INFORMATION

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

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

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

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

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

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

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

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

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

| | |
|---|----------------|
| Change in net position of governmental activities | \$ (2,141,603) |
|---|----------------|

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

NOTE 1: ACCOUNTING POLICIES

Reporting Entity

The Newport Independent Board of Education (Board), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary education within the jurisdiction of Newport Independent Board of Education (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Board. The financial statements presented herein do not include funds of groups or organizations, which although associated with the school system, have not originated with the Board; such as Band Boosters, Parent-Teacher Associations, and others.

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

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

Newport Independent Board of Education Finance Corporation – In 1992 the Board resolved to authorize the establishment of the Newport Independent Board of Education Finance Corporation (Corporation), (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation’s Board of Directors.

Basis of Presentation

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

Government-Wide Financial Statements

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

The statement of net position presents the financial condition of the governmental and business-type activities of the District at year end. The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District’s governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements (Continued)

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

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

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

Fund Accounting

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

Governmental Fund Types

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

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

Special Revenue Fund – The special revenue fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

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

The following of nonmajor funds of the district:

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost, as required by state law. This is a major fund of the district.

Capital Project Funds – Are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those used by Proprietary Funds).

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

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

Proprietary Fund Types (Enterprise Funds)

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

Fiduciary Fund Types (Agency Funds and Trust Funds)

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

Measurement Focus and Basis of Accounting

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

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

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

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

Cash and Cash Equivalents

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

Inventories

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

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000 with the exception of computers and real property for which there is no threshold. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value to the asset or materially extend an asset’s life are not capitalized.

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

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

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

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

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

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

Deferred Inflows of Resources – Pension and OPEB

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

Net Pension Liability

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

Net OPEB Liability

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

Accumulated Unpaid Sick Leave Benefits

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

Accrued Liabilities and Long-Term Obligations

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

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

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Net Position

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

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

Fund Balances

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

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

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

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

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

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

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

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

Property Taxes

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

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

Revenues – Exchange and Non-exchange Transactions

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

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools. Operating expenses can be tied specifically to the production of the goods and services, such as materials, labor, and direct overhead.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Interfund Activity

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

Interfund Balances

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

Extraordinary and Special Items

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

Estimates

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

Budgetary Process

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

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

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

Subsequent Events

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

NOTE 2: CASH AND CASH EQUIVALENTS

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

NOTE 3: CAPITAL ASSETS

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

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

Depreciation was charged to the following functions:

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

NOTE 4: LONG-TERM OBLIGATIONS

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

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

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

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

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the sponsoring governmental entity to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The District entered into participation agreements with the Kentucky School Facilities Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs.

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

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District and the Commission at June 30, 2021 for debt service (principal and interest) are as follows:

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

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

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

NOTE 4: LONG-TERM OBLIGATIONS (CONTINUED)

Changes in long-term obligations are as follows:

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

NOTE 5: PENSION PLANS

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

General information about the Teachers’ Retirement System of the State of Kentucky (KTRS)

Plan description

Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers’ Retirement System of the State of Kentucky (KTRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth’s financial statements. KTRS issues a publicly available financial report that can be obtained at http://www.ktrs.ky.gov/05_publications/index.htm.

Benefits provided

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

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

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year

NOTE 5: PENSION PLANS (CONTINUED)

of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

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

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

Contributions

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

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

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

Plan description

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

NOTE 5: PENSION PLANS (CONTINUED)

Benefits provided

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

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

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

Contributions

Required contributions by the employee are based on the tier:

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

NOTE 5: PENSION PLANS (CONTINUED)

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

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

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

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

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

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

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

NOTE 5: PENSION PLANS (CONTINUED)

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

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

Actuarial assumptions

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

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

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

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

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

NOTE 5: PENSION PLANS (CONTINUED)

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

longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

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

NOTE 5: PENSION PLANS (CONTINUED)

Discount rate

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

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

Sensitivity of CERS and KTRS proportionate share of net pension liability to changes in the discount rate—The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (I calculated the amounts in this schedule:

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

Pension plan fiduciary net position

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

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

General information about the Teachers’ Retirement System OPEB Plan

Plan description

Teaching certified employees of the District and other employees whose positions require at least a college degree are provided OPEBs through the Teachers’ Retirement System of the State of Kentucky (KTRS)—a cost-sharing multiple-employer defined OPEB pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220

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

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

Medical Insurance Plan

Plan description

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

Benefits Provided

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

Contributions

In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

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

Plan description

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

Benefits provided

Benefits provided

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

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

For health insurance purposes, employees are grouped into three tiers based on hire date:

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

Contributions

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

Implicit Subsidy

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

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

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

The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District’s proportion of the net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The District’s proportionate share at June 30, 2020 was 0.1230% related to CERS and 0.1527% related to TRS.

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

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

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

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

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

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

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

Actuarial assumptions

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

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

The actuarial assumptions are:

KTRS

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

Health care cost trends:

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

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

CERS

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

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the mortality table used is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back four yersr for males).

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

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

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

Discount rate

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

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

The following table presents the District’s proportionate share of the net OPEB liability calculated using the discount rate of 8.00% for KTRS and 5.34% for CERS as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

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

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

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

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

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

OPEB plan fiduciary net position

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

NOTE 7: CONTINGENCIES

Grants

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

NOTE 7: CONTINGENCIES (CONTINUED)

Litigation

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

NOTE 8: RISK MANAGEMENT

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

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

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

NOTE 9: FUND TRANSFERS

The following transfers were made during the year:

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

NOTE 10: ON-BEHALF PAYMENTS

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

| Fund | |
|--|--------------|
| General | \$ 5,107,107 |
| Debt service | 285,685 |
| Food service | 75,954 |
| | \$ 5,468,746 |
| | |
| Type | |
| Retirement | \$ 2,956,102 |
| Medical insurance fund and life insurance fund | 220,605 |
| Health insurance less federal reimbursement | 1,792,249 |
| Life insurance | 3,274 |
| Administrative fee | 26,610 |
| HRA/Dental/Vision insurance | 85,837 |
| Technology | 98,383 |
| Debt service | 285,686 |
| | \$ 5,468,746 |

NOTE 11: FUND BALANCE RESTATEMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Schedule of District's Contributions - KTRS

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

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

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

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

Schedule of District's Contributions - CERS

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

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

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

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

Schedule of District's Contributions - KTRS

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

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

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

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

Schedule of District's Contributions - KTRS

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

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

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

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

Schedule of District's Contributions - CERS

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

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

KTRS

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

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

CERS

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

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

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

KTRS

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

CERS

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

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

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

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

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

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Newport Independent School District (District) under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE 3: INDIRECT COST RATE

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

NOTE 4: SUBRECIPIENTS

The District did not provide federal funds to subrecipients for the year ended June 30, 2021.

No prior year audit findings reported.

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

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

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

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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

Maddox & Associates CPAs Inc.

Fort Thomas, Kentucky

November 8, 2021

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

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

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Report on Compliance for Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

Maddox & Associates CPAs Inc.

Fort Thomas, Kentucky

October 27, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial Unmodified

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

Noncompliance material to financial statements noted? Yes X No

Federal Awards

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

Type of report the auditor issued on compliance with major Unmodified

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

Identification of Major Programs

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

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

Auditee qualified as low-risk auditee X Yes No

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

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

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

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

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

Maddox & Associates CPAs Inc.

Current Year Recommendations

Central Office

2020-01: Publication of annual financial statement

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

Condition – The District did not publish its annual financial statement

Effect: The District did not comply with KRS 160.463

Cause: The District did not comply with KRS 160.463

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

Activity Funds

Newport High School

No matters are reportable

Newport Adult Learning Center

No matters are reportable

Newport Intermediate School

No matters are reportable

Newport Primary School

No matters are reportable

Status of Prior Year Recommendations

Activity Funds

Newport Adult Learning Center

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

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