

DATED JUNE 16, 2023

## NEW ISSUE

**Electronic Bidding via Parity®**  
**Bank Interest Deduction Eligible**  
**BOOK-ENTRY-ONLY SYSTEM**

**RATING**  
**Moody's: " "**

*In the opinion of Bond Counsel, under existing law (i) interest on the Bonds will be excludable from gross income of the holders thereof for purposes of federal taxation and (ii) interest on the Bonds will not be a specific item of tax preference for purposes of the federal alternative minimum tax; however, with respect to certain corporations, interest on the Bonds is taken into account in determining the annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. All subject to the qualifications described herein under the heading "Tax Exemption." The Bonds and interest thereon are exempt from income taxation and ad valorem taxation by the Commonwealth of Kentucky and political subdivisions thereof (see "Tax Exemption" herein)*

**\$3,010,000\***

**NEWPORT INDEPENDENT SCHOOL DISTRICT FINANCE CORPORATION**  
**SCHOOL BUILDING REVENUE BONDS,**  
**SERIES OF 2023**

**Dated with Delivery: JULY 18, 2023****Due: as shown below**

Interest on the Bonds is payable each February 1 and August 1, beginning February 1, 2024. The Bonds will mature as to principal on August 1, 2024, and thereafter as shown below. The Bonds are being issued in Book-Entry-Only Form and will be available for purchase in principal amounts of \$5,000 and integral multiples thereof.

Maturing		Interest Rate	Reoffering Yield	CUSIP	Maturing		Interest Rate	Reoffering Yield	CUSIP
August 1	Amount*				August 1	Amount*			
2024	\$ 15,000	%	%		2034	\$ 15,000	%	%	
2025	\$ 15,000	%	%		2035	\$ 15,000	%	%	
2026	\$ 15,000	%	%		2036	\$ 15,000	%	%	
2027	\$ 15,000	%	%		2037	\$ 15,000	%	%	
2028	\$ 15,000	%	%		2038	\$ 300,000	%	%	
2029	\$ 15,000	%	%		2039	\$ 315,000	%	%	
2030	\$ 15,000	%	%		2040	\$ 330,000	%	%	
2031	\$ 15,000	%	%		2041	\$ 340,000	%	%	
2032	\$ 15,000	%	%		2042	\$ 740,000	%	%	
2033	\$ 15,000	%	%		2043	\$ 775,000	%	%	

The Bonds are subject to redemption prior to their stated maturity as described herein.

Notwithstanding the foregoing, the Corporation reserves the right to call, upon thirty (30) days notice, the Bonds in whole or in part on any date for redemption upon the total destruction by fire, lightning, windstorm or other hazard of any of the building(s) constituting the Project(s) and apply casualty insurance proceeds to such purpose.

The Bonds constitute a limited indebtedness of the Newport Independent School District Finance Corporation and are payable from and secured by a pledge of the gross income and revenues derived by leasing the Project (as hereinafter defined) on an annual renewable basis to the Newport Independent Board of Education.

The Newport Independent (Kentucky) School District Finance Corporation will until June 27, 2023, at 11:00 A.M., E.D.S.T., receive competitive bids for the Bonds at the office of the Executive Director of the Kentucky School Facilities Construction Commission, 229 West Main Street, Suite 102, Frankfort, Kentucky 40601.

**\*As set forth in the "Official Terms and Conditions of Bond Sale," the principal amount of Bonds sold to the successful bidder is subject to a Permitted Adjustment by increasing or decreasing the amount not to exceed \$300,000.**

**PURCHASER'S OPTION:** The Purchaser of the Bonds, within 24 hours of the sale, may specify to the Municipal Advisor that any Bonds may be combined immediately succeeding sequential maturities into a Term Bond(s), bearing a single rate of interest, with the maturities set forth above (or as may be adjusted as provided herein) being subject to mandatory redemption in such maturities for such Term Bond(s).

The Bonds will be delivered utilizing the BOOK-ENTRY-ONLY-SYSTEM administered by The Depository Trust Company.

The Corporation deems this preliminary Official Statement to be final for purposes of the Securities and Exchange Commission Rule 15c2-12(b)(1), except for certain information on the cover page hereof which has been omitted in accordance with such Rule and which will be supplied with the final Official Statement.

**NEWPORT INDEPENDENT  
BOARD OF EDUCATION**

Ramona Malone, Chairperson  
Melissa Sheffel, Member  
Sylvia Covington, Member  
Aaron Sutherland, Member  
Tim Curl, Member

Tony Watts, Superintendent  
Kim Klosterman, Secretary

**NEWPORT INDEPENDENT (KENTUCKY) SCHOOL DISTRICT  
FINANCE CORPORATION**

Ramona Malone, Chairperson  
Melissa Sheffel, Member  
Sylvia Covington, Member  
Aaron Sutherland, Member  
Tim Curl, Member

Kim Klosterman, Secretary  
Jennifer Hoover, Treasurer

**BOND COUNSEL**

Steptoe & Johnson PLLC  
Louisville, Kentucky

**MUNICIPAL ADVISOR**

RSA Advisors, LLC  
Lexington, Kentucky

**PAYING AGENT AND REGISTRAR**

US Bank Trust Company, National Association  
Louisville, Kentucky

**BOOK-ENTRY-ONLY-SYSTEM**

## REGARDING USE OF THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Newport Independent School District Finance Corporation School Building Revenue Bonds, Series of 2023, identified on the cover page hereof. No person has been authorized by the Corporation or the Board to give any information or to make any representation other than that contained in the Official Statement, and if given or made such other information or representation must not be relied upon as having been given or authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation or the Board since the date hereof.

Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency, except the Corporation will pass upon the accuracy or adequacy of this Official Statement or approve the Bonds for sale.

The Official Statement includes the front cover page immediately preceding this page and all Appendices hereto.

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**OFFICIAL STATEMENT  
Relating to the Issuance of**

**\$3,010,000\***

**NEWPORT INDEPENDENT SCHOOL DISTRICT FINANCE CORPORATION  
SCHOOL BUILDING REVENUE BONDS,  
SERIES OF 2023**

*\*Subject to Permitted Adjustment*

**INTRODUCTION**

The purpose of this Official Statement, which includes the cover page and Appendices hereto, is to set forth certain information pertaining to the Newport Independent School District Finance Corporation (the "Corporation") School Building Revenue Bonds, Series of 2023 (the "Bonds").

The Bonds are being issued to finance athletic improvements at Newport Independent High School (the "Project").

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds will be secured by a lien and a pledge of the rental income derived by the Corporation from leasing the school building Projects (as hereinafter defined) to the Newport Independent Board of Education (the "Board") on a year to year basis (see "Security" herein).

All financial and other information presented in this Official Statement has been provided by the Newport Independent Board of Education from its records, except for information expressly attributed to other sources. The presentation of financial and other information is not intended, unless specifically stated, to indicate future or continuing trends in the financial position or other affairs of the Board. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future.

This Official Statement should be considered in its entirety, and no one subject discussed should be considered more or less important than any other by reason of its location in the text. Reference should be made to laws, reports or other documents referred to in this Official Statement for more complete information regarding their contents.

Copies of the Bond Resolution authorizing the issuance of the Bonds and the Lease Agreement, dated July 18, 2023, may be obtained at the office of Steptoe & Johnson PLLC, Bond Counsel, 700 N. Hurstbourne Parkway, Suite 115, Louisville, Kentucky 40222.

**BOOK-ENTRY-ONLY-SYSTEM**

The Bonds shall utilize the Book-Entry-Only-System administered by The Depository Trust Company ("DTC").

The following information about the Book-Entry only system applicable to the Bonds has been supplied by DTC. Neither the Corporation nor the Paying Agent and Registrar makes any representations, warranties or guarantees with respect to its accuracy or completeness.

DTC will act as securities depository for the Bonds. The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants

of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation or the Paying Agent and Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC or its nominee, the Paying Agent and Registrar or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Paying Agent and Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice the Corporation or the Paying Agent and Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered. The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's Book-Entry system has been obtained from sources that the Corporation believes to be reliable but the Corporation takes no responsibility for the accuracy thereof.

### **THE CORPORATION**

The Corporation has been formed in accordance with the provisions of Sections 162.120 through 162.300 and Section 162.385 of the Kentucky Revised Statutes ("KRS"), and KRS Chapter 273 and KRS 58.180, as a non-profit, non-stock corporation for the purpose of financing necessary school building facilities for and on behalf of the Board. Under the provisions of existing Kentucky law, the Corporation is permitted to act as an agency and instrumentality of the Board for financing purposes and the legality of the financing plan to be implemented by the Board herein referred to has been upheld by the Kentucky Court of Appeals (Supreme Court) in the case of White v. City of Middlesboro, Ky. 414 S.W.2d 569.

Any bonds, notes or other indebtedness issued or contracted by the Corporation shall, prior to the issuance or incurrence thereon, be specifically approved by the Board. The members of the Board of Directors of the Corporation are the members of the Board. Their terms expire when they cease to hold the office and any successor members of the Board are automatically members of the Corporation upon assuming their public offices.

### **KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION; NO PARTICIPATION IN THIS ISSUE**

The Kentucky School Facilities Construction Commission (the "Commission") is an independent corporate agency and instrumentality of the Commonwealth of Kentucky established pursuant to the provisions of KRS Sections 157.611 through 157.640, as amended, repealed and reenacted (the "Act") for the purpose of assisting local school districts in meeting the school construction needs of the Commonwealth in a manner which will ensure an equitable distribution of funds based upon unmet need.

The General Assembly of the Commonwealth adopted the State's Budget for the fiscal year ending June 30, 2024. Inter alia, the Budget provides \$125,216,700 in FY 2022-23 and \$126,719,600 in FY 2023-2024 to pay debt service on existing and future bond issues; \$58,000,000 of the Commission's previous Offers of Assistance made during the last biennium. It authorizes \$85,000,000 in additional Offers of Assistance for the current biennium to be funded in the Budget for the biennium ending June 30, 2026.

The 1986, 1988, 1990, 1992, 1994, 1996, 1998, 2000, 2003, 2005, 2006, 2008, 2010, 2012, 2014, 2016, 2018, 2020 and 2022. Regular Sessions of the Kentucky General Assembly appropriated funds to be used for debt service of participating school districts. The appropriations for each biennium are shown in the following table:

<u>Biennium</u>	<u>Appropriation</u>
1986-88	\$18,223,200
1988-90	14,050,700
1990-92	13,542,800
1992-94	3,075,300
1994-96	2,800,000
1996-98	4,996,000
1998-00	12,141,500
2000-02	8,100,000
2002-04	9,500,000
2004-06	14,000,000
2006-08	9,000,000
2008-10	10,968,000
2010-12	12,656,200
2012-14	8,469,200
2014-16	8,764,000
2016-18	23,019,400
2018-20	7,608,000
2020-22	2,946,900
2022-24	<u>5,305,300</u>
 Total	 \$189,166,500

In addition to the appropriations for new financings as shown, appropriations subsequent to that for 1986 included additional funds to continue to meet the annual debt requirements for all bond issues involving Commission participation issued in prior years.

## BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2024

The Kentucky General Assembly is required by the Kentucky Constitution to adopt measures providing for the state's revenues and appropriations for each fiscal year. The Governor is required by law to submit a biennial State Budget (the "State Budget") to the General Assembly during the legislative session held in each even numbered year. State Budgets have generally been adopted by the General Assembly during those legislative sessions, which end in mid-April, to be effective upon the Governor's signature for appropriations commencing for a two-year period beginning the following July 1.

In the absence of a legislatively enacted budget, the Supreme Court has ruled the Governor has no authority to spend money from the state treasury except where there is a statutory, constitutional or federal mandate and the Commonwealth may be prevented from expending funds for certain state governmental functions, including the ability to pay principal of, premium, if any, and interest, when due, on obligations that are subject to appropriation.

The General Assembly adopted a budget for the biennial period ending June 30, 2024 which was approved and signed recently by the Governor. Such budget became effective July 1, 2022.

The Office of the State Budget Director makes available on its website monthly updates to the General Fund receipts and other Funds of the commonwealth. When published, the updates can be found at [www.osbd.ky.gov](http://www.osbd.ky.gov).

## OUTSTANDING BONDS

The following table shows the outstanding Bonds of the Board by the original principal amount of each issue, the current principal outstanding, the amount of the original principal scheduled to be paid with the corresponding interest thereon by the Board or the School Facilities Construction Commission, the approximate interest range; and, the final maturity date of the Bonds:

<b>Bond Series</b>	<b>Original Principal</b>	<b>Current Principal Outstanding</b>	<b>Principal Assigned to Board</b>	<b>Principal Assigned to Commission</b>	<b>Approximate Interest Rate Range</b>	<b>Final Maturity</b>
2012	\$ 2,365,000	\$ 1,195,000	\$ 0	\$ 1,195,000	2.375% - 3.250%	2032
2014	\$ 2,125,000	\$ 1,295,000	\$ 879,727	\$ 1,245,273	3.000% - 4.000%	2034
2014B	\$ 9,715,000	\$ 6,465,000	\$ 9,022,771	\$ 692,229	2.500% - 3.500%	2034
2017	\$ 1,540,000	\$ 1,335,000	\$ 1,540,000	\$ 0	3.000% - 3.250%	2037
2018	\$ 3,310,000	\$ 2,970,000	\$ 3,310,000	\$ 0	3.500% - 3.625%	2038
2021-REF	\$ 1,365,000	\$ 1,225,000	\$ 0	\$ 1,365,000	1.000% - 1.300%	2032
2022	\$ 3,585,000	\$ 3,500,000	\$ 2,420,499	\$ 1,164,501	3.000% - 4.125%	2042
<b>Totals:</b>	<b>\$ 24,005,000</b>	<b>\$ 17,985,000</b>	<b>\$ 17,172,997</b>	<b>\$ 5,662,003</b>		

## AUTHORITY

The Board of Directors of the Corporation has adopted a Bond Resolution which authorized among other things:

- i) the issuance of approximately \$3,010,000 of Bonds subject to a permitted adjustment of \$300,000;
- ii) the advertisement for the public sale of the Bonds;
- iii) the Official Terms and Conditions for the sale of the Bonds to the successful bidder; and,
- iv) the President and Secretary of the Corporation to execute certain documents relative to the sale and delivery of the Bonds.



## THE BONDS

### General

The Bonds will be dated July 18, 2023, will bear interest from that date as described herein, payable semi-annually on February 1 and August 1 of each year, commencing February 1, 2024, and will mature as to principal on August 1, 2024, and thereafter in the years and in the principal amounts as set forth on the cover page of this Official Statement.

### Registration, Payment and Transfer

The Bonds are to be issued in fully-registered form (both principal and interest). US Bank Trust Company, National Association, Louisville, Kentucky, the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to Cede & Co., as the nominee of The Depository Trust Company. Please see Book-Entry-Only-System. Interest on the Bonds will be paid at rates to be established upon the basis of competitive bidding as hereinafter set forth, such interest to be payable on February 1 and August 1 of each year, beginning February 1, 2024 (Record Date is 15th day of month preceding interest due date).

### Redemption

The Bonds maturing on or after August 1, 2032, are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after August 1, 2031, in any order of maturities (less than all of a single maturity to be selected by lot), in whole or in part, upon notice of such prior redemption being given by the Paying Agent in accordance with DTC requirements not less than thirty (30) days prior to the date of redemption, upon terms of the face amount, plus accrued interest, but without redemption premium.

Redemption Date	Redemption Price
August 1, 2031, and thereafter	100%

Notwithstanding the foregoing, the Corporation reserves the right, upon thirty (30) days notice, to call the Bonds in whole or in part on any date at par for redemption upon the total destruction by fire, lightning, windstorm or other hazard of any building constituting the Project and apply casualty insurance proceeds to such purpose.

## SECURITY

### General

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds are payable as to both principal and interest solely from the income and revenues derived from the leasing of the school building Project financed from the Bond proceeds from the Corporation to the Board. The Bonds are secured by a lien on and pledge of revenue on and from the school building Project; provided, however, said lien and pledge are on parity with a similar lien and pledge securing the Corporation's School Building Revenue Bonds previously issue to finance or refinance the high school building to which the Project relates (the "Parity Bonds").

### The Lease; Pledge of Rental Revenues

The Board has leased the school building Project securing the Bonds for an initial period from July 18, 2023, through June 30, 2024 with the option in the Board to renew said Lease from year to year for one year at a time, at annual rentals, sufficient in each year to enable the Corporation to pay, solely from the rental due under the Lease, the principal and interest on all of the Bonds as same become due. The Lease provides further that so long as the Board exercises its annual renewal options, its rentals will be payable according to the terms and provisions of the Lease until August 1, 2043, the final maturity date of the Bonds. Under the lease, the Corporation has pledged the rental revenue to the payment of the Bonds.

## STATE INTERCEPT

Under the terms of the Lease and any renewal thereof, so long as the Bonds remain outstanding and in conformance with the intent and purpose of KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the Lease, and unless sufficient funds have been transmitted to the Paying Agent, or will be so transmitted, for paying said rentals when due, the Board has granted under the terms of the Lease and Participation Agreement to the Corporation the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

## THE PROJECT

After payment of the Bond issuance costs, the Board plans to deposit the net Bond proceeds to finance athletic improvements at Newport Independent High School (the "Project").

The Board has reported construction bids have been let for the Project and award of the construction contract is expected prior to the sale and delivery of the Bonds.

Contractors for the Project are required to furnish to the Board a one hundred percent completion bond to assure their performance of the construction contract.

## KENTUCKY DEPARTMENT OF EDUCATION SUPERVISION

Kentucky statutes, and the regulations of the Kentucky Department of Education ("KDE") issued thereunder, generally require that a local school district submit to KDE for its prior approval the district's plans for the funding, financing, design, construction, renovation, and modification of school facilities. House Bill 678 of the 2022 Regular Session of the Kentucky General Assembly (2022 Ky. Acts, Ch. 185, hereinafter referred to as "HB 678"), enacted and effective April 8, 2022, eliminates until June 30, 2024 this requirement of prior approval for local school districts which elect by resolution to proceed without such prior approval and which so notify the Department. The District has adopted such a resolution and has so notified KDE.

Notwithstanding HB 679, KDE's supervision of local school districts continues to apply other areas of local school finance, including supervision of general operations such as the examination of business methods and accounts of a school district, requirements of prompt, detailed reports of receipts and expenditures and the annual approval of the district's operating budget. All local school boards which have entered into contracts for the issuance of bonds must maintain insurance protection in an amount equal to the full insurable value of the buildings financed by the bonds. This State Department of Education supervision and control is believed to be a major contribution toward the maintenance of Kentucky's perfect record of no defaults in payment of its revenue bonds for school purposes.

**ESTIMATED BOND DEBT SERVICE**

The following table shows by fiscal year the current bond payments of the Board. The plan of financing provides for the Board to meet 100% of the debt service of the Bonds.

<b>Fiscal Year Ending June 30</b>	<b>Current Local Bond Payments</b>	<b>----- Series 2023 Bonds ( 100% LOCAL) -----</b>			<b>Total Restricted Fund Bond Payments</b>
		<b>Principal Portion</b>	<b>Interest Portion</b>	<b>Total Payment</b>	
2024	\$ 1,076,840		\$ 68,919	\$ 68,919	\$ 1,145,759
2025	\$ 1,076,852	\$ 15,000	\$ 128,265	\$ 143,265	\$ 1,220,117
2026	\$ 1,074,802	\$ 15,000	\$ 127,702	\$ 142,702	\$ 1,217,504
2027	\$ 1,076,556	\$ 15,000	\$ 127,166	\$ 142,166	\$ 1,218,722
2028	\$ 1,077,194	\$ 15,000	\$ 126,641	\$ 141,641	\$ 1,218,835
2029	\$ 1,079,018	\$ 15,000	\$ 126,116	\$ 141,116	\$ 1,220,134
2030	\$ 1,078,225	\$ 15,000	\$ 125,591	\$ 140,591	\$ 1,218,816
2031	\$ 1,075,787	\$ 15,000	\$ 125,066	\$ 140,066	\$ 1,215,853
2032	\$ 1,076,840	\$ 15,000	\$ 124,541	\$ 139,541	\$ 1,216,381
2033	\$ 1,076,139	\$ 15,000	\$ 124,016	\$ 139,016	\$ 1,215,155
2034	\$ 1,077,003	\$ 15,000	\$ 123,487	\$ 138,487	\$ 1,215,490
2035	\$ 1,077,256	\$ 15,000	\$ 122,943	\$ 137,943	\$ 1,215,199
2036	\$ 1,079,522	\$ 15,000	\$ 122,377	\$ 137,377	\$ 1,216,899
2037	\$ 1,079,751	\$ 15,000	\$ 121,788	\$ 136,788	\$ 1,216,539
2038	\$ 1,077,676	\$ 15,000	\$ 121,179	\$ 136,179	\$ 1,213,855
2039	\$ 378,539	\$ 300,000	\$ 114,630	\$ 414,630	\$ 793,169
2040	\$ 377,244	\$ 315,000	\$ 101,822	\$ 416,822	\$ 794,066
2041	\$ 375,332	\$ 330,000	\$ 88,209	\$ 418,209	\$ 793,541
2042	\$ 377,801	\$ 340,000	\$ 73,819	\$ 413,819	\$ 791,620
2043		\$ 740,000	\$ 50,288	\$ 790,288	\$ 790,288
2044		\$ 775,000	\$ 17,050	\$ 792,050	\$ 792,050
<b>Totals:</b>	<b>\$ 17,668,377</b>	<b>\$ 3,010,000</b>	<b>\$ 2,261,611</b>	<b>\$ 5,271,611</b>	<b>\$ 22,939,988</b>

*Note: Numbers are rounded to the nearest \$1.00.*

**ESTIMATED USE OF BOND PROCEEDS**

The table below shows the estimated sources of funds and uses of proceeds of the Bonds, other than any portions thereof representing accrued interest:

<b>Sources:</b>	
Par Amount of Bonds	<u>\$3,010,000.00</u>
Total Sources	\$3,010,000.00
<b>Uses:</b>	
Deposit to Construction Fund	\$2,908,910.00
Underwriter's Discount (2%)	60,200.00
Cost of Issuance	<u>40,890.00</u>
Total Uses	\$3,010,000.00

## DISTRICT STUDENT POPULATION

Selected school census and average daily attendance for the Newport Independent School District is as follows:

<b>Year</b>	<b>Average Daily Attendance</b>	<b>Year</b>	<b>Average Daily Attendance</b>
2000-01	2,365.9	2011-12	1,589.9
2001-02	2,319.2	2012-13	1,530.2
2002-03	2,276.8	2013-14	1,598.6
2003-04	2,228.5	2014-15	1,564.9
2004-05	2,121.4	2015-16	1,532.0
2005-06	2,035.1	2016-17	1,511.5
2006-07	1,853.9	2017-18	1,441.1
2007-08	1,815.7	2018-19	1,375.0
2008-09	1,733.1	2019-20	1,337.0
2009-10	1,713.3	2020-21	1,337.0
2010-11	1,691.8	2021-22	1,398.2
		2022-23	1,398.2

Source: Kentucky State Department of Education.

## STATE SUPPORT

**Support Education Excellence in Kentucky (SEEK).** In determining the cost of the program to Support Education Excellence in Kentucky (SEEK), the statewide guaranteed base funding level is computed by dividing the amount appropriated by the prior year's statewide average daily attendance. The SEEK fund is a guaranteed amount of money per pupil in each school district of Kentucky. The current SEEK allotment is \$4,000 per pupil. The \$100 capital outlay allotment per each average daily attendance is included within the guaranteed amounts. Each district's base funding from the SEEK program is adjusted for the number of at-risk students, the number and types of exceptional children in the district, and cost of transporting students from and to school in the district.

**Capital Outlay Allotment.** The per pupil capital outlay allotment for each district from the public school fund and from local sources shall be kept in a separate account and may be used by the district only for capital outlay projects approved by the State Department of Education. These funds shall be used for the following capital outlay purposes:

- a. For direct payment of construction costs.
- b. For debt service on voted and funding bonds.
- c. For payment or lease-rental agreements under which the board will eventually acquire ownership of the school plant.
- d. For retirement of any deficit resulting from over-expenditure for capital construction, if such deficit resulted from certain declared emergencies.
- e. As a reserve fund for the above named purposes, to be carried forward in ensuing budgets.

The allotment for each school board of education in the Commonwealth for fiscal year 1978-79 was \$1,800 per classroom unit. The 1979 Session of the Kentucky General Assembly approved increases in this allotment in 1979-80 to \$1,900 per classroom unit. This rate remained unchanged in 1980-81. The 1981 Session of the Kentucky General Assembly decreased the allotment per classroom to \$1,800 and this allotment rate did not change from the 1981-82 rate, until the 1990-91 school year. Beginning with 1990-91, the Capital Outlay allotment for each district is based on \$100 per average daily attendance.

The following table shows the computation of the capital outlay allotment for the Newport Independent School District for certain preceding school years.

<b>Year</b>	<b>Capital Outlay Allotment</b>	<b>Year</b>	<b>Capital Outlay Allotment</b>
2000-01	236,590.0	2011-12	158,989.0
2001-02	231,920.0	2012-13	153,017.0
2002-03	227,680.0	2013-14	159,856.0
2003-04	222,850.0	2014-15	156,494.0
2004-05	212,140.0	2015-16	153,201.0
2005-06	203,510.0	2016-17	151,150.0
2006-07	185,390.0	2017-18	144,110.0
2007-08	181,570.0	2018-19	137,500.0
2008-09	173,310.0	2019-20	133,700.0
2009-10	171,332.0	2020-21	133,700.5
2010-11	169,182.0	2021-22	139,818.7
		2022-23	139,818.7

If the school district has no capital outlay needs, upon approval from the State, the funds can be used for school plant maintenance, repair, insurance on buildings, replacement of equipment, purchase of school buses and purchase of modern technological equipment for educational purposes. If any district has a special levy for capital outlay or debt service that is equal to the capital outlay allotment or a proportionate fraction thereof, and spends the proceeds of the levy for eligible purposes, the State may authorize the district to use all or a proportionate fraction of its capital outlay allotment for current expenses (school districts which use capital outlay allotments to meet current expenses are not eligible to participate in the School Facilities Construction Commission funds).

**Facilities Support Program of Kentucky.** School districts may be eligible to participate in the Facilities Support Program of Kentucky (FSPK), subject to the following requirements:

- 1) The district must have unmet needs as set forth and approved by the State Department of Education in a School Facilities Plan;
- 2) The district must commit to establish an equivalent tax rate of at least 5 cents, in addition to the 30 cents minimum current equivalent tax rate; and,
- 3) The new revenues generated by the 5 cent addition, must be placed in a restricted account for school building construction bonding.

### **LOCAL SUPPORT**

**Homestead Exemption.** Section 170 of the Kentucky Constitution was amended at the General Election held November 2, 1971, to exempt from property taxes \$6,500 of value of single unit residential property of taxpayers 65 years of age or older. The 1972 General Assembly amended KRS Chapter 132 to permit counties and school districts to adjust their local tax revenues lost through the application of this Homestead Exemption. The "Single Unit" qualification has been enlarged to subsequent sessions of the General Assembly to provide that such exemption shall apply to such property maintained as the permanent resident of the owner and the dollar amount has been construed to mean \$6,500 in terms of the purchasing power of the dollar in 1972. Every two years thereafter, if the cost of living index of the U.S. Department of Labor has changed as much as 1%, the maximum exemption shall be adjusted accordingly. Under the cost of living formula, the maximum was increased to \$46,350 effective January 1, 2023.

**Limitation on Taxation.** The 1979 Special Session of the Kentucky General Assembly enacted House Bill 44 which provides that no school district may levy a general tax rate, voted general tax rate, or voted building tax rate which would generate revenues that exceeds the previous years revenues by four percent (4%).

The 1990 Regular Session of the Kentucky General Assembly in enacting the "School Reform" legislative package amended the provisions of KRS 160.470 which prohibited school districts from levying ad valorem property taxes which would generate revenues in excess of 4% of the previous year's revenues without said levy subject to recall to permit exceptions to the referendum under (1) KRS 160.470(12) [a new section of the statute] and (2) an amended KRS 157.440.

Under KRS 160.470(12)(a) for fiscal years beginning July 1, 1990 school districts are required to levy a "minimum equivalent tax rate" of thirty cents (\$.30) for general school purposes. The equivalent tax rate is defined as the rate which results when the income collected during the prior year from all taxes (including occupational or utilities) levied by the district for school purposes divided by the total assessed value of property plus the assessment for motor vehicles certified by the State Revenue Cabinet. Failure to levy the minimum equivalent rate subjects the board of the district to removal.

The exception provided by KRS 157.440(1)(a) permits school districts to levy an equivalent tax rate as defined in KRS 160.470(12)(a) which will produce up to 15% of those revenues guaranteed by the program to support education excellence in Kentucky. Levies permitted by this section of the statute are not subject to public hearing or recall provisions as set forth in KRS 160.470.

**Local Thirty Cents Minimum.** Effective for school years beginning after June 30, 1990, the board of education of each school district shall levy a minimum equivalent tax rate of thirty cents (\$.30) for general school purposes. If a board fails to comply, its members shall be subject to removal from office for willful neglect of duty.

**Additional 15% Not Subject to Recall.** Effective with the school year beginning July 1, 1990, each school district may levy an equivalent tax rate which will produce up to 15% of those revenues guaranteed by the SEEK program. Effective with the 1990-91 school year, the State will equalize the revenue generated by this levy at one hundred fifty percent (150%) of the statewide average per pupil equalized assessment. For 1993-94 and thereafter, this level is set at \$225,000. The additional 15% rate levy is not subject to the public hearing or recall provisions.

**Assessment Valuation.** No later than July 1, 1994, all real property located in the state and subject to local taxation shall be assessed at one hundred percent (100%) of fair cash value.

**Special Voted and Other Local Taxes.** Any district may, in addition to other taxes for school purposes, levy not less than four cents nor more than twenty cents on each one hundred dollars (\$100) valuation of property subject to local taxation, to provide a special fund for the purchase of sites for school buildings and the erection, major alteration, enlargement, and complete equipping of school buildings. In addition, districts may levy taxes on tangible and intangible property and on utilities, except generally any amounts of revenues generated above that provided for by House Bill 44 is subject to voter recall.

*Local Tax Rates, Property Assessments and Revenue Collections*

<b>Tax Year</b>	<b>Combined Equivalent Rate</b>	<b>Total Property Assessment</b>	<b>Property Revenue Collections</b>
2000-01	94.4	496,888,239	4,690,625
2001-02	95.4	510,507,081	4,870,238
2002-03	98.7	523,097,676	5,162,974
2003-04	98.7	550,334,485	5,431,801
2004-05	88.5	671,376,670	5,941,684
2005-06	88.2	690,959,682	6,094,264
2006-07	89.2	717,007,692	6,395,709
2007-08	88.2	743,893,565	6,561,141
2008-09	88.3	823,419,733	7,270,796
2009-10	88.3	820,610,927	7,245,994
2010-11	87.0	822,810,164	7,158,448
2011-12	93.4	833,242,559	7,782,486
2012-13	96.3	855,973,707	8,243,027
2013-14	99.5	804,322,401	8,003,008
2014-15	96.5	805,985,767	7,777,763
2015-16	95.7	839,620,141	8,035,165
2016-17	94.2	846,353,188	7,972,647
2017-18	100.5	838,096,715	8,422,872
2018-19	104.8	865,308,994	9,068,438
2019-20	106.4	904,428,936	9,623,124
2020-21	93.3	1,014,029,446	9,460,895
2021-22	97.4	1,045,556,362	10,183,719
2022-23	102.2	1,103,013,061	11,272,793

**OVERLAPPING BOND INDEBTEDNESS**

The following table shows any other overlapping bond indebtedness of the Newport Independent School District or other issuing agency within Campbell County as reported by the State Local Debt Officer for the period ending June 30, 2022.

<b>Issuer</b>	<b>Original Principal Amount</b>	<b>Amount of Bonds Redeemed</b>	<b>Current Principal Outstanding</b>
County of Campbell			
General Obligation	19,550,000	8,861,896	10,688,104
Elderly Care Facility Revenue	1,815,000	430,000	1,385,000
Refinancing Refunding Revenue	903,088	591,694	311,394
Manufacturing Facility Revenue	12,000,000	1,500,000	10,500,000
City of Newport			
General Obligation	50,142,767	25,598,659	24,544,108
Public Project Revenue	44,230,000	29,340,000	14,890,000
KLC Funding Trust Program Revenue	50,000,000	0	50,000,000
Courthouse & City Hall Lease Revenue	27,750,000	12,000,000	15,750,000
Refunding Revenue	17,747,000	1,126,000	16,621,000
Parking Facilities Revenue	8,747,755	0	8,747,755

Special Districts			
Alexandria Fire Department	1,400,000	0	1,400,000
Campbell County Dispatching Board	3,373,000	948,500	2,424,500
Campbell County Fire District #1	590,000	394,142	195,858
Campbell County FPD #3	358,500	246,957	111,543
Campbell County Library District	1,595,000	688,000	907,000
Northern Kentucky Water District	219,290,000	50,407,156	168,882,844
<hr/>			
Totals:	516,633,796	142,484,161	374,149,635

Source: 2022 Kentucky Local Debt Report.

### SEEK ALLOTMENT

The Board has reported the following information as to the SEEK allotment to the District, and as provided by the State Department of Education.

SEEK	Base Funding	Local Tax Effort	Total State & Local Funding
2000-01	8,667,055	4,690,625	13,357,680
2001-02	8,560,571	4,870,238	13,430,809
2002-03	8,706,193	5,162,974	13,869,167
2003-04	8,478,947	5,431,801	13,910,748
2004-05	7,672,950	5,941,684	13,614,634
2005-06	7,679,723	6,094,264	13,773,987
2006-07	6,956,984	6,395,709	13,352,693
2007-08	7,377,255	6,561,141	13,938,396
2008-09	7,158,122	7,270,796	14,428,918
2009-10	6,163,056	7,245,994	13,409,050
2010-11	6,011,349	7,158,448	13,169,797
2011-12	6,027,615	7,782,486	13,810,101
2012-13	5,504,209	8,243,027	13,747,236
2013-14	6,045,470	8,003,008	14,048,478
2014-15	6,153,537	7,777,763	13,931,300
2015-16	5,959,032	8,035,165	13,994,197
2016-17	5,972,884	7,972,647	13,945,531
2017-18	5,526,695	8,422,872	13,949,567
2018-19	5,128,236	9,068,438	14,196,674
2019-20	4,783,057	9,623,124	14,406,181
2020-21	4,401,475	9,460,895	13,862,370
2021-22	4,527,216	10,183,719	14,710,935
2022-23	4,622,531	11,272,793	15,895,324

- (1) Support Education Excellence in Kentucky (SEEK) replaces the minimum foundation program and power equalization funding. Capital Outlay is now computed at \$100 per average daily attendance (ADA). Capital Outlay is included in the SEEK base funding.
- (2) The Board established a current equivalent tax rate (CETR) of \$1.022 for FY 2022-23. The equivalent tax rate" is defined as the rate which results when the income from all taxes levied by the district for school purposes is divided by the total assessed value of property plus the assessment for motor vehicles certified by the Commonwealth of Kentucky Revenue Cabinet.



## **State Budgeting Process**

- i) Each district board of education is required to prepare a general school budget on forms prescribed and furnished by the Kentucky Board of Education, showing the amount of money needed for current expenses, debt service, capital outlay, and other necessary expenses of the school during the succeeding fiscal year and the estimated amount that will be received from all sources.
- ii) By September 15 of each year, after the district receives its tax assessment data from the Department of Revenue and the State Department of Education, 3 copies of the budget are forwarded to the State Department for approval or disapproval.
- iii) The State Department of Education has adopted a policy of disapproving a school budget if it is financially unsound or fails to provide for:
  - a) payment of maturing principal and interest on any outstanding voted school improvement bonds of the district or payment of rental in connection with any outstanding school building revenue bonds issued for the benefit of the school district; or
  - b) fails to comply with the law.

## **POTENTIAL LEGISLATION**

No assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax exemption of such interest. In addition, current and future legislative proposals, if enacted into law, may cause interest on state or local government bonds (whether issued before, on the date of, or after enactment of such legislation) to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the amount of interest on such bonds that may currently be treated as tax exempt by certain individuals. For example, on August 16, 2022, President Biden signed the Inflation Reduction Act of 2022 (the “Inflation Reduction Act”). The Inflation Reduction Act imposes a minimum tax of 15 percent of the adjusted financial statement income on certain corporations whose income exceeds stated thresholds for tax years beginning after December 31, 2022. Under the Inflation Reduction Act, interest on debt obligations otherwise exempt from federal income tax would be included in the calculation of adjusted financial statement income for corporations subject to the minimum tax. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation.

Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the IRS, including but not limited to regulation, ruling, or selection of the Bonds for audit examination, or the course or result of any IRS examination of the Bonds or obligations which present similar tax issues, will not affect the market price for the Bonds.

## **CONTINUING DISCLOSURE**

As a result of the Board and issuing agencies acting on behalf of the Board offering for public sale municipal securities in excess of \$1,000,000, the Corporation and the Board will enter into a written agreement for the benefit of all parties who may become Registered or Beneficial Owners of the Bonds whereunder said Corporation and Board will agree to comply with the provisions of the Municipal Securities Disclosure Rules set forth in Securities and Exchange Commission Rule 15c2-12 by filing annual financial statements and material events notices with the Electronic Municipal Market Access (EMMA) System maintained by the Municipal Securities Rule Making Board.

The Board and Corporation have been timely in making required filings under the terms of the Continuing Disclosure Agreement for the past five years.

Financial information regarding the Board may be obtained from Superintendent, Newport Independent Board of Education, 30 West 8<sup>th</sup> Street, Newport, Kentucky 41071 (859) 292-3004.

### **TAX EXEMPTION; BANK QUALIFIED**

Bond Counsel is of the opinion that:

(A) The Bonds and the interest thereon are exempt from income and ad valorem taxation by the Commonwealth of Kentucky and all of its political subdivisions.

(B) The interest income from the Bonds is excludable from the gross income of the recipient thereof for Federal income tax purposes under existing law and will not be a specific item of tax preference for purposes of Federal income taxation. However, with respect to certain corporations, interest on the Bonds is taken into account in determining the annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

(C) As a result of designations and certifications by the Board and the Corporation, indicating the issuance of less than \$10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2023, the Bonds are "qualified tax-exempt obligations" within the meaning of the Internal Revenue Code of 1986, as amended.

The Corporation will provide the purchaser the customary no-litigation certificate, and the final approving Legal Opinions of Steptoe & Johnson PLLC, Bond Counsel, Louisville, Kentucky approving the legality of the Bonds. These opinions will accompany the Bonds when delivered, without expense to the purchaser.

#### **Original Issue Premium**

Certain of the Bonds may be initially offered and sold to the public at a premium ("Acquisition Premium" from the amounts payable at maturity thereon. "Acquisition Premium" is the excess of the cost of a bond over the stated redemption price of such bond at maturity or, for bonds that have one or more earlier call dates, the amount payable at the next earliest call date. The Bonds that bear an interest rate that is higher than the yield (as shown on the cover page hereof), are being initially offered and sold to the public at an Acquisition Premium (the "Premium Bonds"). For federal income tax purposes, the amount of Acquisition Premium on each bond the interest on which is excludable from gross income for federal income tax purposes ("tax-exempt bonds") must be amortized and will reduce the bondholder's adjusted basis in that bond. However, no amount of amortized Acquisition Premium on tax-exempt bonds may be deducted in determining bondholder's taxable income for federal income tax purposes. The amount of any Acquisition Premium paid on the Premium Bonds, or on any of the Bonds, that must be amortized during any period will be based on the "constant yield" method, using the original bondholder's basis in such bonds and compounding semiannually. This amount is amortized ratably over that semiannual period on a daily basis.

Holders of any Bonds, including any Premium Bonds, purchased at an Acquisition Premium should consult their own tax advisors as to the actual effect of such Acquisition Premium with respect to their own tax situation and as to the treatment of Acquisition Premium for state tax purposes.

#### **Original Issue Discount**

Certain of the Bonds (the "Discount Bonds") may be initially offered and sold to the public at a discount ("OID") from the amounts payable at maturity thereon. OID is the excess of the stated redemption price of a bond at maturity (the face amount) over the "issue price" of such bond. The issue price is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of bonds of the same maturity are sold pursuant to that initial offering. For federal income tax purposes, OID on each bond will accrue over the term of the bond. The amount accrued will be based on a single rate of interest, compounded semiannually (the "yield to maturity") and, during each semi-annual period, the amount will accrue ratably on a daily basis. The OID accrued during the period that an initial purchaser of a Discount Bond at its issue price owns it is added to the purchaser's tax basis for purposes of determining gain or loss at the maturity, redemption, sale or other disposition of that Discount Bond. In practical effect, accrued OID is treated as stated interest, that is, as excludable from gross income for federal income tax purposes.

In addition, original issue discount that accrues in each year to an owner of a Discount Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed above. Consequently, owners of any Discount Bond should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability, additional distribution requirements or other collateral federal income tax consequences although the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

Holders of Discount Bonds should consult their own tax advisors as to the treatment of OID and the tax consequences of the purchase of such Discount Bonds other than at the issue price during the initial public offering and as to the treatment of OID for state tax purposes.

### **ABSENCE OF MATERIAL LITIGATION**

There is no controversy or litigation of any nature now pending or threatened (i) restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the Board or Corporation taken with respect to the issuance or sale thereof or (ii) which if successful would have a material adverse effect on the financial condition of the Board.

### **APPROVAL OF LEGALITY**

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving legal opinion of Steptoe & Johnson PLLC, Bond Counsel. The form of the approving legal opinion of Bond Counsel will appear on each printed Bond.

### **NO LEGAL OPINION EXPRESSED AS TO CERTAIN MATTERS**

Bond Counsel has reviewed the information contained in the Official Statement describing the Bonds and the provisions of the Bond Resolution and related proceedings authorizing the Bonds, but Bond Counsel has not reviewed any of the financial data, computations, tabulations, balance sheets, financial projections, and general information concerning the Corporation or District, and expresses no opinion thereon, assumes no responsibility for same and has not undertaken independently to verify any information contained herein.

### **BOND RATING**

As noted on the cover page of this Official Statement, Moody's Investors Service has given the Bonds the indicated rating. Such rating reflects only the respective views of such organization. Explanations of the significance of the rating may be obtained from the rating agency. There can be no assurance that such rating will be maintained for any given period of time or will not be revised or withdrawn entirely by the rating agency, if in their judgement circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

### **MUNICIPAL ADVISOR**

Prospective bidders are advised that RSA Advisors, LLC ("RSA") has been employed as Municipal Advisor in connection with the issuance of the Bonds. RSA's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery thereof. Bidders may submit a bid for the purchase of the Bonds at the time of the advertised public sale, either individually or as a member of a syndicate organized to submit a bid for the purchase of the Bonds.

## APPROVAL OF OFFICIAL STATEMENT

The Corporation has approved and caused this "Official Statement" to be executed and delivered by its President. In making this "Official Statement" the Corporation relied upon information furnished to it by the Board of Education of the Newport Independent School District and does not assume any responsibility as to the accuracy or completeness of any of the information in this Official Statement except as to copies of documents denominated "Official Terms and Conditions" and "Bid Form." The financial information supplied by the Board of Education is represented by the Board of Education to be correct. The Corporation deems this preliminary Official Statement to be final for purposes of Securities Exchange Commission Rule 15c2-12(b)(1) as qualified by the cover hereof.

No dealer, broker, salesman, or other person has been authorized by the Corporation, the Newport Independent Board of Education or the Municipal Advisor to give any information or representations, other than those contained in this Official Statement, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Except when otherwise indicated, the information set forth herein has been obtained from the Kentucky Department of Education and the Newport Independent School District and is believed to be reliable; however, such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Municipal Advisor or by Counsel. The delivery of this Official Statement at any time does not imply that information herein is correct as of any time subsequent to the date hereof.

This Official Statement does not, as of its date, contain any untrue statement of a material fact or omit to state a material fact which should be included herein for the purpose for which the Official Statement is to be used or which is necessary in order to make the statements contained herein, in the light of the circumstances under which they were made, not misleading in any material respect.

By /s/ \_\_\_\_\_  
**President**

By /s/ \_\_\_\_\_  
**Secretary**

## **APPENDIX A**

**Newport Independent School District Finance Corporation  
School Building Revenue Bonds  
Series of 2023**

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### **Demographic and Economic Data**

## CAMPBELL COUNTY, KENTUCKY

The Northern Kentucky Area, covering a total land area of 559 square miles, is composed of Boone, Campbell, and Kenton Counties; and is ideally situated along and adjacent to the south bank of the Ohio River, immediately south of Cincinnati, Ohio. Campbell County had an estimated 2022 population of 93,142. The city of Newport had an estimated population of 14,209 in 2022.

The Northern Kentucky Area forms the northern apex of an industrial triangle anchored by Louisville on the southwest and Lexington on the southeast. Within the triangle is more than one-third of the state's population and nearly one-half of its manufacturing jobs. The interstate highway system places these three metropolitan areas within less than two hours driving distance from each other.

### The Economic Framework

In 2022, Newport had a labor force of 6,467 people. The top 5 jobs by occupation were as follows: sales - 1,104 (12.28%); food preparation, serving - 1,098 (12.21%); office and administrative support - 1,009 (11.22%); executive, managers, and administrators - 806 (8.97%); and building and grounds maintenance - 629 (7%).

### Transportation

Major highways serving Boone, Campbell, and Kenton Counties include Interstates 71, 75, 275, and 471; U.S. Highways 42/127, 25, and 27. The Greater Cincinnati-Northern Kentucky International Airport, located in Boone County, Kentucky, provides commercial airline service. The airport is a major hub for Delta Airlines. The Southern Railway System and CSX Transportation provide main line rail service to the area. Several barge and towing companies provide barge transportation on the Ohio River. The Port of Cincinnati extends 30 miles along both banks of the Ohio River.

### Power and Fuel

Electric power is provided to Boone, Campbell, and Kenton Counties by Duke Energy Kentucky, E. ON US/KU, East Kentucky Power Cooperative and Owen Electric Cooperative, Inc. Natural gas service is provided to major portions of the three-county area by Duke Energy Kentucky.

## LABOR MARKET STATISTICS

The Northern Kentucky Labor Market Area includes Boone, Campbell and Kenton Counties and the adjoining Kentucky counties of Gallatin, Grant, and Pendleton. The Labor Market Area is supplemented by the Ohio counties of Hamilton, Butler, Clermont and Warren; and Dearborn County in Indiana.

### Population

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Campbell County	92,747	92,615	93,543	92,972	93,142
Newport	14,787	14,710	14,567	14,826	14,209

Source: U.S. Department of Commerce, Bureau of the Census.

### Population Projections

	<u>2025</u>	<u>2030</u>	<u>2035</u>
Campbell County	94,344	94,981	94,863

Source: Kentucky Data Center, University of Louisville and Kentucky Cabinet for Economic Development.

## EDUCATION

### Public Schools

	<b>2021-22 Total <u>Enrollment</u></b>	<b>2021-2022 Pupil to Teacher <u>Ratio</u></b>
Bellevue Independent Schools	579	14.0 - 1
Campbell County Schools	4,930	16.0 - 1
Dayton Independent Schools	833	13.0 - 1
Ft. Thomas Independent Schools	3,054	17.0 - 1
Newport Independent School	1,322	9.0 - 1
Southgate Independent Schools	174	10.0 - 1

### Vocational - Technical Schools

<u>Institution</u>	<u>Location</u>	<u>Enrollment (2021-2022)</u>
Boone County ATC	Hebron, KY	216
Carroll County ATC	Carrollton, KY	292
Harrison County ATC	Cynthiana, KY	463
Mason County ATC	Maysville, KY	206
Campbell County ATC	Alexandria, KY	341

### Colleges and Universities

<u>Institution</u>	<u>Location</u>	<u>Enrollment (Fall 2021)</u>
Thomas More College	Crestview Hills, KY	1,836
Northern Kentucky University	Highland Heights, KY	10,814
University of Cincinnati	Cincinnati, OH	28,910

**LARGEST EMPLOYERS  
(Tri-County)**

<b>Firm</b>	<b>Product</b>	<b>Employment</b>
<b><i>Cold Spring</i></b>		
CCL Labels	Flexographic and variable image printing	75
Fischer Special Manufacturing	Automatic screw machine products, produce specialty fasteners and inserts for the automotive industry	65
<b><i>Dayton</i></b>		
Advertiser Printers, Inc.	Commercial offset printing/binding	28
Cobb Inc.	Electronic prepress work & typesetting	7
Fastemp Glass Co., Inc.	Glass Products for lighting fixtures, restaurant equipment, fire place doors, solar power products	30
Metal Solutions Design & Fabrication LLC	Manufacture DOT certified metal containers for nuclear waste & other hazardous products	18
<b><i>Newport</i></b>		
Dixie Chili, Inc.	Manufacture & distribute canned beef and vegetarian chili	16
Steinhauser Inc.	Packaging, pressure sensitive labels	34
Wendling Printing Co.	Offset printing and binding	20
<b><i>Wilder</i></b>		
Trophy Awards Manufacturing, Inc.	Award manufacturer	35
Valcom Enterprises, Inc.	Custom commercial interior & exterior metal & drywall partitions	15
WB Jones Spring Co., Inc.	Manufacturer of compression, extension, and torsion springs	18
WJ Baker Co.	Metal stamping and tubular spacers	16
Wilder Iron Works, LLC	Manufacture and install ornamental iron work products and related products	5
Zenith Motors	Manufacturer of electric shuttle and cargo vans	10

*Source: Kentucky Cabinet for Economic Development: Kentucky Directory of Manufacturers (1/1/2020).*



**APPENDIX B**

**Newport Independent School District Finance Corporation  
School Building Revenue Bonds  
Series of 2023**

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**Audited Financial Statement ending June 30, 2022**

NEWPORT INDEPENDENT SCHOOL DISTRICT  
FINANCIAL STATEMENTS  
JUNE 30, 2022

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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Newport Independent School District  
Newport, Kentucky

### Report on the Audit of the Financial Statements

#### ***Opinions***

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

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

#### ***Basis of Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and postemployment benefit information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of

the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

**Maddox & Associates CPAs Inc.**

Fort Thomas, Kentucky  
November 1, 2022

As management of the Newport Independent School District we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with the District's basic financial statements.

### **FINANCIAL HIGHLIGHTS**

The assets and deferred outflows of the District were less than the liabilities and deferred inflows by \$562,589 at the close of the current fiscal year. The unrestricted net position, which represents the amounts available to meet the District's ongoing obligations to citizens and creditors, was a deficit of \$10,190,462. The District is required to provide postemployment benefits to its employees. As a result, the District has recognized substantial liabilities in the financial statements for these benefits. As of June 30, 2022, the District had liabilities of \$13,318,419 for postemployment benefits, which has caused the deficit balance in the unrestricted net position. The District's total net position decreased \$1,618,601.

At the close of the current fiscal year, the District's governmental funds reported combined fund balances of \$6,599,554 an increase of \$1,368,717 from the prior year. Of this amount, \$955,548 is available for spending at the District's discretion (unassigned fund balance).

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

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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

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

The government-wide financial statements can be found on pages 10-13 of this report



## **FUND FINANCIAL STATEMENTS**

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

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

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

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

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

The fund financial statements can be found on pages 14-24 of this report.

## **NOTES TO THE FINANCIAL STATEMENTS**

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-54 of this report.

## **OTHER INFORMATION**

In addition to the basic financial statements and notes to the financial statements, this report also presents required supplementary information concerning the District's progress in funding its obligations to provide pension and OPEB benefits to its employees. Required supplementary information can be found on pages 56-62 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

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

**Governmental Funds – Revenues and Expenditures**

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

**Governmental Funds – Revenues and Expenditures - Continued**

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

**Capital Assets**

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

**Long-Term Debt**

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

**REQUESTS FOR INFORMATION**

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

## BASIC FINANCIAL STATEMENTS

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

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

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

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

Newport Independent School District  
Statement of Activities  
June 30, 2022

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



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

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

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

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

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

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Total fund balances - governmental funds \$ 6,599,553

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

Capital assets used in governmental activities are not financial  
 resources and, therefore, are not reported in the funds. 25,330,566

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

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

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

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

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

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

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

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

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

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Net change in fund balances - total governmental funds \$ 1,368,754

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those asset is  
 allocated over their estimated useful lives and reported as depreciation  
 expense. (562,562)

The issuance of long-term debt provides current financial resources  
 to governmental funds, but the proceeds increase long-term liabilities  
 in the statement of net position. (5,233,889)

Repayment of long-term debt are expenditures in the governmental  
 funds, but the repayment reduces long-term liabilities in the statement  
 of net position. 2,116,581

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

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

Change in net position of governmental activities \$ (1,970,518)

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

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

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

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



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

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

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

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

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

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

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

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

## **NOTE 1: ACCOUNTING POLICIES**

### ***Reporting Entity***

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

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

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

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

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

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

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

### **Government-Wide Financial Statements**

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

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

**NOTE 1: ACCOUNTING POLICIES (CONTINUED)**

**Government-Wide Financial Statements (Continued)**

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

**Fund Financial Statements**

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

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

**Fund Accounting**

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

**Governmental Fund Types**

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

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

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

**NOTE 1: ACCOUNTING POLICIES (CONTINUED)**

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

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

The following of nonmajor funds of the district:

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

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

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

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

**Proprietary Fund Types (Enterprise Funds)**

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

**Measurement Focus and Basis of Accounting**

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

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

**NOTE 1: ACCOUNTING POLICIES (CONTINUED)**

***Cash and Cash Equivalents***

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

***Inventories***

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

***Capital Assets***

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

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

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

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

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

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



**NOTE 1: ACCOUNTING POLICIES (CONTINUED)**

***Deferred Inflows of Resources – Pension and OPEB***

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

***Net Pension Liability***

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

***Net OPEB Liability***

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

***Accumulated Unpaid Sick Leave Benefits***

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

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

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

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

**NOTE 1: ACCOUNTING POLICIES (CONTINUED)**

***Net Position***

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

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

***Fund Balances***

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

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

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

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

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

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

**NOTE 1: ACCOUNTING POLICIES (CONTINUED)**

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

***Property Taxes***

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

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

***Revenues – Exchange and Non-exchange Transactions***

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

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

***Operating Revenues and Expenses***

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

**NOTE 1: ACCOUNTING POLICIES (CONTINUED)**

***Interfund Activity***

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

***Interfund Balances***

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

***Extraordinary and Special Items***

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

***Estimates***

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

***Budgetary Process***

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

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

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

***Subsequent Events***

The District has evaluated subsequent events for potential recognition and disclosure through November 1, 2022 the date the financial statements were available to be issued.

**Recent Accounting Pronouncements**

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

**NOTE 2: CASH AND CASH EQUIVALENTS**

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

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

**NOTE 3: CAPITAL ASSETS**

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

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

**NOTE 3: CAPITAL ASSETS – CONTINUED**

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

Depreciation was charged to the following functions:

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

**NOTE 4: BONDS PAYABLE**

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

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

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

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

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

Changes in bonds payable are as follows:

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

**NOTE 4: BONDS PAYABLE - CONTINUED**

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District and the Commission at June 30, 2022 for debt service (principal and interest) are as follows:

Year End June 30	Newport Independent School District		School Facility Construction Commission		Total Debt Service
	Principal	Interest	Principal	Interest	
	2023	\$ 608,914	\$ 467,674	\$ 261,086	
2024	623,761	453,078	261,239	98,661	1,436,739
2025	642,041	434,811	267,959	93,490	1,438,301
2026	659,945	414,857	275,055	87,944	1,437,801
2027	682,263	394,293	277,737	136,194	1,490,487
2028	704,245	372,949	285,755	76,237	1,439,186
2029	729,902	349,116	290,098	69,444	1,438,560
2030	755,069	323,156	299,931	62,311	1,440,467
2031	779,467	296,319	305,533	54,684	1,436,003
2032	808,453	268,387	316,547	46,703	1,440,090
2033	836,656	239,483	183,344	38,289	1,297,772
2034	867,685	209,318	187,315	31,144	1,295,462
2035	900,069	177,187	99,931	24,001	1,201,188
2036	925,296	154,227	64,704	20,852	1,165,079
2037	957,709	122,042	67,291	18,264	1,165,306
2038	990,017	87,661	69,983	15,572	1,163,233
2039	322,218	56,320	72,782	12,773	464,093
2040	334,215	43,030	75,785	9,771	462,801
2041	346,089	29,244	78,911	6,645	460,889
2042	362,834	14,966	82,166	3,389	463,355
	<u>\$ 13,836,848</u>	<u>\$ 4,908,118</u>	<u>\$ 3,823,152</u>	<u>\$ 1,009,182</u>	<u>\$ 23,577,300</u>

**NOTE 5: KISTA BONDS PAYABLE**

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

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

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



**NOTE 5: KISTA BONDS PAYABLE – CONTINUED**

Changes in KISTA bonds payable are as follows:

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

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

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

**NOTE 6: OPERATING LEASES**

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

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

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

**NOTE 6: OPERATING LEASES – CONTINUED**

Remaining future payments under the lease contracts are as follows:

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

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

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

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

Weighted-average discount rate  
7.00%

**NOTE 7: LONG-TERM OBLIGATIONS**

Changes in long-term obligations are as follows:

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

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

**NOTE 8: PENSION PLANS**

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

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

***Plan description***

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

***Benefits provided***

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

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

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

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

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

**NOTE 8: PENSION PLANS (CONTINUED)**

***Contributions***

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

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

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

***Plan description***

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

***Benefits provided***

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

Tier 1	Participation date 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

**NOTE 8: PENSION PLANS (CONTINUED)**

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

**Contributions**

Required contributions by the employee are based on the tier:

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

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

**CERS**

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

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

**TRS**

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

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

**NOTE 8: PENSION PLANS (CONTINUED)**

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

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

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

**Actuarial assumptions**

The total pension liability as of June 30, 2021 was based on an actuarial valuation date of June 30, 2020. The Total pension liability was rolled-forward from the valuation date to the plan’s fiscal year ending June 30, 2021, using generally accepted accounting principles and was determined using the following actuarial assumptions, applied to all periods included in the measurement. The total pension liability was determine using these actuarial assumptions:

Valuation date	6/30/2020
Actuarial cost method	Entry age normal
Asset valuation method	20% of difference
Amotrization method	Level percent of pay
Remaining amortization period	30 years, closed
Payroll growth rate	2.00%
Investment return	6.25%
Inflation	2.30%
Salary increase rate - nonhazardous	3.30% - 10.30%
Salary increase rate - hazardous	3.05% - 18.55%

**NOTE 8: PENSION PLANS (CONTINUED)**

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

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

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

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

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

**NOTE 8: PENSION PLANS (CONTINUED)**

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

**Discount rate**

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

For TRS, the discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2038 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2035 and a municipal bond index rate of 2.13% was applied to all periods of projected benefit payments after 2035. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

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



**NOTE 8: PENSION PLANS (CONTINUED)**

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

***Pension plan fiduciary net position***

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

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

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

***Plan description***

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

**Medical Insurance Plan**

***Plan description***

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

***Benefits Provided***

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

***Contributions***

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

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

**General information about the County Employee’s Retirement System OPEB Plan**

***Plan description***

The District’s employees are 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](http://www.kyret.ky.gov).

***Benefits provided***

Benefits provided

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

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

Tier 1	Participation date 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

***Contributions***

For the year ending June 30, 2021, the employer’s contribution was 4.76% to the insurance trust for non-hazardous job classifications and 9.52% for hazardous classifications. Participating employers were required to contribute at an actuarially determined rate. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. Employees qualifying as Tier 2 or Tier 3 of the CERS plan contribute 1.0% of creditable compensation to an account created for payment of health insurance benefits.

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

***Implicit Subsidy***

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

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

At June 30, 2022, the District reported a liability for its proportionate share of the net OPEB liability of \$5,668,498 comprised of \$2,296,498 related to CERS and \$3,372,000 related to TRS.

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

The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined.

For the year ended June 30, 2022, the District recognized OPEB expense of \$175,332 related to CERS and \$334,293 related to TRS. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	CERS		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 361,125	\$ 685,658	
Change of assumptions	608,845	2,135	
Change in investment experience	115,704	474,959	
Change in proportionate share of contributions	26,683	162,654	
	<u>1,112,357</u>	<u>\$ 1,325,406</u>	<u>\$ (213,049)</u>
Subsequent contributions	194,352		
Total	<u>\$ 1,306,709</u>		

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

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

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

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

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

***Actuarial assumptions***

The total OPEB liability, net OPEB liability, and sensitivity as of June 30, 2021 were based on an actuarial valuation date of June 30, 2020. The total OPEB liability was rolled-forward from the valuation date to the plan’s fiscal year ending June 30, 2020, using generally accepted accounting principles.

The KRS Board of Trustee adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled “Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2010”. The total OPEB liability as of June 30, 2021 was determined using these updated assumptions.

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

The actuarial assumptions are:

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

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

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

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

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

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

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

**Discount rate**

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

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

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

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

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

**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 TRS net OPEB liability	\$ 2,450,000	\$ 3,372,000	\$ 4,519,000
District's proportionate share of the CERS net OPEB liability	1,653,205	2,296,498	3,072,961
<b>Total</b>	<b>\$ 4,103,205</b>	<b>\$ 5,668,498</b>	<b>\$ 7,591,961</b>

**OPEB plan fiduciary net position**

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

**NOTE 10: CONTINGENCIES**

**Grants**

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



**NOTE 10: CONTINGENCIES - CONTINUED**

***Litigation***

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

**NOTE 11: RISK MANAGEMENT**

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

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

Management estimates that the amount of actual or potential claims against the District as of June 30, 2022 will not materially affect the financial condition of the District. Therefore, the General Fund contains no provision for estimated claims. Settled claims resulting from these risks have not exceeded insurance coverage amounts in any of the past three fiscal years.

**NOTE 12: CORRECTION OF AN ERROR**

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

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

**NOTE 13: FUND TRANSFERS**

The following transfers were made during the year:

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

**NOTE 14: ON-BEHALF PAYMENTS**

For the year ended June 30, 2022 payments of \$769,391 were made by the Commonwealth of Kentucky on behalf of the District for insurance benefits, retirement benefits, technology, and debt service. The following amounts were recorded in the Statement of Activities and the Statement of Revenue, Expenditures, and Changes in Fund Balance:

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

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

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

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

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

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

As of June 30,	2022	2021	2020	2019	2018	2017	2016	2015
Measurement period as of June 30,	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability	\$ 38,782,509	\$ 40,840,230	\$ 38,033,090	\$ 35,274,587	\$ 79,502,497	\$ 90,960,338	\$ 72,203,325	\$ 63,244,526
District's covered payroll	\$ 9,388,600	\$ 8,514,955	\$ 9,525,139	\$ 9,434,495	\$ 10,236,247	\$ 10,278,171	\$ 10,095,979	\$ 9,642,589
District's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	65.59%	58.27%	58.76%	59.30%	39.83%	35.22%	42.49%	45.59%

**Schedule of District's Contributions - TRS**

As of June 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Actual contribution	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 9,080,267	\$ 9,388,600	\$ 8,514,955	\$ 9,525,139	\$ 9,434,495	\$ 10,236,247	\$ 10,278,171	\$ 10,095,979	\$ 9,642,589
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

As of June 30,	2022	2021	2020	2019	2018	2017	2016	2015
Measurement period as of June 30,	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.1200%	0.1115%	0.1135%	0.1105%	0.1102%	0.1138%	0.1108%	0.1125%
District's proportionate share of the net pension liability	\$ 7,649,921	\$ 9,439,981	\$ 8,484,634	\$ 7,278,097	\$ 7,976,595	\$ 6,947,591	\$ 5,852,826	\$ 4,295,000
District's covered payroll	\$ 3,026,562	\$ 3,669,555	\$ 3,691,890	\$ 3,800,125	\$ 3,351,579	\$ 3,369,890	\$ 3,172,389	\$ 3,035,128
District's proportionate share of the net pension liability as a percentage of its covered payroll	252.76%	257.25%	229.82%	191.52%	238.00%	206.17%	184.49%	141.51%
Plan fiduciary net position as a percentage of the total pension liability	55.95%	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%

**Schedule of District's Contributions - CERS**

As of June 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 711,833	\$ 584,126	\$ 882,895	\$ 793,018	\$ 728,864	\$ 626,075	\$ 574,902	\$ 560,614	\$ 573,336
Actual contribution	711,833	584,126	882,895	793,018	728,864	626,075	574,902	560,614	576,336
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (3,000)
District's covered payroll	\$ 3,362,461	\$ 3,026,562	\$ 3,669,555	\$ 3,691,890	\$ 3,800,125	\$ 3,351,579	\$ 3,369,890	\$ 3,172,389	\$ 3,035,128
Contributions as a percentage of covered payroll	21.17%	19.30%	24.06%	21.48%	19.18%	18.68%	17.06%	17.67%	18.99%

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

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

As of June 30,	2022	2021	2020	2019	2018
Measurement period as of June 30,	2021	2020	2019	2018	2017
District's proportion of the net OPEB liability	0.0206%	0.0239%	0.0239%	0.0229%	0.0222%
District's proportionate share of the net OPEB liability	\$ 3,372,000	\$ 3,855,000	\$ 4,298,000	\$ 4,752,000	\$ 5,462,000
State's proportionate share of the net OPEB liability	\$ 2,738,000	\$ 3,088,000	\$ 4,461,000	\$ 4,095,000	\$ 3,471,000
District's covered payroll	\$ 9,388,600	\$ 8,523,566	\$ 8,132,466	\$ 8,747,133	\$ 9,525,139
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	35.92%	45.23%	52.85%	54.33%	57.34%
Plan fiduciary net position as a percentage of the total OPEB liability	51.47%	39.05%	32.58%	25.54%	21.18%

**Schedule of District's Contributions - TRS Medical Insurance Plan**

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



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

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

As of June 30,	2022	2021	2020	2019	2018
Measurement period as of June 30,	2021	2020	2019	2018	2017
District's proportion of the net OPEB liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability	\$ 36,000	\$ 93,000	\$ 81,000	\$ 70,000	\$ 60,000
District's covered payroll	\$ 9,388,600	\$ 8,526,566	\$ 8,132,467	\$ 8,747,133	\$ 9,525,139
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	89.15%	71.57%	73.40%	74.97%	79.99%

**Schedule of District's Contributions - TRS Life Insurance Plan**

As of June 30,	2022	2021	2020	2019	2018	2017
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Actual contribution	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 9,080,267	\$ 9,388,600	\$ 8,526,566	\$ 8,132,467	\$ 8,747,133	\$ 9,525,139
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

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

**Schedule of District's Contributions - CERS**

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

SUPPLEMENTARY INFORMATION

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

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

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

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

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

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

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

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

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

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



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

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

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

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

**NOTE 1: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Newport Independent School District (District) under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 3: INDIRECT COST RATE**

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

**NOTE 4: SUBRECIPIENTS**

The District did not provide federal funds to subrecipients for the year ended June 30, 2022.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Newport Independent School District (District) as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 1, 2022.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of the District in a separate letter dated November 1, 2022.

### **Purpose of this Report**

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

**Maddox & Associates CPAs Inc.**

Fort Thomas, Kentucky  
November 1, 2022



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

We have audited Newport Independent School District's (District) compliance with the types of compliance requirements described in OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

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

#### **Auditor's Responsibility**

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

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

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

We have audited the District's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Report on Internal Control Over Compliance**

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

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

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

### **Purpose of this Report**

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

**Maddox & Associates CPAs Inc.**

Fort Thomas, Kentucky

November 1, 2022

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

**Financial Statements**

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

       Yes        X   No

Significant deficiency(ies) identified?

       Yes        X   None reported

Noncompliance material to financial statements noted?

       Yes        X   No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?

       Yes        X   No

Significant deficiency(ies) identified?

       Yes        X   None reported

Type of report the auditor issued on compliance with major programs:

Unmodified

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

  X   Yes             None reported

**Identification of Major Programs**

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

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

       \$ 750,000

Auditee qualified as low-risk auditee

  X   Yes             No

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None reported

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported



NO PRIOR FINDINGS



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

In planning and performing our audit of the financial statements of Newport Independent School District (District) for the year ended June 30, 2022, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of matters that our opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and recommendations regarding these matters. Any uncorrected comments from the prior year have been listed in this letter. A separate report dated November 1, 2022 contains our report on the District's internal control. This letter does not affect our report dated November 1, 2022 on the financial statements of the District.

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

*Maddox & Associates CPAs Inc.*

### **Current Year Comments**

#### **Activity Funds**

##### **2022-01 High School**

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

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

#### ***District's Response***

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

### **Prior Year Comments**

#### **Central Office**

The District did not publish its annual financial statement.

This comment was not repeated in the current year.

## **APPENDIX C**

**Newport Independent School District Finance Corporation  
School Building Revenue Bonds  
Series of 2023**

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**Continuing Disclosure Agreement**

## CONTINUING DISCLOSURE UNDERTAKING AGREEMENT

This Continuing Disclosure Undertaking Agreement ("Agreement") made and entered into as of July 18, 2023, by and between the Board of Education of Newport, Kentucky ("Board"); the Newport Independent School District Finance Corporation, an agency and instrumentality of the Board ("Corporation") and the Registered and Beneficial Owners of the Bonds hereinafter identified as third-party beneficiaries to this Agreement. For the purposes of this Agreement "Beneficial Owner" means the person or entity treated as the owner of the Bonds for federal income tax purposes and "Registered Owner" means the person or entity named on the registration books of the bond registrar.

### WITNESSETH:

WHEREAS, the Corporation has acted as issuing agency for the Board pursuant to the provisions of Section 162.385 of the Kentucky Revised Statutes ("KRS") and the Corporation's Bond Resolution in connection with the authorization, sale and delivery of \$3,010,000 of the Corporation's School Building Revenue Bonds, Series of 2023, dated as of July 18, 2023 ("Bonds"), which Bonds were offered for sale under the terms and conditions of a Final Official Statement ("FOS") prepared by RSA Advisors, LLC, Lexington, Kentucky ("Financial Advisor") and approved by the authorized representatives of the Board and the Corporation, and

WHEREAS, the Securities and Exchange Commission ("SEC"), pursuant to the Securities and Exchange Act of 1934, has amended the provisions of SEC Rule 15c2-12 relating to financial disclosures by the issuers of municipal securities under certain circumstances ("Rule"), and

WHEREAS, it is intended by the parties to this Agreement that all terms utilized herein shall have the same meanings as defined by the Rule, and

WHEREAS, the Board is an "obligated person" as defined by the Rule and subject to the provisions of said Rule, and

WHEREAS, failure by the Board and the Corporation to observe the requirements of the Rule will inhibit the subsequent negotiation, transfer and exchange of the Bonds with a resulting diminution in the market value thereof to the detriment of the Registered and Beneficial Owners of said Bonds and the Board;

NOW, THEREFORE, in order to comply with the provisions of the Rule and in consideration of the purchase of the Bonds by the Registered and Beneficial Owners, the parties hereto agree as follows:

### **1. ANNUAL FINANCIAL INFORMATION**

The Board agrees to provide the annual financial information contemplated by Rule 15c2-12(b)(5)(i) relating to the Board for its fiscal years ending June 30 of each year, commencing with its fiscal year ending June 30, 2023, to (a) the Municipal Securities Rulemaking Board ("MSRB"), or any successor thereto for purposes of its Rule, through the continuing disclosure service portal provided by the MSRB's Electronic Municipal Market Access ("EMMA") system as described in 1934 Act Release No. 59062, or any similar system that is acceptable to the Securities and Exchange Commission and (b) the State Information Depository ("SID"), if any (the Commonwealth of Kentucky has not established a SID as of the date of this Agreement) within nine (9) months of the close of each fiscal year.

For the purposes of the Rule "annual financial information" means financial information and operating data provided annually, of the type included in the FOS with respect to the Board in accordance with guidelines established by the National Federation of Municipal Analysts, and shall include annual audited financial statements for the Board in order that the recipients will be provided with ongoing information regarding revenues and operating expenses of the Board and the information provided in the FOS under the headings "OUTSTANDING BONDS", "BOND DEBT SERVICE", "DISTRICT STUDENT POPULATION", "LOCAL SUPPORT - Local Tax Rates, Property Assessment and Revenue Collections and SEEK Allotment". If audited financial statements are not available when the annual financial information is filed, unaudited financial statements shall be included, to be followed by audited financial statements when available.

The audited financial statements shall be prepared in accordance with Generally Accepted Accounting Principles, Generally Accepted Auditing Standards or in accordance with the appropriate sections of KRS or Kentucky Administrative Regulations.

The parties hereto agree that this Agreement is entered into among them for the benefit of those who become Registered and Beneficial Owners of the Bonds as third party beneficiaries to said Agreement.

## 2. MATERIAL EVENTS NOTICES

Under the Rule, Section 15c2-12(b)(5)(i)(C), the following sixteen (16) events must be disclosed within ten (10) business days following the occurrence of said event to MSRB via EMMA and the SID, if any:

- (1) Principal/interest payment delinquency;
- (2) Nonpayment related default, if material;
- (3) Unscheduled draw on debt service reserve reflecting financial difficulties;
- (4) Unscheduled draw on credit enhancement reflecting financial difficulties;
- (5) Substitution of credit or liquidity provider, or its failure to perform;
- (6) Adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the securities, or other material events affecting the tax status of the security;
- (7) Modifications to rights of security holders, if material;
- (8) Bond call, if material and tender offers;
- (9) Defeasance;
- (10) Release, substitution or sale of property securing the repayment of the security, if material;
- (11) Rating change;
- (12) Merger, consolidation, acquisition or sale of all or substantially all assets of an obligated person, other than in the ordinary course of business, and the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to such action, other than pursuant to its terms, if material;
- (13) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (14) Successor, additional or change in trustee, if material;
- (15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material, and;
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

For purposes of this Agreement the term "financial obligation" means:

(A) Debt obligation;

(B) Derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or

(C) Guarantee of paragraph (A) or (B) above.

Notice of said material events shall be given to the entities identified in this Section by the Board on a timely basis (within ten (10) business days of the occurrence). Notwithstanding the foregoing, the provisions of the documents under which the Bonds are authorized and issued do not provide for a debt service reserve, credit enhancements or credit or liquidity providers.

In accordance with Rule Section 15c2-12(b)(5)(i)(D), the Board agrees that in the event of a failure to provide the Annual Financial Information required under Section 1 of this Agreement, it will notify MSRB via EMMA of such failure in a timely manner.

The Finance Officer of the Board shall be the responsible person for filing the annual financial information and/or notices of the events set forth above within the time prescribed in this Agreement. The Board shall cause the Finance Officer to institute an internal tickler system as a reminder of the obligations set forth herein. By December 1 of each fiscal year and each 30 days thereafter the Finance Officer will contact the auditor for the Board to determine when the audited financial statements will be finalized. The Finance Officer will impress upon the auditor the necessity of having such audited financial report on or before September 15. Within 5 days of receipt of such audited financial report the finance officer will cause the annual financial information to be filed as required by this Agreement.

### **3. SPECIAL REQUESTS FOR INFORMATION**

Upon the request of any Registered or Beneficial Owner of the Bonds or the original purchaser of the Bonds or any subsequent broker-dealer buying or selling said Bonds on the secondary market ("Underwriters"), the Board shall cause financial information or operating data regarding the conduct of the affairs of the Board to be made available on a timely basis following such request.

### **4. DISCLAIMER OF LIABILITY**

The Board and the Corporation hereby disclaim any liability for monetary damages for any breach of the commitments set forth in this Agreement and remedies for any breach of the Board's continuing disclosure undertaking shall be limited to an action for specific performance or mandamus in a court of competent jurisdiction in Kentucky following notice and an opportunity to cure such a breach.

### **5. FINAL OFFICIAL STATEMENT**

That the Final Official Statement prepared by the Financial Advisor and approved by the authorized representatives of the Board and the Corporation is hereby incorporated in this Agreement as fully as if copied herein and the "annual financial information" required under Section 1 hereof shall in summary form update the specific information set forth in said FOS.

### **6. DURATION OF THE AGREEMENT**

This Agreement shall be in effect so long as any of the Bonds remain outstanding and unpaid; provided, however, that the right is reserved in the Board to delegate its responsibilities under the Agreement to a competent agent or trustee, or to adjust the format of the presentation of annual financial information so long as the intent and purpose of the Rule to present adequate and accurate financial information regarding the Board is served.

### **7. AMENDMENT; WAIVER**

Notwithstanding any other provision of this Agreement, the Board may amend this Agreement, and any provision of this Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 1, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the holders of the Bonds in the same manner as provided in the Bond Resolution for amendments to the Bond Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Registered Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Agreement, the Board shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Board. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under Section 15c2-12(b)(5)(i)(C) of the Rule, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

## 8. DEFAULT

In the event of a failure of the Board to comply with any provision of this Agreement, the Corporation may and, at the request of any Underwriter or any Registered Owner or Beneficial Owner of Bonds, shall take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Board to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an event of default under the Bond Resolution, and the sole remedy under this Agreement in the event of any failure of the Board to comply with this Agreement shall be an action to compel performance.

In witness whereof the parties hereto have executed this Agreement as of the date first above written.

**BOARD OF EDUCATION OF  
NEWPORT, KENTUCKY**

\_\_\_\_\_  
Chairperson

Attest:

\_\_\_\_\_  
Secretary

**NEWPORT INDEPENDENT SCHOOL  
DISTRICT FINANCE CORPORATION**

\_\_\_\_\_  
President

Attest:

\_\_\_\_\_  
Secretary



**APPENDIX D**

**Newport Independent School District Finance Corporation  
School Building Revenue Bonds  
Series of 2023**

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**Official Terms and Conditions of Bond Sale**

**OFFICIAL  
TERMS AND CONDITIONS OF BOND SALE**

**\$3,010,000\***

**Newport Independent School District Finance Corporation  
School Building Revenue Bonds, Series of 2023  
Dated July 18, 2023**

**SALE: June 27, 2023 AT 11:00 A.M., E.D.S.T.**

As published on PARITY®, a nationally recognized electronic bidding system, the Newport Independent School District Finance Corporation ("Corporation") will until June 27, 2023, at the hour of 11:00 A.M., E.D.S.T., in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Road, Carriage House, Frankfort, Kentucky, 40601, receive competitive bids for the revenue bonds herein described. To be considered, bids must be submitted on an Official Bid Form and must be delivered to the Corporation at the address indicated on the date of sale no later than the hour indicated. Bids may be submitted manually or by facsimile or electronically via PARITY. Bids will be considered by the Corporation and may be accepted without further action by the Corporation's Board of Directors.

Subject to a Permitted Adjustment\* increasing or decreasing the issue by up to \$300,000.

**NEWPORT INDEPENDENT SCHOOL  
DISTRICT FINANCE CORPORATION**

The Corporation has been formed in accordance with the provisions of Sections 162.120 through 162.290 and Section 162.385 of the Kentucky Revised Statutes ("KRS"), and KRS Chapter 273 and KRS 58.180, as a non profit, non stock corporation for the purpose of financing necessary school building facilities for and on behalf of the Board of Education of Newport, Kentucky (the "Board"). Under the provisions of existing Kentucky law, the Corporation is permitted to act as an agency and instrumentality of the Board for financing purposes and the legality of the financing plan to be implemented by the Bonds herein referred to has been upheld by the Kentucky Court of Appeals (Supreme Court) in the case of *White v. City of Middlesboro, Ky.* 414 S.W.2d 569.

**STATUTORY AUTHORITY, PURPOSE OF ISSUE AND SECURITY**

These Bonds are authorized pursuant to KRS 162.120 through 162.290, 162.385, and KRS 58.180 and are issued in accordance with a Resolution of the Corporation's Board of Directors. Said Bonds are revenue bonds and constitute a limited indebtedness of the Corporation payable from rental revenues derived by the Corporation from the Board under the Lease identified below. Said Bonds are being issued to finance athletic improvements at Newport High School (the "Project") and are secured by a lien upon and a pledge of the revenues from the rental of the school building to the Board under the Lease on a year to year basis; the first rental period ending June 30, 2024; provided, however, said lien and pledge are on parity with a similar lien and pledge securing the Corporation's School Building Revenue Bonds previously issued to finance or refinance the high school building to which the Project relates (the "Parity Bonds").

Should the Board default in its obligations under the Lease or fail to renew the Lease, the Registered Owners of Bonds have the right to have a receiver appointed to administer the school building Project but foreclosure and sale are not available as remedies.

The rental of the school building Project from the Corporation to the Board is to be effected under a certain Lease Agreement by and between the Corporation and the Board (the "Lease"), whereunder the school building Project is leased to the Board for the initial period ending June 30, 2024, with an option in the Board to renew the Lease each year at rentals sufficient to provide for the principal and interest requirements on the Bonds as they become due, plus the costs of insurance, maintenance, depreciation, and bond issuance and administration expenses; the Board being legally obligated only for the initial rental period and for one year at a time thereafter each time the Lease is renewed.

Under the terms of the Lease, and any renewal thereof, the Board has agreed so long as the Bonds remain outstanding, and in conformance with the intent and purpose of KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the Lease, and unless sufficient funds have been transmitted to the Paying Agent, or will be so transmitted, for paying said rentals when due, the Board has granted under the terms of the Lease to the Corporation the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

### **ADDITIONAL PARITY BONDS**

The Corporation has reserved the right and privilege of issuing additional bonds from time to time payable from the income and revenues of said lands and school building Project and secured by a statutory mortgage lien and pledge of revenues, but only if and to the extent the issuance of such additional parity bonds are in accordance with the plans and specifications which have been approved by the Board, Commissioner of Education, and filed in the office of the Secretary of the Corporation and a Lease shall be entered into whereunder the annual rental payments during the life of such additional bonds shall be increased by the amount of the annual principal and interest requirements of such additional bonds.

### **BOND MATURITIES, PRIOR REDEMPTION PROVISIONS AND PAYING AGENT**

All such Bonds shall be in denominations in multiples of \$5,000 within the same maturity, bear interest from July 18, 2023, payable on February 1, 2024, and semi annually thereafter and shall mature as to principal on August 1 in each of the years thereafter as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2024	\$15,000	2034	\$ 15,000
2025	15,000	2035	15,000
2026	15,000	2036	15,000
2027	15,000	2037	15,000
2028	15,000	2038	300,000
2029	15,000	2039	315,000
2030	15,000	2040	330,000
2031	15,000	2041	340,000
2032	15,000	2042	740,000
2033	15,000	2043	775,000

\*Subject to a Permitted Adjustment of the amount of Bonds awarded of up to \$300,000 which may be applied in any or all maturities.

The Bonds maturing on or after August 1, 2032 are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after August 1, 2031, in any order of maturities (less than all of a single maturity to be selected by lot), in whole or in part, upon notice of such prior redemption being given by the Paying Agent in accordance with DTC requirements not less than thirty (30) days prior to the date of redemption, upon terms of the face amount, plus accrued interest, but without redemption premium.

Notwithstanding the foregoing, the Corporation reserves the right, upon thirty (30) days notice, to call the Bonds in whole or in part on any date at par for redemption upon the total destruction by fire, lightning, windstorm or other hazard of any building constituting the Project and apply casualty insurance proceeds to such purpose.

The Bonds are to be issued in fully registered form (both principal and interest). U.S. Bank Trust Company, National Association, Louisville, Kentucky, has been designated as the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to Cede & Co. Principal and interest will be payable through the Book-Entry-Only-System administered by The Depository Trust Company: Please see "BOOK-ENTRY-ONLY-SYSTEM" below. Interest on the Bonds will be paid at rates to be established upon the basis of competitive bidding as hereinafter set forth, such interest to be payable on February 1 and August 1 of each year, beginning February 1, 2024 (Record Date is the 15th day of month preceding interest due date).

## BIDDING CONDITIONS AND RESTRICTIONS

(A) Bids must be made on Official Bid Form, contained in Information for Bidders available from the undersigned or RSA Advisors, LLC, Lexington, Kentucky, by visiting [www.rsamuni.com](http://www.rsamuni.com) submitted manually, by facsimile or electronically via PARITY®.

(B) Electronic bids for the Bonds must be submitted through PARITY® and no other provider of electronic bidding services will be accepted. Subscription to the PARITY® Competitive Bidding System is required in order to submit an electronic bid. The Corporation will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in PARITY® conflict with the terms of the Official Terms and Conditions of Bond Sale, this Official Terms and Conditions of Sale of Bonds shall prevail. Electronic bids made through the facilities of PARITY® shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the Corporation. The Corporation shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by PARITY®. The use of PARITY® facilities are at the sole risk of the prospective bidders. For further information regarding PARITY®, potential bidders may contact PARITY®, telephone (212) 404-8102. Notwithstanding the foregoing, non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

(C) The minimum bid shall be not less than \$2,949,800 (98% of par) plus accrued interest. Interest rates shall be in multiples of 1/8 or 1/20 of 1% or both. Only one interest rate shall be permitted per Bond, and all Bonds of the same maturity shall bear the same rate. Interest rates must be on an ascending scale, in that the interest rate stipulated in any year may not be less than that stipulated for any preceding maturity. There is no limit on the number of different interest rates.

(D) The maximum permissible net interest cost for the Bonds shall not exceed "The Bond Buyer's" Index of 20 Municipal Bonds as established on the Thursday immediately preceding the sale of said Bonds plus 1.50%.

(E) The determination of the best purchase bid for said Bonds shall be made on the basis of all bids submitted for exactly \$3,010,000 principal amount of Bonds offered for sale hereunder, but the Corporation may adjust the principal amount of Bonds upward or downward by \$300,000 (the "Permitted Adjustment") which may be awarded to such best bidder may be a minimum of \$2,710,000 or a maximum of \$3,310,000. In the event of such Permitted Adjustment, no rebidding or recalculation of a submitted bid will be required or permitted. The price of which such adjusted principal amount of Bonds will be sold will be the same price per \$5,000 of Bonds as the price per \$5,000 for the \$3,010,000 of Bonds bid.

(F) If three (3) or more bids for the Bonds are received as a result of this competitive sale, the successful purchaser will be required to certify on or before the issue date the reasonably expected initial offering price to the public as of the Sale Date for each Maturity of the Bonds which prices are the prices for each Maturity of the Bonds used by the successful purchaser in formulating its bid to purchase the Bonds.

If less than three (3) bids for the Bonds are received as a result of this competitive sale, the successful purchaser, by submitting a bid pursuant to a published Notice of Sale, has agreed in writing that they will certify on or before the issue date (and provide reasonable supporting documentation for such Certification, such as a copy of the Pricing wire or equivalent communication) for each Maturity of the Bonds (i) the first price at which at least 10% of each Maturity of the Bonds was sold to the Public, or (ii) that they will neither offer nor sell any of the Bonds of each Maturity to any person at a price that is higher than the Initial Offering Price for such maturity during the Holding Period for such Maturity.

Bids will not be subject to cancellation or withdrawal by the bidder in the event that three bids are not received and the Issuer determines to apply the hold-the-offering-price rule.

For purposes of the above the following terms are defined as follows:

(a)  *Holding Period*  means, with respect to a Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the successful purchaser has sold at least 10% of such Maturity to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

(b)  *Maturity*  means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(c)  *Public*  means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(d)  *Sale Date*  means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is June 27, 2023.

(e)  *Underwriter*  means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(G) The successful bidder may elect to notify the Municipal Advisor within twenty-four (24) hours of the award of the Bonds that certain serial maturities as awarded may be combined with immediately succeeding serial maturities as one or more Term Bonds; provided, however, (a) bids must be submitted to permit only a single interest rate for each term bond specified, and (b) Term Bonds will be subject to mandatory redemption by lot on August 1 in accordance with the maturity schedule setting the actual size of the issue.

(H) CUSIP identification numbers will be printed on the Bonds at the expense of the Corporation. The purchaser shall pay the CUSIP Service Bureau Charge. Improper imprintation or the failure to imprint CUSIP numbers shall not constitute cause for a failure or refusal by the purchaser to accept delivery of and pay for said Bonds in accordance with the terms of any accepted proposal for the purchase of said Bonds.

(I) The Corporation will provide to the successful purchaser a Final Official Statement in accordance with SEC Rule 15c2-12. A Final Official Statement will be provided in Electronic Form to the successful bidder, in sufficient time to meet the delivery requirements of the successful bidder under SEC and Municipal Securities Rulemaking Board Delivery Requirements. The successful bidder will be required to pay for the printing of Final Official Statements.

(J) Bids need not be accompanied by a certified or bank cashier's good faith check, BUT the successful bidder will be required to wire transfer an amount equal to 2% of the amount of the principal amount of Bonds awarded to the order of the Corporation by the close of business on the day following the award. Said good faith amount which will be forfeited as liquidated damages in the event of a failure of the successful bidder to take delivery of such Bonds when ready. The good faith amount (without interest) will be applied to the purchase price upon delivery of the Bonds. The successful bidder shall not be required to take up and pay for said Bonds unless delivery is made within 45 days from the date the bid is accepted.

(K) Delivery will be made utilizing the DTC Book-Entry-Only-System.

(L) The Corporation reserves the right to reject any and all bids or to waive any informality in any bid. The Bonds are offered for sale subject to the principal and interest not being subject to Federal or Kentucky income taxation or Kentucky ad valorem taxation on the date of their delivery to the successful bidder, in accordance with the Final Approving Legal Opinion of Steptoe & Johnson PLLC, Bond Counsel, Louisville, Kentucky, which Opinion will be qualified in accordance with the section hereof on TAX EXEMPTION.

(M) The Corporation and the Board agree to cooperate with the successful bidder in the event said purchaser desires to purchase municipal bond insurance regarding the Bonds; provided, however, that any and all expenses incurred in obtaining said insurance shall be solely the obligation of the successful bidder should the successful bidder so elect to purchase such insurance.

### **STATE SUPPORT OF EDUCATION**

The 1990 Regular Session of the General Assembly of the Commonwealth enacted a comprehensive legislative package known as the Kentucky Education Reform Act ("KERA") designed to comply with the mandate of the Kentucky Supreme Court that the General Assembly provide for as efficient and equitable system of schools throughout the State.

KERA became fully effective on July 13, 1990. Elementary and Secondary Education in the Commonwealth is supervised by the Commissioner of Education as the Chief Executive Officer of the State Department of Education ("DOE"), an appointee of the reconstituted State Board for Elementary and Secondary Education (the "State Board"). Some salient features of KERA are as follows:

KRS 157.330 establishes the fund to Support Education Excellence in Kentucky ("SEEK") funded from biennial appropriations from the General Assembly for distribution to school districts. The base funding guaranteed to each school district by SEEK for operating and capital expenditures is determined in each fiscal year by dividing the total annual SEEK appropriation by the state-wide total of pupils in average daily attendance ("ADA") in the preceding fiscal year; the ADA for each district is subject to adjustment to reflect the number of at risk students (approved for free lunch programs under state and federal guidelines), number and types of exceptional children, and transportation costs.

KRS 157.420 establishes a formula which results in the allocation of funds for capital expenditures in school districts at \$100 per ADA pupil which is included in the SEEK allotment (\$4,000) for the current biennium which is required to be segregated into a Capital Outlay Allotment Fund which may be used only for (1) direct payment of construction costs; (2) debt service on voted and funding bonds; (3) lease rental payments in support of bond issues; (4) reduction of deficits resulting from over expenditures for emergency capital construction; and (5) a reserve for each of the categories enumerated in 1 through 4 above.

KRS 160.470(12)(a) requires that effective for fiscal years beginning July 1, 1990 each school district shall levy a minimum equivalent tax rate of \$.30 for general school purposes. The equivalent tax rate is defined as the rate which results when the income collected during the prior year from all taxes levied by the district (including utilities gross receipts license and special voted) for school purposes is divided by the total assessed value of property, plus the assessment for motor vehicles certified by the Revenue Cabinet of the Commonwealth. Any school district board of education which fails to comply with the minimum equivalent tax rate levy shall be subject to removal from office.

KRS 160.470(12)(2) provides that for fiscal years beginning July 1, 1990 each school district may levy an equivalent tax rate which will produce up to 15% of those revenues guaranteed by the SEEK program. Any increase beyond the 4% annual limitation imposed by KRS 132.017 is not subject to the recall provisions of that Section. Revenue generated by the 15% levy is to be equalized at 150% of the state-wide average per pupil equalized assessment.

KRS 157.440(2) permits school districts to levy up to 30% of the revenue guaranteed by the SEEK program, plus the revenue produced by the 15% levy, but said additional tax will not be equalized with state funds and will be subject to recall by a simple majority of those voting on the question.

KRS 157.620(1) also provides that in order to be eligible for participation from the Kentucky School Facilities Construction Commission for debt service on bond issues the district must levy a tax which will produce revenues equivalent to \$.05 per \$100 of the total assessed value of all property in the district (including tangible and intangible property and motor vehicles) in addition to the minimum \$.30 levy required by KRS 160.470(12). A district having a special voted tax which is equal to or higher than the required \$.05 tax, must commit and segregate for capital purposes at least an amount equal to the required \$.05 tax. Those districts which levy the additional \$.05 tax are also eligible for participation in the Kentucky Facilities Support ("KFS") program for which funds are appropriated separately from SEEK funds and are distributed to districts in accordance with a formula taking into account outstanding debt and funds available for payment from both local and state sources under KRS 157.440(1)(b).

KRS 160.460 provides that as of July 1, 1994 all real property located in the Commonwealth subject to local taxation shall be assessed at 100% of fair cash value.

### **BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2024**

The Kentucky General Assembly is required by the Kentucky Constitution to adopt measures providing for the state's revenues and appropriations for each fiscal year. The Governor is required by law to submit a biennial State Budget (the "State Budget") to the General Assembly during the legislative session held in each even numbered year. State Budgets have generally been adopted by the General Assembly during those legislative sessions, which end in mid-April, to be effective upon the Governor's signature for appropriations commencing for a two-year period beginning the following July 1.

In the absence of a legislatively enacted budget, the Supreme Court has ruled the Governor has no authority to spend money from the state treasury except where there is a statutory, constitutional or federal mandate and the Commonwealth may be prevented from expending funds for certain state governmental functions, including the ability to pay principal of, premium, if any, and interest, when due, on obligations that are subject to appropriation.

The General Assembly recently adopted a budget for the biennial period ending June 30, 2024 which was approved and signed by the Governor. Such budget became effective beginning July 1, 2022. The Office of the State Budget Director makes available on its website monthly updates to the General Fund receipts and other Funds of the commonwealth. When published, the updates can be found at [www.osbd.ky.gov](http://www.osbd.ky.gov).

### **POTENTIAL LEGISLATION**

No assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax exemption of such interest. In addition, current and future legislative proposals, if enacted into law, may cause interest on state or local government bonds (whether issued before, on the date of, or after enactment of such legislation) to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the amount of interest on such bonds that may currently be treated as tax exempt by certain individuals. For example, on August 16, 2022, President Biden signed the Inflation Reduction Act of 2022 (the "Inflation Reduction Act"). The Inflation Reduction Act imposes a minimum tax of 15 percent of the adjusted financial statement income of certain corporations whose income exceeds stated thresholds for tax years beginning after December 31, 2022. Under the Inflation Reduction Act, interest on debt obligations otherwise exempt from federal income tax would be included in the calculation of adjusted financial statement income for corporations subject to the minimum tax. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation.

Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the IRS, including but not limited to regulation, ruling, or selection of the Bonds for audit examination, or the course or result of any IRS examination of the Bonds or obligations which present similar tax issues, will not affect the market price for the Bonds.

## CONTINUING DISCLOSURE

As a result of the Board and issuing agencies acting on behalf of the Board offering for public sale municipal securities in excess of \$1,000,000, the Corporation and the Board will enter into a written agreement for the benefit of all parties who may become Registered or Beneficial Owners of the Bonds whereunder said Corporation and Board will agree to comply with the provisions of the Municipal Securities Disclosure Rules set forth in Securities and Exchange Commission Rule 15c2-12 by filing annual financial statements and material events notices with the Electronic Municipal Market Access (EMMA) System maintained by the Municipal Securities Rule Making Board.

Financial information regarding the Board may be obtained from Superintendent, Newport, Kentucky Board of Education, 30 W. 8th Street, Newport, Kentucky 41071, Telephone (859) 292-3004.

### TAX EXEMPTION; BANK QUALIFIED

Bond Counsel advises as follows with respect to the Bonds:

(A) The Bonds and the interest thereon are exempt from income and ad valorem taxation by the Commonwealth of Kentucky and all of its political subdivisions.

(B) The interest income from the Bonds is excludable from the gross income of the recipient thereof for Federal income tax purposes under existing law and interest on the Bonds will not be a specific item of tax preference for purposes of computing the Federal alternative minimum tax, however, with respect to certain corporations, interest on the Bonds is taken into account in determining the annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

(C) As a result of certifications by the Board and the Corporation, indicating the issuance of less than \$10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2023, the Bonds may be treated by financial institutions as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.

### BOOK-ENTRY-ONLY-SYSTEM

The Bonds shall utilize the Book-Entry-Only-System administered by The Depository Trust Company ("DTC").

DTC will act as securities depository for the Bonds. The Bonds initially will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond Certificate will be issued, in the aggregate principal amount of the Bonds, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. "Direct Participants" include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners



will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds ("Beneficial Ownership Interest") are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their Beneficial Ownership interests in Bonds, except in the event that use of the book-entry system for the Securities is discontinued. Transfers of ownership interest in the Securities are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co., effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Bonds to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments of the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' account on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Issuer, or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Trustee, disbursements of such payments to Direct Participants shall be the responsibility of DTC, and disbursements of such payment to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Beneficial Ownership Interests purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Beneficial Ownership Interests by causing the Direct Participant to transfer the Participant's interest in the Beneficial Ownership Interests, on DTC's records, to the purchaser or the Trustee, as appropriate. The requirements for physical delivery of Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Bond Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered by the Bond Registrar.

NEITHER THE ISSUER, THE BOARD NOR THE BOND REGISTRAR/PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE BOND REGISTRAR/PAYING AGENT AS BEING AN OWNER WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PURCHASE PRICE OF TENDERED BONDS OR THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BOND RESOLUTION TO BE GIVEN TO HOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

**NEWPORT INDEPENDENT SCHOOL  
DISTRICT FINANCE CORPORATION**

**by /s/ Kim Klosterman  
Secretary**

**APPENDIX E**

**Newport Independent School District Finance Corporation  
School Building Revenue Bonds  
Series of 2023**

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**Official Bid Form**

**OFFICIAL BID FORM  
(Bond Purchase Agreement)**

The Newport Independent School District Finance Corporation ("Corporation" or "Issuer"), will until 11:00 A.M., E.D.S.T., on June 27, 2023, receive in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Road, Carriage House, Frankfort, Kentucky 40601, (telephone 502-564-5582; fax 888-979-6152) competitive bids for its \$3,010,000 School Building Revenue Bonds, Series of 2023, dated July 18, 2023; maturing August 1, 2024 through 2043 ("Bonds").

We hereby bid for said \$3,010,000\* principal amount of Bonds, the total sum of \$\_\_\_\_\_ (not less than \$2,949,800) plus accrued interest from July 18, 2023 payable February 1, 2024 and semiannually thereafter at the following annual rates, (rates on ascending scale in multiples of 1/8 or 1/20 of 1%; number of interest rates unlimited) and maturing as to principal on and August 1 in the years thereafter as follows:

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>Year</u>	<u>Amount*</u>	<u>Rate</u>
2024	\$15,000	_____%	2034	\$ 15,000	_____%
2025	15,000	_____%	2035	15,000	_____%
2026	15,000	_____%	2036	15,000	_____%
2027	15,000	_____%	2037	15,000	_____%
2028	15,000	_____%	2038	300,000	_____%
2029	15,000	_____%	2039	315,000	_____%
2030	15,000	_____%	2040	330,000	_____%
2031	15,000	_____%	2041	340,000	_____%
2032	15,000	_____%	2042	740,000	_____%
2033	15,000	_____%	2043	775,000	_____%

\* Subject to Permitted Adjustment

We understand this bid may be accepted for as much as \$3,310,000 of Bonds or as little as \$2,710,000 of Bonds, at the same price per \$5,000 Bond, with the variation in such amount occurring in any maturity or all maturities, which will be determined at the time of acceptance of the best bid.

We further understand that by submitting a bid we agree as follows:

If three (3) or more bids for the Bonds are received as a result of this competitive sale, the successful purchaser will be required to certify on or before the issue date the reasonably expected initial offering price to the public as of the Sale Date for each Maturity of the Bonds which prices are the prices for each Maturity of the Bonds used by the successful purchaser in formulating its bid to purchase the Bonds.

If less than three (3) bids for the Bonds are received as a result of this competitive sale, the successful purchaser, by submitting a bid pursuant to a published Notice of Sale, has agreed in writing that they will certify on or before the issue date (and provide reasonable supporting documentation for such Certification, such as a copy of the Pricing wire or equivalent communication) for each Maturity of the Bonds (i) the first price at which at least 10% of each Maturity of the Bonds was sold to the Public, or (ii) that they will neither offer nor sell any of the Bonds of each Maturity to any person at a price that is higher than the Initial Offering Price for such maturity during the Holding Period for such Maturity.

Bids will not be subject to cancellation or withdrawal by the bidder in the event that three bids are not received and the Issuer determines to apply the hold-the-offering-price rule.

For purposes of the above the following terms are defined as follows:

(a)  *Holding Period*  means, with respect to a Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the successful purchaser has sold at least 10% of such Maturity to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

(b)  *Maturity*  means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(c)  *Public*  means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(d)  *Sale Date*  means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is June 27, 2023.

(e)  *Underwriter*  means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

Electronic bids for the Bonds must be submitted through PARITY® and no other provider of electronic bidding services will be accepted. Subscription to the PARITY® Competitive Bidding System is required in order to submit an electronic bid. The Corporation will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in PARITY® conflict with the terms of the Official Terms and Conditions of Sale of Bonds, this Official Terms and Conditions of Sale of Bonds shall prevail. Electronic bids made through the facilities of PARITY® shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the Corporation. The Corporation shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by PARITY®. The use of PARITY® facilities are at the sole risk of the prospective bidders. For further information regarding PARITY®, potential bidders may contact PARITY®, telephone (212) 404-8102. Notwithstanding the foregoing, non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

The successful bidder may elect to notify the Municipal Advisor within twenty-four (24) hours of the award of the Bonds that certain serial maturities as awarded may be combined with immediately succeeding serial maturities as one or more Term Bonds; provided, however, (a) bids must be submitted to permit only a single interest rate for each Term Bond specified, and (b) Term Bonds will be subject to mandatory redemption on August 1 in accordance with the maturity schedule setting the actual size of the issue.

The DTC Book-Entry-Only-System will be utilized on delivery of this issue.

It is understood that the Corporation will furnish the final approving Legal Opinion of Steptoe & Johnson PLLC Bond Counsel, Louisville, Kentucky.

No certified or bank cashier's check will be required to accompany a bid, but the successful bidder shall be required to wire transfer an amount equal to 2% of the principal amount of Bonds awarded by the close of business on the date following the award. Said good faith amount will be applied (without interest) to the purchase price on delivery. Wire transfer procedures should be arranged through U.S. Bank Trust Company, National Association, Louisville, Kentucky, Attn: Mr. Charles Lush (502-797-6421).

Bids must be submitted only on this form and must be fully executed.

If we are the successful bidder, we agree to accept and make payment for the Bonds in Federal Funds on or about July 18, 2023 and upon acceptance by the Issuer's Municipal Advisor this Official Bid Form shall become the Bond Purchase Agreement.

Respectfully submitted,

\_\_\_\_\_ Bidder

By \_\_\_\_\_ Authorized Officer

\_\_\_\_\_ Address

Total interest cost from July 18, 2023 to final maturity \$ \_\_\_\_\_

Plus discount or less any premium \$ \_\_\_\_\_

Net interest cost (Total interest cost plus discount) \$ \_\_\_\_\_

Average interest rate or cost \_\_\_\_\_ %

The above computation of net interest cost and of average interest rate or cost is submitted for information only and is not a part of this Bid.

Accepted by RSA Advisors, LLC, as Municipal Advisor and Agent for the Newport Independent School District Finance Corporation for \$ \_\_\_\_\_ amount of Bonds at a price of \$ \_\_\_\_\_ as follows:

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>
2024	_____,000	_____%	2034	_____,000	_____%
2025	_____,000	_____%	2035	_____,000	_____%
2026	_____,000	_____%	2036	_____,000	_____%
2027	_____,000	_____%	2037	_____,000	_____%
2028	_____,000	_____%	2038	_____,000	_____%
2029	_____,000	_____%	2039	_____,000	_____%
2030	_____,000	_____%	2040	_____,000	_____%
2031	_____,000	_____%	2041	_____,000	_____%
2032	_____,000	_____%	2042	_____,000	_____%
2033	_____,000	_____%	2043	_____,000	_____%

Dated: June 27, 2023

\_\_\_\_\_  
 RSA Advisors, LLC,  
 As Agent for the Newport Independent  
 School District Finance Corporation