

Newport Independent School District

**Financial Statements
With Supplementary Information
Year Ended June 30, 2015
With Independent Auditors' Report**

NEWPORT INDEPENDENT SCHOOL DISTRICT

Year Ended June 30, 2015

Table of Contents

Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements:	
District Wide Financial Statements:	
Statement of Net Position - District Wide	10
Statement of Activities - District Wide	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds	12
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	15
Statement of Net Position - Proprietary Fund	16
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund	17
Statement of Cash Flows - Proprietary Fund	18
Statement of Fiduciary Net Position	19
Statement of Revenues, Expenses and Changes in Net Position - Fiduciary Funds	20
Notes to the Financial Statements	21-41

NEWPORT INDEPENDENT SCHOOL DISTRICT

Year Ended June 30, 2015

Table of Contents (Continued)

Supplementary Information:

Combining Statements - Nonmajor Funds	
Combining Balance Sheet - Nonmajor Governmental Funds	42
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	43
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – General Fund	44
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – Special Revenue Fund	45
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – Construction Fund	46
Statement of Receipts, Disbursements and Fund Balances - Bond and Interest Redemption Funds	47
Statement of Receipts, Disbursements and Fund Balances – Newport High School Activity Funds	48-49
Statement of Receipts, Disbursements and Fund Balances - School Activity Funds	50
Schedule of the District's Proportionate Share of the Net Pension Liability – KTRS	51
Schedule of District Contributions – KTRS	52
Schedule of the District's Proportionate Share of the Net Pension Liability – CERS	53
Schedule of District Contributions – CERS	54
Schedule of Expenditures of Federal Awards	55
Notes to the Schedule of Expenditures of Federal Awards	56
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	57-58
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	59-60
Schedule of Findings and Questioned Costs	61-62
Management Letter Comments	63-69



Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Newport Independent School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Newport Independent School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Newport Independent School District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Independent Auditors' Report
(Continued)**

Other Matters

Change in Accounting Principle

As described in note 17 to the financial statements, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this item.

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Newport Independent School District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Reporting Other Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2015 on our consideration of the Newport Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Newport Independent School District's internal control over financial reporting and compliance.



NEWPORT INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2015

As management of Newport Independent Board of Education (Board), the governing body for the Newport Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit. All amounts used in this MD&A are approximate amounts, except where more specific.

The District continues to move forward with three major goals: 1. Increase the averaged combined reading and math K-PREP scores for elementary and middle school students (40% of all students will be reading at grade level by Spring 2016 and 72% by 2017); 2. Increase the use of academic monitoring/tracking of student progress to make data-driven decisions; 3. Develop a culture where all staff know our students and every child has an adult advocate.

The strategic goals of Newport Independent Schools align with evidence-based best practices in education and Northern Kentucky's Vision 2015 initiative focused on the alignment and support of P-16 education.

ACADEMIC PROGRESS HIGHLIGHTS

- The District continued the Measures of Academic Progress (MAP) assessment tool to monitor learning throughout the year over the entire K-8 period. The MAP program allows teachers to adjust instruction during the school year to meet the needs of each student as well as compare student learning over time and against national averages. Students are assessed Reading, Language usage, and Mathematics.
- The District utilizes the College Equipped Readiness Tool (CERT) assessment tool to monitor learning throughout the year over the 9-12 period. The CERT program allows teachers to adjust instruction during the school year to meet the needs of each student as well as compare student learning over time while helping to prepare them for success on the ACT. Students are assessed Reading, English, Science, and Mathematics.
- As a District, based on K-PREP data, we see a need to increase the literacy and numeracy intervention initiatives in order to decrease novice and increase proficiency in reading and mathematics at both the elementary and secondary levels. Closing the achievement gap and increasing the number of students who met growth, are vital to our overall academic achievement.
- ACT scores showed a decrease for the 2014-2015 school year from a 17.4 to a 16.0. The number of students who were college and career ready increased from 63.4 to 85.5.
- Parent involvement was encouraged with various parents being invited to attend the Prichard Committee parent meetings. The District holds a variety of parent engagement nights in each of the schools throughout the year.
- The middle school is revising their 5A process to provide incentives for students in the areas of attendance, academics, school activities, and attitudes/expectations.
- The high school implements a credit recovery program. Any high school students, who were in need of credits, are able to participate to attain credits for graduation requirements.
- Newport High School has made significant academic progress that has allowed them to exit priority status, which was assigned by the Kentucky Department of Education (KDE).

NEWPORT INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2015 (Continued)

ACADEMIC PROGRESS HIGHLIGHTS (CONTD)

- The 21st Century Community Learning Center grant continues to target at-risk students and provide intervention and enrichment programs/activities centered on reducing barriers to learning for students and increase college and career readiness. The grant provides summer and after-school programs to assist with enrichment activities.
- ESS services continue to be offered through before school services, after-school tutoring services, and day-waiver programs during the school day.
- For the fourth year in a row, Newport Independent Schools will be participating in the USDA's Community Eligibility Provision (CEP). During the 2014-2015 school year, all students will be served one breakfast and one lunch at no charge. There is also an after-school super snack program that provides snacks for our K-12 students. Students receive the option of also purchasing a la carte food and beverage items.
- The district's 2014-2015 school calendar was approved by KDE, in the spring of 2014, to facilitate increased and ongoing job embedded professional development through the use of five built in days. This will provide time for additional professional growth opportunities.
- The District continues to use the District/School Websites, *School Messenger*, Facebook, Twitter, and other mediums to communicate up-to-date information to students, parents, community, and all stakeholders involved in the academic success of students.
- Professional learning opportunities continue to be implemented with schools focusing on academic standards, literacy interventions, math interventions, small group instruction, data analysis, CIITS, PGES, and the alignment of the Kentucky Core Academic Standards with formative and summative assessments. These opportunities are designed to be differentiated and content specific to meet the professional growth needs of the teachers.
- The Carol M. White Physical Education Program grant is in its third year of implementation. As a result of these federal funds, the F.I.T. for Life Project was initiated and has provided many more health-related learning opportunities for our students. New programming includes additional fitness opportunities before and after school, taste tests of healthy foods in the cafeterias, wellness events and summer programming. Funds have also been used for additional staff, new health and physical education curriculum, new equipment in all schools and professional development for both teachers and food service staff.
- The District expanded its technology by developing an initiative for 1:1 I-Pads at Newport High School and Newport Middle School, providing I-pads to all students in grades 7-12. Teachers in grades K-6 utilize six i-Pads in each of their classes. Interactive whiteboards, instructional software, video projectors, clicker systems, iPads, and document cameras have been purchased to create 21st Century Learning Classrooms that are interactive and engaging to students.

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

NEWPORT INDEPENDENT SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2015
(Continued)**

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was \$4,395,880.
- The General Fund had \$17,543,715 in revenue, excluding inter-fund transfers and gains on sales of fixed assets, which primarily consisted of the state program (SEEK), property, local occupational license taxes, utilities, and motor vehicle taxes and the sale of a building. Excluding inter-fund transfers, there was \$17,749,969 in General Fund expenditures.
- Our primary financial concern continues to be state funding which has not kept up with the increases in operating expenses due to inflation, increased salaries - some of which are a direct result of mandates by the state, and an increasing portion of the retirement shortfall that we have been asked to fund. After many years of not making the necessary contributions to fully fund the Kentucky Teachers' Retirement System (KTRS), the legislature passed along a portion of the funding shortfall to employees and a larger portion to school districts. As a result, our district has paid hundreds of thousands of dollars into the retirement system over the past five years and will pay millions of dollars in the future in an effort to help stabilize the fund. For the first time this year we are also being required to record the portion of the unfunded state liability in our financial statements attributable to our employees, as determined by KTRS. While it remains to be seen if districts, including our own, will end up shouldering more this deficit over the years to come, if the state does not start responsibly funding the system it can be safely assumed that we will. This will continue to shift more of the responsibility for funding our education system onto the backs of school districts and subsequently local tax payers. The continual erosion of state funding makes it increasingly difficult to maintain the high standard of education and programming that our students deserve without increasing taxes locally. In this climate of shrinking state support the Newport Independent School District will maintain fiscally responsible policies in order to continue providing quality academic, extra-curricular and community service programs to all of its students.

NEWPORT INDEPENDENT SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2015
(Continued)**

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 21 through 41 of this report.

NEWPORT INDEPENDENT SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2015
(Continued)**

DISTRICT-WIDE FINANCIAL ANALYSIS (Continued)

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$10,036,918 as of June 30, 2015.

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

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

Net Position for the periods ending June 30, 2015 and 2014

The following is a summary of net position for the fiscal years ended June 30, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Assets		
Current assets	\$ 11,203,099	\$ 6,264,367
Noncurrent assets	<u>19,356,500</u>	<u>14,680,248</u>
Total assets	<u>30,559,599</u>	<u>20,944,615</u>
Deferred outflows	<u>560,614</u>	<u>-</u>
Liabilities		
Current liabilities	1,329,637	1,177,918
Noncurrent liabilities	<u>18,145,080</u>	<u>4,553,458</u>
Total liabilities	<u>19,474,717</u>	<u>5,731,376</u>
Net position		
Investment in capital assets (net of debt)	5,358,461	10,291,948
Restricted	6,176,665	699,720
Unassigned	<u>110,370</u>	<u>4,221,571</u>
Total net position	<u>\$ 11,645,496</u>	<u>\$ 15,213,239</u>

Comments on General Fund Budget Comparisons

- The District's total general fund revenues for the fiscal year ended June 30, 2015, net of inter-fund transfers and sale of fixed assets, were \$17,543,715.
- General fund budget compared to actual revenue, net of inter-fund transfers and sale of fixed assets, varied from line item to line item with the ending actual balance being \$2,904,734 more than budget or approximately 19.7%. The majority of the difference is the result of the District recording "on behalf" payments made by the state.
- The total cost of all programs and services in the general fund was \$17,749,969, net of inter-fund transfers.
- General Fund actual expenditures were less than budgeted expenditures by \$1,090,664. This is a result of the District better managing expenditures.

NEWPORT INDEPENDENT SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2015
(Continued)**

DISTRICT-WIDE FINANCIAL ANALYSIS (Continued)

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Revenues:		
Program revenues:		
Charges for services	\$ 75,478	\$ 139,921
Operating grants and contributions	5,724,915	6,175,953
Capital grants and contributions	<u>586,879</u>	<u>603,194</u>
Total program revenues	6,387,272	6,919,068
General revenues:		
Taxes	8,239,220	8,224,592
Federal and state sources	11,154,628	8,754,588
Earnings on investments	2,287	2,046
Miscellaneous	<u>806,557</u>	<u>137,744</u>
Total general revenues	<u>20,202,692</u>	<u>17,118,970</u>
Total revenues	<u>26,589,964</u>	<u>24,038,038</u>
Expenses:		
Instruction	16,046,181	13,099,014
Student support services	654,890	654,565
Instructional support	956,744	887,259
District administration	1,459,007	1,277,632
School administration	1,241,745	1,364,482
Business support	842,558	940,774
Plant operations	2,074,001	1,599,709
Student transportation	554,234	540,187
Community support	417,082	457,973
Facility acquisition and construction	-	-
Debt service	282,090	121,666
Food service	1,334,175	1,350,844
District Activity	<u>-</u>	<u>-</u>
Total expenses	<u>25,862,707</u>	<u>22,294,105</u>
Revenue in excess/(deficit) of expense	<u>\$ 727,257</u>	<u>\$ 1,743,933</u>

NEWPORT INDEPENDENT SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2015
(Continued)**

BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal, operate on a different fiscal calendar but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget with \$3,086,129 in contingency (16.2%). The beginning cash balance for the beginning of the fiscal year was \$4,395,880.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to reflect the District's accountability for the funds it receives. Questions or comments about this report should be directed to Mr. Kelly Middleton, Superintendent, or Mr. Tete Turner, Finance Director, by telephone at 859-292-3004 or by mail to the Central Office, 30 West 8th Street, Newport, KY 41071.

NEWPORT INDEPENDENT SCHOOL DISTRICT

**Statement of Net Position – District Wide
Year Ended June 30, 2015**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current			
Cash and cash equivalents	\$ 9,771,313	\$ 129,490	\$ 9,900,803
Accounts receivable	1,251,228	36,019	1,287,247
Inventories for consumption	-	15,049	15,049
Total current assets	<u>11,022,541</u>	<u>180,558</u>	<u>11,203,099</u>
Noncurrent			
Nondepreciated capital assets:			
Land	1,109,955	-	1,109,955
Construction in progress	8,968,186	-	8,968,186
Depreciated capital assets:			
Buildings and improvements	25,516,658	-	25,516,658
Furniture and equipment	3,441,727	603,011	4,044,738
Less: accumulated depreciation	<u>(19,690,830)</u>	<u>(592,207)</u>	<u>(20,283,037)</u>
Total noncurrent	<u>19,345,696</u>	<u>10,804</u>	<u>19,356,500</u>
Total assets	<u>30,368,237</u>	<u>191,362</u>	<u>30,559,599</u>
Deferred outflows	<u>543,291</u>	<u>17,323</u>	<u>560,614</u>
Liabilities			
Current			
Current portion of bonds payable	594,825	-	594,825
Current portion of accrued sick leave	49,652	-	49,652
Accounts payable	227,529	35,129	262,658
Accrued payroll and related expenses	227,133	-	227,133
Assessed KISBIT liability	94,035	-	94,035
Accrued interest	101,104	-	101,104
Unearned revenues	<u>230</u>	<u>-</u>	<u>230</u>
Total current	<u>1,294,508</u>	<u>35,129</u>	<u>1,329,637</u>
Noncurrent			
Accrued sick leave	446,866	-	446,866
CERS net pension liability	4,162,285	132,715	4,295,000
Long term bonds payable	<u>13,403,214</u>	<u>-</u>	<u>13,403,214</u>
Total noncurrent	<u>18,012,365</u>	<u>132,715</u>	<u>18,145,080</u>
Total liabilities	<u>19,306,873</u>	<u>167,844</u>	<u>19,474,717</u>
Net Position			
Invested in capital assets, net of related debt	5,347,657	10,804	5,358,461
Restricted	6,161,616	15,049	6,176,665
Unassigned	<u>95,382</u>	<u>14,988</u>	<u>110,370</u>
Total net position	<u>\$ 11,604,655</u>	<u>\$ 40,841</u>	<u>\$ 11,645,496</u>

The accompanying notes are an integral part of these financial statements.

NEWPORT INDEPENDENT SCHOOL DISTRICT

**Statement of Activities – District Wide
Year Ended June 30, 2015**

FUNCTION/PROGRAMS	Expenses	Program Services			Net (Expenses) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instructional	\$ 16,046,181	\$ -	\$ 3,643,306	\$ -	\$(12,402,875)	\$ -	\$(12,402,875)
Student support services	654,890	-	68,189	-	(586,701)	-	(586,701)
Staff support services	956,744	-	263,865	-	(692,879)	-	(692,879)
District administration	1,459,007	-	-	-	(1,459,007)	-	(1,459,007)
School administration	1,241,745	-	1,682	-	(1,240,063)	-	(1,240,063)
Business support services	842,558	-	(1,074)	-	(843,632)	-	(843,632)
Plant operation and maintenance	2,074,001	-	-	-	(2,074,001)	-	(2,074,001)
Student transportation	554,234	-	-	-	(554,234)	-	(554,234)
Community service operations	417,082	-	416,738	-	(344)	-	(344)
Facility acquisition and construction	-	-	-	586,879	586,879	-	586,879
Interest on long-term debt	282,090	-	-	-	(282,090)	-	(282,090)
Total governmental activities	<u>24,528,532</u>	<u>-</u>	<u>4,392,706</u>	<u>586,879</u>	<u>(19,548,947)</u>	<u>-</u>	<u>(19,548,947)</u>
Business-type Activities							
Food service	1,334,175	75,478	1,332,209	-	-	73,512	73,512
Total business-type activities	<u>1,334,175</u>	<u>75,478</u>	<u>1,332,209</u>	<u>-</u>	<u>-</u>	<u>73,512</u>	<u>73,512</u>
Total school district	<u>\$ 25,862,707</u>	<u>\$ 75,478</u>	<u>\$ 5,724,915</u>	<u>\$ 586,879</u>	<u>(19,548,947)</u>	<u>73,512</u>	<u>(19,475,435)</u>
			General Revenues				
			Taxes		8,239,220	-	8,239,220
			Federal and state sources		11,154,628	-	11,154,628
			Investment earnings		2,287	-	2,287
			Miscellaneous		1,022,476	-	1,022,476
			Interfund transfer		(65,736)	(67,511)	(133,247)
			Loss on disposal of fixed assets		(82,672)	-	(82,672)
			Total general and special revenues		<u>20,270,203</u>	<u>(67,511)</u>	<u>20,202,692</u>
			Change in net position		721,256	6,001	727,257
			Net position - beginning		15,045,684	167,555	15,213,239
			Net position - prior period adjustment (Note 17)		<u>(4,162,285)</u>	<u>(132,715)</u>	<u>(4,295,000)</u>
			Net position - ending		<u>\$ 11,604,655</u>	<u>\$ 40,841</u>	<u>\$ 11,645,496</u>

NEWPORT INDEPENDENT SCHOOL DISTRICT

**Balance Sheet – Governmental Funds
Year Ended June 30, 2015**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Current					
Cash and cash equivalents (deficit)	\$ 4,399,730	\$ (804,379)	\$ 5,004,438	\$ 1,171,524	\$ 9,771,313
Accounts receivable	429,269	821,959	-	-	1,251,228
Total current	<u>\$ 4,828,999</u>	<u>\$ 17,580</u>	<u>\$ 5,004,438</u>	<u>\$ 1,171,524</u>	<u>\$ 11,022,541</u>
Liabilities and Fund Balance					
Current					
Accounts payable	\$ 205,142	\$ 17,350	\$ -	\$ 5,037	\$ 227,529
Accrued payroll and related expenses	227,133	-	-	-	227,133
Deferred revenues	-	230	-	-	230
Total current	<u>432,275</u>	<u>17,580</u>	<u>-</u>	<u>5,037</u>	<u>454,892</u>
Fund Balance					
Restricted					
Capital projects	-	-	5,004,438	1,157,178	6,161,616
Committed					
Accrued sick leave	150,000	-	-	-	150,000
Assigned					
Purchase obligations	78,099	-	-	9,309	87,408
Unassigned	4,168,625	-	-	-	4,168,625
Total fund balances	<u>4,396,724</u>	<u>-</u>	<u>5,004,438</u>	<u>1,166,487</u>	<u>10,567,649</u>
Total liabilities and fund balances	<u>\$ 4,828,999</u>	<u>\$ 17,580</u>	<u>\$ 5,004,438</u>	<u>\$ 1,171,524</u>	<u>\$ 11,022,541</u>

The accompanying notes are an integral part of these financial statements.

NEWPORT INDEPENDENT SCHOOL DISTRICT

**Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
As of June 30, 2015**

Total fund balance per fund financial statements		\$ 10,567,649
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds		
Construction in progress	8,968,186	
Cost of capital assets	30,068,340	
Accumulated depreciation	<u>(19,690,830)</u>	19,345,696
Deferred outflows		
CERS contributions made after the measurement date	<u>543,291</u>	543,291
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds		
Long-term liabilities at year end consist of:		
Bonds payable	(13,998,039)	
Assessed KISBIT liability	(94,035)	
Accrued interest	(101,104)	
Net pension liability	(4,162,285)	
Accrued sick leave	<u>(496,518)</u>	<u>(18,851,981)</u>
Net assets for governmental activities		<u>\$ 11,604,655</u>

The accompanying notes are an integral part of these financial statements.

NEWPORT INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2015**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes	\$ 7,269,584	\$ -	\$ -	\$ 969,636	\$ 8,239,220
Earnings on investments	2,287	-	-	-	2,287
State sources	9,417,720	1,571,748	-	586,879	11,576,347
Federal sources	128,174	2,733,600	-	-	2,861,774
Other sources	<u>385,457</u>	<u>87,358</u>	<u>-</u>	<u>14,346</u>	<u>487,161</u>
Total revenues	<u>17,203,222</u>	<u>4,392,706</u>	<u>-</u>	<u>1,570,861</u>	<u>23,166,789</u>
Expenditures:					
Instructional	10,197,524	3,659,314	-	5,037	13,861,875
Student support services	556,453	68,189	-	-	624,642
Staff support services	649,465	263,865	-	-	913,330
District administration	1,444,076	-	-	-	1,444,076
School administration	1,224,767	1,682	-	-	1,226,449
Business support services	842,423	(1,074)	-	-	841,349
Plant operation and maintenance	2,279,035	-	-	-	2,279,035
Student transportation	529,390	-	-	-	529,390
Community service operation	29	416,738	-	-	416,767
Facility acquisition and construction	-	-	5,227,805	-	5,227,805
Debt service:					
Principal	24,642	-	-	195,000	219,642
Interest	<u>2,165</u>	<u>-</u>	<u>-</u>	<u>225,035</u>	<u>227,200</u>
Total expenditures	<u>17,749,969</u>	<u>4,408,714</u>	<u>5,227,805</u>	<u>425,072</u>	<u>27,811,560</u>
Excess (deficit) of revenues over expenditures	<u>(546,747)</u>	<u>(16,008)</u>	<u>(5,227,805)</u>	<u>1,145,789</u>	<u>(4,644,771)</u>
Other financing sources (uses)					
Proceeds from sale of assets	344,173	-	-	-	344,173
Proceeds from sale of bonds	-	-	9,568,270	-	9,568,270
Operating transfers in	87,343	35,840	-	172,727	295,910
Operating transfers out	<u>(169,087)</u>	<u>(19,832)</u>	<u>-</u>	<u>(172,727)</u>	<u>(361,646)</u>
Total other financing sources (uses)	<u>262,429</u>	<u>16,008</u>	<u>9,568,270</u>	<u>-</u>	<u>9,846,707</u>
Net change in fund balances	(284,318)	-	4,340,465	1,145,789	5,201,936
Fund balance, July 1, 2014	<u>4,681,042</u>	<u>-</u>	<u>663,973</u>	<u>20,698</u>	<u>5,365,713</u>
Fund balance, June 30, 2015	<u>\$ 4,396,724</u>	<u>\$ -</u>	<u>\$ 5,004,438</u>	<u>\$ 1,166,487</u>	<u>\$ 10,567,649</u>

The accompanying notes are an integral part of these financial statements.

NEWPORT INDEPENDENT SCHOOL DISTRICT

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2015**

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

Net change in total fund balances per fund financial statements		\$ 5,201,936
Proceeds from sale of bonds and other related costs		(9,829,381)
<p>Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense for the year.</p>		
Construction in progress	5,279,324	
Depreciation expense	(667,805)	
Capital outlays	153,108	
Retirements of capital assets	<u>(86,352)</u>	
		4,678,275
<p>Bond proceeds are reported as financing sources in governmental fund and thus contribute to the change in fund balance. In the statement of net position however, issuing debt increase long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position</p>		
Principal paid	<u>219,642</u>	
		<u>219,642</u>
Deferred outflow CERS contributions made after the measurement date		543,291
<p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p>		
		<u>(92,507)</u>
Changes in net position of governmental activities		<u>\$ 721,256</u>

The accompanying notes are an integral part of these financial statements.

NEWPORT INDEPENDENT SCHOOL DISTRICT

**Statement of Net Position – Proprietary Fund
As of June 30, 2015**

	Food Service Fund	Total
	<u> </u>	<u> </u>
Assets		
Current		
Cash and cash equivalents	\$ 129,490	\$ 129,490
Accounts receivable	36,019	36,019
Inventories for consumption	<u>15,049</u>	<u>15,049</u>
Total current	<u>180,558</u>	<u>180,558</u>
Noncurrent		
Furniture and equipment	603,011	603,011
Less: accumulated depreciation	<u>(592,207)</u>	<u>(592,207)</u>
Total noncurrent	<u>10,804</u>	<u>10,804</u>
Total assets	<u>191,362</u>	<u>191,362</u>
Deferred outflows	<u>17,323</u>	<u>17,323</u>
Liabilities		
Current		
Accounts payable	<u>35,129</u>	<u>35,129</u>
Total current	<u>35,129</u>	<u>35,129</u>
Noncurrent		
CERS net pension liability	<u>132,715</u>	<u>132,715</u>
Total noncurrent	<u>132,715</u>	<u>132,715</u>
Total liabilities	<u>167,844</u>	<u>167,844</u>
Net Position		
Invested in assets, net of debt	10,804	10,804
Nonspendable - inventories	15,049	15,049
Unrestricted	<u>14,988</u>	<u>14,988</u>
Total net position	<u>\$ 40,841</u>	<u>\$ 40,841</u>

The accompanying notes are an integral part of these financial statements.

NEWPORT INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund
Year Ended June 30, 2015**

	Food Service Fund	Total
	<u> </u>	<u> </u>
Operating revenues		
Lunchroom sales	\$ 70,808	\$ 70,808
Other operating revenues	4,670	4,670
	<u>75,478</u>	<u>75,478</u>
Operating expenses		
Salaries and benefits	629,978	629,978
Contract services	31,038	31,038
Materials and supplies	671,137	671,137
Depreciation	2,022	2,022
	<u>1,334,175</u>	<u>1,334,175</u>
Total operating expenses	<u>1,334,175</u>	<u>1,334,175</u>
Operating loss	<u>(1,258,697)</u>	<u>(1,258,697)</u>
Nonoperating revenues (expenses)		
Federal grants	1,119,548	1,119,548
State grants	138,434	138,434
Donated commodities and other donations	74,227	74,227
Transfers	(67,511)	(67,511)
	<u>1,264,698</u>	<u>1,264,698</u>
Total nonoperating revenues (expenses)	<u>1,264,698</u>	<u>1,264,698</u>
Net income	6,001	6,001
Total net position, July 1, 2014	167,555	167,555
Net pension adjustment	<u>(132,715)</u>	<u>(132,715)</u>
Total net position, June 30, 2015	<u>\$ 40,841</u>	<u>\$ 40,841</u>

The accompanying notes are an integral part of these financial statements.

NEWPORT INDEPENDENT SCHOOL DISTRICT

**Statement of Cash Flows – Proprietary Fund
Year Ended June 30, 2015**

	Food Service Fund	Total
	<u> </u>	<u> </u>
Cash flows from operating activities		
Cash received from lunchroom sales	\$ 70,808	\$ 70,808
Cash received from other activities	(18,362)	(18,362)
Cash payments to employees for services	(629,978)	(629,978)
Cash payments to suppliers for goods and services	(684,369)	(684,369)
Cash transfers	<u>(67,511)</u>	<u>(67,511)</u>
Net cash used in operating activities	<u>(1,329,412)</u>	<u>(1,329,412)</u>
Cash flows from noncapital financing activities		
Non-operating revenues received	<u>1,332,209</u>	<u>1,332,209</u>
Net cash provided by noncapital financing activities	<u>1,332,209</u>	<u>1,332,209</u>
Cash flows from investing activities		
Interest on investments	<u>-</u>	<u>-</u>
Net cash flows provided by investing activities	<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents	2,797	2,797
Cash and cash equivalents - beginning	<u>126,693</u>	<u>126,693</u>
Cash and cash equivalents (deficit) - ending	<u>\$ 129,490</u>	<u>\$ 129,490</u>
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (1,258,697)	\$ (1,258,697)
Adjustment to reconcile operating loss to net cash used in operating activities		
Depreciation	2,022	2,022
Interfund transfers	(67,511)	(67,511)
Changes in assets and liabilities:		
(Increase) in deferred outflows	(17,323)	(17,323)
Decrease in accounts receivable	(23,032)	(23,032)
Decrease in accounts payable	<u>35,129</u>	<u>35,129</u>
Net cash used in operating activities	<u>\$ (1,329,412)</u>	<u>\$ (1,329,412)</u>
Schedule of non-cash transactions		
Donated commodities received from the federal government	<u>\$ 74,227</u>	<u>\$ 74,227</u>

The accompanying notes are an integral part of these financial statements.

NEWPORT INDEPENDENT SCHOOL DISTRICT

**Statement of Fiduciary Net Position
As of June 30, 2015**

	<u>Trust/Agency Fund</u>	<u>Chester Davis Scholarship Fund</u>	<u>School Activity Fund</u>	<u>Total</u>
Assets				
Current				
Cash and cash equivalents	\$ 2,550	\$ 25,000	\$ 154,880	\$ 182,430
Investments	<u>-</u>	<u>665,649</u>	<u>-</u>	<u>665,649</u>
Total current assets	<u>2,550</u>	<u>690,649</u>	<u>154,880</u>	<u>848,079</u>
Liabilities				
Current				
Accounts payable	2,550	-	-	2,550
Due to student groups	<u>-</u>	<u>-</u>	<u>154,880</u>	<u>154,880</u>
Total current	<u>2,550</u>	<u>-</u>	<u>154,880</u>	<u>157,430</u>
Net Position				
Unrestricted	<u>-</u>	<u>690,649</u>	<u>-</u>	<u>690,649</u>
Total net position	<u>\$ -</u>	<u>\$ 690,649</u>	<u>\$ -</u>	<u>\$ 690,649</u>

The accompanying notes are an integral part of these financial statements.

NEWPORT INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenses and Changes in Net Position – Fiduciary Funds
Year Ended June 30, 2015**

	<u>Trust/Agency Fund</u>	<u>Chester Davis Scholarship Fund</u>	<u>Total</u>
Additions			
Net interest and investment gains	\$ -	\$ 20,000	\$ 20,000
Private donations and other	2,376	-	2,376
Fund transfers	128,577	-	128,577
Student activities	200	-	200
	<u>131,153</u>	<u>20,000</u>	<u>151,153</u>
Deductions			
Instruction	131,153	-	131,153
Community services	-	17,000	17,000
	<u>131,153</u>	<u>17,000</u>	<u>148,153</u>
Change in net position	-	3,000	3,000
Net position - July 1, 2014	<u>-</u>	<u>687,649</u>	<u>687,649</u>
Net position - June 30, 2015	<u>\$ -</u>	<u>\$ 690,649</u>	<u>\$ 690,649</u>

The accompanying notes are an integral part of these financial statements.

NEWPORT INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

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

Basis of Presentation

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

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

NEWPORT INDEPENDENT SCHOOL DISTRICT

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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

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

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

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the schedule of expenditures of federal awards included in this report on pages 55. This is a major fund of the District.

NEWPORT INDEPENDENT SCHOOL DISTRICT

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

I. Governmental Fund Types (Continued)

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

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.
2. The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

II. Debt Service Fund

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

III. Proprietary Fund (Enterprise Fund)

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

IV. Fiduciary Fund Type (Agency and Trust Funds)

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

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

NEWPORT INDEPENDENT SCHOOL DISTRICT

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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

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

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

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

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

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

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

Taxes

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

NEWPORT INDEPENDENT SCHOOL DISTRICT

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Process

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

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

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

Cash and Cash Equivalents

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

Inventories

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

Capital Assets

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

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

NEWPORT INDEPENDENT SCHOOL DISTRICT

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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

<u>Description</u>	<u>Governmental Activities 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
Food service equipment	10-12 years
Furniture and fixtures	7 years
Other	10 years

Accumulated Unpaid Sick Leave Benefits

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

Interfund Balances

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

Accrued Liabilities and Long-Term Obligations

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

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

NEWPORT INDEPENDENT SCHOOL DISTRICT

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Reserves

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

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

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

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

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

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

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

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

Net Position

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

Operating Revenues and Expenses

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

NEWPORT INDEPENDENT SCHOOL DISTRICT

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

NOTE 1 SUMMARY OF SIGNIFICANT 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 as non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Pensions

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

NOTE 2 ESTIMATES

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

NOTE 3 CASH AND CASH EQUIVALENTS

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

NEWPORT INDEPENDENT SCHOOL DISTRICT

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

NOTE 4 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015 was as follows:

<u>Governmental Activities</u>	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
Land	\$ 1,109,955	\$ -	\$ -	\$ 1,109,955
Buildings and improvements	25,739,525	45,133	268,000	25,516,658
Technology equipment	1,964,449	107,975	106,455	1,965,969
Vehicles	706,403	-	-	706,403
General equipment	788,717	-	19,362	769,355
Construction in progress	3,733,995	5,279,324	45,133	8,968,186
Totals at historical cost	34,043,044	5,432,432	438,950	39,036,526
Less: accumulated depreciation				
Buildings and improvements	16,930,314	384,830	230,753	17,084,390
Technology equipment	1,237,848	229,503	103,203	1,364,148
Vehicles	606,485	20,238	-	626,723
General equipment	600,975	33,235	18,641	615,569
Total accumulated depreciation	19,375,622	667,805	352,598	19,690,830
Governmental activities capital assets - net	\$ 14,667,422	\$ 4,764,627	\$ 86,352	\$ 19,345,696
 <u>Business - Type Activities</u>				
General equipment	\$ 596,885	\$ -	\$ -	\$ 596,885
Technology equipment	6,126	-	-	6,126
Totals at historical cost	603,011	-	-	603,011
Less: accumulated depreciation				
General equipment	586,400	899	-	587,299
Technology equipment	3,785	1,123	-	4,908
Total accumulated depreciation	590,185	2,022	-	592,207
Business - type activities capital assets - net	\$ 12,826	\$ (2,022)	\$ -	\$ 10,804

Depreciation expense by function for the fiscal year ended June 30, 2015 was as follows:

	<u>Governmental</u>	<u>Business-Type</u>
Instructional	\$ 506,610	\$ -
Student support services	30,248	-
Staff support services	43,414	-
District administration	14,931	-
School administration	15,296	-
Business support services	1,209	-
Plant operation and maintenance	30,938	-
Student transportation	24,844	-
Community service operations	315	-
Food service	-	2,022
Total	\$ 667,805	\$ 2,022

NEWPORT INDEPENDENT SCHOOL DISTRICT

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

NOTE 5 ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System, certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2015 this amount totaled approximately \$496,518 for those employees with twenty-seven or more years of experience or fifty-nine and a half years old.

NOTE 6 COMMITMENTS UNDER NON-CAPITAL LEASES

The District is the lessee of equipment under operating leases expiring between 2016 and 2018. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lower of their related lease terms or the estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense.

Future minimum lease payments under capital leases as of June 30, 2015, for each of the next five years and in the aggregate are as follows:

Year Ending <u>June 30,</u>	<u>Capital Lease Payable</u>
2015-2016	\$ 137,793
2016-2017	118,063
2017-2018	<u>6,147</u>
Total minimum payments	<u>\$ 262,003</u>

NOTE 7 LEASE OBLIGATIONS AND BONDED DEBT

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

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
January 1, 2006	\$ 150,291	3.000% - 3.625%
January 12, 2012	2,365,000	1.500% - 3.250%
September 1, 2012	108,289	3.500%
March 6, 2014	2,125,000	0.350% - 4.000%
November 1, 2014	9,715,000	0.450% - 3.600%

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

The District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. Note 16 sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal has been recorded in the financial statements.

NEWPORT INDEPENDENT SCHOOL DISTRICT

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

NOTE 7 LEASE OBLIGATIONS AND BONDED DEBT (Continued)

All issues may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2015 for debt service (principal and interest) are reported in Note 16.

NOTE 8 RETIREMENT PLANS

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

General information about the County Employees Retirement System Non-Hazardous

Plan description

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

Benefits provided

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

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

NEWPORT INDEPENDENT SCHOOL DISTRICT

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

NOTE 8 RETIREMENT 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 following tier:

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

The contribution requirement for CERS for the year ended June 30, 2015, was \$727,187, which consisted of \$560,614 from the District and \$166,573 from the employees. Total contributions for the year ended June 30, 2014 and 2013 were \$732,085 and \$750,263, respectively. The contributions have been contributed in full for fiscal years 2015, 2014 and 2013.

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

Plan description

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

Benefits provided

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

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

NEWPORT INDEPENDENT SCHOOL DISTRICT

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

NOTE 8 RETIREMENT PLANS (CONTINUED)

Benefits provided (Continued)

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

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

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

Contributions—Contribution rates are established by Kentucky Revised Statutes. Non-university employees are required to contribute 12.105% of their salaries to the System. University employees are required to contribute 9.895% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 7.68% of their salary to KTRS. The contribution requirement for KTRS for the year ended June 30, 2015, was \$1,600,860, which consisted of \$378,727 from the District and \$1,222,133 from the employees. Total contributions for the year ended June 30, 2014 and 2013 were \$1,437,893 and \$1,278,117, respectively. The contributions have been contributed in full for fiscal years 2015, 2014 and 2013.

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 15.355% 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.

NEWPORT INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
(Continued)

NOTE 8 RETIREMENT PLANS (CONTINUED)

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.

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.

Funding policy

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.

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

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$ 4,295,000
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	<u>63,244,526</u>
	<u>\$ 67,539,526</u>

The net pension liability for each plan was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

NEWPORT INDEPENDENT SCHOOL DISTRICT

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

NOTE 8 RETIREMENT PLANS (CONTINUED)

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

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2014, the District's proportion was 0.132373% percent.

For the year ended June 30, 2015, the District recognized pension expense of \$573,660 related to CERS and \$3,099,110 related to KTRS. The District also recognized revenue of \$3,099,110 for KTRS support provided by the Commonwealth. At June 30, 2014, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 479,000
District contributions subsequent to the measurement date	<u>560,614</u>	<u>-</u>
Total	<u><u>\$ 560,614</u></u>	<u><u>\$ 479,000</u></u>

\$560,614 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2016	\$ 95,800
2017	95,800
2018	95,800
2019	95,800
2020	95,800

NEWPORT INDEPENDENT SCHOOL DISTRICT

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

NOTE 8 RETIREMENT PLANS (CONTINUED)

Actuarial assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>CERS</u>	<u>KTRS</u>
Inflation	3.50%	3.50%
Projected salary increases	4.50%	4.0-8.2%
Investment rate of return, net of investment expense and inflation	7.75%	7.50%

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

For KTRS, Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of 1 year for females. The last experience study was performed in 2011 and the next experience study is scheduled to be conducted in 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 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

NEWPORT INDEPENDENT SCHOOL DISTRICT

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

NOTE 8 RETIREMENT PLANS (CONTINUED)

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

<u>Asset Class</u>	<u>KTRS Target Allocation</u>	<u>KTRS Long-Term Expected Real Rate of Return</u>	<u>CERS Target Allocation</u>	<u>CERS Long-Term Expected Real Rate of Return</u>
US equity	45%	6.40%	30%	8.45%
Non-US equity	17%	6.50%	22%	8.85%
Emerging market equity	-	-	5%	10.50%
Private equity	-	-	7%	1.25%
Core US fixed income	-	-	10%	5.25%
High yield US fixed income	-	-	5%	7.25%
Non-US fixed incomes	-	-	5%	5.50%
Commodities	-	-	5%	7.75%
TIPS	-	-	5%	5.00%
Fixed income	24%	1.60%	-	-
High yield bonds	4%	3.10%	-	-
Real estate	4%	5.80%	5%	7.00%
Alternatives	4%	6.80%	-	-
Cash	2%	1.50%	1%	3.25%
Total	<u>100%</u>		<u>100%</u>	

Discount rate

For CERS, the discount rate used to measure the total pension liability was 7.75%. 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 7.75%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For KTRS, the discount rate used to measure the total pension liability was 5.23%. 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 2036 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 4.35% 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.

NEWPORT INDEPENDENT SCHOOL DISTRICT

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

NOTE 8 RETIREMENT PLANS (CONTINUED)

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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	6.75%	7.75%	8.75%
District's proportionate share of net pension liability	\$ 630,332	\$ 479,000	\$ 345,295
KTRS	4.23%	5.23%	6.23%
District's proportionate share of net pension liability	-	-	-

Pension plan fiduciary net position

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

NOTE 9 CONTINGENCIES

Grant Fund Approval

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

NOTE 10 INSURANCE AND RELATED ACTIVITIES

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

NEWPORT INDEPENDENT SCHOOL DISTRICT

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

NOTE 11 DEFICIT OPERATING/FUND BALANCES

There are no funds of the District that currently have a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures, resulting in a corresponding reduction of fund balance:

General Fund	\$ 284,318
Special Revenue Fund	-
Newport Intermediate School	6,506
Newport Alternative High School	2,039

NOTE 12 COBRA

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

NOTE 13 CONTINGENT LIABILITY

The District is a participant in the Kentucky School Board Insurance Trust in which the District purchases general liability and workers' compensation insurance. As of June 30, 2015, the District has been notified of a deficit in the trust and has been given a preliminary assessment of its portion of the deficit of \$94,035. This contingent liability has been recorded in the District Wide Financial Statements but not included in the Governmental Financial Statements.

NOTE 14 TRANSFER OF FUNDS

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Food Service	General Fund	Indirect Costs	\$ 67,511
Special Fund	General Fund	Indirect Costs	19,832
Building Fund	Debt Service Fund	Debt Service	172,727
General Fund	Special Fund	Operating Costs	35,840
General Fund	Food Service	Operating Costs	4,670
General Fund	Athletic Fund	Operating Costs	128,577

NOTE 15 ON-BEHALF PAYMENTS

For the year ended June 30, 2015 total payments of \$3,661,910 were made for life insurance, health insurance, KTRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities.

General Fund	\$ 3,276,168
Debt Service Fund	247,308
Food Service Fund	<u>138,434</u>
Total On-Behalf	<u><u>\$ 3,661,910</u></u>

NEWPORT INDEPENDENT SCHOOL DISTRICT

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

NOTE 16 SCHEDULE OF LONG-TERM DEBT

A summary of the changes in the outstanding principal for the District during the fiscal year ended June 30, 2015 is as follows:

Fiscal Year	2006, 2012, 2014, 2014B and KISTA Bus Loans						Total Requirements
	Newport Independent School District			KY School Facilities Construction Commission			
	Principal	Interest	Total	Principal	Interest	Total	
2015-2016	\$ 412,697	\$ 281,279	\$ 693,976	\$ 182,128	\$ 105,057	\$ 287,185	\$ 981,161
2016-2017	406,170	273,329	679,499	179,457	102,729	282,186	961,685
2017-2018	413,853	265,639	679,492	186,958	100,303	287,261	966,753
2018-2019	421,350	257,711	679,061	184,644	97,617	282,261	961,322
2019-2020	428,363	249,466	677,829	192,814	94,796	287,610	965,439
2020-2021	438,442	240,864	679,306	196,269	91,342	287,611	966,917
2021-2022	444,638	231,973	676,611	195,256	87,629	282,885	959,496
2022-2023	440,422	222,230	662,652	204,578	83,406	287,984	950,636
2023-2024	455,768	211,516	667,284	204,232	78,752	282,984	950,268
2024-2025	465,307	198,663	663,970	214,693	73,842	288,535	952,505
2025-2026	484,509	184,436	668,945	215,491	68,044	283,535	952,480
2026-2027	503,164	169,560	672,724	221,836	62,130	283,966	956,690
2027-2028	511,522	154,088	665,610	233,478	55,620	289,098	954,708
2028-2029	529,072	137,015	666,087	235,928	48,656	284,584	950,671
2029-2030	551,205	118,113	669,318	243,795	40,940	284,735	954,053
2030-2031	567,649	98,457	666,106	252,351	32,883	285,234	951,340
2031-2032	588,762	78,105	666,867	261,238	24,160	285,398	952,265
2032-2033	604,177	57,008	661,185	275,823	15,130	290,953	952,138
2033-2034	632,507	35,189	667,696	127,493	5,411	132,904	800,600
2034-2035	652,285	11,410	663,695	37,715	661	38,376	702,071
	<u>\$ 9,951,862</u>	<u>\$ 3,476,051</u>	<u>\$ 13,427,913</u>	<u>\$ 4,046,177</u>	<u>\$ 1,269,108</u>	<u>\$ 5,315,285</u>	<u>\$ 18,743,198</u>

A summary of the changes in principal of the outstanding bond obligations and the capital leases for the District during the year ended June 30, 2015 is as follows:

Governmental Activities	Balance July 01, 2014	Additions	Payments	Balance June 30, 2015
Bond Obligations	<u>\$ 4,388,300</u>	<u>\$9,829,381</u>	<u>\$ 219,642</u>	<u>\$ 13,998,039</u>

NEWPORT INDEPENDENT SCHOOL DISTRICT

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

NOTE 17 CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2014, the District was required to adopt Governmental Accounting Standards Board (GASB) Statement no. 68, "Accounting and Financial Reporting for Pensions" (GASB 68). GASB 68 replaced the requirements of GASB 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB 50, "Pension Disclosures", as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability to more comprehensively and comparably measure the annual costs of pension benefits. Cost-sharing governmental employers, such as the District, are required to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

GASB 68 required retrospective application. Since the District only presents one year of financial information, the beginning net pension was adjusted to reflect the retrospective application. The adjustment resulted in a \$4,295,000 reduction in beginning net position on the Statement of Activities and an increase of \$560,614 of deferred outflows of resources – District contributions subsequent to the measurement date.

NOTE 18 SUBSEQUENT EVENTS

Subsequent events were considered through November 13, 2015, which represents the release date of our report.

SUPPLEMENTARY
INFORMATION

NEWPORT INDEPENDENT SCHOOL DISTRICT

**Combining Balance Sheet – Nonmajor Governmental Funds
Year Ended June 30, 2015**

	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Debt Service Fund</u>	<u>District Activity Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets					
Current					
Cash and cash equivalents	\$ 177,192	\$ 979,986	\$ -	\$ 14,346	\$ 1,171,524
Accounts receivable	-	-	-	-	-
Total assets	<u>\$ 177,192</u>	<u>\$ 979,986</u>	<u>\$ -</u>	<u>\$ 14,346</u>	<u>\$ 1,171,524</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 5,037	\$ 5,037
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,037</u>	<u>5,037</u>
Fund balances					
Restricted:					
SFCC Escrow	177,192	979,986	-	-	1,157,178
Assigned	-	-	-	9,309	9,309
Unassigned	-	-	-	-	-
Total fund balances	<u>177,192</u>	<u>979,986</u>	<u>-</u>	<u>9,309</u>	<u>1,166,487</u>
Total liabilities and fund balances	<u>\$ 177,192</u>	<u>\$ 979,986</u>	<u>\$ -</u>	<u>\$ 14,346</u>	<u>\$ 1,171,524</u>

NEWPORT INDEPENDENT SCHOOL DISTRICT

**Combining Statement of Revenues Expenditures and
Changes in Fund Balances – Nonmajor Governmental Funds
Year Ended June 30, 2015**

	Capital Outlay Fund	Building Fund	Debt Service Fund	District Activity Fund	Total Nonmajor Government Funds
Revenues					
Taxes	\$ -	\$ 969,636	\$ -	\$ -	\$ 969,636
State sources	156,494	183,077	247,308	-	586,879
Other sources	-	-	-	14,346	14,346
Total revenues	<u>156,494</u>	<u>1,152,713</u>	<u>247,308</u>	<u>14,346</u>	<u>1,570,861</u>
Expenditures					
Instructional	-	-	-	5,037	5,037
Debt service:					
Principal	-	-	195,000	-	195,000
Interest	-	-	225,035	-	225,035
Total expenditures	<u>-</u>	<u>-</u>	<u>420,035</u>	<u>5,037</u>	<u>425,072</u>
Excess of expenditures over revenues	<u>156,494</u>	<u>1,152,713</u>	<u>(172,727)</u>	<u>9,309</u>	<u>1,145,789</u>
Other Financing Sources (Uses)					
Operating transfers in	-	-	172,727	-	172,727
Operating transfers out	-	(172,727)	-	-	(172,727)
Total other financing sources (uses)	<u>-</u>	<u>(172,727)</u>	<u>172,727</u>	<u>-</u>	<u>-</u>
Net change in fund balance	156,494	979,986	-	9,309	1,145,789
Total fund balance, July 1, 2014	<u>20,698</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,698</u>
Total fund balance, June 30, 2015	<u>\$ 177,192</u>	<u>\$ 979,986</u>	<u>\$ -</u>	<u>\$ 9,309</u>	<u>\$ 1,166,487</u>

NEWPORT INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund
Balance – Budget to Actual – General Fund
Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Taxes	\$ 7,850,546	\$ 7,850,546	\$ 7,269,584	\$ (580,962)
Other local sources	697,250	697,250	728,237	30,987
State sources	5,921,188	5,921,188	9,417,720	3,496,532
Federal sources	42,610	42,610	128,174	85,564
Other sources	218,410	218,410	91,023	(127,387)
Total revenues	<u>14,730,004</u>	<u>14,730,004</u>	<u>17,634,738</u>	<u>2,904,734</u>
Expenditures				
Instructional	7,764,624	7,764,624	10,197,524	(2,432,900)
Student support services	521,888	521,888	556,453	(34,565)
Staff support services	605,359	605,359	649,465	(44,106)
District administration	1,603,643	1,603,643	1,444,076	159,567
School administration	1,218,826	1,218,826	1,224,767	(5,941)
Business support services	922,021	922,021	842,423	79,598
Plant operation and maintenance	2,688,528	2,688,528	2,279,035	409,493
Student transportation	523,929	523,929	529,390	(5,461)
Community service operation	-	-	29	(29)
Facility acquisition and construction	-	-	-	-
Debt Service	45,233	45,233	26,807	18,426
Other	3,115,669	3,115,669	169,087	2,946,582
Total expenditures	<u>19,009,720</u>	<u>19,009,720</u>	<u>17,919,056</u>	<u>1,090,664</u>
Net change in fund balance	(4,279,716)	(4,279,716)	(284,318)	3,995,398
Fund balance, July 1, 2014	<u>4,264,658</u>	<u>4,264,658</u>	<u>4,681,042</u>	<u>(416,384)</u>
Fund balance, June 30, 2015	<u>\$ (15,058)</u>	<u>\$ (15,058)</u>	<u>\$ 4,396,724</u>	<u>\$ 4,411,782</u>

NEWPORT INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund
Balance – Budget to Actual – Special Revenue Fund
Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Other local sources	\$ 81,280	\$ 81,280	\$ 87,358	\$ 6,078
State sources	1,614,164	1,575,533	1,571,748	(3,785)
Federal sources	2,845,187	2,839,187	2,733,600	(105,587)
Other sources	<u>422,780</u>	<u>422,780</u>	<u>35,840</u>	<u>(386,940)</u>
Total revenues	<u>4,963,411</u>	<u>4,918,780</u>	<u>4,428,546</u>	<u>(490,234)</u>
Expenditures				
Instructional	3,634,684	3,473,447	3,659,314	(185,867)
Student support services	75,379	75,379	68,189	7,190
Staff support services	539,977	536,471	263,865	272,606
School administration	4,892	4,892	1,682	3,210
Business support services	-	-	(1,074)	1,074
Community service operation	464,841	453,841	416,738	37,103
Other	<u>30,422</u>	<u>30,422</u>	<u>19,832</u>	<u>10,590</u>
Total expenditures	<u>4,750,195</u>	<u>4,574,452</u>	<u>4,428,546</u>	<u>145,906</u>
Net change in fund balance	213,216	344,328	-	(344,328)
Fund balance, July 1, 2014	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2015	<u>\$ 213,216</u>	<u>\$ 344,328</u>	<u>\$ -</u>	<u>\$ (344,328)</u>

NEWPORT INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund
Balance – Budget to Actual – Construction Fund
Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Other sources	\$ -	\$ 2,052,460	\$ 9,568,270	\$ 7,515,810
Total revenues	<u>-</u>	<u>2,052,460</u>	<u>9,568,270</u>	<u>7,515,810</u>
Expenditures				
Facility acquisition and construction	-	-	5,227,805	(5,227,805)
Total expenditures	<u>-</u>	<u>-</u>	<u>5,227,805</u>	<u>(5,227,805)</u>
Net change in fund balance	-	2,052,460	4,340,465	2,288,005
Fund balalnce, July 1, 2014	<u>-</u>	<u>-</u>	<u>663,973</u>	<u>(663,973)</u>
Fund balalnce, June 30, 2015	<u>\$ -</u>	<u>\$ 2,052,460</u>	<u>\$ 5,004,438</u>	<u>\$ 2,951,978</u>

NEWPORT INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balances
Bond and Interest Redemption Funds
Year Ended June 30, 2015**

	<u>Issue of 2003</u>	<u>2005 KISTA</u>	<u>Issue of 2012</u>	<u>Issue of 2012 KISTA</u>	<u>Issue of 2014</u>	<u>Issue of 2014B</u>	<u>Total</u>
Cash at July 1, 2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Transfers and miscellaneous deposits	-	14,902	151,281	11,904	148,163	120,592	446,842
Disbursements:							
Bonds paid	-	14,381	100,000	10,261	95,000	-	219,642
Interest coupons	-	521	51,281	1,643	53,163	120,592	227,200
Total disbursements	-	14,902	151,281	11,904	148,163	120,592	446,842
Excess of receipts over disbursements	-	-	-	-	-	-	-
Cash at June 30, 2015	-	-	-	-	-	-	-
Accounts Receivable and Payable							
Matured interest and bonds outstanding	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-	-	-
Fund balance at June 30, 2015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

NEWPORT INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balances
Newport High School Activity Funds
Year Ended June 30, 2015**

	<u>Fund Balance July 1, 2014</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Fund Balance June 30, 2015</u>
Academic team	\$ 44	\$ -	\$ -	\$ 44
Alumni fund	1,252	5,000	5,404	848
Annual	6,408	4,393	4,907	5,894
Archery club	1,500	-	58	1,442
Art	158	-	-	158
Band	-	1,909	955	954
Baseball	785	1,768	2,410	143
Basketball	2	2,014	564	1,452
Business	380	-	-	380
Cats café	17	-	-	17
Charitable donations and payments	965	-	-	965
Cheerleading	2,202	1,225	400	3,027
Cheerleading 2014-2015	1,150	4,312	5,415	47
Children's Inc. donation	500	-	-	500
Class of 2014	42	456	498	-
Class of 2015	104	6,799	6,211	692
Coke account	1,302	-	-	1,302
Commercial art	201	250	-	451
Digital photography club	323	-	-	323
F.B.L.A.	1,889	3,515	4,560	844
F.C.C.L.A.	676	-	-	676
Fine arts	11	-	-	11
Football activities	2,759	3,442	1,957	4,244
Girls basketball	250	3,457	3,375	332
Graphic arts	4,951	21,672	21,957	4,666
Home economics-Jessica Cope	378	375	742	11
Industrial shop	487	540	110	917
Interest account	174	20	-	194
iPad take home fee	8,688	6,460	97	15,051
John Turner memorial donations	585	2,310	888	2,007
Key club	71	-	30	41
Library	21	25	-	46
Math	634	212	589	257
Media	117	-	-	117
MSD	12	1,498	1,470	40
National Honor's Society	407	594	131	870
Newport Mason Donation	-	500	-	500
Officials	7,904	33,468	31,131	10,241
PE and health	116	-	-	116
Pep Club	67	-	-	67
Prom	-	4,911	4,353	558
Recycling	125	-	-	125
Retirement donations	68	-	-	68
Roger Johnson Foundation	3,000	21	2,845	176
School newspaper	121	-	-	121
Science	602	-	186	416
Skills USA	38	2,483	2,164	357

NEWPORT INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balances
Newport High School Activity Funds
Year Ended June 30, 2015**

	<u>Fund Balance July 1, 2014</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Fund Balance June 30, 2015</u>
Snack machine	\$ 47	\$ -	\$ -	\$ 47
Social studies	362	-	-	362
Softball	805	-	-	805
Spanish foreign language	72	-	-	72
Spanish honor society	266	-	-	266
Student activity	2,431	2,092	4,014	509
Student council	973	1,810	1,704	1,079
Sunshine	611	70	55	626
Target - take charge of education	1,084	169	1,172	81
Teacher supply fund	205	-	-	205
Teacher survey	110	-	-	110
Teachers lounge coke	4	705	269	440
Textbooks	1,210	400	-	1,610
Track	1,442	35	-	1,477
Transcripts and records	32	897	346	583
Visual Communications	-	1,321	1,205	116
Volleyball	-	1,398	681	717
Washing inauguration	1,797	-	1,797	-
World Travel Club	-	7,708	6,928	780
Wrestling	211	4,953	3,499	1,665
Youth basketball league	2,000	-	-	2,000
YSC Fundraisers	-	16,067	15,611	456
YSC Holiday	-	1,925	583	1,342
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 65,148</u>	<u>\$ 153,179</u>	<u>\$ 141,271</u>	<u>\$ 77,056</u>

NEWPORT INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balances
Year Ended June 30, 2015**

	<u>Newport Alternative High School</u>	<u>Newport Middle School</u>	<u>Newport Intermediate School</u>	<u>Newport Primary School</u>	<u>Total</u>
Fund balances at July 01, 2014	\$ 9,665	\$ 16,571	\$ 29,316	\$ 13,165	\$ 68,717
Add: receipts	3,097	40,634	25,240	14,271	83,242
Less: disbursements	<u>(5,136)</u>	<u>(23,008)</u>	<u>(31,746)</u>	<u>(14,245)</u>	<u>(74,135)</u>
Fund balances at June 30, 2015	<u>\$ 7,626</u>	<u>\$ 34,197</u>	<u>\$ 22,810</u>	<u>\$ 13,191</u>	<u>\$ 77,824</u>

NEWPORT INDEPENDENT SCHOOL DISTRICT

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

	Last 10 Fiscal Years*									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
District's proportion of the net pension liability	0%	*	*	*	*	*	*	*	*	*
District's proportionate share of the net pension liability	\$ -	*	*	*	*	*	*	*	*	*
State's proportionate share of the net pension liability associated with the District	63,244,526	*	*	*	*	*	*	*	*	*
Total	\$ 63,244,526	*	*	*	*	*	*	*	*	*
District's covered-employee payroll	\$ 9,642,589	\$ 9,223,450	\$ 9,753,371	*	*	*	*	*	*	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0%	*	*	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	45.59%	*	*	*	*	*	*	*	*	*

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

NEWPORT INDEPENDENT SCHOOL DISTRICT

Schedule of the District Contributions - KTRS

	Last 10 Fiscal Years*									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 378,727	\$ 342,523	\$ 276,073	\$ 264,260	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	<u>(378,727)</u>	<u>(342,523)</u>	<u>(276,073)</u>	<u>(264,260)</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
District's covered-employee payroll	\$ 10,095,979	\$ 9,642,589	\$ 9,223,450	\$ 9,753,371	*	*	*	*	*	*
Contributions as a percentage of of covered-employee payroll	3.75%	3.55%	2.99%	2.71%	*	*	*	*	*	*

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

NEWPORT INDEPENDENT SCHOOL DISTRICT

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

	Last 10 Fiscal Years*									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
District's proportion of net pension liability	0.132373%	*	*	*	*	*	*	*	*	*
District's proportionate share of the net pension liability	\$ 4,295,000	*	*	*	*	*	*	*	*	*
Total net pension liability	\$ 3,244,377,000	*	*	*	*	*	*	*	*	*
District's covered-employee payroll	\$ 3,035,128	\$ 3,033,739	\$ 3,230,810	*	*	*	*	*	*	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	141.5%	*	*	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	66.80%	*	*	*	*	*	*	*	*	*

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

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

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tired structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

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

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

2006: The assumptions were updated as the result of an experience study for the five year period ending June 30, 2005.

2007: Amortization bases have been combined and will be amortized over a single 30 year closed period beginning June 30, 2007.

2009: The assumptions were updated as the result of an experience study for the three year period ending June 30, 2008.

2013: The amortization period of the unfunded accrued liability was reset to a closed 30 years period.

NEWPORT INDEPENDENT SCHOOL DISTRICT

Schedule of the District Contributions – CERS

	Last 10 Fiscal Years*									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 560,614	\$ 573,336	\$ 593,095	\$ 612,032	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	<u>(560,614)</u>	<u>(573,336)</u>	<u>(593,095)</u>	<u>(612,032)</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
District's covered-employee payroll	\$ 3,172,689	\$ 3,035,128	\$ 3,033,739	\$ 3,230,810	*	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	17.67%	18.89%	19.55%	18.94%	*	*	*	*	*	*

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

NEWPORT INDEPENDENT SCHOOL DISTRICT

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Agreement Number	Federal Expenditures for FYE 6/30/2015
<u>U.S. Department of Health and Human Services</u>			
Foster Care - Title IV-E	93.658	4069	12,960
Total U.S. Department of Health and Human Services			12,960
<u>U.S. Department of Education</u>			
<u>Passed through Kentucky Department of Education</u>			
Special Education Cluster			
Special Education Grants to States	84.027	3810002 13	\$ (17,073)
Special Education Grants to States	84.027	3810002 14	32,130
Special Education Grants to States	84.027	3810002 15	509,187
Special Education Preschool Grants	84.173	3800002 14	5,804
Special Education Preschool Grants	84.173	3800002 15	18,451
Total Special Education Cluster			548,499
Title I Grants to Local Educational Agencies	84.010	3100002 13	39,048
Title I Grants to Local Educational Agencies	84.010	3100002 14	318,006
Title I Grants to Local Educational Agencies	84.010	3100002 15	821,400
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.010A	314A	62,094
Total for CFDA #84.010			1,240,548
Career and technical Education -Basic Grants to States	84.048	3710002 13	(18,716)
Career and technical Education -Basic Grants to States	84.048	3710002 15	34,972
Total for CFDA #84.048			16,256
Education for Homeless Children and Youth	84.196	3990002 14	6,909
Education for Homeless Children and Youth	84.196	3990002 15	28,859
Total for CFDA #84.196			35,768
Fund for the Improvement of Education	84.215F	S215F130150 14	232,717
Fund for the Improvement of Education	84.215F	S215F130150 15	155,352
Total for CFDA #84.215F			388,069
Title II Improving Teacher Quality State Grants	84.367	3230002 13	4,200
Title II Improving Teacher Quality State Grants	84.367	3230002 14	119,666
Title II Improving Teacher Quality State Grants	84.367	3230002 15	3,693
Total for CFDA #84.367			127,559
School Improvement Grants	84.377	3100202 15	25,544
School Improvement Grants	84.377	4602	(14,400)
School Improvement Grants	84.377	4603	170,554
School Improvement Grants - ARRA	84.388	5600C	(2,153)
Total School Improvement Grants Cluster			179,545
Twenty-First Century Community Learning Centers	84.287C	3400002 11	(2,944)
Twenty-First Century Community Learning Centers	84.287C	3400002 12	(4,200)
Twenty-First Century Community Learning Centers	84.287C	3400002 13	78,137
Twenty-First Century Community Learning Centers	84.287C	3400002 14	108,421
Total for CFDA #84.287C			179,414
Adult Education - Basic Grants to States	84.002	3732S	(615)
English Language Acquisition State Grants	84.365	345A	3,975
Race to the Top	84.413A	4521	1,621
Total U.S. Department of Education			2,720,639
<u>U.S. Department of Agriculture</u>			
Child Nutrition Cluster			
<u>Passed through Kentucky Department of Education</u>			
National School Lunch Program	10.555	7750002 14	132,070
National School Lunch Program	10.555	7750002 15	649,907
School Breakfast Program	10.553	7760005 14	43,390
School Breakfast Program	10.553	7760005 15	219,669
Summer Food Program for Children	10.559	7690024 14	1,669
Summer Food Program for Children	10.559	7740023 14	16,151
<u>Passed through Kentucky Department of Agriculture</u>			
National School Lunch Program - Food Donation	10.555	N/A	74,227
Total Child Nutrition Cluster			1,137,083
<u>Passed through Kentucky Department of Education</u>			
Fresh Fruit and Vegetable Program	10.582	7720012 14	3,535
Fresh Fruit and Vegetable Program	10.582	7720012 15	18,559
Total for CFDA #10.582			22,094
Total U.S. Department of Agriculture			1,159,177
Total Expenditures of Federal Awards			\$ 3,892,776

NEWPORT INDEPENDENT SCHOOL DISTRICT

**Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015**

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Newport Independent School District under programs of the federal government for the year ended June 30, 2015, and is reported on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Newport Independent School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE 2 – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. For the year ended June 30, 2015, the District reported food commodities expended in the amount of \$74,227.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Newport Independent School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Newport Independent School District's basic financial statements, and have issued our report thereon dated November 13, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Newport Independent School District's internal control over financial reporting (internal control) 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 Newport Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Newport Independent School District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Newport Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

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

(Continued)

Purpose of this Report

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

Barnes, Dennig & Co., Ltd.

Crestview Hills, Kentucky
November 13, 2015



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Newport Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Newport Independent School District's major federal programs for the year ended June 30, 2015. Newport Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Newport Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Newport Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Newport Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of Newport Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Newport Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Newport Independent School District's internal control over compliance.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133
(Continued)**

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Barnes, Dennig & Co., Ltd.

Crestview Hills, Kentucky
November 13, 2015

NEWPORT INDEPENDENT SCHOOL DISTRICT

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2015**

SECTION I -SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs

CFDA No.	Name of Federal Program or Clusters
84.027/84.173	Special Education Cluster (IDEA)
84.215F	Fund for the Improvement of Education
84.413A	Race to the Top
84.196	Education for Homeless Children and Youth

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

NEWPORT INDEPENDENT SCHOOL DISTRICT

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2015**

Reference Number	Summary of Findings	Status
	No matters are reportable	

NEWPORT INDEPENDENT SCHOOL DISTRICT

Management Letter Comments Year Ended June 30, 2015

In planning and performing our audit of the financial statements of Newport Independent School District for the year ended June 30, 2015, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

This letter summarizes our comments and suggestions regarding those matters. A separate report dated November 13, 2015 contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated November 13, 2015, on the financial statements of the Newport Independent School District.

CURRENT YEAR RECOMMENDATIONS

CENTRAL OFFICE

No matters are reportable

ACTIVITY FUNDS

NEWPORT HIGH SCHOOL

2015-01: Timely deposits not made and documentation of receipts not properly made

Criteria – Per best practices recommended by the Kentucky Department of Education, the school should have a process in place to properly collect and deposit receipts in a timely and organized manner.

Condition – During the testing of the Activity Fund, it was noted that some deposits were not being made in a timely manner and the documentation of the multiple receipts were not properly included on the deposit slips.

Effect – Best practices of depositing funds on a daily basis and using standard multiple receipt forms were not properly followed.

Cause – Best practices were not properly followed as designed by the District.

Recommendation – We recommend that District personnel refer to the 2013 Redbook best practices for handling of deposits. In addition, we recommend using Document F-SA-6 – *Multiple Receipt Form* in the 2013 Redbook for documenting when the school receives multiple receipts in one day.

Board Response - The business office will retrain the staff at NHS in Redbook practices related to deposits and receipts. The business office will personally review all deposits twice monthly to insure compliance is in order.

NEWPORT INDEPENDENT SCHOOL DISTRICT

Management Letter Comments (Continued) Year Ended June 30, 2015

2015-02: Invoices were not marked paid

Criteria – Per best practices recommended by the Kentucky Department of Education, invoices should be marked paid after a check has been issued for that particular expense.

Condition – During the testing of the Activity Fund, it was noted that several invoices were not marked as paid.

Effect – Best practices of cash disbursements notes to mark invoice paid once the check is paid.

Cause – Best practices were not properly followed as designed by the District.

Recommendation – We recommend that District start stamping their invoices as “Paid” after a checks have been issued for particular expenses.

Board Response - The business office will retrain the staff at NHS in Redbook practices related to cash disbursements.

NEWPORT ALTERNATIVE HIGH SCHOOL

2015-03: Documentation of receipts not properly made

Criteria – Per best practices recommended by the Kentucky Department of Education, the school should have a process in place to properly collect and deposit receipts in a timely and organized manner.

Condition – During the testing of the Activity Fund, it was noted the documentation of the multiple receipts were not properly included on the deposit slips.

Effect – Best practices of using standard multiple receipt forms were not properly followed.

Cause – Best practices were not properly followed as designed by the District.

Recommendation – We recommend that District personnel refer to the 2013 Redbook best practices for handling of deposits. In addition, we recommend using Document F-SA-6 – *Multiple Receipt Form* in the 2013 Redbook for documenting when the school receives multiple receipts in one day.

Board Response - The business office will retrain the staff at NAHS in Redbook practices related to deposits and receipts. The business office will personally review all deposits twice monthly to insure compliance is in order.

NEWPORT INDEPENDENT SCHOOL DISTRICT

Management Letter Comments (Continued) Year Ended June 30, 2015

2015-04: Monthly Financial Reports were not signed off on by the proper District personnel

Criteria – Per best practices recommended by the Kentucky Department of Education, Monthly Financial Reports should be reviewed and signed off on by the proper district personnel on a timely basis.

Condition – During the testing of the Activity Fund, it was noted that there were multiple instances of the School's Monthly Financial Reports not being signed off on by the proper District personnel in a timely manner.

Effect – Proper documentation of the preparation and review of the Monthly Financial Reports were not documented.

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

Recommendation – We recommend that the proper District personnel properly review and sign off on the School's Monthly Financial Reports on a timely basis.

Board Response - The business office will retrain all staff in timely reviews of financial records and monitor this practice in writing for the next six months to insure compliance in report supplemental, review and sign-offs.

NEWPORT MIDDLE SCHOOL

2015-05: Monthly Financial Reports were not signed off on by the proper District personnel

Criteria – Per best practices recommended by the Kentucky Department of Education, Monthly Financial Reports should be reviewed and signed off on by the proper district personnel on a timely basis.

Condition – During the testing of the Activity Fund, it was noted that there were multiple instances of the School's Monthly Financial Reports not being signed off on by the proper District personnel in a timely manner.

Effect – Proper documentation of the preparation and review of the Monthly Financial Reports were not documented.

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

Recommendation – We recommend that the proper District personnel properly review and sign off on the School's Monthly Financial Reports on a timely basis.

Board Response - The business office will retrain all staff in timely reviews of financial records and monitor this practice in writing for the next six months to insure compliance in report supplemental, review and sign-offs.

NEWPORT INDEPENDENT SCHOOL DISTRICT

**Management Letter Comments (Continued)
Year Ended June 30, 2015**

CURRENT YEAR RECOMMENDATIONS (Continued)

2015-06: Documentation of receipts not properly made

Criteria – Per best practices recommended by the Kentucky Department of Education, the school should have a process in place to properly collect and deposit receipts in a timely and organized manner.

Condition – During the testing of the Activity Fund, it was noted the documentation of the multiple receipts were not properly included on the deposit slips. Names and amounts were omitted from the receipt slip.

Effect – Best practices of using standard multiple receipt forms were not properly followed.

Cause – Best practices were not properly followed as designed by the District.

Recommendation – We recommend that District personnel refer to the 2013 Redbook best practices for handling of deposits. In addition, we recommend using Document F-SA-6 – *Multiple Receipt Form* in the 2013 Redbook for documenting when the school receives multiple receipts in one day.

Board Response - The business office will retrain the staff at NMS in Redbook practices related to deposits and receipts. The business office will personally review all deposits twice monthly to insure compliance is in order.

2015-07: Invoices were not marked paid

Criteria – Per best practices recommended by the Kentucky Department of Education, invoices should be marked paid after a check has been issued for that particular expense.

Condition – During the testing of the Activity Fund, it was noted that several invoices were not marked as paid.

Effect – Best practices of cash disbursements notes to mark invoice paid once the check is paid.

Cause – Best practices were not properly followed as designed by the District.

Recommendation – We recommend that District start stamping their invoices as "Paid" after a checks have been issued for particular expenses.

Board Response - The business office will retrain the staff at NHS in Redbook practices related to cash disbursements.

NEWPORT INDEPENDENT SCHOOL DISTRICT

**Management Letter Comments (Continued)
Year Ended June 30, 2015**

NEWPORT INTERMEDIATE SCHOOL

2015-08: Monthly Financial Reports were not signed off on by the proper District personnel

Criteria – Per best practices recommended by the Kentucky Department of Education, Monthly Financial Reports should be reviewed and signed off on by the proper district personnel on a timely basis.

Condition – During the testing of the Activity Fund, it was noted that there were multiple instances of the School's Monthly Financial Reports not being signed off on by the proper District personnel in a timely manner.

Effect – Proper documentation of the preparation and review of the Monthly Financial Reports were not documented.

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

Recommendation – We recommend that the proper District personnel properly review and sign off on the School's Monthly Financial Reports on a timely basis.

Board Response - The business office will retrain all staff in timely reviews of financial records and monitor this practice in writing for the next six months to insure compliance in report supplemental, review and sign-offs.

2015-09: The School's Booster Club does not have a Federal Identification Number set up to maintain their own financial statements.

Criteria – Per best practices recommended by the Kentucky Department of Education, an external booster organization must obtain its own Federal Employer Identification Number specifically for its use.

Condition – During testing of the Activity Fund, it was noted that the School's booster club is organized under the Social Security Number of the individual in charge.

Effect – Proper organization and setup of the School's booster club was not established.

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

Recommendation – We recommend that the booster organization files for a Federal Employer Identification Number to continue the booster's established purpose. Refer to the 2013 Redbook for the best practices for the organization and operations of external booster clubs.

Board Response - Immediately the business office will work directly with the school principal and PTO officers to file for the federal identification number. No fund raisers or activities will be held until this number is obtained.

NEWPORT INDEPENDENT SCHOOL DISTRICT

**Management Letter Comments (Continued)
Year Ended June 30, 2015**

CURRENT YEAR RECOMMENDATIONS (Continued)

NEWPORT PRIMARY SCHOOL

2015-05: Monthly Financial Reports were not signed off on by the proper District personnel

Criteria – Per best practices recommended by the Kentucky Department of Education, Monthly Financial Reports should be reviewed and signed off on by the proper district personnel on a timely basis.

Condition – During the testing of the Activity Fund, it was noted that there were multiple instances of the School's Monthly Financial Reports not being signed off on by the proper District personnel in a timely manner.

Effect – Proper documentation of the preparation and review of the Monthly Financial Reports were not documented.

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

Recommendation – We recommend that the proper District personnel properly review and sign off on the School's Monthly Financial Reports on a timely basis.

Board Response - The business office will retrain all staff in timely reviews of financial records and monitor this practice in writing for the next six months to insure compliance in report supplemental, review and sign-offs.

NEWPORT INDEPENDENT SCHOOL DISTRICT

**Management Letter Comments (Continued)
Year Ended June 30, 2015**

STATUS OF PRIOR YEAR RECOMMENDATIONS

CENTRAL OFFICE

No matters are reportable

ACTIVITY FUNDS

NEWPORT HIGH SCHOOL

Statement of prior year deficiency:

- It was noted that monies were not being deposited timely.

Current year follow-up: Items still exist at the school.

NEWPORT ALTERNATIVE HIGH SCHOOL

No matters are reportable

NEWPORT MIDDLE SCHOOL

No matters are reportable

NEWPORT INTERMDIATE SCHOOL

Statement of prior year deficiency:

- It was noted that the monthly financial reports were not being signed by proper personnel
- It was noted that the School's Booster Club did not have a Federal ID number

Current year follow-up: Items still exist in at the school.

NEWPORT PRIMARY SCHOOL

No matters are reportable