

CITY OF NEW CASTLE, KENTUCKY
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITORS' REPORTS

Year Ended June 30, 2021

CITY OF NEW CASTLE, KENTUCKY
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The Honorable Tony Kurtz, Mayor
and Members of the City Commission
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New Castle, Kentucky 40050

INDEPENDENT AUDITOR'S REPORT

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 City of New Castle, Kentucky, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of New Castle, Kentucky's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 City of New Castle, Kentucky, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The Honorable Tony Kurtz, Mayor
and Members of the City Commission
of the City of New Castle
New Castle, Kentucky 40050

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the Table of Contents on pages 54 – 59 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of New Castle, Kentucky's basic financial statements. The comparative combining financial statements and the budget and actual financial statements of the proprietary fund types listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The comparative combining financial statements and the budget and actual financial statements of the proprietary fund types listed in the table of contents 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 comparative combining financial statements and the budget and actual financial statements of the proprietary fund types listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2021, on our consideration of the City of New Castle, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of New Castle, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of New Castle, Kentucky's internal control over financial reporting and compliance.

Raisor, Zapp & Woods, PSC

RAISOR, ZAPP & WOODS, PSC
Certified Public Accountants
Carrollton, Kentucky

September 2, 2021

CITY OF NEW CASTLE, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2021

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current Assets:			
Cash, including time deposits	\$ 321,932	\$ 254,511	\$ 576,443
Interest Receivable	-	100	100
Accounts Receivable (Net)	45,581	60,501	106,082
Due from Other Governments	9,603	-	9,603
Due from Other Funds	(16,540)	16,540	-
Total Current Assets	<u>\$ 360,576</u>	<u>\$ 331,652</u>	<u>\$ 692,228</u>
Noncurrent Assets:			
Restricted Assets			
Cash	\$ 24,869	\$ 587,931	\$ 612,800
Capital Assets (Net)	516,620	2,602,264	3,118,884
Total Noncurrent Assets	<u>\$ 541,489</u>	<u>\$ 3,190,195</u>	<u>\$ 3,731,684</u>
Total Assets	<u>\$ 902,065</u>	<u>\$ 3,521,847</u>	<u>\$ 4,423,912</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Attributable to Employee Pension Plan	\$ 27,574	\$ 41,362	\$ 68,936
Attributable to Employee Benefit Plan	22,724	34,084	56,808
Total Deferred Outflows of Resources	<u>\$ 50,298</u>	<u>\$ 75,446</u>	<u>\$ 125,744</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	\$ 18,040	\$ 15,866	\$ 33,906
Accrued Compensated Absences	3,126	5,138	8,264
Accrued Taxes/Employee Withholding	6,622	886	7,508
Current Liabilities Payable from Restricted Assets:			
Accrued Interest	417	-	417
Current Portion - Note Payable	-	21,098	21,098
Current Portion - Capital Lease Obligation	15,000	-	15,000
Current Portion - Revenue Bonds Payable	-	51,400	51,400
Total Current Liabilities	<u>\$ 43,205</u>	<u>\$ 94,388</u>	<u>\$ 137,593</u>
Noncurrent Liabilities:			
Revenue Bonds Payable	\$ -	\$ 444,719	\$ 444,719
Note Payable	-	344,837	344,837
Capital Lease Obligation	35,000	-	35,000
Accrued Compensated Absences	7,141	11,522	18,663
Net Pension Liability	155,608	233,410	389,018
Net OPEB Liability	48,979	73,470	122,449
Noncurrent Liabilities Payable from Restricted Assets:			
Customer Deposits Payable	-	21,350	21,350
Total Noncurrent Liabilities	<u>\$ 246,728</u>	<u>\$ 1,129,308</u>	<u>\$ 1,376,036</u>
Total Liabilities	<u>\$ 289,933</u>	<u>\$ 1,223,696</u>	<u>\$ 1,513,629</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Attributable to Employee Pension Plan	\$ 2,852	\$ 4,276	\$ 7,128
Attributable to Employee Benefit Plan	9,421	14,130	23,551
Total Deferred Inflows of Resources	<u>\$ 12,273</u>	<u>\$ 18,406</u>	<u>\$ 30,679</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	\$ 466,620	\$ 1,740,210	\$ 2,206,830
Restricted for:			
Debt Service	13,041	563,887	576,928
Other Purposes	82,344	-	82,344
Unrestricted	88,152	51,094	139,246
Total Net Position	<u>\$ 650,157</u>	<u>\$ 2,355,191</u>	<u>\$ 3,005,348</u>

CITY OF NEW CASTLE, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

		Program Revenues		
		Charges For	Operating	Capital
	<u>Expenses</u>	<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>
			<u>Contributions</u>	<u>Contributions</u>
Functions / Programs				
Governmental Activities:				
General Government	\$ 186,969	\$ 200	\$ -	\$ -
Public Safety				
Police Department	41,725	3,246	34,884	-
Fire Department	63,491	35,911	11,000	-
Public Services	84,446	85,708	-	-
Highways & Streets	75,826	-	18,005	-
Total Governmental Activities	<u>\$ 452,457</u>	<u>\$ 125,065</u>	<u>\$ 63,889</u>	<u>\$ -</u>
Business-type Activities				
Water	\$ 254,883	\$ 247,220	\$ -	\$ -
Sewer	253,757	232,861	-	-
Total Business-type Activities	<u>\$ 508,640</u>	<u>\$ 480,081</u>	<u>\$ -</u>	<u>\$ -</u>
Total Government	<u><u>\$ 961,097</u></u>	<u><u>\$ 605,146</u></u>	<u><u>\$ 63,889</u></u>	<u><u>\$ -</u></u>

General Revenues:

Taxes:

Property Taxes
Franchise Taxes
Insurance Taxes
Unrestricted Investment Income
Miscellaneous
Total General Revenues

Change in Net Position

Net Position - July 1

Net Position - June 30

**Net (Expense) Revenue and
Changes in Net Position**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (186,769)	\$ -	\$ (186,769)
(3,595)	-	(3,595)
(16,580)	-	(16,580)
1,262	-	1,262
<u>(57,821)</u>	<u>-</u>	<u>(57,821)</u>
<u>\$ (263,503)</u>	<u>\$ -</u>	<u>\$ (263,503)</u>
\$ -	\$ (7,663)	\$ (7,663)
-	(20,896)	(20,896)
<u>-</u>	<u>-</u>	<u>-</u>
\$ -	\$ (28,559)	\$ (28,559)
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (263,503)</u>	<u>\$ (28,559)</u>	<u>\$ (292,062)</u>
\$ 78,401	\$ -	\$ 78,401
52,368	-	52,368
143,920	-	143,920
174	1,321	1,495
1,762	8,500	10,262
<u>\$ 276,625</u>	<u>\$ 9,821</u>	<u>\$ 286,446</u>
\$ 13,122	\$ (18,738)	\$ (5,616)
637,035	2,373,929	3,010,964
<u>\$ 650,157</u>	<u>\$ 2,355,191</u>	<u>\$ 3,005,348</u>

CITY OF NEW CASTLE, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash, including time deposits	\$ 241,292	\$ 80,640	\$ 321,932
Cash, restricted	24,869	-	24,869
Accounts Receivable: (net of allowance for uncollectibles)			
Insurance Licenses	32,033	-	32,033
Property Taxes	961	-	961
Garbage	7,034	-	7,034
Franchise Fees	5,553	-	5,553
Due from Other Governments	7,899	1,704	9,603
 Total Assets	 <u>\$ 319,641</u>	 <u>\$ 82,344</u>	 <u>\$ 401,985</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 18,040	\$ -	\$ 18,040
Due to Other Funds	16,540	-	16,540
Accrued Taxes / Employee Withholding	6,622	-	6,622
 Total Liabilities	 <u>\$ 41,202</u>	 <u>\$ -</u>	 <u>\$ 41,202</u>
<u>FUND BALANCES</u>			
Restricted for:			
Debt Service - Fire Truck	\$ 13,041	\$ -	\$ 13,041
Special Revenue Funds	-	82,344	82,344
Assigned to:			
Downtown Revitalization & Preservation	11,828	-	11,828
Unassigned	253,570	-	253,570
Total Fund Balances	<u>\$ 278,439</u>	<u>\$ 82,344</u>	<u>\$ 360,783</u>
 Total Liabilities and Fund Balances	 <u>\$ 319,641</u>	 <u>\$ 82,344</u>	 <u>\$ 401,985</u>

CITY OF NEW CASTLE, KENTUCKY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2021

Total Governmental Fund Balances	\$ 360,783
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$1,054,361	516,620
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Deferred Outflows of Resources	
Attributable to Employee Pension Plan	27,574
Attributable to Employee Benefit Plan	22,724

Long term liabilities are not due and payable in the current period and therefore not reported in the funds:

Accrued compensated absences	(10,267)
Accrued Interest	(417)
Capital Lease Obligation	(50,000)
Net Pension Liability	(155,608)
Net OPEB Liability	(48,979)

Deferred Inflows of Resources	
Attributable to Employee Pension Plan	(2,852)
Attributable to Employee Benefit Plan	(9,421)

Net Position of Governmental Activities	<u>\$ 650,157</u>
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CITY OF NEW CASTLE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>			
Property Taxes	\$ 78,401	\$ -	\$ 78,401
Franchise Taxes	52,368	-	52,368
Insurance Taxes	143,920	-	143,920
Charges for Services	85,708	-	85,708
Interest Revenue	91	83	174
Fire Department	35,911	-	35,911
Miscellaneous Revenues	1,962	-	1,962
Proceeds from Outside Sources:			
State Fire Aid	11,000	-	11,000
Municipal Road Aid	-	18,005	18,005
KY Public Safety Program	3,246	-	3,246
CARES Act Coronavirus Relief Fund	43,772	-	43,772
Total Revenues	<u>\$ 456,379</u>	<u>\$ 18,088</u>	<u>\$ 474,467</u>
<u>EXPENDITURES</u>			
Current			
General Government	\$ 160,483	\$ -	\$ 160,483
Public Safety			
Police Department	41,725	-	41,725
Fire Department	41,518	-	41,518
Public Services	84,446	-	84,446
Highways and Streets	58,002	12,936	70,938
Debt Service			
Principal	10,000	-	10,000
Interest and Other Charges	2,250	-	2,250
Total Expenditures	<u>\$ 398,424</u>	<u>\$ 12,936</u>	<u>\$ 411,360</u>
Net Change in Fund Balances	\$ 57,955	\$ 5,152	\$ 63,107
Fund Balances - July 1	<u>220,484</u>	<u>77,192</u>	<u>297,676</u>
Fund Balances - June 30	<u><u>\$ 278,439</u></u>	<u><u>\$ 82,344</u></u>	<u><u>\$ 360,783</u></u>

**CITY OF NEW CASTLE, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021**

Net Change in Fund Balances - Total Governmental Funds \$ 63,107

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

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

Depreciation Expense (32,960)

Repayment of capital lease obligation is an expenditure in
the governmental funds, but the repayment
reduces the long-term capital lease obligation in
the Statement of Net Position. 10,000

Interest on long-term debt in the Statement of Activities differs
from the amount reported in the governmental funds because
interest is recognized as an expenditure in the funds when
it is due, and thus requires the use of current financial resources.
In the Statement of Activities, however, interest expense is
recognized as the interest accrues, regardless of when it is due. 83

Revenues in the Statement of Activities that do not provide current financial
resources are not reported as revenues in the funds. (8,888)

Some expenses reported in the Statement of Activities,
such as compensated absences, do not require the use
of current financial resources and therefore are not
reported as expenditures in the governmental funds. (1,856)

Governmental funds report city pension contributions as expenditures.
However in the Statement of Activities, the cost of pension
benefits earned is reported as pension expense. (13,463)

Governmental funds report city OPEB contributions as expenditures.
However in the Statement of Activities, the cost of OPEB
benefits earned is reported as OPEB employee benefit expense. (2,901)

Change in Net Position of Governmental Activities \$ 13,122

CITY OF NEW CASTLE, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2021

**Water/Sewer
Utilities
Enterprise Fund**

ASSETS

Current Assets:

Cash, including time deposits	\$ 254,511
Interest Receivable	100
Accounts Receivable (Net)	60,501
Due from Other Funds	16,540
Total Current Assets	<u>\$ 331,652</u>

Noncurrent Assets:

Restricted Assets	
Cash, including time deposits	\$ 587,931
Capital Assets (Net)	2,602,264
Total Noncurrent Assets	<u>\$ 3,190,195</u>
Total Assets	<u>\$ 3,521,847</u>

DEFERRED OUTFLOWS OF RESOURCES

Attributable to Employee Pension Plan	\$ 41,362
Attributable to Employee Benefit Plan	34,084
Total Deferred Outflows of Resources	<u>\$ 75,446</u>

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 15,866
Accrued Compensated Absences	5,138
Accrued Taxes / Employee Withholding	886
Current Liabilities Payable from Restricted Assets:	
Note Payable	21,098
Revenue Bonds Payable	51,400
Total Current Liabilities	<u>\$ 94,388</u>

Noncurrent Liabilities:

Revenue Bonds Payable	\$ 444,719
Note Payable	344,837
Accrued Compensated Absences	11,522
Net Pension Liability	233,410
Net OPEB Liability	73,470
Noncurrent Liabilities Payable from Restricted Assets:	
Customer Deposits Payable	21,350
Total Noncurrent Liabilities	<u>\$ 1,129,308</u>
Total Liabilities	<u>\$ 1,223,696</u>

DEFERRED INFLOWS OF RESOURCES

Attributable to Employee Pension Plan	\$ 4,276
Attributable to Employee Benefit Plan	14,130
Total Deferred Inflows of Resources	<u>\$ 18,406</u>

NET POSITION

Net Investment in Capital Assets	\$ 1,740,210
Restricted for:	
Debt Service	563,887
Unrestricted	51,094
Total Net Position	<u>\$ 2,355,191</u>

CITY OF NEW CASTLE, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2021

	Water/Sewer Utilities Enterprise Fund
<u>OPERATING REVENUES</u>	
Water Sales	\$ 247,220
Sewer Services	232,861
Miscellaneous	8,500
Total Operating Revenues	<u>\$ 488,581</u>
<u>OPERATING EXPENSES</u>	
Salaries and Wages	\$ 91,153
Water and Sewer Supplies	37,292
Utilities	17,765
Payroll Taxes	6,973
Retirement Benefits	36,261
OPEB Benefits	9,714
Vehicle Expenses	8,451
Postage and Office Supplies	4,265
Insurance	53,624
General & Admin. Expenses	21,753
Depreciation	111,803
Miscellaneous	850
Water Purchases	61,623
Repairs and Maintenance	21,817
Total Operating Expenses	<u>\$ 483,344</u>
Operating Income (Loss)	<u>\$ 5,237</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest Revenue	\$ 1,321
Interest Expense	(25,296)
Total Non-Operating Revenues (Expenses):	<u>\$ (23,975)</u>
Change in Net Position	\$ (18,738)
Net Position - July 1	<u>2,373,929</u>
Net Position - June 30	<u><u>\$ 2,355,191</u></u>

CITY OF NEW CASTLE, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2021

		Water/Sewer Utilities Enterprise Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from Customers		\$ 492,279
Payments to Suppliers		(252,514)
Payments to Employees		(92,929)
Receipts of Customer Meter Deposits		4,850
Refunds of Customer Meter Deposits		(4,775)
Net Cash Provided (Used) by Operating Activities		<u>\$ 146,911</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Principal Paid on Capital Debt		\$ (69,845)
Interest Paid on Capital Debt		(25,296)
Net Cash Provided (Used) by Capital and Related Financing Activities		<u>\$ (95,141)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest Received		\$ 1,336
Net Cash Provided (Used) by Investing Activities		<u>\$ 1,336</u>
Net Increase (Decrease) in Cash and Cash Equivalents		\$ 53,106
Balances - July 1		<u>708,836</u>
Balances - June 30		<u><u>\$ 761,942</u></u>
	Balances Per June 30, 2021 Statement of Net Position	Balances Per June 30, 2021 Statement of Cash Flows
Cash-Unrestricted	\$ 254,511	\$ 254,511
Time Deposits-Restricted	80,500	-
Cash-Restricted	507,431	507,431
Total	<u>\$ 842,442</u>	<u><u>\$ 761,942</u></u>

CITY OF NEW CASTLE, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2021

**Water/Sewer
Utilities
Enterprise Fund**

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH
PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating Income (Loss)	\$	5,237
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		

Depreciation Expense		111,803
Pension Expense		20,192
OPEB Expense		4,358

Change in Assets and Liabilities:

Receivables, Net		3,698
Accounts Payable		2,245
Due From Other Funds		1,160
Customer Meter Deposits		75
Accrued Compensated Absences		(1,776)
Accrued Taxes/Employee Withholding		(81)

Net Cash Provided by Operating Activities	\$	<u>146,911</u>
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SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

At June 30, 2021, the Water/Sewer Utilities Enterprise Fund had no outstanding obligations for the acquisition/construction of plant assets.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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- B. Basis of Presentation
- C. Measurement Focus and Basis of Accounting
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CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of entity: City of New Castle, Kentucky is a "home rule class" city with population of approximately 1,000. It is operated under Kentucky Revised Statutes mayor/commission form of government. The entity serves approximately 400 water and sewer customers. The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting principles are discussed in subsequent subsections of this Note.

1.A. FINANCIAL REPORTING ENTITY

The City's financial reporting entity comprises the following:

Primary Government:	City of New Castle
Blended Component Units:	Water/Sewer Utilities of New Castle

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 61, "The Financial Reporting Entity: Omnibus" and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

Blended component units are separate entities that meet the component unit criteria described above and whose governing body is the same as or designated by the City Commission or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type.

Component units that are blended into the reporting activity types of the City's report are presented below:

Component Unit	Brief Description/Inclusion Criteria	Reporting
Water/Sewer Utilities of New Castle	The City Commission operates a combined utilities system to provide residents of the City and certain outlying areas with water, sanitary sewers, and sewage treatment facilities. The City Commission approves the utility rates. The long-term debt of the Utilities is backed by the full faith and credit of the City and is, therefore, a contingent liability to the general government.	Enterprise Fund

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.B. BASIS OF PRESENTATION (Continued)

Government-wide Financial Statements: (Continued)

The government-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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City'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 City, 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 City.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and always is classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.B. BASIS OF PRESENTATION (Continued)

Proprietary Fund

Enterprise Fund

Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the City of New Castle Water/Sewer Enterprise Fund.

Fiduciary Funds (Not included in government-wide statements)

None

Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

Fund	Brief Description
<i>Major:</i> General	See above for description.
<i>Proprietary Fund:</i> Water and Sewer	Accounts for activities in providing water and wastewater services to the public.
<i>Nonmajor:</i> Special Revenue Funds:	
Municipal Road Aid	Accounts for revenues and expenditures from the state gasoline tax.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

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

1.D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Position, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value. Fair value is based on quoted market price.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES, AND EQUITY (Continued)

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include insurance license taxes, franchise taxes, and amounts due from other governments. Business-type activities report utility revenues as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as insurance license tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic ageing of accounts receivable.

Inventories

The cost of consumable materials and supplies on hand are immaterial to the financial statements, and the City has therefore chosen to report these items as expenditures/expenses at the time of purchase.

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 1989.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. Only major general infrastructure assets acquired, significantly reconstructed, or significant improved in fiscal years ending after June 30, 1980 have been included. These assets have been valued at estimated historical cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES, AND EQUITY (Continued)

Fixed Assets (Continued)

- Buildings	25-40 years
- Improvements	20-25 years
- Machinery and Equipment	4-20 years
- Utility System	20-50 years
- Infrastructure	20-40 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Long-term Debt

Restricted Assets

Restricted assets include cash, investments, and grant funds receivable of the general fund and proprietary fund that are legally restricted as to their use. The primary restricted assets are related to debt obligation accounts and utility meter deposits.

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable, notes/leases payable and accrued compensated absences.

Long-term debt for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

Debt issuance costs are expensed as incurred.

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 Commonwealth of Kentucky's County Employees' Retirement System (CERS), and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS.

Post Employment Benefits Other Than Pensions

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Commonwealth of Kentucky's County Employees' Retirement System (CERS), and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS.

Compensated Absences

Under the City's policies employees accumulate vacation time. Unused vacation time can be carried into the next fiscal year. Employees are paid for accumulated sick leave upon retirement or other termination. The liability for these compensated absences is recorded as a current liability.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES, AND EQUITY (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred Outflows of Resources and Deferred Inflows of Resources are not assets or liabilities; revenues or expenses. Rather, they represent resources or the use of resources related to future periods.

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

- a. Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund).
- b. Restricted - amounts that can be used only for specific purposes because of (a) constitutional provisions or enabling legislation or (b) externally imposed constraints.
- c. Committed - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- d. Assigned - amounts intended to be used for specific purposes but that do not meet the criteria to be classified as restricted or committed. This is the residual fund balance classification for all governmental funds except the general fund.
- e. Unassigned - this is the residual classification for the general fund.

Proprietary fund equity is classified the same as in the government-wide statements.

1.E. REVENUES, EXPENDITURES, AND EXPENSES

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 City, available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, insurance license 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. Insurance license taxes are recognized to the extent known in the period for which the insurance company reports the fee collected. Revenue from grants,

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. REVENUES, EXPENDITURES, AND EXPENSES (Continued)

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 City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Property Tax

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent January 1, of the following year.

Property tax revenues are recognized when they become available. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within sixty days after year end. An allowance for uncollectible delinquent property taxes is provided to the extent that their collectability is improbable. Due to the immaterial amount of any additional property taxes receivable after the sixty-day period, no additional accrual is made in the government-wide financial statements.

Insurance License Tax

The City levies a 12% (twelve percent) license fee upon each insurance company which issues life insurance policies on the lives of persons residing within the corporate limits of the city of the first year's premiums actually collected.

The City levies a 12% (twelve percent) license fee upon each insurance company which issues any insurance policy which is not a life insurance policy of the premiums actually collected for policies on risks located within the corporate limits of the city. The tax imposed upon premium receipts is not levied upon premiums received for insuring employers against personal injuries to their employees, or death caused thereby, under the provisions of the Workers Compensation Act, and does not include premiums received on policies of health insurance. Insurance license fees are payable to the city within 30 (thirty) days after the end of each calendar quarter.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds-By Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Fund-By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

The City adheres to the use restrictions established by Kentucky Revised Statutes when expenses are incurred for which both restricted and unrestricted net position are available. The City has no policy defining which resources (restricted or unrestricted) to use first. The City also has no stabilization arrangements at this time.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. REVENUES, EXPENDITURES, AND EXPENSES (Continued)

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local governmental unit, the City and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

2.A. FUND ACCOUNTING REQUIREMENTS

The City complies with all state and local laws and regulations requiring separate accounting or use of separate funds. Those funds requiring separate accounting used by the City include the following:

<u>Fund</u>	<u>Required By</u>
Municipal Road Aid	State Law

2.B. DEPOSITS AND INVESTMENTS, LAWS AND REGULATIONS

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Kentucky or political subdivision debt obligations, or surety bonds. As required by the Financial Institutions Reform, Recovery and Enforcement Act of 1989, all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

KRS 66.480 authorizes the City to invest in obligations of the United States and its agencies and instrumentalities including repurchase agreements, through sources including national and state banks chartered in Kentucky, obligations and contracts for future delivery backed by the full faith of the United States or its Agency, certificates of deposit and interest bearing accounts in institutions insured by the Federal Depository Insurance Corporation and other investments described therein provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds. The City may also invest in mutual funds meeting the requirements of the statute.

2.C. REVENUE RESTRICTIONS

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Municipal Road Aid	Street & Alley Purposes
Water and Sewer Revenue	Debt Service and Utility Operations
State Fire Aid	Fire Equipment Expenditures
CARES Act Coronavirus Relief Fund	Public Health Emergency Expenditures

For the year ended June 30, 2021, the City complied, in all material respects, with these revenue restrictions.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

2.D. DEBT RESTRICTIONS AND COVENANTS

Utilities Depreciation Account

Under City Ordinance 1983-86, a Depreciation Account was established to provide funds for extraordinary repairs or extensions to the Water distribution system and/or make up any deficiency in the Bond and Interest Sinking Account. The original provisions of the ordinance required the sum of \$115 to be transferred monthly to the Depreciation Account "until there is accumulated" in account the sum of \$13,800, after which no further deposits need to be made into the account except to replace withdrawals.

With the issuance of the 1985 Sewer Revenue Bonds, City Ordinance 1983-86 was amended to increase the \$13,800 maximum accumulation to \$47,000. To meet this increased balance an additional monthly transfer of \$280 to the account was ordered.

With the issuance of the 2002 Water Revenue Bonds, City Ordinance 1983-86 was amended to increase the \$47,000 maximum accumulation to \$64,800. To meet this increased balance an additional monthly transfer of \$145 to the account was ordered.

With the issuance of the 2006 Sewer Revenue Bonds, City Ordinance 1983-86 was amended to increase the \$64,800 maximum accumulation to \$73,200. To meet this increased balance an additional monthly transfer of \$70 to the account was ordered.

With the issuance of the 2009 Sewer Revenue Bonds, City Ordinance 1983-86 was amended to increase the \$73,200 maximum accumulation to \$77,400. To meet this increased balance an additional monthly transfer of \$35 to the account was ordered.

In addition to the required monthly deposit indicated above, the 1983-86 ordinance also states that any connection fees or insurance proceeds of the Enterprise Funds are to be deposited into the Depreciation Account as received.

The proper transfers and/or balances within the Depreciation accounts were sufficient to comply with these requirements.

Utilities Revenue Bond & Interest Sinking Account of 1983

The Revenue Bond and Interest Sinking Account of 1983 was established with the issuance of the 1983 City of New Castle Revenue Bonds. The bond ordinance provided for monthly transfers to be calculated as follows:

- (i) Beginning with and including the month in which interest shall last be payable from Bond proceeds, a sum equal to one sixth (1/6) of the next succeeding interest installment to become due on all Bonds then outstanding; and
- (ii) Beginning in July 1985, a sum equal to one-twelfth (1/12) of the principal of all Bonds maturing on the next succeeding July 1.

Utilities Revenue Bond & Interest Sinking Account of 1985

The Revenue Bond and Interest Sinking Account of 1985 was established with the issuance of the 1985 City of New Castle Revenue Bonds. The bond ordinance provided for monthly transfers to be calculated as follows:

- (i) Beginning with and including the month in which interest shall last be payable from Bond proceeds, a sum equal to one sixth (1/6) of the next succeeding interest installment to become due on all Bonds then outstanding; and

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

2.D. DEBT RESTRICTIONS AND COVENANTS (Continued)

- (ii) Beginning in July 1986, a sum equal to one-twelfth ($1/12$) of the principal of all Bonds maturing on the next succeeding July 1.

Utilities Revenue Bond & Interest Sinking Account of 2002

The Revenue Bond and Interest Sinking Account of 2002 was established with the issuance of the 2002 City of New Castle Revenue Bonds. The bond ordinance provided for monthly transfers to be calculated as follows:

- (i) Beginning with and including the month in which interest shall last be payable from Bond proceeds, a sum equal to one sixth ($1/6$) of the next succeeding interest installment to become due on all Bonds then outstanding; and
- (ii) Beginning in July 2004, a sum equal to one-twelfth ($1/12$) of the principal of all Bonds maturing on the next succeeding July 1.

Utilities Revenue Bond & Interest Sinking Account of 2006

The Revenue Bond and Interest Sinking Account of 2006 was established with the issuance of the 2006 City of New Castle Revenue Bonds. The bond ordinance provided for monthly transfers to be calculated as follows:

- (i) Beginning with and including the month in which interest shall last be payable from Bond proceeds, a sum equal to one sixth ($1/6$) of the next succeeding interest installment to become due on all Bonds then outstanding; and
- (ii) Beginning in July 2006, a sum equal to one-twelfth ($1/12$) of the principal of all Bonds maturing on the next succeeding July 1.

Utilities Revenue Bond & Interest Sinking Account of 2009

The Revenue Bond and Interest Sinking Account of 2009 was established with the issuance of the 2009 City of New Castle Revenue Bonds. The bond ordinance provided for monthly transfers to be calculated as follows:

- (i) Beginning with and including the month in which interest shall last be payable from Bond proceeds, a sum equal to one sixth ($1/6$) of the next succeeding interest installment to become due on all Bonds then outstanding; and
- (ii) Beginning in July 2009, a sum equal to one-twelfth ($1/12$) of the principal of all Bonds maturing on the next succeeding July 1.

Transfers were made as required during the year.

A funded short lived asset account is required under the letter of conditions establishing funding for the 2009 sewer system improvement project. Under this agreement, the City must deposit \$421 monthly into the account. This account may be used as needed to replace or add short lived assets in the City's sewer system. Transfers were made as required during the year.

The Kentucky Infrastructure Authority note payable requires \$1,100 be added to the replacement account each December 1 until the balance reaches \$22,000 and maintained for the life of the loan. The proper transfer and/or balances were sufficient to comply with this requirement.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

3.A. CASH AND INVESTMENTS

City of New Castle's policies regarding deposits and investments are discussed in Note 2B. The table presented below is designed to disclose the level of custody credit risk assumed by the City based upon how its deposits were insured or secured with collateral at June 30, 2021. The categories of credit risk are defined as follows:

Category 1 – Insured by FDIC or collateralized with securities held by the City (public trust) or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name; or collateralized with no written or approved collateral agreement.

Type of Deposits	Total Bank Balance	Custody Credit Risk Category			Total Carrying Value
		1	2	3	
Demand Deposits	\$ 122,022	\$ 122,022	\$ -	\$ -	\$ 122,016
Time/Savings Deposits	1,130,762	572,049	558,713	-	1,066,927
Total Deposits	\$ 1,252,784	\$ 694,071	\$ 558,713	\$ -	\$ 1,188,943

Reconciliation to Statement of Net Position:

Unrestricted Cash, Including Time Deposits	\$ 576,443
Restricted Cash	612,800
	<u>\$ 1,189,243</u>
Carrying Value (Above)	\$ 1,188,943
Plus Cash on Hand	300
	<u>\$ 1,189,243</u>

3.B. RESTRICTED ASSETS

Restricted cash consists of the following:

	Governmental Activities	Business-type Activities	Total
Downtown Revitalization and Preservation	\$ 11,828	\$ -	\$ 11,828
Fire Truck	13,041	-	13,041
Bond and Interest Sinking Account of 1983	-	72,499	72,499
Bond and Interest Sinking Account of 1985	-	56,170	56,170
Bond and Interest Sinking Account of 2002	-	28,289	28,289
Bond and Interest Sinking Account of 2006	-	64,164	64,164
Bond and Interest Sinking Account of 2009	-	40,337	40,337
Short Lived Assets Account	-	35,985	35,985
Depreciation Fund	-	266,442	266,442
Customer Deposits	-	24,045	24,045
	<u>\$ 24,869</u>	<u>\$ 587,931</u>	<u>\$ 612,800</u>

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.C. ACCOUNTS RECEIVABLE

Accounts receivable of the governmental activities consist of franchise tax (12%), insurance licenses (70%), garbage revenues (16%) and property tax (2%). Accounts receivable of the business-type activities consist of customer accounts receivable. Receivables detail at June 30, 2021, is as follows:

	Governmental Activities	Business-type Activities	Total
Accounts receivable	\$ 46,399	\$ 65,135	\$ 111,534
Allowance for doubtful accounts	(818)	(4,634)	(5,452)
Net accounts receivable	<u>\$ 45,581</u>	<u>\$ 60,501</u>	<u>\$ 106,082</u>

3.D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

	Balance at July 1, 2020	Additions	Disposals	Balance at June 30, 2021
<u>Governmental Activities:</u>				
Land	\$ 81,100	\$ -	\$ -	\$ 81,100
Buildings & Improvements	409,100	-	-	409,100
Machinery & Equipment	821,125	-	-	821,125
Infrastructure	259,656	-	-	259,656
Totals at Historical Cost	<u>\$ 1,570,981</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,570,981</u>
<u>Less: Accumulated Depreciation</u>				
Buildings & Improvements	\$ 131,892	\$ 9,829	\$ -	\$ 141,721
Machinery & Equipment	659,115	21,704	-	680,819
Infrastructure	230,394	1,427	-	231,821
Total Accumulated Depreciation	<u>\$ 1,021,401</u>	<u>\$ 32,960</u>	<u>\$ -</u>	<u>\$ 1,054,361</u>
Governmental Activities - Capital Assets, Net	<u>\$ 549,580</u>	<u>\$ (32,960)</u>	<u>\$ -</u>	<u>\$ 516,620</u>

Depreciation Expense was charged to governmental activities as follows:

General Government	\$ 8,765
Public Safety	
Fire Department	19,806
Highways & Streets	4,389
Total Depreciation Expense	<u>\$ 32,960</u>

Land is a capital asset not being depreciated. \$829,864 of depreciable assets are fully depreciated.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.D. CAPITAL ASSETS (Continued)

	Balance at July 1, 2020	Additions	Disposals	Balance at June 30, 2021
<u>Business-type Activities:</u>				
Land & Right of Ways	\$ 33,150	\$ -	\$ -	\$ 33,150
Buildings & Improvements	69,716	-	-	69,716
Distribution System	4,767,766	-	-	4,767,766
Machinery & Equipment	241,311	-	-	241,311
Totals at Historical Cost	<u>\$ 5,111,943</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,111,943</u>
<u>Less: Accumulated Depreciation</u>				
Buildings & Improvements	\$ 59,403	\$ 760	\$ -	\$ 60,163
Distribution System	2,126,796	101,087	-	2,227,883
Machinery & Equipment	211,677	9,956	-	221,633
Total Accumulated Depreciation	<u>\$ 2,397,876</u>	<u>\$ 111,803</u>	<u>\$ -</u>	<u>\$ 2,509,679</u>
Business-type Activities - Capital Assets, Net	<u>\$ 2,714,067</u>	<u>\$ (111,803)</u>	<u>\$ -</u>	<u>\$ 2,602,264</u>
Depreciation Expense was charged to the business activities as follows:				
Water	\$ 42,780			
Sewer	69,023			
Total Depreciation Expense	<u>\$ 111,803</u>			

Land and right of ways are capital assets not being depreciated. \$1,032,499 of depreciable assets are fully depreciated.

3.E. LONG-TERM DEBT

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

As of June 30, 2021, the long-term debt of the financial reporting entity consisted of the following:

Governmental-type Activities:

Capital Lease Obligations:

Capital lease obligation for purchase of a used tanker fire truck.	<u>\$ 50,000</u>
Current Portion	\$ 15,000
Noncurrent Portion	35,000
Total Capital Lease Obligations	<u>\$ 50,000</u>

Business-type Activities:

Bonds Payable:

City of New Castle, Kentucky, Water Utilities Revenue Bonds Series of 1983, original issue amount of \$230,000, secured by utility revenues. Interest is charged at the rate of 5% per annum. Final maturity is July 1, 2023.	<u>\$ 28,000</u>
Current Portion	\$ 12,000
Noncurrent Portion	16,000
Total Bonds Payable	<u>\$ 28,000</u>

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.E. LONG-TERM DEBT (Continued)

City of New Castle, Kentucky, Sewer Utilities Revenue Bonds Series of 1985, original issue amount of \$568,000, secured by utility revenues. Interest is charged at the rate of 5% per annum. Final maturity is July 1, 2024.

\$	57,719
<hr/>	
Current Portion	\$ 28,000
Noncurrent Portion	29,719
Total Bonds Payable	<u>\$ 57,719</u>

City of New Castle, Kentucky, Water Utilities Revenue Bonds Series of 2002, original issue amount of \$300,000, secured by utility revenues. Interest is charged at the rate of 4.5% per annum. Final maturity is July 1, 2042.

\$	226,000
<hr/>	
Current Portion	\$ 6,500
Noncurrent Portion	219,500
Total Bonds Payable	<u>\$ 226,000</u>

City of New Castle, Kentucky, Sewer Utilities Revenue Bonds Series of 2006, original issue amount of \$147,000, secured by utility revenues. Interest is charged at the rate of 4.25% per annum. Final maturity is July 1, 2044.

\$	113,700
<hr/>	
Current Portion	\$ 3,000
Noncurrent Portion	110,700
Total Bonds Payable	<u>\$ 113,700</u>

City of New Castle, Kentucky, Sewer Utilities Revenue Bonds Series of 2009, original issue amount of \$90,000, secured by utility revenues. Interest is charged at the rate of 2.75% per annum. Final maturity is July 1, 2047.

\$	70,700
<hr/>	
Current Portion	\$ 1,900
Noncurrent Portion	68,800
Total Bonds Payable	<u>\$ 70,700</u>

Notes Payable:

Kentucky Infrastructure Authority represents a 20 year loan secured by water and sewer revenues. Interest is charged at the rate of 0.25%. The final advanced principal balance was \$428,914. Semi-annual payments of approximately \$11,000 began December 1, 2018 with final maturity June 1, 2038.

\$	365,935
<hr/>	
Current Portion	\$ 21,098
Noncurrent Portion	344,837
Total Note Payable	<u>\$ 365,935</u>

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.E. LONG-TERM DEBT (Continued)

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the fiscal year ended June 30, 2021:

<u>Type of Debt</u>	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2021</u>	<u>Current Portion</u>
Governmental Activities					
Capital Lease Obligations	\$ 60,000	\$ -	\$ 10,000	\$ 50,000	\$ 15,000
Accrued Compensated Absences	8,411	4,964	3,108	10,267	3,126
Total	<u>\$ 68,411</u>	<u>\$ 4,964</u>	<u>\$ 13,108</u>	<u>\$ 60,267</u>	<u>\$ 18,126</u>
Business-type Activities					
Bonds Payable	\$ 544,919	\$ -	\$ 48,800	\$ 496,119	\$ 51,400
Note Payable	386,980	-	21,045	365,935	21,098
Accrued Compensated Absences	18,436	7,787	9,563	16,660	5,138
Total	<u>\$ 950,335</u>	<u>\$ 7,787</u>	<u>\$ 79,408</u>	<u>\$ 878,714</u>	<u>\$ 77,636</u>

In the event of default on the used tanker fire truck, City would relinquish legal title of the asset while remaining liable for all obligations under the lease with respect to the enforcement of the remedies of debt. In the event of default regarding business-type activities, City shall be ordered to raise the rates a reasonable amount to comply with the requirements of the debt agreements. There are no unused lines of credit.

Governmental Activities

Capital Lease Obligations

The amount shown in the accompanying financial statements as lease obligations represents the City's future obligations to make lease payments under a ten year, variable rate (2.0% to 3.0%) lease agreement with Kentucky Bond Corporation, aggregating \$115,000 for a used tanker fire truck.

The City's obligation under the lease is a general obligation of the City and is secured by fire equipment purchased with the proceeds. Under this obligation the full faith, credit and revenue of the City are pledged for its payment.

Payments ranging from \$801 to \$1,342 which includes principal, interest and fiscal charges are due monthly under the terms of the lease. The obligations of the lease at June 30, 2021 are as follows:

<u>Fiscal year</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Fiscal Charges</u>	<u>Total Payment</u>	<u>Balance at End of Year</u>
					\$ 50,000
2022	\$ 15,000	\$ 1,425	\$ 575	\$ 17,000	35,000
2023	15,000	1,050	538	16,588	20,000
2024	15,000	600	500	16,100	5,000
2025	5,000	150	462	5,612	-
	<u>\$ 50,000</u>	<u>\$ 3,225</u>	<u>\$ 2,075</u>	<u>\$ 55,300</u>	<u>-</u>

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.E. LONG-TERM DEBT (Continued)

Business Activities

City of New Castle, Kentucky, Water Utilities Revenue Bonds Series 1983

The original amount of the issue, the current amount outstanding, and the interest rate are summarized below:

<u>Original Amount</u>	<u>Outstanding Balance</u>	<u>Interest Rate</u>
\$230,000	\$28,000	5%

The Bonds mature on July 1, 2023, and are payable as to principal to Rural Economic and Community Development. The Bonds are subject to mandatory sinking fund redemption at a price of par plus accrued interest to redemption on July 1 of the years 1986 through 2023. Interest is payable semiannually (July 1, and January 1, commencing January 1, 1986).

Bonds maturing on or after July 1, 1994, are callable in reverse chronological order on any interest payment date. Notice of redemption must be delivered to holder at least thirty (30) days in advance. At redemption, holder will receive the face amount of the bond plus accrued interest. There will be no penalty for prepayment.

Assuming no issues are called prior to scheduled maturity, the minimum obligations of the funds at June 30, 2021, for debt service (principal and interest) are as follows:

<u>Fiscal year</u>	<u>Bond Due</u>	<u>Interest Due</u>	<u>Total Retirement for Year</u>	<u>Bonds Outstanding At End of Year</u>
2022	\$ 12,000	\$ 1,400	\$ 13,400	\$ 28,000
2023	16,000	800	16,800	16,000
	<u>\$ 28,000</u>	<u>\$ 2,200</u>	<u>\$ 30,200</u>	<u>\$ -</u>

City of New Castle, Kentucky, Sewer Utilities Revenue Bonds Series 1985

The original amount of the issue, the current amount outstanding, and the interest rate are summarized below:

<u>Original Amount</u>	<u>Outstanding Balance</u>	<u>Interest Rate</u>
\$568,000	\$57,719	5%

The Bonds mature on July 1, 2024, and are payable as to principal to Rural Economic and Community Development. The Bonds are subject to mandatory sinking fund redemption at a price of par plus accrued interest to redemption on July 1 of the years 1988 through 2024. Interest is payable semiannually (July 1, and January 1, commencing July 1, 1988).

Bonds maturing on or after July 1, 1996, are callable in reverse chronological order on any interest payment date. Notice of redemption must be delivered to holder at least thirty (30) days in advance. At redemption, holder will receive the face amount of the bond plus accrued interest. There will be no penalty for prepayment. At the date of issuance of the bonds, the total cost of the project was overestimated by \$59,694. Therefore, this amount was called prior to the scheduled maturity date. An additional \$2,587 was called prior to scheduled maturity during the fiscal year ending June 30, 1988.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.E. LONG-TERM DEBT (Continued)

City of New Castle, Kentucky, Sewer Utilities Revenue Bonds Series 1985 (Continued)

Assuming no issues are called prior to scheduled maturity, the minimum obligations of the funds at June 30, 2021, for debt service (principal and interest) are as follows:

<u>Fiscal year</u>	<u>Bond Due</u>	<u>Interest Due</u>	<u>Total Retirement for Year</u>	<u>Bonds Outstanding At End of Year</u>
2022	\$ 28,000	\$ 2,886	\$ 30,886	\$ 57,719
2023	29,000	1,486	30,486	29,719
2024	719	36	755	719
	<u>\$ 57,719</u>	<u>\$ 4,408</u>	<u>\$ 62,127</u>	<u>\$ -</u>

City of New Castle, Kentucky, Water Utilities Revenue Bonds Series 2002

The original amount of the issue, the current amount outstanding, and the interest rate are summarized below:

<u>Original Amount</u>	<u>Outstanding Balance</u>	<u>Interest Rate</u>
\$300,000	\$226,000	4.5%

The Bonds mature on July 1, 2042, and are payable as to principal to Rural Economic and Community Development. The Bonds are subject to mandatory sinking fund redemption at a price of par plus accrued interest to redemption on July 1 of the years 2005 through 2042. Interest is payable semiannually (July 1, and January 1, commencing July 1, 2003).

Bonds maturing on or after July 1, 2012, are callable in reverse chronological order on any interest payment date. Notice of redemption must be delivered to holder at least thirty (30) days in advance. At redemption, holder will receive the face amount of the bond plus accrued interest. There will be no penalty for prepayment.

Assuming no issues are called prior to scheduled maturity, the minimum obligations of the funds at June 30, 2021, for debt service (principal and interest) are as follows:

<u>Fiscal year</u>	<u>Bond Due</u>	<u>Interest Due</u>	<u>Total Retirement for Year</u>	<u>Bonds Outstanding At End of Year</u>
2022	\$ 6,500	\$ 10,170	\$ 16,670	\$ 226,000
2023	7,000	9,878	16,878	219,500
2024	7,000	9,563	16,563	212,500
2025	7,500	9,248	16,748	205,500
2026	8,000	8,910	16,910	198,000
2027-31	45,000	38,926	83,926	190,000
2032-36	57,500	27,676	85,176	145,000
2037-41	71,500	13,547	85,047	87,500
2042	16,000	720	16,720	16,000
	<u>\$ 226,000</u>	<u>\$ 128,638</u>	<u>\$ 354,638</u>	<u>\$ -</u>

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.E. LONG-TERM DEBT (Continued)

City of New Castle, Kentucky, Sewer Utilities Revenue Bonds Series 2006

The original amount of the issue, the current amount outstanding, and the interest rate are summarized below:

<u>Original Amount</u>	<u>Outstanding Balance</u>	<u>Interest Rate</u>
\$147,000	\$113,700	4.25%

The Bonds mature on July 1, 2044, and are payable as to principal to Rural Economic and Community Development. The Bonds are subject to mandatory sinking fund redemption at a price of par plus accrued interest to redemption on July 1 of the years 2007 through 2044. Interest is payable semiannually (July 1, and January 1, commencing July 1, 2006).

Bonds maturing on or after July 1, 2015, are callable in reverse chronological order on any interest payment date. Notice of redemption must be delivered to holder at least thirty (30) days in advance. At redemption, holder will receive the face amount of the bond plus accrued interest. There will be no penalty for prepayment.

Assuming no issues are called prior to scheduled maturity, the minimum obligations of the funds at June 30, 2021, for debt service (principal and interest) are as follows:

<u>Fiscal year</u>	<u>Bond Due</u>	<u>Interest Due</u>	<u>Total Retirement for Year</u>	<u>Bonds Outstanding At End of Year</u>
				\$ 113,700
2022	\$ 3,000	\$ 4,833	\$ 7,833	110,700
2023	3,200	4,705	7,905	107,500
2024	3,300	4,569	7,869	104,200
2025	3,400	4,429	7,829	100,800
2026	3,600	4,284	7,884	97,200
2027-31	20,300	19,003	39,303	76,900
2032-36	25,000	14,304	39,304	51,900
2037-41	30,900	8,511	39,411	21,000
2042-44	21,000	1,773	22,773	-
	<u>\$ 113,700</u>	<u>\$ 66,411</u>	<u>\$ 180,111</u>	<u>\$ -</u>

City of New Castle, Kentucky, Sewer Utilities Revenue Bonds Series 2009

The original amount of the issue, the current amount outstanding, and the interest rate are summarized below:

<u>Original Amount</u>	<u>Outstanding Balance</u>	<u>Interest Rate</u>
\$90,000	\$70,700	2.75%

The Bonds mature on July 1, 2047, and are payable as to principal to Rural Economic and Community Development. The Bonds are subject to mandatory sinking fund redemption at a price of par plus accrued interest to redemption on July 1 of the years 2010 through 2047. Interest is payable semiannually (July 1, and January 1, commencing July 1, 2010).

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.E. LONG-TERM DEBT (Continued)

City of New Castle, Kentucky, Sewer Utilities Revenue Bonds Series 2009 (Continued)

Bonds maturing on or after July 1, 2019, are callable in reverse chronological order on any interest payment date. Notice of redemption must be delivered to holder at least thirty (30) days in advance. At redemption, holder will receive the face amount of the bond plus accrued interest. There will be no penalty for prepayment.

Assuming no issues are called prior to scheduled maturity, the minimum obligations of the funds at June 30, 2021, for debt service (principal and interest) are as follows:

<u>Fiscal Year</u>	<u>Bond Due</u>	<u>Interest Due</u>	<u>Total Retirement for Year</u>	<u>Bond Outstanding At End of Year</u>
				\$ 70,700
2022	\$ 1,900	\$ 1,945	\$ 3,845	68,800
2023	2,000	1,892	3,892	66,800
2024	2,000	1,837	3,837	64,800
2025	2,100	1,782	3,882	62,700
2026	2,100	1,725	3,825	60,600
2027-31	11,500	7,719	19,219	49,100
2032-36	13,200	6,047	19,247	35,900
2037-41	15,100	4,130	19,230	20,800
2042-46	17,500	1,927	19,427	3,300
2047	3,300	91	3,391	-
	<u>\$ 70,700</u>	<u>\$ 29,095</u>	<u>\$ 99,795</u>	<u>\$ -</u>

The bonds were issued to pay a portion of the costs of water system additions and sewer improvements to the City's combined municipal water and sewer distribution system. The revenue bonds are collateralized by the revenue of the utilities and the various special funds established by the bond ordinance.

Note Payable – Kentucky Infrastructure Authority

The original balance of the Kentucky Infrastructure Authority note is \$428,914. The note is payable in semi-annual payments of approximately \$22,000 (principal and interest) through June, 2038. Interest is charged at the rate of 0.25% per annum along with a 0.1% service fee based on the unpaid principal balance. The principal balance outstanding at June 30, 2021 is \$365,935.

Assuming the note is not liquidated prior to maturity, the annual minimum obligation of the funds at June 30, 2021 for debt service, (principal and interest) are as follows:

<u>Fiscal year</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Fiscal Charges</u>	<u>Total Payment</u>	<u>Balance at End of Year</u>
					\$ 365,935
2022	\$ 21,098	\$ 902	\$ 721	\$ 22,721	344,837
2023	21,151	849	679	22,679	323,686
2024	21,204	796	637	22,637	302,482
2025	21,257	743	594	22,594	281,225
2026	21,310	690	552	22,552	259,915
2027-31	107,352	2,646	2,117	112,115	152,563
2032-36	108,701	1,297	1,038	111,036	43,862
2037-38	43,862	138	110	44,110	-
	<u>\$ 365,935</u>	<u>\$ 8,061</u>	<u>\$ 6,448</u>	<u>\$ 380,444</u>	<u>-</u>

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.E. LONG-TERM DEBT (Continued)

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest for long-term debt as of June 30, 2021, are as follows:

Fiscal year	Governmental Activities			Business-type Activities		
	Principal	Interest	Fiscal Charges	Principal	Interest	Fiscal Charges
2022	\$ 15,000	\$ 1,425	\$ 575	\$ 72,498	\$ 22,136	\$ 721
2023	15,000	1,050	538	78,351	19,610	679
2024	15,000	600	500	34,223	16,801	637
2025	5,000	150	462	34,257	16,202	594
2026	-	-	-	35,010	15,609	552
2027-31	-	-	-	184,152	68,294	2,117
2032-36	-	-	-	204,401	49,324	1,038
2037-41	-	-	-	161,362	26,326	110
2042-46	-	-	-	54,500	4,420	-
2047	-	-	-	3,300	91	-
	<u>\$ 50,000</u>	<u>\$ 3,225</u>	<u>\$ 2,075</u>	<u>\$ 862,054</u>	<u>\$ 238,813</u>	<u>\$ 6,448</u>

3.F. INTEREST EXPENSE

\$2,250 interest expense has been reported for the governmental funds financial statements for the year ended June 30, 2021. Interest expense associated with capital lease obligations and reported in the government wide financial statements was \$2,167. Interest expense reported for the enterprise fund for the year ended June 30, 2021, was \$25,296.

3.G. INTERFUND TRANSACTIONS AND BALANCES

Interfund balances at June 30, 2021, consisted of the following individual fund receivables and payables:

Receivable Fund	Payable Fund	Amount	Purpose
Enterprise Fund	General Fund	\$ 16,540	Advances for operating expenditures
Total		<u>\$ 16,540</u>	

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.H. FUND EQUITY

Restricted Net Position

The following table illustrates the restrictions shown on the Statement of Net Position:

Governmental Activities:

Activity	Restricted by	
Restricted for Debt Service:		
General Fund	Debt Agreement	<u>\$ 13,401</u>
Restricted for Other Purposes:		
Municipal Road Aid	State Law	<u>\$ 82,344</u>

Business-type Activities

Enterprise Fund:

Restricted for Debt Service:

1983 Water Utilities Revenue Bonds-Cash	\$ 182,243
1985 Sewer Utilities Revenue Bonds-Cash	114,986
2002 Water Utilities Revenue Bonds-Cash	59,819
2006 Sewer Utilities Revenue Bonds-Cash	77,759
2009 Sewer Utilities Revenue Bonds-Cash	81,475
2018 Water and Sewer Improvement Project - Cash	47,605
Total Restricted For Debt Service	<u>\$ 563,887</u>

The following table shows the classifications of fund equity as shown on the Balance Sheet – Governmental Funds:

The City has reported the following restricted portion of the general fund's fund balance at June 30, 2021, to indicate the amounts restricted as to use by debt agreement:

General Fund:	
Fire Truck	<u>\$ 13,041</u>

The City has reported the following restricted portion of the other governmental funds' fund balance at June 30, 2021, to indicate the amounts restricted as to use by statute:

Other Governmental Funds:	
Municipal Road Aid	<u>\$ 82,344</u>

The City has reported the following portion of the general fund's fund balance as assigned at June 30, 2021, indicating amounts intended to be used for specific purposes.

General Fund:	
Downtown Revitalization and Preservation	<u>\$ 11,828</u>

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 4. OTHER NOTES

4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE) PLAN

The City of New Castle participates in the Commonwealth of Kentucky's County Employees' Retirement System (CERS) for non-hazardous employees.

Under the provision of 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. Under the provisions of Kentucky Revised Statute ("KRS") Section 61.701, the KRS Board administers the Kentucky Retirement Systems Insurance Fund. The statutes provide for an insurance fund to provide group hospital and medical benefits to retirees drawing a benefit from the pension funds administered by KRS, which includes CERS.

Under the provisions of HB 484 passed in the 2020 General Assembly, which adjourned on April 15, 2020, the current administrative structure was changed creating a new 9-member CERS Board with oversight and governance responsibility for the CERS plan(s). The Kentucky Public Pensions Authority (KPPA) is a new 8-member Board, which will be responsible for the day to day administrative, legal, operational, and investment aspects of all KRS plans including CERS.

The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS's pension and insurance funds. Additionally, the Kentucky Retirement System issues publicly available financial reports that include the Schedules of Employer Allocations and Pension amounts, and the Schedules of Employer Allocations of Post Employment Benefits Other Than Pension amounts, by employer. The most recent financial reports, may be obtained on-line as follows:

- Kentucky Retirement Systems Audit Report – 2020
[https://kyret.ky.gov/Publications/Books/2020%20CAFR%20\(Comprehensive%20Annual%20Financial%20Report\).pdf](https://kyret.ky.gov/Publications/Books/2020%20CAFR%20(Comprehensive%20Annual%20Financial%20Report).pdf)
- KRS Schedules of Employer Allocations & Pension Amount by Employer for the Fiscal Year Ended June 30, 2020
<https://kyret.ky.gov/Employers/GASB/Current%20Audited%20Reports/2020%20GASB%2068%20Proportionate%20Share%20Audit%20Report%20with%20Schedules.pdf>
- KRS Schedules of Employer Allocations & OPEB Amounts by Employer for the Fiscal Year Ended June 30, 2020
<https://kyret.ky.gov/Employers/GASB/Current%20Audited%20Reports/2020%20GASB%2075%20Proportionate%20Share%20Audit%20Report%20with%20Schedules.pdf>
- Kentucky CERS GASB 68 Accounting & Financial Reporting for Pensions as of June 30, 2020 (Actuarial Report)
<https://kyret.ky.gov/Employers/GASB/GASB%2068%20and%2075%20Actuary%20Reports/2020%20GASB%2068%20Actuary%20Report%20CERS.pdf>
- Kentucky CERS GASB 75 Accounting & Financial Reporting for Postemployment Benefits Other Than Pensions as of June 30, 2020 (Actuarial Report)
<https://kyret.ky.gov/Employers/GASB/GASB%2068%20and%2075%20Actuary%20Reports/2020%20GASB%2075%20Actuary%20Report%20CERS.pdf>

Basis of Accounting – CERS's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the plan. Premium payments are recognized when due and payable in accordance with the terms of the plan. Administrative and investment expenses are recognized when incurred.

Method Used to Value Investments/Investment Objectives – Investments of the plan are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Short-term investments are reported at cost, which approximates fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the dividend date. Gain (loss) on investments includes

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 4. OTHER NOTES

4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE) PLAN (Continued)

KRS' gains and losses on investments bought and sold as well as held during the fiscal year. Investment returns are recorded net of investment fees.

The investment objectives of the portfolios are to produce results that exceed the stated goals over both short-term and long-term periods.

- Shorter-Term (5 years and less): The returns of the particular asset classes of the managed funds of the Systems, measured on an annual basis, should exceed the return achieved by a policy benchmark portfolio composed of comparable unmanaged market indices.
- Medium-Term (5 to 20 years): The returns of the particular asset classes of the managed funds of the Systems, measured on a rolling year basis should exceed the returns achieved by a policy benchmark portfolio composed of comparable unmanaged market indices and perform above the median of an appropriate peer universe if there is one.
- Longer-Term: The total assets of the Systems should achieve a return of 6.25% for CERS pension and insurance plans. This is measured over 20 years and beyond and should exceed the actuarially required rate of return as well as the return achieved by its total fund benchmark.

Target Asset Allocation – Pension and Insurance as of June 30, 2020:

The long-term expected rates of return were determined by using a building block method in which best estimated ranges of expected future real rates of return were developed for each asset class. The ranges were combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below.

The long-term expected real rate of return was 3.96% at June 30, 2020.

	Target Asset Allocation	Long-Term Expected Rate of Return
	2020	2020
Combined Equity	52.50%	3.90%-5.25%
Combined Fixed Income	13.50%	-0.25%
Private Equity	10.00%	6.65%
Real Return	15.00%	3.95%
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Cash	1.00%	-0.75%
	<u>100.00%</u>	<u>3.96%</u>

- The investment portfolio for the Pension Funds reported a net return of 1.15% for the fiscal year 2020 compared to 5.83% return for fiscal year 2019. The investment portfolio for the Insurance Fund reported a net return of 0.48% for the fiscal year, which was lower than fiscal year 2019 net return of 5.67%. The investment return was below the 6.25% assumed rate of return.

PENSION PLAN DESCRIPTION – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers all regular full-time members employed in non-hazardous and hazardous positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in CERS along with hazardous duty positions of each participating county, city, or school board, any additional eligible local agencies electing to participate in CERS. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Prior to July 1, 2009, COLAs were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. After

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 4. OTHER NOTES

4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE) PLAN (Continued)

July 1, 2009, the COLAs were limited to 1.5%. No COLA has been granted since July 1, 2011. The City of New Castle, Kentucky participates in the non-hazardous plan.

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 or 25 years of 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

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 for Tier 1 and Tier 2. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after earning a minimum months of service credit (120 months for Tier 2 and 180 months for Tier 3). 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.

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children.

Under the provisions of House Bill 271 surviving spouses of members who die due to a duty related injury will no longer have their monthly benefit reduced, if they remarry. The bill restores the original benefit for spouses already remarried and increases benefits for beneficiaries who chose to receive lifetime monthly benefits in lieu of the line-of-duty survivor benefits to the amount calculated under the line-of-duty survivor provisions.

Contributions - Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. Under House Bill 352, the 2020 General Assembly only passed a one year budget (for the fiscal year ended June 30, 2021 due to the COVID-19 pandemic crisis. For the fiscal year ended June 30, 2020 participating non-hazardous employers contributed 24.06%, of each employee's creditable compensation. The actuarially determined rates set by the Board for the fiscal year ended June 30, 2020 was 27.28%. Administrative costs of KRS are financed through employer contributions and investment earnings.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 4. OTHER NOTES

4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE) PLAN (Continued)

House Bill 362 passed during the 2018 legislative session caps CERS employer contribution rate increases up to 12% per year over the prior fiscal year for the period of July 1, 2018 to June 30, 2028.

Non-hazardous employer contributions for the year ended June 30, 2020, of 24.06% were allocated 19.30% to CERS's pension fund and 4.76% to CERS OPEB (health insurance) fund, respectively.

For the fiscal year ended June 30, 2020, plan members who began participating prior to September 1, 2008, were required to contribute 5% non-hazardous, of their annual creditable compensation. These members were classified in the Tier 1 structure of benefits. Plan members who began participating on, or after, September 1, 2008 and before January 1, 2014, were required to contribute a total of 6% non-hazardous, of their annual creditable compensation. These members were classified in the Tier 2 structure of benefits. Five percent of the contribution was deposited to the member's account while the 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). Interest is paid each June 30 on members' accounts at a rate of 2.5%.

If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, for plan members who began participating on, or after, September 1, 2008, the 1% contribution to the 401(h) account is non-refundable and is forfeited.

Plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. These members were classified in the Tier 3 structure of benefits. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Non-hazardous members contribute 5%, of their annual creditable compensation and an additional 1% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4% (non-hazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

Interest is paid into the Tier 3 member's account. The account currently earns 4% interest credit on the member's account balance as of June 30th of the previous year. The member's account may be credited with additional interest if the system's five-year Geometric Average Net Investment Return (GANIR) exceeded 4%. If the member was actively employed and participating in the fiscal year, and if the systems' GANIR for the previous five years exceeds 4%, then the member's account will be credited with 75% of the amount of the returns over 4% on the account balance as of June 30th of the previous year (Upside Sharing Interest). It is possible that one system in KRS may get an Upside Sharing Interest, while another may not.

The 1% of pay member contributions for Tier 1 and Tier 2 members to a 401(h) subaccount are considered an OPEB asset.

Methods and Assumptions Used in Calculation of Actuarially Determined Contributions (Pension Plan)

Per the Kentucky Retirement System's 2020 Comprehensive Annual Financial Report, the actuarially determined contribution rates effective for fiscal year 2020 are calculated as of June 30, 2018. Based on the June 30, 2018 actuarial valuation report, the actuarial methods and assumptions used to calculate these contribution rates are as follows:

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30 2021

The actuarially determined contribution rates for the pension plan effective for fiscal year ending 2020 is calculated as of June 30, 2018. Based on these actuarial valuation reports, the actuarial methods and assumptions used to calculate these contribution rates are below:

Item	CERS June 30, 2020 Non-Hazardous
Determined by the Actuarial Valuation as of:	June 30, 2018
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized.
Amortization Method:	Level Percent of Pay
Amortization Period:	25 Years, Closed
Payroll Growth Rate:	2.00%
Investment Return:	6.25%
Inflation:	2.30%
Salary Increases:	3.30% to 11.55%, varies by service
Mortality:	RP-200 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females). For healthy retired members and beneficiaries, the mortality table used is the RP Combined Mortality Table projected with Scale BB to 2013 (set back for one year for females). For disabled members, the RP-2000 combined disabled mortality table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 4. OTHER NOTES (Continued)

4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE) PLAN (Continued)

Actuarial Methods and Assumptions Used in Calculation of the Actuarially Determined Total Pension Liability and Net Pension Liability

The net position liability as of June 30, 2020, is based on the June 30, 2019 actuarial valuation rolled forward. The total pension liability, net pension liability and sensitivity information as of June 30, 2020 were based on an actuarial valuation date of June 30, 2019. The total pension liability was rolled forward from the valuation date to the measurement date at June 30, 2020, using generally accepted actuarial principles.

There have been no assumption changes since June 30, 2019. Senate bill 249 passed during the 2020 Legislative Session changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of total pension liability and only impacts the calculation of the contribution rates that would be payable starting June 1, 2020.

The actuarial assumptions are:

<u>June 30, 2020</u>	
Inflation	2.30%
Salary Increases	3.30% - 10.30% varies by service
Investment Rate of Return	6.25%

The mortality table(s) used in the determination of the total pension liability as of June 30, 2020 were as follows. The mortality table used for active members was a Pub-2010 General Mortality table for the Non-hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children.

Under the provisions of House Bill 271 surviving spouses of members who die due to a duty related injury will no longer have their monthly benefit reduced, if they remarry. The bill restores the original benefit for spouses already remarried and increases benefits for beneficiaries who chose to receive lifetime monthly benefits in lieu of the line-of-duty survivor benefits to the amount calculated under the line-of-duty survivor provisions.

Discount Rate

The projection of cash flows used to determine the discount rate of 6.25% for CERS Non-hazardous for the year ended June 30, 2020 assumes that the fund received the required employer contributions each future year, as determined by the current funding policy established in statute, as last amended by House Bill 362 (passed in 2018).

The discount rate does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the KRS Comprehensive Annual Financial Report.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 4. OTHER NOTES (Continued)

4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE) PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the County Employee Retirement System Pension

At June 30, 2021 the City reported a liability of \$389,018 for its proportionate share of the net pension liability. The net pension liability for CERS measured as of June 30, 2020 was based on the actual liability of the employees and former employees relative to the total liability of the system as determined by an actuarial valuation as of those dates. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020 the City's proportion was 0.005072 percent, which is an increase of 0.000028% for the year ended June 30, 2020.

The City's total payroll for the fiscal year ended June 30, 2021 was \$152,716. Contributions to the CERS were based on \$138,394 (covered payroll). The total employer pension contributions for the fiscal year ended June 30, 2021 were \$24,973.

All contributions were made as required.

The City's contribution for the County Employees' Retirement System's year(s) ended June 30, 2020 was 0.005072 percent of the System's total contribution requirements for all employers.

For the year ended June 30, 2021, the City recognized pension expense of \$60,259. At June 30, 2021 the City reported deferred outflows of resources and deferred inflows of resources related to CERS pensions from the following sources:

	June 30, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 9,701	\$ -
Change in Assumptions	15,191	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	2,208	-
Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	16,863	7,128
City Contributions Made Subsequent to the NPL Measurement Date	24,973	-
Total	\$ 68,936	\$ 7,128

\$24,973 reported as deferred outflows of resources related to pensions arising from City contributions made subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2022. Amounts reported as deferred inflows and outflows of resources due to the net difference between projected and actual investment earnings on pension plan investments will be netted and amortized over five years and recognized in pension expense. Amounts reported as deferred outflows of resources due to the difference between expected and actual experience, change of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions will be amortized and recognized in pension expense over the expected remaining service lives of all employees. Total amortization to be recognized in pension expense is presented below as follows:

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 4. OTHER NOTES (Continued)

4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE) PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the County Employee Retirement System Pension (Continued)

Year Ended June 30, 2021:	Increase (Decrease) to Pension Expense
2022	\$ 16,862
2023	11,230
2024	4,831
2025	3,912
	<u>\$ 36,835</u>

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the net pension liability of CERS [as reported in its publicly available financial statements for the year ended June 30, 2020, calculated using the discount rate of 6.25% for the year ended June 30, 2020, as well as what CERS' net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the approved rate:

<u>As of June 30, 2020</u>	<u>1% Decrease [5.25%]</u>	<u>Current Discount [6.25%]</u>	<u>1% Increase [7.25%]</u>
Net Pension Liability	\$ 9,458,676,903	\$ 7,669,917,211	\$ 6,188,756,202
City's Proportionate Share	479,744	389,018	313,894

The discount rate determination does not use a municipal bond rate.

Payable to the Pension Plan

At June 30, 2021, the City reported a payable of \$2,361 for the outstanding amount of contributions required for the year then ended. The amount represents the employee withholding and employer match for the last month of the year then ended.

OPEB PLAN

Insurance (OPEB) Plan Description – The Kentucky Retirement Systems' Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS, and SPRS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. A portion of the insurance premiums are withheld from benefit payments for members including those of the CERS Non-Hazardous system.

Contributions

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statute 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 4. OTHER NOTES (Continued)

4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE) PLAN (Continued)

Contributions (Continued)

The amount of benefit paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum benefit are as follows:

Portion Paid by Insurance Fund	
Years of Service	Paid by Insurance Fund (%)
20+ years	100.00%
15-19+ years	75.00%
10-14+ years	50.00%
4-9+ years	25.00%
Less than 4 years	0.00%

For the fiscal year ended June 30, 2020, plan members who began on, or after, September 1, 2008 (classified in the Tier 2 or Tier 3 structure of benefits) were required to contribute 1% of their annual creditable compensation to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E), which is considered an OPEB asset.

If a member terminates employment the 1% contribution to the 401(h) account is non-refundable and is forfeited.

Participating employers are required to contribute at an actuarially determined rate as described previously.

Methods and Assumptions Used in Calculation of Actuarially Determined Contributions (OPEB)

Per the Schedule of Employer Allocations and OPEB Amounts by Employer for Kentucky Retirement Systems, *Report for Postemployment Benefits* prepared as of June 30, 2020, the actuarially determined contribution rates effective for fiscal year ending June 30, 2020, is calculated based on the actuarial methods and assumptions as follows:

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

The actuarially determined contribution rates for the OPEB plan effective for fiscal year ending 2020 is calculated based on the actuarial methods and assumptions below:

Item	CERS June 30, 2020 Non-Hazardous
Determined by the Actuarial Valuation as of:	June 30, 2018
Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized.
Amortization Method:	Level Percent of Pay
Amortization Period:	25 Years, Closed
Payroll Growth Rate:	2.00%
Investment Return:	6.25%
Inflation:	2.30%
Salary Increases:	3.30% to 11.55%, varies by service
Mortality:	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for
Healthcare Trend Rates (Pre-65)	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2019 premiums were known at the time of the valuation and were incorporated into the
Healthcare Trend Rates (Post-65)	Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years. The 2019 premiums were known at the time of the valuation and were incorporated into the
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 4. OTHER NOTES (Continued)

4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE) PLAN (Continued)

Actuarial methods and Assumption to Determine the Total OPEB Liability and Net OPEB Liability

The assumed increase in future health care costs, or trend assumptions was reviewed during the June 30, 2019 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The anticipated savings from the repeal of the "Cadillac Tax" and "Health Insurer Fee", which occurred in December of 2019 are reflected in the June 30, 2020 GASB 75 actuarial information. The assumed load on pre-Medicare premiums to reflect the cost of the Cadillac Tax was removed and the Medicare premiums were reduced by 11% to reflect the repeal of the Health Insurer Fee. There were no other material assumption changes.

For financial reporting, the actuarial valuation as of June 30, 2020, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2020, were based on an actuarial valuation date of June 30, 2019. The total OPEB liability was rolled forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020, using generally accepted actuarial principles.

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children for all active members who die in the line of duty.

The actuarial assumptions used are:

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

The actuarially methods and assumptions to determine the Total OPEB Liability and Net OPEB Liability are below:

Item	CERS June 30, 2020 Non-Hazardous
Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increases	3.05% average
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.
Mortality	
Pre-retirement	RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
Post-retirement (non-disabled)	RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females).
Post-retirement (disabled)	RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement. The assumed load on pre-Medicare premiums to reflect the cost of the Cadillac Tax was removed and the Medicare premiums were reduced by 11% to reflect the repeal of the

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 4. OTHER NOTES (Continued)

4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE) PLAN (Continued)

Discount Rate

The projection of cash flows used to determine the June 30, 2020 discount rate of 5.34% for CERS Non-hazardous, assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 23 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index's "20-year Municipal GO AA Index" as of June 30, 2020.

The fully-insured premiums KRS pays for the CERS Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees.

However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the Kentucky Retirement System's CAFR.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to the County Employee Retirement System Insurance Plan

At June 30, 2021 the City reported a liability of \$122,449.

The City's total payroll for the fiscal year ended June 30, 2021 was \$152,716. Contributions were based on \$138,394 (covered payroll). The total employer contributions to the Health Insurance Fund for the year ended June 30, 2021 was \$8,324.

All contributions were made as required.

The allocation of the employers' proportionate share of the Net OPEB Liability and OPEB expense was determined using the employer's actual contributions for the fiscal year ending June 30, 2020.

The City's contribution for the County Employee's Retirement System's (Insurance Plan) for the year ended June 30, 2020 was 0.005071 percent of the System's total contribution requirements for all employers.

The implicit employer subsidy for the non-Medicare eligible retirees for the year ended June 30, 2020 was \$2,548.

For the year ended June 30, 2021, the City recognized expense of \$16,502. At June 30, 2021 the City reported deferred outflows of resources and deferred inflows of resources related to CERS OPEB from the following sources:

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 4. OTHER NOTES (Continued)

4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE) PLAN (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to the County Employee Retirement System Insurance Plan (Continued)

	June 30, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 20,459	\$ 20,475
Change in Assumptions	21,299	130
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	157	447
Difference Between Projected and Actual Investment Earnings on Insurance Plan Investments	6,569	2,499
City Contributions Made Subsequent to the Net OPEB Measurement Date	8,324	-
Total	<u>\$ 56,808</u>	<u>\$ 23,551</u>

\$8,324 reported as deferred outflows of resources related to OPEB arising from City contributions made subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended June 30, 2022. Amounts reported as deferred inflows and outflows of resources due to the net difference between projected and actual investment earnings on OPEB plan investments will be netted and amortized over five years and recognized in OPEB expense. Amounts reported as deferred outflows of resources and deferred inflows of resources due to the difference between expected and actual experience, change of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions will be amortized and recognized in OPEB expense over the expected remaining service lives of all employees. Total amortization to be recognized in OPEB expense is presented below as follows:

Year Ended June 30, 2021:	Increase (Decrease) to OPEB Expense
2022	\$ 6,630
2023	7,834
2024	5,527
2025	5,259
2026	(317)
	<u>\$ 24,933</u>

Payable to the OPEB Health Insurance Plan

At June 30, 2021, the City reported a payable of \$787 for the outstanding amount of contributions required for the year then ended. This amount represents the employee withholding and employer match for the last month of the year then ended.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 4. OTHER NOTES (Continued)

4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE) PLAN (Continued)

Sensitivity of the City's Proportionate Share of the Net Other Post Employment Benefit (OPEB) Liability to Changes in the Discount Rate and Healthcare Trend Rate

The following table presents the net other post-employment benefit liability of CERS [as reported in its publicly available financial statements for the year ended June 30, 2020, calculated using the single discount rate of 5.34% as well as what CERS' net OPEB liability would be if it were calculated using a single discount rate that is one percentage point lower or one percentage point higher than the approved rate:

As of June 30, 2021	1% Decrease [4.34%]	Current Discount [5.34%]	1% Increase [6.34%]
Net OPEB Liability	\$ 3,102,175,364	\$ 2,414,695,884	\$ 1,850,046,176
City's Proportionate Share	157,311	122,449	93,816

The following table presents the net other post-employment benefit liability of CERS [as reported in its publicly available financial statements for the year ended June 30, 2020, calculated using the healthcare cost trend rate for the year ended June 30, 2020 as well as what CERS' net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the approved rate:

As of June 30, 2021	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability	\$ 1,869,578,166	\$ 2,414,695,884	\$ 3,076,209,120
City's Proportionate Share	94,806	122,449	155,995

4.B. RISK MANAGEMENT

Insurance and Related Activities

The City 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 risks are covered through the purchase of commercial insurance. The City is also subject to the risks associated with employee injury. These risks are covered through premiums paid to the Kentucky League of Cities, Workers' Compensation Trust. Such coverage is retrospectively rated and premiums may be adjusted based on experience.

4.C. COMMITMENTS & CONTINGENCIES

The City 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 based on the grantor's review, the funds are considered not to have been used for the intended purposes, the grantors may request a refund of monies advanced, or refuse to reimburse the City for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the City's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

During the 2018 Kentucky Legislature Session, House Bill 362 passed with caps CERS employer contribution rate increases up to 12% per year over the prior fiscal year for the period July 1, 2018 to June 30, 2028. During the 2020 regular session, Senate Bill 249 froze the CERS employer rate phase-in for one year and House Bill 352 included provisions to keep the CERS rates the same as fiscal year 2020, effective July 1, 2020. The CERS Employer rate beginning July 1, 2020 remained at 24.06%.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 4. OTHER NOTES (Continued)

4.D. MISCELLANEOUS

Segment Information – Enterprise Fund - The City maintains an enterprise fund which provides water and sewer services. Selected financial information for business segments of the enterprise fund for the year ended June 30, 2021, is presented as follows:

CONDENSED STATEMENT OF NET POSITION

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Assets:			
Due From Other Funds	\$ 8,270	\$ 8,270	\$ 16,540
Other Current Assets	240,364	74,748	315,112
Other Noncurrent Assets	280,546	307,385	587,931
Capital Assets (Net)	1,034,180	1,568,084	2,602,264
Total Assets	<u>\$ 1,563,360</u>	<u>\$ 1,958,487</u>	<u>\$ 3,521,847</u>
Deferred Outflows of Resources:			
Other Debits	<u>\$ 37,723</u>	<u>\$ 37,723</u>	<u>\$ 75,446</u>
Liabilities:			
Other Current Liabilities	\$ 42,438	\$ 51,950	\$ 94,388
Noncurrent Liabilities	553,986	575,322	1,129,308
Total Liabilities	<u>\$ 596,424</u>	<u>\$ 627,272</u>	<u>\$ 1,223,696</u>
Deferred Inflows of Resources:			
Other Credits	<u>\$ 9,203</u>	<u>\$ 9,203</u>	<u>\$ 18,406</u>
Net Position:			
Net Investment in Capital Assets	\$ 633,806	\$ 1,106,404	\$ 1,740,210
Restricted	256,502	307,385	563,887
Unrestricted	105,148	(54,054)	51,094
Total Net Position	<u>\$ 995,456</u>	<u>\$ 1,359,735</u>	<u>\$ 2,355,191</u>

CONDENSED STATEMENT REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues	\$ 254,220	\$ 234,361	\$ 488,581
Depreciation Expense	(42,780)	(69,023)	(111,803)
Other Operating Expenses	(198,976)	(172,565)	(371,541)
Operating Income (Loss)	<u>\$ 12,464</u>	<u>\$ (7,227)</u>	<u>\$ 5,237</u>
Nonoperating Revenues (Expenses):			
Investment Income	\$ 906	\$ 415	\$ 1,321
Interest Expense	(13,127)	(12,169)	(25,296)
Change in Net Position	<u>\$ 243</u>	<u>\$ (18,981)</u>	<u>\$ (18,738)</u>
Beginning Net Position	995,213	1,378,716	2,373,929
Ending Net Position	<u>\$ 995,456</u>	<u>\$ 1,359,735</u>	<u>\$ 2,355,191</u>

CONDENSED STATEMENT OF CASH FLOWS

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Net Cash Provided (Used) by:			
Operating Activities	\$ 72,248	\$ 74,663	\$ 146,911
Capital and Related Financing Activities	(39,545)	(55,596)	(95,141)
Investing Activities	900	436	1,336
Net Increase (Decrease)	<u>\$ 33,603</u>	<u>\$ 19,503</u>	<u>\$ 53,106</u>
Beginning Cash and Cash Equivalents	401,354	307,482	708,836
Ending Cash and Cash Equivalents	<u>\$ 434,957</u>	<u>\$ 326,985</u>	<u>\$ 761,942</u>

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 4. OTHER NOTES (Continued)

4.D. MISCELLANEOUS (Continued)

Income Tax Status

The City is exempt from federal and state income taxes. Accordingly, the financial statements include no provision for income taxes.

Economic Dependence

The City has a long-term contract with the Henry County Water District #2 for the purchase of treated water. The contract is dated September 4, 2002, for a period of 40 years. The annual consumption limit is 73 million gallons per year.

Subsequent Events

Management has considered subsequent events through the date of this report September 2, 2021, for disclosure. No events were identified that would have impacted the financial statements for the year ended June 30, 2021. However, on July 22, 2021, Kentucky Governor Andy Beshear announced funding for non-entitlement Cities in Kentucky from the American Rescue Plan Act. The City of New Castle will receive \$243,162. The first payment of \$121,581 was received in July, 2021. Final payment is anticipated to be received in July, 2022. The effect that future executive orders made in response to the COVID-19 pandemic may have on the financial position of the City is unknown at this time.

CITY OF NEW CASTLE, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>With Final</u> <u>Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
<u>REVENUES</u>				
Property Taxes	\$ 72,000	\$ 76,171	\$ 78,401	\$ 2,230
Franchise Taxes	47,000	45,000	52,368	7,368
Insurance Taxes	133,000	135,000	143,920	8,920
Charges for Services	83,000	83,000	85,708	2,708
Interest Revenue	60	70	91	21
Fire Department	45,000	57,747	35,911	(21,836)
Miscellaneous Revenues	4,500	2,000	1,962	(38)
Proceeds from Outside Sources:				
State Fire Aid	11,000	-	11,000	11,000
KY Public Safety Program	5,000	3,500	3,246	(254)
CARES Act Coronavirus Relief Fund	-	37,237	43,772	6,535
Total Revenues	<u>\$ 400,560</u>	<u>\$ 439,725</u>	<u>\$ 456,379</u>	<u>\$ 16,654</u>
<u>EXPENDITURES</u>				
Current				
General Government	\$ 198,440	\$ 173,152	\$ 160,483	\$ 12,669
Public Safety				
Police Department	49,800	42,000	41,725	275
Fire Department	61,650	50,132	41,518	8,614
Public Services	83,000	83,000	84,446	(1,446)
Highways & Streets	51,098	48,000	58,002	(10,002)
Capital Outlay	15,000	-	-	-
Debt Service				
Principal	10,000	10,000	10,000	-
Interest and Other Charges	2,250	2,250	2,250	-
Total Expenditures	<u>\$ 471,238</u>	<u>\$ 408,534</u>	<u>\$ 398,424</u>	<u>\$ 10,110</u>
Net Change in Fund Balance	\$ (70,678)	\$ 31,191	\$ 57,955	\$ 26,764
Fund Balances - July 1	<u>220,364</u>	<u>183,382</u>	<u>220,484</u>	<u>37,102</u>
Fund Balances - June 30	<u><u>\$ 149,686</u></u>	<u><u>\$ 214,573</u></u>	<u><u>\$ 278,439</u></u>	<u><u>\$ 63,866</u></u>

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2021

Budgetary Accounting

The City Commission follows these procedures in establishing the budgetary data for the general fund included in the required supplementary information.

- (1) The Mayor and City Clerk-Treasurer submit to the City Commission a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year. Detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.
- (2) Public hearings are conducted to obtain taxpayer comment.
- (3) Prior to June 30, the budget is legally enacted through passage of an ordinance.
- (4) The City Clerk-Treasurer presents monthly financial statements to the City Commission comparing actual year to date expenditures to budgeted expenditures.
- (5) Formal budgetary integration is employed as a management control device during the year.
- (6) The budget for the General Fund is prepared on the modified accrual basis of accounting.
- (7) Appropriations lapse at the end of each fiscal year.
- (8) The City Commission may authorize supplemental appropriations during the year. The budget was amended by ordinance once during the year.

CITY OF NEW CASTLE, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
June 30, 2021

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
City's proportion of the net pension liability (asset) %	0.005072%	0.005044%	0.005052%	0.005021%	0.005180%	0.005093%	0.005733%
City proportionate share of the net pension liability (asset) \$	389,018	354,747	307,682	293,895	255,021	218,994	186,000
City's covered payroll	\$ 129,931	\$ 127,239	\$ 125,217	\$ 122,260	\$ 123,558	\$ 118,836	\$ 139,290
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	299.40%	278.80%	245.72%	240.38%	206.40%	184.28%	133.53%
Pension plan's (CERS) fiduciary net position as a percentage of the total pension liability	47.8%	50.5%	53.5%	53.3%	55.5%	60.0%	62.6%

Calculations of the City's proportion of the net pension liability (%) and proportionate share of the net pension liability (\$) are based on reports of the Kentucky Retirement Systems', County Employees Retirement Systems' Schedule of Employer Allocations and Pension Amounts by Employer for the fiscal years ended June 30, shown.

City payroll is reported for its' covered fiscal years ending June 30, 2014 through 2020.

GASB 68 requires the City to present the above information for 10 years. The information will be expanded annually until a full 10-year trend is compiled.

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children.

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Inflation	2.30%	2.30%	2.30%	2.30%	3.25%	3.25%	3.50%
Salary Increases	3.30%-10.30%	3.30%-10.30%	3.05%	3.05%	4.00%	4.00%	4.50%
Investment Rate of Return	6.25%	6.25%	6.25%	6.25%	7.50%	7.50%	7.75%

The mortality table(s) used in the determination of the total pension liability as of June 30, 2020 were as follows. The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

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

The assumed rates of retirement, withdrawal, and disability were based on an actuarial valuation performed as of June 30, 2019.

**CITY OF NEW CASTLE, KENTUCKY
SCHEDULE OF CITY CONTRIBUTIONS (PENSION)
COUNTY EMPLOYEES RETIREMENT SYSTEM
Year(s) Ending June 30**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually (Employer) Required Contribution	\$ 24,973	\$ 25,076	\$ 20,638	\$ 18,131	\$ 17,055	\$ 15,346	\$ 15,152
Contributions in Relation to the Contractually Required Contributions	<u>(24,973)</u>	<u>(25,076)</u>	<u>(20,638)</u>	<u>(18,131)</u>	<u>(17,055)</u>	<u>(15,346)</u>	<u>(15,152)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 138,394	\$ 129,931	\$ 127,239	\$ 125,217	\$ 122,260	\$ 123,558	\$ 118,836
Contributions as a Percentage of Covered Payroll	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%

The City's contributions above include only the contributions to the County Employees Retirement System's Pension Fund. GASB 68 required the city to present the above information for the CERS Pension Fund for 10 years. The information will be expanded annually until a full 10-year trend is compiled.

CITY OF NEW CASTLE, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
June 30, 2021

	2020	2019	2018	2017
City's proportion of the net OPEB liability (asset) %	0.005071%	0.005044%	0.005052%	0.005021%
City proportionate share of the net OPEB liability (asset)	\$ 122,449	\$ 84,821	\$ 89,697	\$ 100,939
City's covered payroll	\$ 129,931	\$ 127,239	\$ 125,217	\$ 122,260
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	94.24%	66.66%	71.63%	82.56%
Plan fiduciary net position as a percentage of the total OPEB liability	51.7%	60.4%	57.6%	52.4%

Calculations of the City's proportionate share of the net OPEB liability (%) and proportionate share of the net OPEB liability (\$) are based on reports of the Kentucky Retirement Systems', County Employees Retirement Systems' Schedule of Employer Allocations and OPEB Amounts by Employer for the fiscal years ended June 30, shown.

City covered payroll is reported for its fiscal years ending June 30, 2017 through 2020.

GASB 75 requires the City to present the above information for 10 years. The information will be expanded annually until a full 10-year trend is compiled.

The Board of Trustees adopted new actuarial assumptions since June 30, 2018, as documented in the report titled, *Kentucky Retirement Systems 2018 Actuarial Experience Study for the period ending June 30, 2018*.

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty.

Actuarial Methods and Assumptions for Determining Net OPEB Liability:

	2020	2019	2018	2017
Payroll Growth Rate	2.0%	2.0%	2.0%	2.0%
Salary Increases	3.30%-11.55% varies by service	3.30%-10.30% varies by service	3.05% Average	3.05% Average
Investment Rate of Return	6.25%	6.25%	6.25%	6.25%
Inflation	2.3%	2.3%	2.3%	2.3%
Healthcare Trend Rates: Pre-65	Initial trend starting at 6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.	Initial trend at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.	Initial trend at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.	Initial trend at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Healthcare Trend Rates: Post-65	Initial trend starting at 2.90% at January 1, 2022, and increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.
Mortality: Pre-Retirement	PUB-2010 General Mortality Table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.	PUB-2010 General Mortality Table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.	RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).	RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
Post-Retirement	System Specific Mortality Table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement Scale using a base year of 2019.	System Specific Mortality Table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement Scale using a base year of 2019.	RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females).	RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females).
Post-Retirement (disabled)	PUB 2010 Disabled Mortality Table, with a 4-year set forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010 is used for the period after disability.	PUB 2010 Disabled Mortality Table, with a 4-year set forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010 is used for the period after disability.	RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.	RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

CITY OF NEW CASTLE, KENTUCKY
SCHEDULE OF THE CITY'S CONTRIBUTIONS (OPEB)
COUNTY EMPLOYEES RETIREMENT SYSTEM
Year(s) Ending June 30

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually (Employer) Required Contributions	\$ 8,324	\$ 6,185	\$ 6,693	\$ 5,886	\$ 5,783	\$ 5,733	\$ 5,846
Contributions in Relation to the Contractually Required Contributions	(8,324)	(6,185)	(6,693)	(5,886)	(5,783)	(5,733)	(5,846)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered-Employee Payroll	\$138,394	\$129,931	\$127,239	\$125,217	\$ 122,260	\$123,558	\$118,836
Contributions as a Percentage of Covered-Employee Payroll	4.76%	4.76%	5.26%	4.70%	4.73%	4.64%	4.92%

The City's contributions above include only the contributions to the County Employees Retirement System's Insurance Fund. GASB 75 requires the City to present the above information for the CERS OPEB Fund for 10 years. The information will be expanded annually until a full 10-year trend is compiled.

CITY OF NEW CASTLE, KENTUCKY
COMPARATIVE COMBINING STATEMENT OF NET POSITION
ALL PROPRIETARY FUND TYPES
June 30, 2021, and 2020

	June 30, 2021		
	Water Utilities Enterprise Fund	Sewer Utilities Enterprise Fund	Totals
<u>ASSETS</u>			
Current Assets:			
Cash, including time deposits	\$ 209,411	\$ 45,100	\$ 254,511
Interest Receivable	88	12	100
Accounts Receivable - (Net)	30,865	29,636	60,501
Due from Other Funds	8,270	8,270	16,540
Total Current Assets	\$ 248,634	\$ 83,018	\$ 331,652
Noncurrent Assets:			
Restricted Assets			
Cash, including time deposits	\$ 280,546	\$ 307,385	\$ 587,931
Capital Assets (Net)	1,034,180	1,568,084	2,602,264
Total Noncurrent Assets	\$ 1,314,726	\$ 1,875,469	\$ 3,190,195
Total Assets	\$ 1,563,360	\$ 1,958,487	\$ 3,521,847
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Attributable to Employee Pension Plan	\$ 20,681	\$ 20,681	\$ 41,362
Attributable to Employee Benefit Plan	17,042	17,042	34,084
Total Deferred Outflows of Resources	\$ 37,723	\$ 37,723	\$ 75,446
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	\$ 12,226	\$ 3,640	\$ 15,866
Accrued Compensated Absences	2,569	2,569	5,138
Accrued Taxes / Employee Withholding	704	182	886
Current Liabilities Payable from Restricted Assets:			
Note Payable	8,439	12,659	21,098
Revenue Bonds Payable	18,500	32,900	51,400
Total Current Liabilities	\$ 42,438	\$ 51,950	\$ 94,388
Noncurrent Liabilities:			
Revenue Bonds Payable	\$ 235,500	\$ 209,219	\$ 444,719
Note Payable	137,935	206,902	344,837
Accrued Compensated Absences	5,761	5,761	11,522
Net Pension Liability	116,705	116,705	233,410
Net OPEB Liability	36,735	36,735	73,470
Noncurrent Liabilities Payable from Restricted Assets:			
Customer Deposits Payable	21,350	-	21,350
Total Noncurrent Liabilities	\$ 553,986	\$ 575,322	\$ 1,129,308
Total Liabilities	\$ 596,424	\$ 627,272	\$ 1,223,696
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Attributable to Employee Pension Plan	\$ 2,138	\$ 2,138	\$ 4,276
Attributable to Employee Benefit Plan	7,065	7,065	14,130
Total Deferred Inflows of Resources	\$ 9,203	\$ 9,203	\$ 18,406
<u>NET POSITION</u>			
Net Investment in Capital Assets	\$ 633,806	\$ 1,106,404	\$ 1,740,210
Restricted for:			
Debt Service	256,502	307,385	563,887
Unrestricted	105,148	(54,054)	51,094
Total Net Position	\$ 995,456	\$ 1,359,735	\$ 2,355,191

June 30, 2020		
Water Utilities Enterprise Fund	Sewer Utilities Enterprise Fund	Totals
\$ 188,203	\$ 41,418	\$ 229,621
82	33	115
33,243	30,956	64,199
8,850	8,850	17,700
<u>\$ 230,378</u>	<u>\$ 81,257</u>	<u>\$ 311,635</u>
\$ 268,151	\$ 291,564	\$ 559,715
1,076,960	1,637,107	2,714,067
<u>\$ 1,345,111</u>	<u>\$ 1,928,671</u>	<u>\$ 3,273,782</u>
<u>\$ 1,575,489</u>	<u>\$ 2,009,928</u>	<u>\$ 3,585,417</u>
\$ 22,837	\$ 22,837	\$ 45,674
10,065	10,065	20,130
<u>\$ 32,902</u>	<u>\$ 32,902</u>	<u>\$ 65,804</u>
\$ 9,549	\$ 4,072	\$ 13,621
2,212	2,212	4,424
797	170	967
8,418	12,627	21,045
18,000	30,800	48,800
<u>\$ 38,976</u>	<u>\$ 49,881</u>	<u>\$ 88,857</u>
\$ 254,000	\$ 242,119	\$ 496,119
146,374	219,561	365,935
7,006	7,006	14,012
106,424	106,424	212,848
25,446	25,446	50,892
21,275	-	21,275
<u>\$ 560,525</u>	<u>\$ 600,556</u>	<u>\$ 1,161,081</u>
<u>\$ 599,501</u>	<u>\$ 650,437</u>	<u>\$ 1,249,938</u>
\$ 4,479	\$ 4,479	\$ 8,958
9,198	9,198	18,396
<u>\$ 13,677</u>	<u>\$ 13,677</u>	<u>\$ 27,354</u>
\$ 650,168	\$ 1,132,000	\$ 1,782,168
244,526	291,564	536,090
100,519	(44,848)	55,671
<u>\$ 995,213</u>	<u>\$ 1,378,716</u>	<u>\$ 2,373,929</u>

CITY OF NEW CASTLE, KENTUCKY
COMPARATIVE COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
ALL PROPRIETARY FUND TYPES
For the Fiscal Years Ended June 30, 2021 and 2020

	Year Ended June 30, 2021			Year Ended June 30, 2020		
	Water Utilities Enterprise Fund	Sewer Utilities Enterprise Fund	Totals (Memorandum Only)	Water Utilities Enterprise Fund	Sewer Utilities Enterprise Fund	Totals (Memorandum Only)
<u>OPERATING REVENUES</u>						
Water Sales	\$ 247,220	\$ -	\$ 247,220	\$ 246,620	\$ -	\$ 246,620
Sewer Services	-	232,861	232,861	-	232,036	232,036
Miscellaneous	7,000	1,500	8,500	8,448	2,174	10,622
Total Operating Revenues	\$ 254,220	\$ 234,361	\$ 488,581	\$ 255,068	\$ 234,210	\$ 489,278
<u>OPERATING EXPENSES</u>						
Salaries and Wages	\$ 46,742	\$ 44,411	\$ 91,153	\$ 43,324	\$ 43,403	\$ 86,727
Water and Sewer Supplies	14,144	23,148	37,292	13,440	19,665	33,105
Utilities	658	17,107	17,765	735	16,372	17,107
Payroll Taxes	3,576	3,397	6,973	3,552	3,571	7,123
Retirement Benefits	18,341	17,920	36,261	18,287	18,292	36,579
OPEB Benefits	4,927	4,787	9,714	2,403	2,405	4,808
Vehicle Expenses	4,212	4,239	8,451	2,539	2,668	5,207
Postage and Office Supplies	2,105	2,160	4,265	2,080	1,969	4,049
Insurance	26,812	26,812	53,624	26,762	26,762	53,524
General & Admin. Expenses	11,555	10,198	21,753	10,850	12,505	23,355
Depreciation	42,780	69,023	111,803	42,994	75,365	118,359
Miscellaneous	494	356	850	301	275	576
Water Purchases	61,623	-	61,623	62,842	-	62,842
Repairs and Maintenance	3,787	18,030	21,817	3,656	25,720	29,376
Total Operating Expenses	\$ 241,756	\$ 241,588	\$ 483,344	\$ 233,765	\$ 248,972	\$ 482,737
Operating Income (Loss)	\$ 12,464	\$ (7,227)	\$ 5,237	\$ 21,303	\$ (14,762)	\$ 6,541
<u>NON-OPERATING REVENUES (EXPENSES)</u>						
Interest Revenue	\$ 906	\$ 415	\$ 1,321	\$ 1,089	\$ 514	\$ 1,603
Interest Expense	(13,127)	(12,169)	(25,296)	(13,985)	(13,644)	(27,629)
Total Non-Operating Revenues (Expenses):	\$ (12,221)	\$ (11,754)	\$ (23,975)	\$ (12,896)	\$ (13,130)	\$ (26,026)
Change in Net Position	\$ 243	\$ (18,981)	\$ (18,738)	\$ 8,407	\$ (27,892)	\$ (19,485)
Net Position - July 1	995,213	1,378,716	2,373,929	986,806	1,406,608	2,393,414
Net Position - June 30	\$ 995,456	\$ 1,359,735	\$ 2,355,191	\$ 995,213	\$ 1,378,716	\$ 2,373,929

CITY OF NEW CASTLE, KENTUCKY
COMPARATIVE COMBINING STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
For the Years Ended June 30, 2021, and 2020

	Year Ended June 30, 2021			Year Ended June 30, 2020		
	Water Utilities Enterprise Fund	Sewer Utilities Enterprise Fund	Totals	Water Utilities Enterprise Fund	Sewer Utilities Enterprise Fund	Totals
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>						
Receipts from Customers	\$ 256,598	\$ 235,681	\$ 492,279	\$ 253,386	\$ 233,747	\$ 487,133
Payments to Suppliers	(136,795)	(115,719)	(252,514)	(136,387)	(117,442)	(253,829)
Payments to Employees	(47,630)	(45,299)	(92,929)	(49,111)	(49,190)	(98,301)
Receipts of Customer Meter Deposits	4,850	-	4,850	5,425	-	5,425
Refunds of Customer Meter Deposits	(4,775)	-	(4,775)	(4,175)	-	(4,175)
Net Cash Provided (Used) by Operating Activities	\$ 72,248	\$ 74,663	\$ 146,911	\$ 69,138	\$ 67,115	\$ 136,253
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>						
Purchases of Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ (3,500)	\$ (3,500)
Principal Paid on Capital Debt	(26,418)	(43,427)	(69,845)	(25,397)	(42,196)	(67,593)
Interest Paid on Capital Debt	(13,127)	(12,169)	(25,296)	(13,985)	(13,644)	(27,629)
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (39,545)	\$ (55,596)	\$ (95,141)	\$ (39,382)	\$ (59,340)	\$ (98,722)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>						
Interest Received	\$ 900	\$ 436	\$ 1,336	\$ 1,089	\$ 514	\$ 1,603
Net Cash Provided (Used) by Investing Activities	\$ 900	\$ 436	\$ 1,336	\$ 1,089	\$ 514	\$ 1,603
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 33,603	\$ 19,503	\$ 53,106	\$ 30,845	\$ 8,289	\$ 39,134
Balances - July 1	401,354	307,482	708,836	370,509	299,193	669,702
Balances - June 30	\$ 434,957	\$ 326,985	\$ 761,942	\$ 401,354	\$ 307,482	\$ 708,836
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>						
Operating Income (Loss)	\$ 12,464	\$ (7,227)	\$ 5,237	\$ 21,303	\$ (14,762)	\$ 6,541
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:						
Depreciation Expense	42,780	69,023	111,803	42,994	75,365	118,359
Pension Expense	10,096	10,096	20,192	11,119	11,119	22,238
OPEB Expense	2,179	2,179	4,358	14	14	28
Change in Assets and Liabilities:						
Receivables, Net	2,378	1,320	3,698	(1,682)	(463)	(2,145)
Accounts Payable	2,677	(432)	2,245	(930)	840	(90)
Due from Other Funds	580	580	1,160	850	850	1,700
Customer Meter Deposits Payable	75	-	75	1,250	-	1,250
Accrued Compensated Absences	(888)	(888)	(1,776)	(5,787)	(5,787)	(11,574)
Accrued Taxes/Employee Withholding	(93)	12	(81)	7	(61)	(54)
Net Cash Provided by Operating Activities	\$ 72,248	\$ 74,663	\$ 146,911	\$ 69,138	\$ 67,115	\$ 136,253

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

At June 30, 2021, the Waterworks Enterprise Fund had no outstanding obligations and the Sewer Utilities Enterprise Fund had no outstanding obligations for the acquisition/construction of plant assets. At June 30, 2020 the Waterworks Enterprise Fund had no outstanding obligations and the Sewer Utilities Enterprise Fund had no outstanding obligations for the acquisition/construction of plant assets.

CITY OF NEW CASTLE, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2021
BUDGET AND ACTUAL
ALL PROPRIETARY FUND TYPES

	<u>Water Utilities</u>			<u>Sewer Utilities</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>OPERATING REVENUES</u>						
Water Sales	\$ 260,000	\$ 247,220	\$ (12,780)	\$ -	\$ -	\$ -
Sewer Services	-	-	-	240,000	232,861	(7,139)
Miscellaneous	5,900	7,000	1,100	500	1,500	1,000
Total Operating Revenues	\$ 265,900	\$ 254,220	\$ (11,680)	\$ 240,500	\$ 234,361	\$ (6,139)
<u>OPERATING EXPENSES</u>						
Salaries and Wages	\$ 50,000	\$ 46,742	\$ 3,258	\$ 46,000	\$ 44,411	\$ 1,589
Water and Sewer Supplies	16,000	14,144	1,856	26,000	23,148	2,852
Utilities	726	658	68	17,050	17,107	(57)
Payroll Taxes	3,000	3,576	(576)	3,500	3,397	103
Retirement Benefits	6,750	18,341	(11,591)	7,875	17,920	(10,045)
OPEB Benefits	2,250	4,927	(2,677)	2,625	4,787	(2,162)
Vehicle Expenses	3,000	4,212	(1,212)	3,000	4,239	(1,239)
Postage and Office Supplies	2,000	2,105	(105)	2,000	2,160	(160)
Insurance	27,200	26,812	388	27,200	26,812	388
General & Admin. Expenses	12,300	11,555	745	11,000	10,198	802
Depreciation	26,180	42,780	(16,600)	48,820	69,023	(20,203)
Miscellaneous	400	494	(94)	600	356	244
Water Purchases	55,000	61,623	(6,623)	-	-	-
Repairs and Maintenance	6,500	3,787	2,713	26,500	18,030	8,470
Total Operating Expenses	\$ 211,306	\$ 241,756	\$ (30,450)	\$ 222,170	\$ 241,588	\$ (19,418)
Operating Income (Loss)	\$ 54,594	\$ 12,464	\$ (42,130)	\$ 18,330	\$ (7,227)	\$ (25,557)
<u>NON-OPERATING REVENUES (EXPENSES):</u>						
Interest Revenue	\$ 800	\$ 906	\$ 106	\$ 400	\$ 415	\$ 15
Interest Expense	(12,440)	(13,127)	(687)	(11,139)	(12,169)	(1,030)
Total Non-Operating Revenues (Expenses):	\$ (11,640)	\$ (12,221)	\$ (581)	\$ (10,739)	\$ (11,754)	\$ (1,015)
Change in Net Position	\$ 42,954	\$ 243	\$ (42,711)	\$ 7,591	\$ (18,981)	\$ (26,572)
Net Position - July 1	389,475	995,213	605,738	356,964	1,378,716	1,021,752
Net Position - June 30	\$ 432,429	\$ 995,456	\$ 563,027	\$ 364,555	\$ 1,359,735	\$ 995,180

RAISOR, ZAPP & WOODS, PSC

Certified Public Accountants

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

The Honorable Tony Kurtz, Mayor
and Members of the City Commission
of the City of New Castle
New Castle, Kentucky 40050

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of New Castle, Kentucky as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise City of New Castle, Kentucky's basic financial statements and have issued our report thereon dated September 2, 2021.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered City of New Castle, Kentucky's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of New Castle, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of City of New Castle, Kentucky'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as Items 2021-001 and 2021-002 that we consider to be material weaknesses.

RAISOR, ZAPP & WOODS, P.S.C.

Certified Public Accountants

The Honorable Tony Kurtz, Mayor
and Members of the City Commission
of the City of New Castle

Page Two

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COMPLIANCE AND OTHER MATTERS

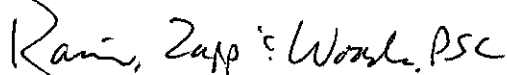
As part of obtaining reasonable assurance about whether City of New Castle, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

CITY OF NEW CASTLE, KENTUCKY'S RESPONSE TO FINDINGS

City of New Castle, Kentucky's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of New Castle, Kentucky's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



RAISOR, ZAPP & WOODS, PSC
Certified Public Accountants
Carrollton, Kentucky

September 2, 2021

**CITY OF NEW CASTLE, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2021**

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on whether the financial statements of City of New Castle, Kentucky were prepared in accordance with GAAP.
2. Two deficiencies in internal control related to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Items 2021-001 and 2021-002 were reported as material weaknesses.
3. No instances of noncompliance material to the financial statements of City of New Castle, Kentucky were disclosed during the audit.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

GOVERNMENT AUDITING STANDARDS

DEFICIENCIES IN INTERNAL CONTROL

2021-001 SIZE OF ENTITY

CRITERIA:

Internal controls should be in place to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition.

CONDITION:

Due to the size of administrative staff, internal control is limited. This condition was also cited as a material weakness in the Schedule of Findings and Responses for the year ended June 30, 2020 as item 2020-001.

CAUSE:

The staff size of the City limits the ability to rotate duties and implement checking procedures.

EFFECT:

The limitations on rotation of duties and checking procedures may affect the City's ability to record, process, summarize and report financial data.

RECOMMENDATION:

Management should strive to separate duties as staff and cost benefits allow.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

We concur with the recommendation. Management believes adequate resources have been expended and control procedures implemented, that are commensurate with the size and responsibility of financial personnel.

2021-002 FAILURE TO PREPARE A COMPLETE SET OF FINANCIAL STATEMENTS INCLUDING REQUIRED NOTE DISCLOSURES

CRITERIA:

Internal controls should be in place to provide management with reasonable, but not absolute, assurance that financial statements and required notes are prepared in accordance with generally accepted accounting principles.

CONDITION:

City financial statements, including the required disclosures, are prepared as part of the annual audit. This condition was also cited as a material weakness in the Schedule of Findings and Responses for the year ended June 30, 2020 as item 2020-002.

**CITY OF NEW CASTLE, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
For the Year Ended June 30, 2021**

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (Continued)

DEFICIENCIES IN INTERNAL CONTROL (Continued)

2021-002 FAILURE TO PREPARE A COMPLETE SET OF FINANCIAL STATEMENTS INCLUDING REQUIRED NOTE DISCLOSURES (Continued)

CAUSE:

Management of the City are not sufficiently familiar with all accounting, financial reporting and disclosure requirements to prepare internal financial statements. The draft accrual basis (government-wide) financial statements and disclosures are prepared during the audit process. Entries are not entered into the City's general ledger and financial reports.

EFFECT:

Management engaged auditor to prepare the draft of the financial statements, including the related notes to the financial statements. Management reviewed, approved, and accepted responsibility for the financial statements prior to their issuance.

RECOMMENDATION:

Management should continue to be aware of its responsibilities in the preparation of its financial statements and continue to increase its involvement in and understanding of that process.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

We concur with the recommendation and will continue our efforts to improve our overall accounting knowledge.

COMPLIANCE AND OTHER MATTERS

None