

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

Year Ended June 30, 2022

CITY OF NEW CASTLE, KENTUCKY
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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of New Castle, Kentucky as of and for the year ended June 30, 2022, 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.

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, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

The Honorable Tony Kurtz, Mayor
and Members of the City Commission
of the City of New Castle
New Castle, Kentucky 40050
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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of New Castle, Kentucky's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of New Castle, Kentucky's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the Table of Contents on pages 54 through 59, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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.

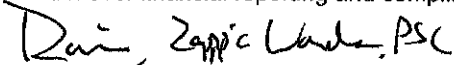
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required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

Supplementary 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 other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information listed in the table of contents is fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2022, 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.

 R. Zapp, PSC

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

September 2, 2022

CITY OF NEW CASTLE, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2022

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current Assets:			
Cash, including time deposits	\$ 340,706	\$ 243,764	\$ 584,470
Accounts Receivable (Net)	51,596	61,516	113,112
Due from Other Governments	3,785	-	3,785
Due from Other Funds	(14,380)	14,380	-
Total Current Assets	<u>\$ 381,707</u>	<u>\$ 319,660</u>	<u>\$ 701,367</u>
Noncurrent Assets:			
Restricted Assets			
Cash	\$ 237,249	\$ 589,091	\$ 826,340
Capital Assets (Net)	497,435	2,580,999	3,078,434
Total Noncurrent Assets	<u>\$ 734,684</u>	<u>\$ 3,170,090</u>	<u>\$ 3,904,774</u>
Total Assets	<u>\$ 1,116,391</u>	<u>\$ 3,489,750</u>	<u>\$ 4,606,141</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Attributable to Employee Pension Plan	\$ 24,976	\$ 48,480	\$ 73,456
Attributable to Employee Benefit Plan	21,473	41,678	63,151
Total Deferred Outflows of Resources	<u>\$ 46,449</u>	<u>\$ 90,158</u>	<u>\$ 136,607</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	\$ 17,444	\$ 13,627	\$ 31,071
Accounts Payable - Construction	-	21,450	21,450
Accrued Compensated Absences	3,169	4,924	8,093
Accrued Taxes/Employee Withholding	8,729	1,045	9,774
Current Liabilities Payable from Restricted Assets:			
Accrued Interest	292	-	292
Current Portion - Note Payable	-	21,151	21,151
Current Portion - Capital Lease Obligation	15,000	-	15,000
Current Portion - Revenue Bonds Payable	-	57,200	57,200
Total Current Liabilities	<u>\$ 44,634</u>	<u>\$ 119,397</u>	<u>\$ 164,031</u>
Noncurrent Liabilities:			
Revenue Bonds Payable	\$ -	\$ 387,519	\$ 387,519
Note Payable	-	323,686	323,686
Capital Lease Obligation	20,000	-	20,000
Accrued Compensated Absences	9,830	16,202	26,032
Net Pension Liability	117,450	227,990	345,440
Net OPEB Liability	35,260	68,446	103,706
Noncurrent Liabilities Payable from Restricted Assets:			
Customer Deposits Payable	-	22,475	22,475
Total Noncurrent Liabilities	<u>\$ 182,540</u>	<u>\$ 1,046,318</u>	<u>\$ 1,228,858</u>
Total Liabilities	<u>\$ 227,174</u>	<u>\$ 1,165,715</u>	<u>\$ 1,392,889</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Attributable to Employee Pension Plan	\$ 21,351	\$ 41,444	\$ 62,795
Attributable to Employee Benefit Plan	17,961	34,868	52,829
Total Deferred Inflows of Resources	<u>\$ 39,312</u>	<u>\$ 76,312</u>	<u>\$ 115,624</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	\$ 462,435	\$ 1,793,443	\$ 2,255,878
Restricted for:			
Debt Service	12,870	563,904	576,774
Other Purposes	279,988	-	279,988
Unrestricted	141,061	(19,466)	121,595
Total Net Position	<u>\$ 896,354</u>	<u>\$ 2,337,881</u>	<u>\$ 3,234,235</u>

CITY OF NEW CASTLE, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

		Program Revenues		
		Charges For	Operating	Capital
	Expenses	Services	Grants and Contributions	Grants and Contributions
Functions / Programs				
Governmental Activities:				
General Government	\$ 188,968	\$ 6,270	\$ 247,412	\$ -
Public Safety				
Police Department	42,129	4,437	14,321	-
Fire Department	62,772	39,241	10,000	-
Public Services	84,082	88,314	-	-
Highways & Streets	87,579	-	18,617	-
Total Governmental Activities	\$ 465,530	\$ 138,262	\$ 290,350	\$ -
Business-type Activities				
Water	\$ 269,381	\$ 252,493	\$ -	\$ -
Sewer	263,660	241,795	-	-
Total Business-type Activities	\$ 533,041	\$ 494,288	\$ -	\$ -
Total Government	\$ 998,571	\$ 632,550	\$ 290,350	\$ -

General Revenues:

Taxes:

Property Taxes
Franchise Taxes
Insurance Taxes
Unrestricted Investment Income
Miscellaneous
Gain (Loss) on Disposition of Assets
Transfer (to) from Other Funds
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>
\$ 64,714	\$ -	\$ 64,714
(23,371)	-	(23,371)
(13,531)	-	(13,531)
4,232	-	4,232
(68,962)	-	(68,962)
<u>\$ (36,918)</u>	<u>\$ -</u>	<u>\$ (36,918)</u>
\$ -	\$ (16,888)	\$ (16,888)
-	(21,865)	(21,865)
<u>\$ -</u>	<u>\$ (38,753)</u>	<u>\$ (38,753)</u>
\$ (36,918)	\$ (38,753)	\$ (75,671)
\$ 88,008	\$ -	\$ 88,008
60,894	-	60,894
156,300	-	156,300
227	1,117	1,344
1,882	6,090	7,972
-	(9,960)	(9,960)
(24,196)	24,196	-
<u>\$ 283,115</u>	<u>\$ 21,443</u>	<u>\$ 304,558</u>
\$ 246,197	\$ (17,310)	\$ 228,887
650,157	2,355,191	3,005,348
<u>\$ 896,354</u>	<u>\$ 2,337,881</u>	<u>\$ 3,234,235</u>

CITY OF NEW CASTLE, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

		Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>	<u>General Fund</u>		
Cash, including time deposits	\$ 269,098	\$ 71,608	\$ 340,706
Cash, restricted	237,249	-	237,249
Accounts Receivable: (net of allowance for uncollectibles)			
Insurance Licenses	33,746	-	33,746
Property Taxes	614	-	614
Garbage	7,339	-	7,339
Franchise Fees	8,449	-	8,449
Miscellaneous	1,448	-	1,448
Due from Other Governments	2,112	1,673	3,785
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 560,055	\$ 73,281	\$ 633,336
	<hr/>	<hr/>	<hr/>
<u>LIABILITIES</u>			
Accounts Payable	\$ 17,444	\$ -	\$ 17,444
Due to Other Funds	14,380	-	14,380
Accrued Taxes / Employee Withholding	8,729	-	8,729
	<hr/>	<hr/>	<hr/>
Total Liabilities	\$ 40,553	\$ -	\$ 40,553
	<hr/>	<hr/>	<hr/>
<u>FUND BALANCES</u>			
Restricted for:			
Debt Service - Fire Truck	\$ 12,870	\$ -	\$ 12,870
American Rescue Plan Act	206,707	-	206,707
Special Revenue Funds	-	73,281	73,281
Assigned to:			
Downtown Revitalization & Preservation	17,672	-	17,672
Unassigned	282,253	-	282,253
	<hr/>	<hr/>	<hr/>
Total Fund Balances	\$ 519,502	\$ 73,281	\$ 592,783
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 560,055	\$ 73,281	\$ 633,336
	<hr/>	<hr/>	<hr/>

CITY OF NEW CASTLE, KENTUCKY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2022

Total Governmental Fund Balances	\$ 592,783
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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 \$1,087,071	497,435
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Deferred Outflows of Resources	
Attributable to Employee Pension Plan	24,976
Attributable to Employee Benefit Plan	21,473

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

Accrued compensated absences	(12,999)
Accrued Interest	(292)
Capital Lease Obligation	(35,000)
Net Pension Liability	(117,450)
Net OPEB Liability	(35,260)

Deferred Inflows of Resources	
Attributable to Employee Pension Plan	(21,351)
Attributable to Employee Benefit Plan	(17,961)

Net Position of Governmental Activities	\$ 896,354
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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, 2022

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>			
Property Taxes	\$ 88,008	\$ -	\$ 88,008
Franchise Taxes	60,894	-	60,894
Insurance Taxes	156,300	-	156,300
Charges for Services	88,314	-	88,314
Interest Revenue	157	70	227
Fire Department	39,241	-	39,241
Miscellaneous Revenues	8,152	-	8,152
Proceeds from Outside Sources:			
State Fire Aid	10,000	-	10,000
Municipal Road Aid	-	18,617	18,617
KY Public Safety Program	4,437	-	4,437
CARES Act Coronavirus Relief Fund	14,321	-	14,321
American Rescue Plan Act Fund	247,412	-	247,412
 Total Revenues	 <u>\$ 717,236</u>	 <u>\$ 18,687</u>	 <u>\$ 735,923</u>
<u>EXPENDITURES</u>			
Current			
General Government	\$ 187,215	\$ -	\$ 187,215
Public Safety			
Police Department	42,129	-	42,129
Fire Department	39,741	-	39,741
Public Services	84,082	-	84,082
Highways and Streets	68,285	27,750	96,035
Capital Outlay	13,525	-	13,525
Debt Service			
Principal	15,000	-	15,000
Interest and Other Charges	2,000	-	2,000
 Total Expenditures	 <u>\$ 451,977</u>	 <u>\$ 27,750</u>	 <u>\$ 479,727</u>
 Excess Revenues Over (Under) Expenditures	 <u>\$ 265,259</u>	 <u>\$ (9,063)</u>	 <u>\$ 256,196</u>
Other Financing Sources (Uses):			
Transfers In (Out)	\$ (24,196)	\$ -	\$ (24,196)
 Total Other Financing Sources (Uses)	 <u>\$ (24,196)</u>	 <u>\$ -</u>	 <u>\$ (24,196)</u>
 Net Change in Fund Balances	 \$ 241,063	 \$ (9,063)	 \$ 232,000
 Fund Balances - July 1	 <u>278,439</u>	 <u>82,344</u>	 <u>360,783</u>
 Fund Balances - June 30	 <u>\$ 519,502</u>	 <u>\$ 73,281</u>	 <u>\$ 592,783</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, 2022**

Net Change in Fund Balances - Total Governmental Funds	\$ 232,000
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***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.

Capitalized Expenditures	13,525
Depreciation Expense	(32,710)

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.	15,000
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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.	125
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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.	(2,732)
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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.	17,061
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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.	3,928
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Change in Net Position of Governmental Activities	\$ 246,197
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CITY OF NEW CASTLE, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2022

**Water/Sewer
Utilities
Enterprise Fund**

ASSETS

Current Assets:

Cash, including time deposits	\$ 243,764
Accounts Receivable (Net)	61,516
Due from Other Funds	14,380
Total Current Assets	<u>\$ 319,660</u>

Noncurrent Assets:

Restricted Assets	
Cash, including time deposits	\$ 589,091
Capital Assets (Net)	2,580,999
Total Noncurrent Assets	<u>\$ 3,170,090</u>
Total Assets	<u>\$ 3,489,750</u>

DEFERRED OUTFLOWS OF RESOURCES

Attributable to Employee Pension Plan	\$ 48,480
Attributable to Employee Benefit Plan	41,678
Total Deferred Outflows of Resources	<u>\$ 90,158</u>

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 13,627
Accounts Payable - Construction	21,450
Accrued Compensated Absences	4,924
Accrued Taxes / Employee Withholding	1,045
Current Liabilities Payable from Restricted Assets:	
Note Payable	21,151
Revenue Bonds Payable	57,200
Total Current Liabilities	<u>\$ 119,397</u>

Noncurrent Liabilities:

Revenue Bonds Payable	\$ 387,519
Note Payable	323,686
Accrued Compensated Absences	16,202
Net Pension Liability	227,990
Net OPEB Liability	68,446
Noncurrent Liabilities Payable from Restricted Assets:	
Customer Deposits Payable	22,475
Total Noncurrent Liabilities	<u>\$ 1,046,318</u>
Total Liabilities	<u>\$ 1,165,715</u>

DEFERRED INFLOWS OF RESOURCES

Attributable to Employee Pension Plan	\$ 41,444
Attributable to Employee Benefit Plan	34,868
Total Deferred Inflows of Resources	<u>\$ 76,312</u>

NET POSITION

Net Investment in Capital Assets	\$ 1,793,443
Restricted for:	
Debt Service	563,904
Unrestricted	(19,466)
Total Net Position	<u>\$ 2,337,881</u>

CITY OF NEW CASTLE, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2022

	Water/Sewer Utilities Enterprise Fund
<u>OPERATING REVENUES</u>	
Water Sales	\$ 252,493
Sewer Services	241,795
Miscellaneous	<u>6,090</u>
Total Operating Revenues	<u>\$ 500,378</u>
<u>OPERATING EXPENSES</u>	
Salaries and Wages	\$ 102,440
Water and Sewer Supplies	35,570
Utilities	23,516
Payroll Taxes	7,895
Retirement Benefits	45,839
OPEB Benefits	13,895
Vehicle Expenses	5,414
Postage and Office Supplies	3,216
Insurance	57,768
General & Admin. Expenses	22,867
Depreciation	99,371
Miscellaneous	550
Water Purchases	60,984
Repairs and Maintenance	<u>30,861</u>
Total Operating Expenses	<u>\$ 510,186</u>
Operating Income (Loss)	<u>\$ (9,808)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest Revenue	\$ 1,117
Interest Expense	(22,855)
Gain (Loss) from Disposition of Assets	<u>(9,960)</u>
Total Non-Operating Revenues (Expenses):	<u>\$ (31,698)</u>
Income (Loss) Before Transfers	\$ (41,506)
Transfers In(Out)	<u>24,196</u>
Change in Net Position	\$ (17,310)
Net Position - July 1	<u>2,355,191</u>
Net Position - June 30	<u><u>\$ 2,337,881</u></u>

CITY OF NEW CASTLE, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2022

		Water/Sewer Utilities Enterprise Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from Customers		\$ 499,363
Payments to Suppliers		(275,545)
Payments to Employees		(97,974)
Receipts of Customer Meter Deposits		4,925
Refunds of Customer Meter Deposits		(3,800)
Net Cash Provided (Used) by Operating Activities		<u>\$ 126,969</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Purchase of Capital Assets		\$ (67,481)
Proceeds from Sale of Capital Assets		866
Principal Paid on Capital Debt		(72,498)
Interest Paid on Capital Debt		(22,855)
Transfer from General Fund		24,196
Net Cash Provided (Used) by Capital and Related Financing Activities		<u>\$ (137,772)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest Received		\$ 1,216
Net Cash Provided (Used) by Investing Activities		<u>\$ 1,216</u>
Net Increase (Decrease) in Cash and Cash Equivalents		\$ (9,587)
Balances - July 1		<u>761,942</u>
Balances - June 30		<u><u>\$ 752,355</u></u>
	Balances Per June 30, 2022 Statement of Net Position	Balances Per June 30, 2022 Statement of Cash Flows
Cash-Unrestricted	\$ 243,764	\$ 243,764
Time Deposits-Restricted	80,500	-
Cash-Restricted	508,591	508,591
Total	<u>\$ 832,855</u>	<u><u>\$ 752,355</u></u>

CITY OF NEW CASTLE, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2022

**Water/Sewer
Utilities
Enterprise Fund**

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

Operating Income (Loss)	\$ (9,808)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	99,371
Pension Expense	24,630
OPEB Expense	8,120
Change in Assets and Liabilities:	
Receivables, Net	(1,015)
Accounts Payable	(2,239)
Due From Other Funds	2,160
Customer Meter Deposits	1,125
Accrued Compensated Absences	4,466
Accrued Taxes/Employee Withholding	159
Net Cash Provided by Operating Activities	<u><u>\$ 126,969</u></u>

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

At June 30, 2022, the Water/Sewer Utilities Enterprise Fund had \$21,450 outstanding obligations for the acquisition/construction of plant assets.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS

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CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

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, 2022

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, 2022

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, 2022

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, 2022

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 aging 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, 2022

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, utility meter deposits, and unexpended grant funds.

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, 2022

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.

The City Commission is the City's highest level of decision making authority. Formal approval of a motion made at a public meeting of the City Commission is necessary to establish (and modify or rescind) a fund balance commitment or assignment.

- 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.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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, 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.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Expenditures/Expenses (Continued)

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.

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 federal, 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/Expenses
American Rescue Plan Act Fund	Eligible Expenditures/Expenses

For the year ended June 30, 2022, the City complied, in all material respects, with these revenue restrictions.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

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, 2022

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, 2022

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, 2022. 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	\$ 173,247	\$ 173,247	\$ -	\$ -	\$ 172,770
Time/Savings Deposits	1,176,803	589,028	587,775	-	1,112,124
Total Deposits	<u>\$ 1,350,050</u>	<u>\$ 762,275</u>	<u>\$ 587,775</u>	<u>\$ -</u>	<u>\$ 1,284,894</u>

Reconciliation to Statement of Net Position:

Unrestricted Cash, Including Time Deposits	\$ 584,470
Restricted Cash	826,340
	<u>\$ 1,410,810</u>
Carrying Value (Above)	\$ 1,284,894
Plus Cash on Hand	125,916
	<u>\$ 1,410,810</u>

3.B. RESTRICTED ASSETS

Restricted cash consists of the following:

	Governmental Activities	Business-type Activities	Total
Downtown Revitalization and Preservation	\$ 17,672	\$ -	\$ 17,672
Fire Truck	12,870	-	12,870
American Rescue Plan Act	206,707	-	206,707
Bond and Interest Sinking Account of 1983	-	77,321	77,321
Bond and Interest Sinking Account of 1985	-	57,738	57,738
Bond and Interest Sinking Account of 2002	-	29,845	29,845
Bond and Interest Sinking Account of 2006	-	68,382	68,382
Bond and Interest Sinking Account of 2009	-	43,725	43,725
Short Lived Assets Account	-	41,065	41,065
Depreciation Fund	-	245,828	245,828
Customer Deposits	-	25,187	25,187
	<u>\$ 237,249</u>	<u>\$ 589,091</u>	<u>\$ 826,340</u>

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

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

3.C. ACCOUNTS RECEIVABLE

Accounts receivable of the governmental activities consist of franchise tax (16%), insurance licenses (66%), garbage revenues (14%), property tax (1%), and other (3%). Accounts receivable of the business-type activities consist of customer accounts receivable. Receivables detail at June 30, 2022, is as follows:

	Governmental Activities	Business-type Activities	Total
Accounts receivable	\$ 52,332	\$ 65,388	\$ 117,720
Allowance for doubtful accounts	(736)	(3,872)	(4,608)
Net accounts receivable	<u>\$ 51,596</u>	<u>\$ 61,516</u>	<u>\$ 113,112</u>

3.D. CAPITAL ASSETS

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

	Balance at July 1, 2021	Additions	Disposals	Balance at June 30, 2022
<u>Governmental Activities:</u>				
Land	\$ 81,100	\$ -	\$ -	\$ 81,100
Buildings & Improvements	409,100	-	-	409,100
Machinery & Equipment	821,125	13,525	-	834,650
Infrastructure	259,656	-	-	259,656
Totals at Historical Cost	<u>\$ 1,570,981</u>	<u>\$ 13,525</u>	<u>\$ -</u>	<u>\$ 1,584,506</u>
<u>Less: Accumulated Depreciation</u>				
Buildings & Improvements	\$ 141,721	\$ 9,829	\$ -	\$ 151,550
Machinery & Equipment	680,819	21,454	-	702,273
Infrastructure	231,821	1,427	-	233,248
Total Accumulated Depreciation	<u>\$ 1,054,361</u>	<u>\$ 32,710</u>	<u>\$ -</u>	<u>\$ 1,087,071</u>
Governmental Activities - Capital Assets, Net	<u>\$ 516,620</u>	<u>\$ (19,185)</u>	<u>\$ -</u>	<u>\$ 497,435</u>

Depreciation Expense was charged to governmental activities as follows:

General Government	\$ 8,765
Public Safety	
Fire Department	21,156
Highways & Streets	2,789
Total Depreciation Expense	<u>\$ 32,710</u>

Land is a capital asset not being depreciated. \$860,902 of depreciable assets are fully depreciated.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

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

3.D. CAPITAL ASSETS (Continued)

	Balance at July 1, 2021	Additions	Disposals	Balance at June 30, 2022
<u>Business-type Activities:</u>				
Land & Right of Ways	\$ 33,150	\$ -	\$ -	\$ 33,150
Buildings & Improvements	69,716	-	-	69,716
Distribution System	4,767,766	47,286	23,826	4,791,226
Machinery & Equipment	241,311	15,668	-	256,979
Construction in Process	-	25,978	-	25,978
Totals at Historical Cost	<u>\$ 5,111,943</u>	<u>\$ 88,932</u>	<u>\$ 23,826</u>	<u>\$ 5,177,049</u>
<u>Less: Accumulated Depreciation</u>				
Buildings & Improvements	\$ 60,163	\$ 760	\$ -	\$ 60,923
Distribution System	2,227,883	88,067	13,000	2,302,950
Machinery & Equipment	221,633	10,544	-	232,177
Total Accumulated Depreciation	<u>\$ 2,509,679</u>	<u>\$ 99,371</u>	<u>\$ 13,000</u>	<u>\$ 2,596,050</u>
Business-type Activities - Capital Assets, Net	<u>\$ 2,602,264</u>	<u>\$ (10,439)</u>	<u>\$ (10,826)</u>	<u>\$ 2,580,999</u>
Depreciation Expense was charged to the business activities as follows:				
Water	\$ 45,969			
Sewer	53,402			
Total Depreciation Expense	<u>\$ 99,371</u>			

Land and right of ways are capital assets not being depreciated. \$1,041,849 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, 2022, 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>\$ 35,000</u>
Current Portion	\$ 15,000
Noncurrent Portion	20,000
Total Capital Lease Obligations	<u>\$ 35,000</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>\$ 16,000</u>
Current Portion	\$ 16,000
Noncurrent Portion	-
Total Bonds Payable	<u>\$ 16,000</u>

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

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.

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

\$	219,500
<hr/>	
Current Portion	\$ 7,000
Noncurrent Portion	212,500
Total Bonds Payable	<u>\$ 219,500</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.

\$	110,700
<hr/>	
Current Portion	\$ 3,200
Noncurrent Portion	107,500
Total Bonds Payable	<u>\$ 110,700</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.

\$	68,800
<hr/>	
Current Portion	\$ 2,000
Noncurrent Portion	66,800
Total Bonds Payable	<u>\$ 68,800</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.

\$	344,837
<hr/>	
Current Portion	\$ 21,151
Noncurrent Portion	323,686
Total Note Payable	<u>\$ 344,837</u>

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

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, 2022:

<u>Type of Debt</u>	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2022</u>	<u>Current Portion</u>
Governmental Activities					
Capital Lease Obligations	\$ 50,000	\$ -	\$ 15,000	\$ 35,000	\$ 15,000
Accrued Compensated Absences	10,267	4,941	2,209	12,999	3,169
Total	<u>\$ 60,267</u>	<u>\$ 4,941</u>	<u>\$ 17,209</u>	<u>\$ 47,999</u>	<u>\$ 18,169</u>
Business-type Activities					
Bonds Payable	\$ 496,119	\$ -	\$ 51,400	\$ 444,719	\$ 57,200
Note Payable	365,935	-	21,098	344,837	21,151
Accrued Compensated Absences	16,660	9,000	4,534	21,126	4,924
Total	<u>\$ 878,714</u>	<u>\$ 9,000</u>	<u>\$ 77,032</u>	<u>\$ 810,682</u>	<u>\$ 83,275</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, 2022 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>
					\$ 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>\$ 35,000</u>	<u>\$ 1,800</u>	<u>\$ 1,500</u>	<u>\$ 38,300</u>	<u>-</u>

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

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	\$16,000	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, 2022, 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>
2023	\$ 16,000	\$ 800	\$ 16,800	\$ 16,000
	<u>\$ 16,000</u>	<u>\$ 800</u>	<u>\$ 16,800</u>	<u>\$ 16,000</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	\$29,719	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, 2022

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, 2022, 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>
				\$ 29,719
2023	\$ 29,000	\$ 1,486	\$ 30,486	719
2024	719	36	755	-
	<u>\$ 29,719</u>	<u>\$ 1,522</u>	<u>\$ 31,241</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	\$219,500	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, 2022, 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>
				\$ 219,500
2023	\$ 7,000	\$ 9,878	\$ 16,878	212,500
2024	7,000	9,563	16,563	205,500
2025	7,500	9,248	16,748	198,000
2026	8,000	8,910	16,910	190,000
2027	8,000	8,550	16,550	182,000
2028-32	47,500	36,901	84,401	134,500
2033-37	60,000	25,089	85,089	74,500
2038-42	74,500	10,329	84,829	-
	<u>\$ 219,500</u>	<u>\$ 118,468</u>	<u>\$ 337,968</u>	<u>\$ -</u>

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

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	\$110,700	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, 2022, 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>
				\$ 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	3,700	4,131	7,831	93,500
2028-32	21,200	18,141	39,341	72,300
2033-37	26,100	13,241	39,341	46,200
2038-42	32,200	7,198	39,398	14,000
2043-44	14,000	880	14,880	-
	<u>\$ 110,700</u>	<u>\$ 61,578</u>	<u>\$ 172,278</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	\$68,800	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, 2022

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, 2022, 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>
				\$ 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	2,200	1,667	3,867	58,400
2028-32	11,800	7,403	19,203	46,600
2033-37	13,600	5,684	19,284	33,000
2038-42	15,500	3,714	19,214	17,500
2043-47	17,500	1,446	18,946	-
	<u>\$ 68,800</u>	<u>\$ 27,150</u>	<u>\$ 95,950</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, 2022 is \$344,837.

Assuming the note is not liquidated prior to maturity, the annual minimum obligation of the funds at June 30, 2022 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>
					\$ 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	21,363	636	509	22,508	238,552
2028-32	107,621	2,378	1,902	111,901	130,931
2033-37	108,973	1,025	820	110,818	21,958
2038	21,958	41	33	22,032	-
	<u>\$ 344,837</u>	<u>\$ 7,158</u>	<u>\$ 5,726</u>	<u>\$ 357,721</u>	<u>-</u>

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

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, 2022, are as follows:

Fiscal year	Governmental Activities			Business-type Activities		
	Principal	Interest	Fiscal Charges	Principal	Interest	Fiscal Charges
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	-	-	-	35,263	14,984	509
2028-32	-	-	-	188,121	64,823	1,902
2033-37	-	-	-	208,673	45,039	820
2038-42	-	-	-	144,158	21,282	33
2043-47	-	-	-	31,500	2,326	-
	<u>\$ 35,000</u>	<u>\$ 1,800</u>	<u>\$ 1,500</u>	<u>\$ 789,556</u>	<u>\$ 216,676</u>	<u>\$ 5,726</u>

3.F. INTEREST EXPENSE

\$2,000 interest expense has been reported for the governmental funds financial statements for the year ended June 30, 2022. Interest expense associated with capital lease obligations and reported in the government wide financial statements was \$1,875. Interest expense reported for the enterprise fund for the year ended June 30, 2022, was \$22,855.

3.G. INTERFUND TRANSACTIONS AND BALANCES

Interfund balances at June 30, 2022, consisted of the following individual fund receivables and payables:

Receivable Fund	Payable Fund	Amount	Purpose
Enterprise Fund	General Fund	\$ 14,380	Advances for operating expenditures
Total		<u>\$ 14,380</u>	

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

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	\$ 12,870
Restricted for Other Purposes:		
General Fund	American Rescue Plan - Treasury Final Rule	\$ 206,707
Municipal Road Aid	State Law	73,281
		<u>279,988</u>

Business-type Activities

Enterprise Fund:

Restricted for Debt Service:

1983 Water Utilities Revenue Bonds-Cash	\$ 158,697
1985 Sewer Utilities Revenue Bonds-Cash	119,991
2002 Water Utilities Revenue Bonds-Cash	63,138
2006 Sewer Utilities Revenue Bonds-Cash	82,828
2009 Sewer Utilities Revenue Bonds-Cash	90,366
2018 Water and Sewer Improvement Project - Cash	48,884
Total Restricted For Debt Service	<u>\$ 563,904</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, 2022, to indicate the amounts restricted as to use by debt agreement and Treasury Final Rule, respectively:

General Fund:

Fire Truck	\$ 12,870
American Rescue Plan Act	206,707
	<u>\$ 219,577</u>

The City has reported the following restricted portion of the other governmental funds' fund balance at June 30, 2022, to indicate the amounts restricted as to use by statute:

Other Governmental Funds:

Municipal Road Aid	<u>\$ 73,281</u>
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The City has reported the following portion of the general fund's fund balance as assigned at June 30, 2022, indicating amounts intended to be used for specific purposes.

General Fund:

Downtown Revitalization and Preservation	<u>\$ 17,672</u>
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CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

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, Kentucky participates in the Commonwealth of Kentucky's County Employees' Retirement System (CERS) for non-hazardous employees administered by the Kentucky Public Pension Authority (KPPA). Under revised Statute Section 78.732 and 61.645, the KPPA oversees the administration and operation of the personnel and accounting systems for the CERS, which is administered by the CERS board.

The responsibility for the general administration and operation of CERS is vested in its Board of Trustees. The CERS Board of Trustees consists of 9 members. Six trustees are appointed by the governor and three are elected by CERS members and retired members. Of the six appointed trustees, three must have investment experience and three must have retirement experience as defined by statute. All appointments by the governor are subject to Senate confirmation.

The Kentucky Public Pensions Authority issues a publicly available financial report that includes financial statements and required supplementary information for CERS's pension and insurance funds. Additionally, the Kentucky Public Pensions Authority issues publicly available financial reports that include the Schedules of Employer Allocations and Pension amounts by Employer, and the Schedules of Employer Allocations and OPEB Amounts, by Employer. The most recent financial reports, may be obtained on-line as follows:

- Kentucky Retirement Systems Audit Report – 2021
<https://kyret.ky.gov/Publications/Books/2021%20Annual%20Report.pdf>
- KRS Schedules of Employer Allocations & Pension Amount by Employer for the Fiscal Year Ended June 30, 2021
<https://kyret.ky.gov/Employers/GASB/Current%20Audited%20Reports/2021%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, 2021
<https://kyret.ky.gov/Employers/GASB/Current%20Audited%20Reports/2021%20GASB%2075%20Proportionate%20Share%20Audit%20Report%20with%20Schedules.pdf>
- Kentucky CERS GASB 68 Accounting & Financial Reporting for Pensions as of June 30, 2021 (Actuarial Report)
<https://kyret.ky.gov/Employers/GASB/GASB%2068%20and%2075%20Actuary%20Reports/2021%20GASB%2068%20Actuary%20Report%20CERS.pdf>
- Kentucky CERS GASB 75 Accounting & Financial Reporting for Postemployment Benefits Other Than Pensions as of June 30, 2021 (Actuarial Report)
<https://kyret.ky.gov/Employers/GASB/GASB%2068%20and%2075%20Actuary%20Reports/2021%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 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.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

NOTE 4. OTHER NOTES (Continued)

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

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, measured on an annual basis, should exceed the return achieved by a policy benchmark portfolio of comparable unmanaged market indices.
- **Medium-Term (5 to 20 years):** The returns of the particular asset classes of the managed funds, measured on a rolling 5 to 20 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 KRS should achieve a return of 6.25% for CERS pension and insurance plans. This is measured for 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, 2021:

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 current long-term inflation assumption is 2.3% per annum.

	Target Asset Allocation	Long-Term Expected Rate of Return
	2021	2021
Combined Equity	53.50%	5.70%-9.70%
Combined Fixed Income	15.00%	2.80%
Private Equity	10.00%	0.00%
Real Return	10.00%	4.55%
Real Estate	10.00%	5.40%
Opportunistic	0.00%	0.00%
Cash	1.50%	-0.60%
	<u>100.00%</u>	<u>5.00%</u>

- The investment portfolio for the Pension Funds reported a net return of 25.00% for the fiscal year 2021 compared to 1.15% return for fiscal year 2020. The investment portfolio for the Insurance Fund reported a net return of 24.95% for the fiscal year, which was higher than fiscal year 2020 net return of 0.48%. The investment return was above 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, and 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, Cost of Living Adjustments were provided annually equal to the percentage increase in the annual average of the consumer price index (CPI) for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. After July 1, 2009, the COLAs were limited to 1.5%. No COLA has been granted since July 1, 2011.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

NOTE 4. OTHER NOTES (Continued)

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

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

Tier 1	Participation date	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 a lump sum. The beneficiary of a deceased active member is eligible for a monthly benefit if the member was (1) eligible for retirement at the time of death or, (2) under the age of 65 for non-hazardous members with at least 60 months of service credit and currently working for a participating agency at the time of death, or (3) no longer working for a participating agency but at the time of death had at least 144 months of service credit. If the beneficiary of a deceased active member is not eligible for a monthly benefit, the beneficiary will receive a lump-sum payment of the member's contributions and any accumulated interest.

Senate Bill 169 passed during the 2021 legislative session increased the disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability.

Contributions – Local government participating employers are required to contribute at an actuarially determined rate per Kentucky Revised Statute Section 78.545(33). The CERS Board of Trustees establishes the employer contribution rate each year following the annual actuarial valuation as of July 1 and prior to July 1 of the succeeding fiscal year for local governments in Kentucky. 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, 2021 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, 2021 was 26.95%. Administrative costs of KRS are financed through employer contributions and investment earnings.

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, 2021 of 26.95% were allocated 21.17% to CERS's pension fund and 5.73% to CERS OPEB (health insurance) fund, respectively.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

NOTE 4. OTHER NOTES (Continued)

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

For the fiscal year ended June 30, 2021 membership consisted of:

Tier 1:

Plan members who began participating prior to September 1, 2008, are required to contribute 5% non-hazardous, of their annual creditable compensation. These members are classified in the Tier 1 structure of benefits. 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.

Tier 2:

Plan members who began participating on, or after, September 1, 2008 and before January 1, 2014, are 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 contributions are deposited to the member's account. One percent of these contributions are 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, the 1% contribution to the 401(h) account is non-refundable and is forfeited.

Tier 3:

Plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. These members are 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. Tier 3 member accounts are also credited with an 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 KPPA may get an Upside Sharing Interest, while another may not.

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

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30 2022

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

Per the Kentucky Public Pension Authority's 2021 Comprehensive Annual Financial Report, the actuarially determined contribution rates effective for fiscal year 2021 were calculated as of June 30, 2019.

Based on the June 30, 2019, actuarial valuation report (as amended by SB249, passed during the 2020 legislative session), the actuarial methods and assumptions used to calculate the required contribution are below:

Item	CERS June 30, 2021 Non-Hazardous
Determined by the Actuarial Valuation as of:	June 30, 2019
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	assets and the expected actuarial value of assets is recognized.
Amortization Method:	Level Percent of Pay
Amortization Period:	30 Years, Closed period at June 30, 2019. Gains/Losses incurring after 2019 will be amortized over separate closed 20 year amortization bases.
Payroll Growth Rate:	2.00%
Investment Return:	6.25%
Inflation:	2.30%
Salary Increases:	3.30% to 10.30%, varies by service
Mortality:	System-specific mortality table based on mortality experience from 2013 - 2018, projected with the ultimate rates from MP-204 mortality improvement scale using a base year of 2019.
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, 2022

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 Board of Trustees, in consultation with the actuary, set the actuarial assumptions and methods in the actuarial valuation. In general, the assumptions used in the June 30, 2021 actuarial valuations were adopted for first use in the June 30, 2019 valuation and are based on an experience study conducted with experience through June 30, 2018. There were no changes in actuarial assumptions or methods since the prior valuation. The net pension liability as of June 30, 2021, is based on the June 30, 2020 actuarial valuation rolled forward to June 30, 2021. 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, 2021, using generally accepted actuarial principles.

The actuarial assumptions are:

	<u>June 30, 2021</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, 2021 was 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.

Discount Rate

The single discount rate of 6.25% for CERS was based on the expected return on pension investments. The projection of cash flows used to determine the single discount rate assumes that each participating employer contributes the actuarially determined employer contribution each future year calculated in accordance with 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 KPPA Comprehensive Annual Financial Report.

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, 2022 the City reported a liability of \$345,440 for its proportionate share of the net pension liability. The net pension liability for CERS measured as of June 30, 2021 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 that date.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

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)

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, 2021, the City's proportion was 0.005418 percent, which is an increase of 0.000346 percent for the year ended June 30, 2021.

The City's total payroll for the fiscal year ended June 30, 2022 was \$166,797. Contributions to the CERS were based on \$157,497 (covered payroll). The total employer pension contributions for the fiscal year ended June 30, 2022 was \$33,362.

All contributions were made as required.

The City's contribution for the County Employees' Retirement System's year(s) ended June 30, 2021 was 0.005418 percent of the System's total contribution requirements for all employers.

For the year ended June 30, 2022, the City recognized pension expense of \$42,667. At June 30, 2022 the City reported deferred outflows of resources and deferred inflows of resources related to CERS pensions from the following sources:

	June 30, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 3,967	\$ 3,353
Change in Assumptions	4,636	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	18,090	-
Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	13,401	59,442
City Contributions Made Subsequent to the NPL Measurement Date	33,362	-
Total	\$ 73,456	\$ 62,795

\$33,362 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, 2023. 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, 2022

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, 2022:	Increase (Decrease) to Pension Expense
2023	\$ 4,138
2024	(2,644)
2025	(9,778)
2026	(14,417)
	<u>\$ (22,701)</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, 2021 calculated using the discount rate of 6.25% for the year ended June 30, 2021 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:

As of June 30, 2021	1% Decrease [5.25%]	Current Discount [6.25%]	1% Increase [7.25%]
Net Pension Liability	\$ 8,177,245,927	\$ 6,375,784,388	\$ 4,885,117,245
City's Proportionate Share	443,043	345,440	264,676

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

Payable to the Pension Plan

At June 30, 2022, the City reported a payable of \$2,896 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 Public Pension Authority's 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. 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.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

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

Members participating prior to July 1, 2003, pay a percentage of the monthly premium for single coverage based upon the service credit accrued at retirement. Members participating on or after July 1, 2003 and before September 1, 2008 are required to earn at least 10 years of service credit in order to be eligible for insurance benefits at retirement. Members participating on or after September 1, 2008 are required to earn at least 15 years of service credit in order to be eligible for insurance benefits at retirement. The monthly health insurance contribution will be \$10 for each year of earned service increased by the CPI prior to July 1, 2009 and by 1.5% annually from July 1, 2009.

The amount of benefit paid by the Insurance Fund for members participating prior to July 1, 2003, are as follows:

Portion Paid by Insurance Fund	
<u>Years of Service</u>	<u>Paid by Insurance Fund (%)</u>
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, 2021 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.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

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

Per the Schedule of Employer Allocations and OPEB Amounts by Employer for Kentucky Public Pension Authority (KPPA), Reports for Postemployment Benefits Prepared as of June 30, 2021 the actuarially determined contribution rates effective for fiscal year ending June 30, 2021 are calculated based on the actuarial methods and assumptions as follows:

The actuarial methods and assumptions to determine the Total OPEB Liability and Net OPEB Liability are as follows:

Item	CERS June 30, 2021 Non-Hazardous
Determined by the	June 30, 2019
Actuarial Valuation as of:	June 30, 2019
Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	assets and the expected actuarial value of assets is recognized.
Amortization Method:	Level Percent of Pay
Amortization Period:	30 Years, Closed period at June 30, 2019. Gains/Losses incurring after 2019, will be amortized over separate 20 year amortization bases.
Payroll Growth Rate:	2.00%
Investment Return:	6.25%
Inflation:	2.30%
Salary Increases:	3.30% to 10.30%, varies by service
Mortality:	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.
Healthcare Trend Rates (Pre-65)	Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Healthcare Trend Rates (Post-65)	Initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.
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, 2022**

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 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, 2020 valuation process and was updated to better reflect the plan's anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in healthcare costs. There were no other material assumption changes.

For financial reporting, the actuarial valuation as of June 30, 2021, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2021, were based on an actuarial valuation date of June 30, 2020. The total OPEB liability was rolled forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021, using generally accepted actuarial principles.

Senate Bill 169 passed during the 2021 legislative session increased the disability benefits for members who become "totally and permanently disabled" in the line of duty as a result of a duty-related disability. The total OPEB liability as of June 30, 2021 was determined using these updated benefit provisions.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

Actuarial Methods and Assumptions to Determine the Total OPEB Liability and Net OPEB Liability (Continued)

The actuarial methods and assumptions used to determine the Total OPEB Liability and Net OPEB Liability are as follows:

Item	CERS June 30, 2021 Non-Hazardous
Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increases	3.30%-10.30% varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates Pre-65	Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 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.
Post-retirement (non-disabled)	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.
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.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

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 Insurance Plan single discount rate of 5.20% was used to measure the total OPEB liability as of June 30, 2021. The discount rate is based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 1.92% as reported in Fidelity Index's "20-year Municipal GO AA Index", as of June 30, 2021.

Implicit Employer Subsidy for non-Medicare retirees:

The fully-insured premiums KPPA pays for the Kentucky Employees' Health 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.

The cost associated with the implicit employer subsidy is not currently being included in the calculation of the System's actuarial determined contributions, and it is understood that 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 Public Pension Authority'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, 2022 the City reported a liability of \$103,706.

The City's total payroll for the fiscal year ended June 30, 2022 was \$166,797. Contributions were based on \$157,497 (covered payroll). The total employer contributions to the Health Insurance Fund for the year ended June 30, 2022 was \$9,083.

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, 2021.

The City's contribution for the County Employee's Retirement System's (Insurance Plan) for the year ended June 30, 2021 was 0.005417 percent of the System's total contribution requirements for all employers.

The implicit employer subsidy for the non-Medicare eligible retirees for the years ended June 30, 2021 was \$3,066.

For the year ended June 30, 2022, the City recognized expense of \$14,604. At June 30, 2022 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, 2022

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, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 16,308	\$ 30,963
Change in Assumptions	27,494	96
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	5,041	322
Difference Between Projected and Actual Investment Earnings on Insurance Plan Investments	5,225	21,448
City Contributions Made Subsequent to the Net OPEB Measurement Date	9,083	-
Total	<u>\$ 63,151</u>	<u>\$ 52,829</u>

\$9,083 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 years ended June 30, 2023. 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, 2022:	Increase (Decrease) to OPEB Expense
2023	\$ 3,805
2024	1,338
2025	1,052
2026	(4,956)
	<u>\$ 1,239</u>

Payable to the OPEB Health Insurance Plan

At June 30, 2022, the City reported a payable of \$789 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, 2022

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, 2021, calculated using the single discount rate of 5.20% 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 [4.20%]	Current Discount [5.20%]	1% Increase [6.20%]
Net OPEB Liability	\$ 2,628,525,378	\$ 1,914,449,967	\$ 1,328,432,699
City's Proportionate Share	142,387	103,706	71,961

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, 2021, calculated using the healthcare cost trend rate for the year ended June 30, 2021 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	\$ 1,378,176,465	\$ 1,914,449,967	\$ 2,561,740,477
City's Proportionate Share	74,656	103,706	138,769

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 which 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. The CERS employer rate beginning July 1, 2021 increased from 24.06% to 26.95%.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

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, 2022, is presented as follows:

CONDENSED STATEMENT OF NET POSITION

	Water	Sewer	Total
Assets:			
Due From Other Funds	\$ 7,190	\$ 7,190	\$ 14,380
Other Current Assets	241,776	63,504	305,280
Other Noncurrent Assets	264,374	324,717	589,091
Capital Assets (Net)	1,045,751	1,535,248	2,580,999
Total Assets	<u>\$ 1,559,091</u>	<u>\$ 1,930,659</u>	<u>\$ 3,489,750</u>
Deferred Outflows of Resources:			
Other Debits	<u>\$ 45,079</u>	<u>\$ 45,079</u>	<u>\$ 90,158</u>
Liabilities:			
Other Current Liabilities	\$ 44,760	\$ 74,637	\$ 119,397
Noncurrent Liabilities	520,769	525,549	1,046,318
Total Liabilities	<u>\$ 565,529</u>	<u>\$ 600,186</u>	<u>\$ 1,165,715</u>
Deferred Inflows of Resources:			
Other Credits	<u>\$ 38,156</u>	<u>\$ 38,156</u>	<u>\$ 76,312</u>
Net Position:			
Net Investment in Capital Assets	\$ 674,316	\$ 1,119,127	\$ 1,793,443
Restricted	239,187	324,717	563,904
Unrestricted	86,982	(106,448)	(19,466)
Total Net Position	<u><u>\$ 1,000,485</u></u>	<u><u>\$ 1,337,396</u></u>	<u><u>\$ 2,337,881</u></u>

CONDENSED STATEMENT REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Water	Sewer	Total
Operating Revenues	\$ 258,534	\$ 241,844	\$ 500,378
Depreciation Expense	(45,969)	(53,402)	(99,371)
Other Operating Expenses	(211,193)	(199,622)	(410,815)
Operating Income (Loss)	<u>\$ 1,372</u>	<u>\$ (11,180)</u>	<u>\$ (9,808)</u>
Nonoperating Revenues (Expenses):			
Investment Income	\$ 755	\$ 362	\$ 1,117
Interest Expense	(12,219)	(10,636)	(22,855)
Gain (Loss) from Disposition of Assets	(4,547)	(5,413)	(9,960)
Transfer In (Out)	19,668	4,528	24,196
Change in Net Position	<u>\$ 5,029</u>	<u>\$ (22,339)</u>	<u>\$ (17,310)</u>
Beginning Net Position	995,456	1,359,735	2,355,191
Ending Net Position	<u><u>\$ 1,000,485</u></u>	<u><u>\$ 1,337,396</u></u>	<u><u>\$ 2,337,881</u></u>

CONDENSED STATEMENT OF CASH FLOWS

Net Cash Provided (Used) by:	Water	Sewer	Total
Operating Activities	\$ 65,215	\$ 61,754	\$ 126,969
Capital and Related Financing Activities	(81,577)	(56,195)	(137,772)
Investing Activities	843	373	1,216
Net Increase (Decrease)	<u>\$ (15,519)</u>	<u>\$ 5,932</u>	<u>\$ (9,587)</u>
Beginning Cash and Cash Equivalents	434,957	326,985	761,942
Ending Cash and Cash Equivalents	<u><u>\$ 419,438</u></u>	<u><u>\$ 332,917</u></u>	<u><u>\$ 752,355</u></u>

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

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.

Deficit Net Position

An unrestricted net position deficit of \$19,466 existed at June 30, 2022 for business-type activities and business-type activities. The deficit resulted from the recognition of net pension liability, net OPEB liability, and related deferred outflows of resources and deferred inflows of resources due to the implementation of GASB Statements No. 68 and 75.

Unrestricted net position was reduced by \$32,750 for the year ended June 30, 2022 for business-type activities, as a result of the transactions recorded by the City to reflect its proportionate share of the County Employees Retirement System's Net Pension Liability and Net OPEB Liability. The accounts affected were as follows:

	Business-type Activities
Increase (Decrease) in Deferred Outflows of Resources	\$ 14,712
(Increase) Decrease in Deferred Inflows of Resources	(57,906)
(Increase) Decrease in Net Pension Liability	5,420
(Increase) Decrease in Net OPEB Liability	5,024
Net Decrease in Unrestricted Net Position	<u>\$ (32,750)</u>

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.

American Rescue Plan Act Fund

The City received \$247,412 to provide support in responding to the economic and public health impacts of COVID-19 and to certain impacts in their community, residents, and businesses. The funds must be obligated by December 31, 2024 and expended by December 31, 2026. At June 30, 2022 the City had not expended \$206,707.

Subsequent Events

Management has considered subsequent events through the date of this report September 2, 2022, for disclosure. No events were identified that would have impacted the financial statements for the year ended June 30, 2022. The effect that any future executive orders made in response to the COVID-19 pandemic may have of 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, 2022

	<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	\$ 82,000	\$ 88,008	\$ 6,008
Franchise Taxes	45,000	45,000	60,894	15,894
Insurance Taxes	133,000	144,000	156,300	12,300
Charges for Services	83,000	85,000	88,314	3,314
Interest Revenue	60	70	157	87
Fire Department	47,100	36,000	39,241	3,241
Miscellaneous Revenues	8,400	15,018	8,152	(6,866)
Proceeds from Outside Sources:				
State Fire Aid	11,000	-	10,000	10,000
KY Public Safety Program	-	4,100	4,437	337
CARES Act Coronavirus Relief Fund	-	-	14,321	14,321
American Rescue Plan Act Fund	86,000	121,944	247,412	125,468
Total Revenues	<u>\$ 485,560</u>	<u>\$ 533,132</u>	<u>\$ 717,236</u>	<u>\$ 184,104</u>
<u>EXPENDITURES</u>				
Current				
General Government	\$ 188,962	\$ 207,012	\$ 187,215	\$ 19,797
Public Safety				
Police Department	51,000	43,000	42,129	871
Fire Department	62,789	45,389	39,741	5,648
Public Services	83,000	83,000	84,082	(1,082)
Highways & Streets	52,000	56,000	68,285	(12,285)
Capital Outlay	20,000	-	13,525	(13,525)
Debt Service				
Principal	15,000	15,000	15,000	-
Interest and Other Charges	3,211	3,211	2,000	1,211
Total Expenditures	<u>\$ 475,962</u>	<u>\$ 452,612</u>	<u>\$ 451,977</u>	<u>\$ 635</u>
Excess Revenues Over (Under) Expenditures	<u>\$ 9,598</u>	<u>\$ 80,520</u>	<u>\$ 265,259</u>	<u>\$ 184,739</u>
Other Financing Sources (uses)				
Transfers In (Out)	\$ (86,000)	\$ (51,862)	\$ (24,196)	\$ 27,666
Total Other Financing Services (Uses)	<u>\$ (86,000)</u>	<u>\$ 51,862</u>	<u>\$ (24,196)</u>	<u>\$ 27,666</u>
Net Change in Fund Balance	<u>\$ (76,402)</u>	<u>\$ 28,658</u>	<u>\$ 241,063</u>	<u>\$ 212,405</u>
Fund Balances - July 1	<u>227,614</u>	<u>252,760</u>	<u>278,439</u>	<u>25,679</u>
Fund Balances - June 30	<u><u>\$ 151,212</u></u>	<u><u>\$ 281,418</u></u>	<u><u>\$ 519,502</u></u>	<u><u>\$ 238,084</u></u>

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2022

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, 2022

	<u>June 30, 2021</u>	<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) %	0.005418%	0.005072%	0.005044%	0.005052%	0.005021%	0.005180%	0.005093%	0.005733%
City proportionate share of the net pension liability (asset) \$	345,440	389,018	354,747	307,682	293,895	255,021	218,994	186,000
City's covered payroll \$	138,394	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	249.61%	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	57.3%	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 2021.

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. Senate Bill 169 passed during the 2021 legislative session increased the disability benefits for certain qualifying members who become totally and permanently disabled in the line of duty or as a result of a duty related disability.

	<u>2021</u>	<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%	2.30%	3.25%	3.25%	3.50%
Salary Increases	3.30%-10.30%	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%	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, 2019 - 2021 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>2022</u>	<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	\$ 33,362	\$ 24,973	\$ 25,076	\$ 20,638	\$ 18,131	\$ 17,055	\$ 15,346	\$ 15,152
Contributions in Relation to the Contractually Required Contributions	<u>(33,362)</u>	<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>	<u>\$ -</u>
City's Covered Payroll	\$ 157,497	\$ 138,394	\$ 129,931	\$ 127,239	\$ 125,217	\$ 122,260	\$ 123,558	\$ 118,836
Contributions as a Percentage of Covered Payroll	21.17%	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, 2022

	2021	2020	2019	2018	2017
City's proportion of the net OPEB liability (asset) %	0.005417%	0.005071%	0.005044%	0.005052%	0.005021%
City proportionate share of the net OPEB liability (asset) \$	103,706	122,449	84,821	89,697	100,939
City's covered payroll \$	138,394	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	74.93%	94.24%	66.66%	71.63%	82.56%
Plan fiduciary net position as a percentage of the total OPEB liability.	62.9%	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.

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

City covered payroll is reported for its fiscal years ending June 30, 2017 through 2021.

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:

	2021	2020	2019	2018	2017
Payroll Growth Rate	2.00%	2.0%	2.0%	2.0%	2.0%
Salary Increases	3.30%-10.30% varies by service	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%	6.25%
Inflation	2.30%	2.3%	2.3%	2.3%	2.3%
Healthcare Trend Rates: Pre-65	Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.	Initial trend starting at 7.00% at January 1, 2022, 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.	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 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 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.	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.	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.	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.	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>2022</u>	<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	\$ 9,083	\$ 8,324	\$ 6,185	\$ 6,693	\$ 5,886	\$ 5,783	\$ 5,733	\$ 5,846
Contributions in Relation to the Contractually Required Contributions	(9,083)	(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>	<u>\$ -</u>
City's Covered-Employee Payroll	\$157,497	\$138,394	\$129,931	\$127,239	\$125,217	\$ 122,260	\$123,558	\$118,836
Contributions as a Percentage of Covered-Employee Payroll	5.78%	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, 2022 and 2021

	June 30, 2022		
<u>ASSETS</u>	<u>Water Utilities Enterprise Fund</u>	<u>Sewer Utilities Enterprise Fund</u>	<u>Totals</u>
Current Assets:			
Cash, including time deposits	\$ 210,064	\$ 33,700	\$ 243,764
Interest Receivable	-	-	-
Accounts Receivable - (Net)	31,712	29,804	61,516
Due from Other Funds	7,190	7,190	14,380
Total Current Assets	\$ 248,966	\$ 70,694	\$ 319,660
Noncurrent Assets:			
Restricted Assets			
Cash, including time deposits	\$ 264,374	\$ 324,717	\$ 589,091
Capital Assets (Net)	1,045,751	1,535,248	2,580,999
Total Noncurrent Assets	\$ 1,310,125	\$ 1,859,965	\$ 3,170,090
Total Assets	\$ 1,559,091	\$ 1,930,659	\$ 3,489,750
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Attributable to Employee Pension Plan	\$ 24,240	\$ 24,240	\$ 48,480
Attributable to Employee Benefit Plan	20,839	20,839	41,678
Total Deferred Outflows of Resources	\$ 45,079	\$ 45,079	\$ 90,158
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	\$ 9,975	\$ 3,652	\$ 13,627
Accounts Payable Construction	-	21,450	21,450
Accrued Compensated Absences	2,462	2,462	4,924
Accrued Taxes / Employee Withholding	863	182	1,045
Current Liabilities Payable from Restricted Assets:			
Note Payable	8,460	12,691	21,151
Revenue Bonds Payable	23,000	34,200	57,200
Total Current Liabilities	\$ 44,760	\$ 74,637	\$ 119,397
Noncurrent Liabilities:			
Revenue Bonds Payable	\$ 212,500	\$ 175,019	\$ 387,519
Note Payable	129,475	194,211	323,686
Accrued Compensated Absences	8,101	8,101	16,202
Net Pension Liability	113,995	113,995	227,990
Net OPEB Liability	34,223	34,223	68,446
Noncurrent Liabilities Payable from Restricted Assets:			
Customer Deposits Payable	22,475	-	22,475
Total Noncurrent Liabilities	\$ 520,769	\$ 525,549	\$ 1,046,318
Total Liabilities	\$ 565,529	\$ 600,186	\$ 1,165,715
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Attributable to Employee Pension Plan	\$ 20,722	\$ 20,722	\$ 41,444
Attributable to Employee Benefit Plan	17,434	17,434	34,868
Total Deferred Inflows of Resources	\$ 38,156	\$ 38,156	\$ 76,312
<u>NET POSITION</u>			
Net Investment in Capital Assets	\$ 674,316	\$ 1,119,127	\$ 1,793,443
Restricted for:			
Debt Service	239,187	324,717	563,904
Unrestricted	86,982	(106,448)	(19,466)
Total Net Position	\$ 1,000,485	\$ 1,337,396	\$ 2,337,881

June 30, 2021		
Water Utilities Enterprise Fund	Sewer Utilities Enterprise Fund	Totals
\$ 209,411	\$ 45,100	\$ 254,511
88	12	100
30,865	29,636	60,501
8,270	8,270	16,540
<u>\$ 248,634</u>	<u>\$ 83,018</u>	<u>\$ 331,652</u>
\$ 280,546	\$ 307,385	\$ 587,931
1,034,180	1,568,084	2,602,264
<u>\$ 1,314,726</u>	<u>\$ 1,875,469</u>	<u>\$ 3,190,195</u>
<u>\$ 1,563,360</u>	<u>\$ 1,958,487</u>	<u>\$ 3,521,847</u>
\$ 20,681	\$ 20,681	\$ 41,362
17,042	17,042	34,084
<u>\$ 37,723</u>	<u>\$ 37,723</u>	<u>\$ 75,446</u>
\$ 12,226	\$ 3,640	\$ 15,866
-	-	-
2,569	2,569	5,138
704	182	886
8,439	12,659	21,098
18,500	32,900	51,400
<u>\$ 42,438</u>	<u>\$ 51,950</u>	<u>\$ 94,388</u>
\$ 235,500	\$ 209,219	\$ 444,719
137,935	206,902	344,837
5,761	5,761	11,522
116,705	116,705	233,410
36,735	36,735	73,470
21,350	-	21,350
<u>\$ 553,986</u>	<u>\$ 575,322</u>	<u>\$ 1,129,308</u>
<u>\$ 596,424</u>	<u>\$ 627,272</u>	<u>\$ 1,223,696</u>
\$ 2,138	\$ 2,138	\$ 4,276
7,065	7,065	14,130
<u>\$ 9,203</u>	<u>\$ 9,203</u>	<u>\$ 18,406</u>
\$ 633,806	\$ 1,106,404	\$ 1,740,210
256,502	307,385	563,887
105,148	(54,054)	51,094
<u>\$ 995,456</u>	<u>\$ 1,359,735</u>	<u>\$ 2,355,191</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, 2022 and 2021

	Year Ended June 30, 2022			Year Ended June 30, 2021		
	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	\$ 252,493	\$ -	\$ 252,493	\$ 247,220	\$ -	\$ 247,220
Sewer Services	-	241,795	241,795	-	232,861	232,861
Miscellaneous	6,041	49	6,090	7,000	1,500	8,500
Total Operating Revenues	\$ 258,534	\$ 241,844	\$ 500,378	\$ 254,220	\$ 234,361	\$ 488,581
<u>OPERATING EXPENSES</u>						
Salaries and Wages	\$ 51,469	\$ 50,971	\$ 102,440	\$ 46,742	\$ 44,411	\$ 91,153
Water and Sewer Supplies	11,948	23,622	35,570	14,144	23,148	37,292
Utilities	863	22,653	23,516	658	17,107	17,765
Payroll Taxes	3,967	3,928	7,895	3,576	3,397	6,973
Retirement Benefits	22,972	22,867	45,839	18,341	17,920	36,261
OPEB Benefits	6,962	6,933	13,895	4,927	4,787	9,714
Vehicle Expenses	2,734	2,680	5,414	4,212	4,239	8,451
Postage and Office Supplies	1,575	1,641	3,216	2,105	2,160	4,265
Insurance	28,884	28,884	57,768	26,812	26,812	53,624
General & Admin. Expenses	12,132	10,735	22,867	11,555	10,198	21,753
Depreciation	45,969	53,402	99,371	42,780	69,023	111,803
Miscellaneous	550	-	550	494	356	850
Water Purchases	60,984	-	60,984	61,623	-	61,623
Repairs and Maintenance	6,153	24,708	30,861	3,787	18,030	21,817
Total Operating Expenses	\$ 257,162	\$ 253,024	\$ 510,186	\$ 241,756	\$ 241,588	\$ 483,344
Operating Income (Loss)	\$ 1,372	\$ (11,180)	\$ (9,808)	\$ 12,464	\$ (7,227)	\$ 5,237
<u>NON-OPERATING REVENUES (EXPENSES)</u>						
Interest Revenue	\$ 755	\$ 362	\$ 1,117	\$ 906	\$ 415	\$ 1,321
Interest Expense	(12,219)	(10,636)	(22,855)	(13,127)	(12,169)	(25,296)
Gain (Loss) from Disposition of Assets	(4,547)	(5,413)	(9,960)	-	-	-
Total Non-Operating Revenues (Expenses):	\$ (16,011)	\$ (15,687)	\$ (31,698)	\$ (12,221)	\$ (11,754)	\$ (23,975)
Income (Loss) before Transfers	\$ (14,639)	\$ (26,867)	\$ (41,506)	\$ 243	\$ (18,981)	\$ (18,738)
Transfers In (Out)	19,668	4,528	24,196	-	-	-
Change in Net Position	\$ 5,029	\$ (22,339)	\$ (17,310)	\$ 243	\$ (18,981)	\$ (18,738)
Net Position - July 1	995,456	1,359,735	2,355,191	995,213	1,378,716	2,373,929
Net Position - June 30	\$ 1,000,485	\$ 1,337,396	\$ 2,337,881	\$ 995,456	\$ 1,359,735	\$ 2,355,191

CITY OF NEW CASTLE, KENTUCKY
COMPARATIVE COMBINING STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
For the Years Ended June 30, 2022, and 2021

	<u>Year Ended June 30, 2022</u>			<u>Year Ended June 30, 2021</u>		
	<u>Water Utilities Enterprise Fund</u>	<u>Sewer Utilities Enterprise Fund</u>	<u>Totals</u>	<u>Water Utilities Enterprise Fund</u>	<u>Sewer Utilities Enterprise Fund</u>	<u>Totals</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>						
Receipts from Customers	\$ 257,687	\$ 241,676	\$ 499,363	\$ 256,598	\$ 235,681	\$ 492,279
Payments to Suppliers	(144,361)	(131,184)	(275,545)	(136,795)	(115,719)	(252,514)
Payments to Employees	(49,236)	(48,738)	(97,974)	(47,630)	(45,299)	(92,929)
Receipts of Customer Meter Deposits	4,925	-	4,925	4,850	-	4,850
Refunds of Customer Meter Deposits	(3,800)	-	(3,800)	(4,775)	-	(4,775)
Net Cash Provided (Used) by Operating Activities	<u>\$ 65,215</u>	<u>\$ 61,754</u>	<u>\$ 126,969</u>	<u>\$ 72,248</u>	<u>\$ 74,663</u>	<u>\$ 146,911</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>						
Purchases of Capital Assets	\$ (62,953)	\$ (4,528)	\$ (67,481)	\$ -	\$ -	\$ -
Proceeds from Sale of Capital Assets	866	-	866	-	-	-
Principal Paid on Capital Debt	(26,939)	(45,559)	(72,498)	(26,418)	(43,427)	(69,845)
Interest Paid on Capital Debt	(12,219)	(10,636)	(22,855)	(13,127)	(12,169)	(25,296)
Transfers from General Fund	19,668	4,528	24,196	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (81,577)</u>	<u>\$ (56,195)</u>	<u>\$ (137,772)</u>	<u>\$ (39,545)</u>	<u>\$ (55,596)</u>	<u>\$ (95,141)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>						
Interest Received	\$ 843	\$ 373	\$ 1,216	\$ 900	\$ 436	\$ 1,336
Net Cash Provided (Used) by Investing Activities	<u>\$ 843</u>	<u>\$ 373</u>	<u>\$ 1,216</u>	<u>\$ 900</u>	<u>\$ 436</u>	<u>\$ 1,336</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (15,519)	\$ 5,932	\$ (9,587)	\$ 33,603	\$ 19,503	\$ 53,106
Balances - July 1	<u>434,957</u>	<u>326,985</u>	<u>761,942</u>	<u>401,354</u>	<u>307,482</u>	<u>708,836</u>
Balances - June 30	<u>\$ 419,438</u>	<u>\$ 332,917</u>	<u>\$ 752,355</u>	<u>\$ 434,957</u>	<u>\$ 326,985</u>	<u>\$ 761,942</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>						
Operating Income (Loss)	\$ 1,372	\$ (11,180)	\$ (9,808)	\$ 12,464	\$ (7,227)	\$ 5,237
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:						
Depreciation Expense	45,969	53,402	99,371	42,780	69,023	111,803
Pension Expense	12,315	12,315	24,630	10,096	10,096	20,192
OPEB Expense	4,060	4,060	8,120	2,179	2,179	4,358
Change in Assets and Liabilities:						
Receivables, Net	(847)	(168)	(1,015)	2,378	1,320	3,698
Accounts Payable	(2,251)	12	(2,239)	2,677	(432)	2,245
Due from Other Funds	1,080	1,080	2,160	580	580	1,160
Customer Meter Deposits Payable	1,125	-	1,125	75	-	75
Accrued Compensated Absences	2,233	2,233	4,466	(888)	(888)	(1,776)
Accrued Taxes/Employee Withholding	159	-	159	(93)	12	(81)
Net Cash Provided by Operating Activities	<u>\$ 65,215</u>	<u>\$ 61,754</u>	<u>\$ 126,969</u>	<u>\$ 72,248</u>	<u>\$ 74,663</u>	<u>\$ 146,911</u>

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

At June 30, 2022, the Waterworks Enterprise Fund had no outstanding obligations and the Sewer Utilities Enterprise Fund had \$21,450 outstanding obligations for the acquisition/construction of plant assets. 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.

CITY OF NEW CASTLE, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2022
BUDGET AND ACTUAL
ALL PROPRIETARY FUND TYPES

	Water Utilities			Sewer Utilities		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>OPERATING REVENUES</u>						
Water Sales	\$ 264,000	\$ 252,493	\$ (11,507)	\$ -	\$ -	\$ -
Sewer Services	-	-	-	246,000	241,795	(4,205)
Miscellaneous	6,900	6,041	(859)	-	49	49
Total Operating Revenues	\$ 270,900	\$ 258,534	\$ (12,366)	\$ 246,000	\$ 241,844	\$ (4,156)
<u>OPERATING EXPENSES</u>						
Salaries and Wages	\$ 52,000	\$ 51,469	\$ 531	\$ 51,000	\$ 50,971	\$ 29
Water and Sewer Supplies	20,000	11,948	8,052	28,000	23,622	4,378
Utilities	1,000	863	137	21,000	22,653	(1,653)
Payroll Taxes	4,000	3,967	33	4,000	3,928	72
Retirement Benefits	9,975	22,972	(12,997)	9,975	22,867	(12,892)
OPEB Benefits	3,325	6,962	(3,637)	3,325	6,933	(3,608)
Vehicle Expenses	3,000	2,734	266	3,000	2,680	320
Postage and Office Supplies	2,000	1,575	425	2,000	1,641	359
Insurance	28,200	28,884	(684)	28,200	28,884	(684)
General & Admin. Expenses	12,900	12,132	768	13,200	10,735	2,465
Depreciation	26,180	45,969	(19,789)	48,820	53,402	(4,582)
Miscellaneous	650	550	100	300	-	300
Water Purchases	64,000	60,984	3,016	-	-	-
Repairs and Maintenance	7,500	6,153	1,347	27,500	24,708	2,792
Total Operating Expenses	\$ 234,730	\$ 257,162	\$ (22,432)	\$ 240,320	\$ 253,024	\$ (12,704)
Operating Income (Loss)	\$ 36,170	\$ 1,372	\$ (34,798)	\$ 5,680	\$ (11,180)	\$ (16,860)
<u>NON-OPERATING REVENUES (EXPENSES):</u>						
Interest Revenue	\$ 700	\$ 755	\$ 55	\$ 300	\$ 362	\$ 62
Interest Expense	(12,570)	(12,219)	351	(10,664)	(10,636)	28
Gain (Loss) from Disposition of Assets	-	(4,547)	(4,547)	-	(5,413)	(5,413)
Total Non-Operating Revenues (Expenses):	\$ (11,870)	\$ (16,011)	\$ (4,141)	\$ (10,364)	\$ (15,687)	\$ (5,323)
Income (Loss) Before Transfers	\$ 24,300	\$ (14,639)	\$ (38,939)	\$ (4,684)	\$ (26,867)	\$ (22,183)
Transfers In (Out)	-	19,668	19,668	-	4,528	4,528
Change in Net Position	\$ 24,300	\$ 5,029	\$ (19,271)	\$ (4,684)	\$ (22,339)	\$ (17,655)
Net Position - July 1	496,289	995,456	499,167	401,815	1,359,735	957,920
Net Position - June 30	\$ 520,589	\$ 1,000,485	\$ 479,896	\$ 397,131	\$ 1,337,396	\$ 940,265

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, 2022, 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, 2022.

REPORT ON 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 were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as Items 2022-001 and 2022-002 that we consider to be material weaknesses.

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

REPORT ON COMPLIANCE AND OTHER MATTERS

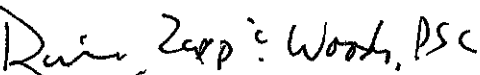
As part of obtaining reasonable assurance about whether City of New Castle, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

CITY OF NEW CASTLE, KENTUCKY'S RESPONSE TO FINDINGS

Government Auditing Standards requires the auditor to perform limited procedures on the City of New Castle, Kentucky's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. City of New Castle, Kentucky's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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, 2022

**CITY OF NEW CASTLE, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2022**

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 material weaknesses 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 2022-001 and 2022-002 were reported as material weaknesses.
3. No instances of noncompliance material to the financial statements of City of New Castle, Kentucky which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESSES

2022-001 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, 2021 as item 2021-001.

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.

2022-002 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, 2021 as item 2021-002.

**CITY OF NEW CASTLE, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
For the Year Ended June 30, 2022**

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (Continued)

MATERIAL WEAKNESSES (Continued)

2022-002 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