

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

Year Ended June 30, 2023

CITY OF NEW CASTLE, KENTUCKY
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INDEPENDENT AUDITOR'S REPORT

The Honorable Phoebe Thompson, 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, 2023, 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, 2023, 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.

- 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 48 through 56, 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 1, 2023, on our consideration of the City of New Castle, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of New Castle, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of New Castle, Kentucky's internal control over financial reporting and compliance.

Raisor, Zapp & Woods, PSC

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

September 1, 2023

CITY OF NEW CASTLE, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2023

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current Assets:			
Cash, including time deposits	\$ 393,639	\$ 416,931	\$ 810,570
Accounts Receivable (Net)	70,822	65,541	136,363
Due from Other Governments	2,670	-	2,670
Due from Other Funds	(22,036)	22,036	-
Total Current Assets	<u>\$ 445,095</u>	<u>\$ 504,508</u>	<u>\$ 949,603</u>
Noncurrent Assets:			
Restricted Assets			
Cash	\$ 192,674	\$ 403,862	\$ 596,536
Capital Assets (Net)	527,503	2,536,799	3,064,302
Total Noncurrent Assets	<u>\$ 720,177</u>	<u>\$ 2,940,661</u>	<u>\$ 3,660,838</u>
Total Assets	<u>\$ 1,165,272</u>	<u>\$ 3,445,169</u>	<u>\$ 4,610,441</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Attributable to Employee Pension Plan	\$ 38,838	\$ 75,386	\$ 114,224
Attributable to Employee Benefit Plan	21,367	41,476	62,843
Total Deferred Outflows of Resources	<u>\$ 60,205</u>	<u>\$ 116,862</u>	<u>\$ 177,067</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	\$ 27,080	\$ 14,274	\$ 41,354
Accrued Compensated Absences	2,842	4,264	7,106
Accrued Taxes/Employee Withholding	8,956	1,103	10,059
Current Liabilities Payable from Restricted Assets:			
Accrued Interest	167	-	167
Current Portion - Note Payable	-	21,204	21,204
Current Portion - Revenue Bonds Payable	15,000	12,300	27,300
Total Current Liabilities	<u>\$ 54,045</u>	<u>\$ 53,145</u>	<u>\$ 107,190</u>
Noncurrent Liabilities:			
Revenue Bonds Payable	\$ 5,000	\$ 374,500	\$ 379,500
Note Payable	-	302,482	302,482
Accrued Compensated Absences	11,860	19,688	31,548
Net Pension Liability	140,001	271,764	411,765
Net OPEB Liability	38,214	74,178	112,392
Noncurrent Liabilities Payable from Restricted Assets:			
Customer Deposits Payable	-	22,350	22,350
Total Noncurrent Liabilities	<u>\$ 195,075</u>	<u>\$ 1,064,962</u>	<u>\$ 1,260,037</u>
Total Liabilities	<u>\$ 249,120</u>	<u>\$ 1,118,107</u>	<u>\$ 1,367,227</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Attributable to Employee Pension Plan	\$ 16,708	\$ 32,432	\$ 49,140
Attributable to Employee Benefit Plan	19,374	37,610	56,984
Total Deferred Inflows of Resources	<u>\$ 36,082</u>	<u>\$ 70,042</u>	<u>\$ 106,124</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	\$ 507,503	\$ 1,826,313	\$ 2,333,816
Restricted for:			
Debt Service	12,926	377,912	390,838
Other Purposes	244,433	-	244,433
Unrestricted	175,413	169,657	345,070
Total Net Position	<u>\$ 940,275</u>	<u>\$ 2,373,882</u>	<u>\$ 3,314,157</u>

CITY OF NEW CASTLE, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

		Program Revenues		
		Charges For	Operating	Capital
	Expenses	Services	Grants and Contributions	Grants and Contributions
Functions / Programs				
Governmental Activities:				
General Government	\$ 195,616	\$ 13,468	\$ -	\$ -
Public Safety				
Police Department	42,963	4,564	-	-
Fire Department	84,168	40,333	11,500	37,305
Public Services	101,430	104,666	-	-
Highways & Streets	75,825	-	19,225	-
Total Governmental Activities	<u>\$ 500,002</u>	<u>\$ 163,031</u>	<u>\$ 30,725</u>	<u>\$ 37,305</u>
Business-type Activities				
Water	\$ 299,498	\$ 256,942	\$ -	\$ 19,890
Sewer	257,460	250,966	-	-
Total Business-type Activities	<u>\$ 556,958</u>	<u>\$ 507,908</u>	<u>\$ -</u>	<u>\$ 19,890</u>
Total Government	<u><u>\$1,056,960</u></u>	<u><u>\$ 670,939</u></u>	<u><u>\$ 30,725</u></u>	<u><u>\$ 57,195</u></u>
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**

Governmental Activities	Business-type Activities	Total
\$ (182,148)	\$ -	\$ (182,148)
(38,399)	-	(38,399)
4,970	-	4,970
3,236	-	3,236
(56,600)	-	(56,600)
<u>\$ (268,941)</u>	<u>\$ -</u>	<u>\$ (268,941)</u>
\$ -	\$ (22,666)	\$ (22,666)
-	(6,494)	(6,494)
<u>\$ -</u>	<u>\$ (29,160)</u>	<u>\$ (29,160)</u>
\$ (268,941)	\$ (29,160)	\$ (298,101)
\$ 87,845	\$ -	\$ 87,845
60,162	-	60,162
186,445	-	186,445
663	2,651	3,314
2,894	8,863	11,757
28,500	-	28,500
(53,647)	53,647	-
<u>\$ 312,862</u>	<u>\$ 65,161</u>	<u>\$ 378,023</u>
\$ 43,921	\$ 36,001	\$ 79,922
896,354	2,337,881	3,234,235
<u>\$ 940,275</u>	<u>\$ 2,373,882</u>	<u>\$ 3,314,157</u>

CITY OF NEW CASTLE, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

		Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>	<u>General Fund</u>		
Cash, including time deposits	\$ 302,898	\$ 90,741	\$ 393,639
Cash, restricted	192,674	-	192,674
Accounts Receivable: (net of allowance for uncollectibles)			
Insurance Licenses	52,307	-	52,307
Property Taxes	877	-	877
Garbage	8,713	-	8,713
Franchise Fees	8,925	-	8,925
Due from Other Governments	823	1,847	2,670
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 567,217	\$ 92,588	\$ 659,805
	<hr/>	<hr/>	<hr/>
<u>LIABILITIES</u>			
Accounts Payable	\$ 27,080	\$ -	\$ 27,080
Due to Other Funds	22,036	-	22,036
Accrued Taxes / Employee Withholding	8,956	-	8,956
	<hr/>	<hr/>	<hr/>
Total Liabilities	\$ 58,072	\$ -	\$ 58,072
	<hr/>	<hr/>	<hr/>
<u>FUND BALANCES</u>			
Restricted for:			
Debt Service - Fire Truck	\$ 12,926	\$ -	\$ 12,926
American Rescue Plan Act	151,845	-	151,845
Special Revenue Funds	-	92,588	92,588
Assigned to:			
Downtown Revitalization & Preservation	27,903	-	27,903
Unassigned	316,471	-	316,471
	<hr/>	<hr/>	<hr/>
Total Fund Balances	\$ 509,145	\$ 92,588	\$ 601,733
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 567,217	\$ 92,588	\$ 659,805
	<hr/>	<hr/>	<hr/>

CITY OF NEW CASTLE, KENTUCKY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2023

Total Governmental Fund Balances	\$ 601,733
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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, total assests \$1,640,669 net of accumulated depreciation of \$1,113,166	527,503
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Deferred Outflows of Resources	
Attributable to Employee Pension Plan	38,838
Attributable to Employee Benefit Plan	21,367

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

Accrued compensated absences	(14,702)
Accrued Interest	(167)
Revenue Bonds Payable	(20,000)
Net Pension Liability	(140,001)
Net OPEB Liability	(38,214)

Deferred Inflows of Resources	
Attributable to Employee Pension Plan	(16,708)
Attributable to Employee Benefit Plan	(19,374)

Net Position of Governmental Activities	\$ 940,275
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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, 2023

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>			
Property Taxes	\$ 87,845	\$ -	\$ 87,845
Franchise Taxes	60,162	-	60,162
Insurance Taxes	186,445	-	186,445
Charges for Services	104,666	-	104,666
Interest Revenue	581	82	663
Fire Department	40,333	-	40,333
Miscellaneous Revenues	16,362	-	16,362
Proceeds from Outside Sources:			
State Fire Aid	11,500	-	11,500
Municipal Road Aid	-	19,225	19,225
KY Public Safety Program	4,564	-	4,564
Federal Emergency Management Agency	37,305	-	37,305
Total Revenues	\$ 549,763	\$ 19,307	\$ 569,070
<u>EXPENDITURES</u>			
Current			
General Government	\$ 182,104	\$ -	\$ 182,104
Public Safety			
Police Department	42,963	-	42,963
Fire Department	63,548	-	63,548
Public Services	101,430	-	101,430
Highways and Streets	67,150	-	67,150
Capital Outlay	65,190	-	65,190
Debt Service			
Principal	15,000	-	15,000
Interest and Other Charges	1,588	-	1,588
Total Expenditures	\$ 538,973	\$ -	\$ 538,973
Excess Revenues Over (Under) Expenditures	\$ 10,790	\$ 19,307	\$ 30,097
Other Financing Sources (Uses):			
Transfers In (Out)	\$ (53,647)	\$ -	\$ (53,647)
Sale of Fixed Assets	32,500	-	32,500
Total Other Financing Sources (Uses)	\$ (21,147)	\$ -	\$ (21,147)
Net Change in Fund Balances	\$ (10,357)	\$ 19,307	\$ 8,950
Fund Balances - July 1	519,502	73,281	592,783
Fund Balances - June 30	\$ 509,145	\$ 92,588	\$ 601,733

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, 2023

Net Change in Fund Balances - Total Governmental Funds	\$ 8,950
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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	65,190
Depreciation Expense	(31,122)

Repayment of revenue bonds 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.	(1,703)
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Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal. This is the difference in the amount of the gain/loss vs. the proceeds received on asset disposals.	(4,000)
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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.	(4,046)
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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.	(4,473)
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Change in Net Position of Governmental Activities	\$ 43,921
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CITY OF NEW CASTLE, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2023

**Water/Sewer
Utilities
Enterprise Fund**

ASSETS

Current Assets:

Cash, including time deposits	\$ 416,931
Accounts Receivable (Net)	65,541
Due from Other Funds	22,036
Total Current Assets	<u>\$ 504,508</u>

Noncurrent Assets:

Restricted Assets	
Cash, including time deposits	\$ 403,862
Capital Assets (Net)	2,536,799
Total Noncurrent Assets	<u>\$ 2,940,661</u>

Total Assets	<u>\$ 3,445,169</u>
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DEFERRED OUTFLOWS OF RESOURCES

Attributable to Employee Pension Plan	\$ 75,386
Attributable to Employee Benefit Plan	41,476
Total Deferred Outflows of Resources	<u>\$ 116,862</u>

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 14,274
Accrued Compensated Absences	4,264
Accrued Taxes / Employee Withholding	1,103
Current Liabilities Payable from Restricted Assets:	
Note Payable	21,204
Revenue Bonds Payable	12,300
Total Current Liabilities	<u>\$ 53,145</u>

Noncurrent Liabilities:

Revenue Bonds Payable	\$ 374,500
Note Payable	302,482
Accrued Compensated Absences	19,688
Net Pension Liability	271,764
Net OPEB Liability	74,178
Noncurrent Liabilities Payable from Restricted Assets:	
Customer Deposits Payable	22,350
Total Noncurrent Liabilities	<u>\$ 1,064,962</u>
Total Liabilities	<u>\$ 1,118,107</u>

DEFERRED INFLOWS OF RESOURCES

Attributable to Employee Pension Plan	\$ 32,432
Attributable to Employee Benefit Plan	37,610
Total Deferred Inflows of Resources	<u>\$ 70,042</u>

NET POSITION

Net Investment in Capital Assets	\$ 1,826,313
Restricted for:	
Debt Service	377,912
Unrestricted	169,657
Total Net Position	<u>\$ 2,373,882</u>

CITY OF NEW CASTLE, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2023

	Water/Sewer Utilities Enterprise Fund
<u>OPERATING REVENUES</u>	
Water Sales	\$ 256,942
Sewer Services	250,966
Miscellaneous	8,863
Total Operating Revenues	<u>\$ 516,771</u>
<u>OPERATING EXPENSES</u>	
Salaries and Wages	\$ 103,060
Water and Sewer Supplies	30,448
Utilities	24,779
Payroll Taxes	7,857
Retirement Benefits	31,192
OPEB Benefits	12,072
Vehicle Expenses	6,956
Postage and Office Supplies	4,197
Insurance	66,428
General & Admin. Expenses	23,894
Depreciation	100,055
Miscellaneous	3,100
Water Purchases	63,667
Repairs and Maintenance	59,176
Total Operating Expenses	<u>\$ 536,881</u>
Operating Income (Loss)	<u>\$ (20,110)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest Revenue	\$ 2,651
Interest Expense	(20,077)
Total Non-Operating Revenues (Expenses):	<u>\$ (17,426)</u>
Income (Loss) Before Capital Contributions/Transfers	<u>\$ (37,536)</u>
Capital Contributions	19,890
Transfers In(Out)	53,647
Change in Net Position	\$ 36,001
Net Position - July 1	<u>2,337,881</u>
Net Position - June 30	<u><u>\$ 2,373,882</u></u>

CITY OF NEW CASTLE, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2023

		Water/Sewer Utilities Enterprise Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from Customers		\$ 511,310
Payments to Suppliers		(322,749)
Payments to Employees		(100,234)
Receipts of Customer Meter Deposits		4,825
Refunds of Customer Meter Deposits		(4,950)
Net Cash Provided (Used) by Operating Activities		<u>\$ 88,202</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Purchase of Capital Assets		\$ (77,305)
Capital Contributions		19,890
Principal Paid on Capital Debt		(79,070)
Interest Paid on Capital Debt		(20,077)
Transfer from General Fund		53,647
Net Cash Provided (Used) by Capital and Related Financing Activities		<u>\$ (102,915)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest Received		\$ 2,651
Redeemed Certificate of Deposits		117
Net Cash Provided (Used) by Investing Activities		<u>\$ 2,768</u>
Net Increase (Decrease) in Cash and Cash Equivalents		\$ (11,945)
Balances - July 1		<u>752,355</u>
Balances - June 30		<u><u>\$ 740,410</u></u>
	Balances Per June 30, 2023 Statement of Net Position	Balances Per June 30, 2023 Statement of Cash Flows
Cash-Unrestricted	\$ 416,931	\$ 416,931
Time Deposits-Restricted	80,383	-
Cash-Restricted	323,479	323,479
Total	<u>\$ 820,793</u>	<u><u>\$ 740,410</u></u>

CITY OF NEW CASTLE, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2023

**Water/Sewer
Utilities
Enterprise Fund**

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

Operating Income (Loss)	\$ (20,110)
-------------------------	-------------

**Adjustments to Reconcile Operating Income to Net Cash
Provided (Used) by Operating Activities:**

Depreciation Expense	100,055
Pension Expense	7,856
OPEB Expense	8,676

Change in Assets and Liabilities:

Receivables, Net	(4,025)
Accounts Payable	647
Due From Other Funds	(7,656)
Customer Meter Deposits	(125)
Accrued Compensated Absences	2,826
Accrued Taxes/Employee Withholding	58

Net Cash Provided by Operating Activities	\$ <u>88,202</u>
-------------------------------------------	------------------

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

At June 30, 2023, the Water/Sewer Utilities Enterprise Fund had no outstanding obligations for the acquisition/construction of plant assets.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS

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CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2023

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 900. 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, 2023

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, 2023

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, 2023

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, 2023

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 significantly 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, 2023

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, 2023

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, 2023

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, 2023

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
Federal Emergency Management Agency	Eligible Expenditures
American Rescue Plan Act Fund	Eligible Expenditures/Expenses

For the year ended June 30, 2023, the City complied, in all material respects, with these revenue restrictions.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2023

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. The 1983 Water Revenue Bonds along with the 1985 Sewer Revenue Bonds were paid off during the current fiscal year.

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.

This bond issue was paid off during the fiscal year.

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, 2023

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.

This bond issue was paid off during the fiscal year.

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, 2023

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, 2023. 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	\$ 263,524	\$ 250,000	\$ -	\$ 13,524	\$ 263,020
Time/Savings Deposits	1,186,616	762,160	421,150	3,306	1,143,756
Total Deposits	<u>\$ 1,450,140</u>	<u>\$ 1,012,160</u>	<u>\$ 421,150</u>	<u>\$ 16,830</u>	<u>\$ 1,406,776</u>

Reconciliation to Statement of Net Position:

Unrestricted Cash, Including Time Deposits	\$ 810,570
Restricted Cash	596,536
	<u>\$ 1,407,106</u>
Carrying Value (Above)	\$ 1,406,776
Plus Cash on Hand	330
	<u>\$ 1,407,106</u>

3.B. RESTRICTED ASSETS

Restricted cash consists of the following:

	Governmental Activities	Business-type Activities	Total
Downtown Revitalization and Preservation	\$ 27,903	\$ -	\$ 27,903
Fire Truck	12,926	-	12,926
American Rescue Plan Act	151,845	-	151,845
Bond and Interest Sinking Account of 2002	-	31,022	31,022
Bond and Interest Sinking Account of 2006	-	72,587	72,587
Bond and Interest Sinking Account of 2009	-	47,103	47,103
Short Lived Assets Account	-	40,214	40,214
Depreciation Fund	-	186,986	186,986
Customer Deposits	-	25,950	25,950
	<u>\$ 192,674</u>	<u>\$ 403,862</u>	<u>\$ 596,536</u>

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2023

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

3.C. ACCOUNTS RECEIVABLE

Accounts receivable of the governmental activities consist of franchise tax (13%), insurance licenses (74%), garbage revenues (12%), and property tax (1%). Accounts receivable of the business-type activities consist of customer accounts receivable. Receivables detail at June 30, 2023, is as follows:

	Governmental Activities	Business-type Activities	Total
Accounts receivable	\$ 74,540	\$ 70,177	\$ 144,717
Allowance for doubtful accounts	(3,718)	(4,636)	(8,354)
Net accounts receivable	<u>\$ 70,822</u>	<u>\$ 65,541</u>	<u>\$ 136,363</u>

3.D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

	Balance at July 1, 2022	Additions	Disposals	Balance at June 30, 2023
<u>Governmental Activities:</u>				
Land	\$ 81,100	\$ 15,000	\$ 4,000	\$ 92,100
Buildings & Improvements	409,100	-	-	409,100
Machinery & Equipment	834,650	50,190	5,027	879,813
Infrastructure	259,656	-	-	259,656
Totals at Historical Cost	<u>\$ 1,584,506</u>	<u>\$ 65,190</u>	<u>\$ 9,027</u>	<u>\$ 1,640,669</u>
<u>Less: Accumulated Depreciation</u>				
Buildings & Improvements	\$ 151,550	\$ 9,829	\$ -	\$ 161,379
Machinery & Equipment	702,273	19,866	5,027	717,112
Infrastructure	233,248	1,427	-	234,675
Total Accumulated Depreciation	<u>\$ 1,087,071</u>	<u>\$ 31,122</u>	<u>\$ 5,027</u>	<u>\$ 1,113,166</u>
Governmental Activities - Capital Assets, Net	<u>\$ 497,435</u>	<u>\$ 34,068</u>	<u>\$ 4,000</u>	<u>\$ 527,503</u>

Depreciation Expense was charged to governmental activities as follows:

General Government	\$ 9,522
Public Safety	
Fire Department	19,157
Highways & Streets	2,443
Total Depreciation Expense	<u>\$ 31,122</u>

Land is a capital asset not being depreciated. \$896,235 of depreciable assets are fully depreciated.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2023

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

3.D. CAPITAL ASSETS (Continued)

	Balance at July 1, 2022	Additions	Disposals	Balance at June 30, 2023
<u>Business-type Activities:</u>				
Land & Right of Ways	\$ 33,150	\$ -	\$ -	\$ 33,150
Buildings & Improvements	69,716	-	-	69,716
Distribution System	4,791,226	19,890	-	4,811,116
Machinery & Equipment	256,979	5,965	-	262,944
Construction in Process	25,978	30,000	-	55,978
Totals at Historical Cost	<u>\$ 5,177,049</u>	<u>\$ 55,855</u>	<u>\$ -</u>	<u>\$ 5,232,904</u>
<u>Less: Accumulated Depreciation</u>				
Buildings & Improvements	\$ 60,923	\$ 760	\$ -	\$ 61,683
Distribution System	2,302,950	88,932	-	2,391,882
Machinery & Equipment	232,177	10,363	-	242,540
Total Accumulated Depreciation	<u>\$ 2,596,050</u>	<u>\$ 100,055</u>	<u>\$ -</u>	<u>\$ 2,696,105</u>
Business-type Activities - Capital Assets, Net	<u>\$ 2,580,999</u>	<u>\$ (44,200)</u>	<u>\$ -</u>	<u>\$ 2,536,799</u>
Depreciation Expense was charged to the business activities as follows:				
Water	\$ 47,644			
Sewer	52,411			
Total Depreciation Expense	<u>\$ 100,055</u>			

Land and right of ways are capital assets not being depreciated. \$1,046,224 of depreciable assets are fully depreciated.

3.E. LONG-TERM LIABILITIES

The reporting entity's long-term liabilities is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. Some of the asset acquisition costs of the City have been financed by issuance of revenue bonds and notes payable authorized under Kentucky Revised Statutes.

As of June 30, 2023, the long-term debt of the financial reporting entity consisted of the following:

Governmental-type Activities:

Revenue Bonds:

Revenue bonds for purchase of a used tanker fire truck.	<u>\$ 20,000</u>
Current Portion	\$ 15,000
Noncurrent Portion	5,000
Total Bonds Payable	<u>\$ 20,000</u>

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2023

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

3.E. LONG-TERM LIABILITIES (Continued)

Business-type Activities:

Bonds Payable:

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.

\$ 212,500

Current Portion

\$ 7,000

Noncurrent Portion

205,500

Total Bonds Payable

\$ 212,500

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.

\$ 107,500

Current Portion

\$ 3,300

Noncurrent Portion

104,200

Total Bonds Payable

\$ 107,500

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.

\$ 66,800

Current Portion

\$ 2,000

Noncurrent Portion

64,800

Total Bonds Payable

\$ 66,800

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.

\$ 323,686

Current Portion

\$ 21,204

Noncurrent Portion

302,482

Total Note Payable

\$ 323,686

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2023

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

3.E. LONG-TERM LIABILITIES (Continued)

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2023:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Current Portion
<u>Governmental Activities</u>					
Bonds Payable/Direct Placement	\$ 35,000	\$ -	\$ 15,000	\$ 20,000	\$ 15,000
Accrued Compensated Absences	12,999	5,391	3,688	14,702	2,842
Total	<u>\$ 47,999</u>	<u>\$ 5,391</u>	<u>\$ 18,688</u>	<u>\$ 34,702</u>	<u>\$ 17,842</u>
<u>Business-type Activities</u>					
Bonds Payable/Direct Placement	\$ 444,719	\$ -	\$ 57,919	\$ 386,800	\$ 12,300
Note Payable/Direct Borrowings	344,837	-	21,151	323,686	21,204
Accrued Compensated Absences	21,126	9,779	6,953	23,952	4,264
Total	<u>\$ 810,682</u>	<u>\$ 9,779</u>	<u>\$ 86,023</u>	<u>\$ 734,438</u>	<u>\$ 37,768</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 bonds 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

Direct Placement Debt

Bonds Payable – Revenue Bonds, First Series 2014A

Revenue Bonds First Series 2014A were issued for \$115,000 on February 28, 2014. The purpose of this loan was to acquire fire equipment. The bonds are held by the Kentucky Bond Corporation. The annual interest rate (variable 2% to 3%) over a term of 10 years. Principal is payable annually on February 1 of each year. Interest is payable semi-annually on February 1 and August 1 of each year. Assuming no issues are called prior to scheduled maturity, the minimum obligations of the fund at June 30, 2023, for debt service, (principal and interest) are as follows:

Fiscal year	Principal Payment	Interest Payment	Fiscal Charges	Total Payment	Balance at End of Year
					\$ 20,000
2024	\$ 15,000	\$ 600	\$ 500	\$ 16,100	5,000
2025	5,000	150	462	5,612	-
	<u>\$ 20,000</u>	<u>\$ 750</u>	<u>\$ 962</u>	<u>\$ 21,712</u>	<u>-</u>

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2023

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

3.E. LONG-TERM LIABILITIES (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	\$-0-	5%

The Bonds were paid in full during the current fiscal year in accordance with schedule.

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	\$-0-	5%

The Bonds were paid in full during the current fiscal year one year ahead of schedule.

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	\$212,500	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, 2023, 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>
				\$ 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	8,500	8,190	16,690	173,500
2029-33	50,000	34,764	84,764	123,500
2034-38	62,500	22,389	84,889	61,000
2039-42	61,000	6,976	67,976	-
	<u>\$ 212,500</u>	<u>\$ 108,590</u>	<u>\$ 321,090</u>	<u>\$ -</u>

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2023

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

3.E. LONG-TERM LIABILITIES (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	\$107,500	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, 2023, 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>
				\$ 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	3,900	3,974	7,874	89,600
2029-33	22,100	17,240	39,340	67,500
2034-38	27,200	12,132	39,332	40,300
2039-43	33,600	5,829	39,429	6,700
2044	6,700	285	6,985	-
	<u>\$ 107,500</u>	<u>\$ 56,873</u>	<u>\$ 164,373</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	\$66,800	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, 2023

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

3.E. LONG-TERM LIABILITIES (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, 2023, 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>
				\$ 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	2,200	1,606	3,806	56,200
2029-33	12,200	7,079	19,279	44,000
2034-38	13,900	5,310	19,210	30,100
2039-43	16,000	3,288	19,288	14,100
2044-47	14,100	964	15,064	-
	<u>\$ 66,800</u>	<u>\$ 25,258</u>	<u>\$ 92,058</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.

Direct Borrowing

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, 2023 is \$323,686.

Assuming the note is not liquidated prior to maturity, the annual minimum obligation of the funds at June 30, 2023 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>
					\$ 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	21,417	583	466	22,466	217,135
2029-33	107,890	2,109	1,687	111,686	109,245
2034-38	109,245	752	602	110,599	-
	<u>\$ 323,686</u>	<u>\$ 6,309</u>	<u>\$ 5,047</u>	<u>\$ 335,042</u>	<u>-</u>

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2023

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

3.E. LONG-TERM LIABILITIES (Continued)

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest for long-term debt as of June 30, 2023, are as follows:

Fiscal year	Governmental Activities			Business-type Activities		
	Principal	Interest	Fiscal Charges	Principal	Interest	Fiscal Charges
2024	\$ 15,000	\$ 600	\$ 500	\$ 33,504	\$ 16,765	\$ 637
2025	5,000	150	462	34,257	16,202	594
2026	-	-	-	35,010	15,609	552
2027	-	-	-	35,263	14,984	509
2028	-	-	-	36,017	14,353	466
2029-33	-	-	-	192,190	61,192	1,687
2034-38	-	-	-	212,845	40,583	602
2039-43	-	-	-	110,600	16,093	-
2044-47	-	-	-	20,800	1,249	-
	<u>\$ 20,000</u>	<u>\$ 750</u>	<u>\$ 962</u>	<u>\$ 710,486</u>	<u>\$ 197,030</u>	<u>\$ 5,047</u>

3.F. INTEREST EXPENSE

\$1,588 interest expense has been reported for the governmental funds financial statements for the year ended June 30, 2023. Interest expense associated with revenue bonds and reported in the government wide financial statements was \$1,463. Interest expense reported for the enterprise fund for the year ended June 30, 2023, was \$20,077.

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	\$ 22,036	Advances for operating expenditures
Total		<u>\$ 22,036</u>	

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2023

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	\$ 12,926
Restricted for Other Purposes:		
General Fund	American Rescue Plan - Treasury Final Rule	\$ 151,845
Municipal Road Aid	State Law	92,588
		<u>244,433</u>

Business-type Activities

Enterprise Fund:

Restricted for Debt Service:

2002 Water Utilities Revenue Bonds-Cash	\$ 121,027
2006 Sewer Utilities Revenue Bonds-Cash	113,357
2009 Sewer Utilities Revenue Bonds-Cash	93,323
2018 Water and Sewer Improvement Project - Cash	50,205
Total Restricted For Debt Service	<u>\$ 377,912</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, 2023, to indicate the amounts restricted as to use by debt agreement and Treasury Final Rule, respectively:

General Fund:

Fire Truck	\$ 12,926
American Rescue Plan Act	151,845
	<u>\$ 164,771</u>

The City has reported the following restricted portion of the other governmental funds' fund balance at June 30, 2023, to indicate the amounts restricted as to use by statute:

Other Governmental Funds:

Municipal Road Aid	<u>\$ 92,588</u>
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The City has reported the following portion of the general fund's fund balance as assigned at June 30, 2023, indicating amounts intended to be used for specific purposes.

General Fund:

Downtown Revitalization and Preservation	<u>\$ 27,903</u>
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CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2023

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 is a participating employer of the Commonwealth of Kentucky's County Employees' Retirement System (CERS) for non-hazardous employees administered by the Kentucky Public Pension Authority (KPPA). Under the provisions of Kentucky Revised Statute 78.782 and 61.645, the KPPA oversees the administration and operation of the CERS. The CERS Board has nine trustees, three elected by the membership and six appointed by the Governor. The CERS issues a publicly available financial report that includes financial statements, required supplementary information, and detailed information about CERS' fiduciary net position. These financial statements may be downloaded from the KPPA website, kyret.ky.gov.

Plan Description - CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in non-hazardous positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. 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.

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.

Contributions – For the year ended June 30, 2023, plan members were required to contribute 5.00% of wages for non-hazardous job classifications. Employees hired after September 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545 (33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium.

The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2023, participating employers contributed 26.79% of each non-hazardous employee's creditable compensation, which is equal to the actuarially determined rate set by the Board. The contributions are allocated to both the pension and the insurance trust. The insurance trust is more fully described later in this note. For the year ended June 30, 2023, plan members contributed 23.40% to the pension for non-hazardous job classifications. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. 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. Plan members contribute 5.00% of wages to their own account and 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2023

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 year ended June 30, 2023, the City contributed \$34,971 or 100% of the required contribution for non-hazardous job classifications.

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.

Benefits – 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 and 4 years of service
	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. Reduced benefits are based on factors of both components. Participating employees become eligible to receive the health insurance benefit after earning at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in a lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Prior to July 1, 2009, cost-of-living (COLA) 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 1.50%. Senate Bill 2 passed during the 2013 Regular Session states COLAs will only be granted in the future if the Systems' Boards determine that assets of the Systems are greater than 100% of the actuarial liabilities and legislation authorizes the use of surplus funds for the COLA. Cost-of-living adjustments are provided at the discretion of the Kentucky General Assembly. Kentucky Revised Statute 78.5518 governs how COLAs may be granted for members of CERS. No COLA has been granted since July 1, 2011.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2023

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 Pension Liability and the Net Pension Liability

– For financial reporting, the actuarial valuation as of June 30, 2022, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2022, were based on an actuarial valuation date of June 30, 2021. The total pension liability was rolled-forward from the valuation date (June 30, 2021) to the plan's fiscal year ending June 30, 2022, using generally accepted actuarial principles. There have been no actuarial assumption or method changes since June 30, 2021. Additionally, there have been no plan provision changes that would materially impact the total pension liability since June 30, 2021. The total pension liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increases	3.30% - 10.30%, varies by service
Investment Rate of Return	6.25%

In determining the total pension liability as of June 30, 2022, the mortality table used for active members was a PUB-2010 General Mortality table, 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.

Actuarial Methods and Assumptions to Determine the Actuarial Determined Contributions for Fiscal Year

2022 - The following actuarial methods and assumptions, were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2022:

Valuation Date	June 30, 2020
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 Years, closed period at June 30, 2019, <i>Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases</i>
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

The retiree mortality is System-specific mortality table based on mortality experience from 2013-2018 projected with the ultimate rates from MP-2014 mortality improvement scale using base year of 2019.

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 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, 2023

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.

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 are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target asset allocation (applies to all pension and insurance funds maintained by CERS) and best estimates of arithmetic real rate of return for each major asset class are summarized in the table below. The current long-term inflation assumption is 2.30% per annum.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	60.00%	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income	20.00%	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	-0.91%
Inflation Protected	20.00%	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Expected Real Return	100.00%	4.28%
Long Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.58%

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, 2023, the City reported a liability of \$411,765 for its proportionate share of the net pension liability. The net pension liability for CERS was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 and was rolled forward using generally accepted actuarial procedures. 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, 2022, the City's proportion was 0.005696 percent, which was an increase of 0.000278 percent from its proportion measured as of June 30, 2021.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2023

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 year ended June 30, 2023, the City recognized pension expense of \$49,387. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 440	\$ 3,667
Change in Assumptions	-	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	22,784	-
Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	56,029	45,473
District Contributions Made Subsequent to the NPL Measurement Date	34,971	-
Total	\$ 114,224	\$ 49,140

\$34,971 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, 2024. 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:

Year Ended June 30, 2023	Increase (Decrease) to Pension Expense
2024	\$ 14,804
2025	7,072
2026	(3,460)
2027	11,697
	\$ 30,113

Discount Rate – The projection of cash flows used to determine the discount rate of 6.25% assumes that CERS fund receives the required employer contributions each future year, as determined by the current funding policy established by Statute, as amended by House Bill 362, (passed in 2018) over the remaining 29 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate does not use a municipal bond rate.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2023

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 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, 2022, calculated using the discount rates of 6.25%], 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, 2022	1% Decrease [5.25%]	Current Discount [6.25%]	1% Increase [7.25%]
Net Pension Liability	\$ 9,035,369,943	\$ 7,229,013,496	\$ 5,735,006,798
City's Proportionate Share	514,655	411,765	326,666

Payable to the Pension Plan - The City reported a payable of \$4,549, as of June 30, 2023, for the outstanding amount of contributions required to the pension plan required for the year then ended. The payable includes both the pension and insurance contribution allocation.

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – As more fully described in this note earlier, the City participates in the County Employees' Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

The CERS Nonhazardous Insurance Funds are reported as OPEB trust funds and are accounted for on the accrual basis of accounting. OPEB contributions are determined by the CERS Board and are required by the employers, and the employees' contributions are set by Kentucky Revised Statute 78.5536(3)(b)(1) and 61.702(3)(b)(1). KPPA recognized employer and employee contributions to the plans through June 30, 2022. OPEB expenses are recognized as the benefits come due for the plan, which includes payments made to the Department of Employee Insurance (DEI), and Humana Inc. for OPEB costs incurred for the fiscal year ended June 30, 2022. KPPA contracts with DEI and Humana Inc to administer the claims. DEI administers retiree claims for retirees who are non-Medicare eligible, and Humana administers retiree claims for members who are Medicare eligible. Since 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. GASB 74 requires that the liability associated with this implicit subsidy be included in the calculation of the total OPEB liability.

Contributions – As more fully described in earlier in this note, plan members contribute to CERS for non-hazardous job classifications. For the year ended June 30, 2023, the employer's contribution was 3.39% to the insurance trust for non-hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employees are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545 (33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with the actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of the Kentucky Public Pension Authority are financed through employer contributions and investment earnings.

Senate Bill 209 passed during the 2022 legislative session and increased the insurance dollar contribution for members hired on or after July 1, 2003, by \$5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2023

NOTE 4. OTHER NOTES (Continued)

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

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023. Senate Bill 209 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA.

The total OPEB liability as of June 30, 2022 is determined using these updated benefit provisions. There were no other material plan provision changes.

For the year ended June 30, 2023, the City contributed \$5,087 or 100% of the required contribution for non-hazardous job classifications.

Benefits – CERS provides health insurance benefits to Plan employees and beneficiaries.

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

Tier 1	Participation date Insurance Eligibility Benefit	Before July 1, 2003 10 years of service credit required Set percentage of single coverage health insurance Based on service credit accrued at retirement
Tier 1	Participation date Insurance Eligibility Benefit	Before September 1, 2008 but after July 1, 2003 10 years of service credit required Set dollar amount based on service credit accrued, Increased annually
Tier 2	Participation date Insurance Eligibility Benefit	After September 1, 2008 and before December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, Increased annually
Tier 3	Participation date Insurance Eligibility Benefit	After December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, Increased annually

Actuarial Methods and Assumptions to Determine the Total OPEB Liability and the Net OPEB Liability – For financial reporting, the actuarial valuation as of June 30, 2022, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2022, were based on an actuarial valuation date of June 30, 2021. The total OPEB liability was rolled-forward from the valuation date (June 30, 2021) to the plan's fiscal year ending June 30, 2022, using generally accepted actuarial principles.

The total OPEB liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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 Rate	
Pre – 65	Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post – 65	Initial trend starting at 9.00% in 2024 then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2023

NOTE 4. OTHER NOTES (Continued)

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

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

In determining the total OPEB liability as of June 30, 2022, the mortality table used for active members was a PUB-2010 General Mortality table, 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.

Actuarial Methods and Assumptions to Determine the Actuarial Determined OPEB Contributions for Fiscal Year 2022 - The following actuarial methods and assumptions, were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2022:

Valuation Date	June 30, 2020
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 Years, closed period at June 30, 2019, <i>Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases</i>
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rate	
Pre – 65	Initial trend starting at 6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post – 65	Initial trend starting at 6.30% at January 1, 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2021 premiums were known at the time of valuation and were incorporated into the liability measurement. Additionally, "Not to Exceed" 2022 Medicare premiums were provided, which were incorporated and resulted in an assumed 2.90% increase in Medicare premiums at January 1, 2022.

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources - At June 30, 2023, the City reported a liability of \$112,392 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021 and was rolled forward using generally accepted actuarial procedures. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the City's proportionate share was 0.005695 percent, which was an increase of 0.000278 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City recognized OPEB expense of \$19,356. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2023

NOTE 4. OTHER NOTES (Continued)

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

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

	June 30, 2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 11,313	\$ 25,774
Change in Assumptions	17,776	14,647
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	7,739	196
Difference Between Projected and Actual Investment Earnings on Insurance Plan Investments	20,928	16,367
City Contributions Made Subsequent to the Net OPEB Measurement Date	5,087	-
Total	\$ 62,843	\$ 56,984

\$5,087 reported as deferred outflows of resources related to OPEB arising from City contributions made subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended June 30, 2024. 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, 2023	Increase (Decrease) to OPEB Expense
2024	\$ 2,097
2025	1,796
2026	(4,517)
2027	1,396
	\$ 772

Discount Rate – The single discount rate used to calculate the total OPEB liability within the plan changed since the prior year. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2021, valuation process and was updated to better reflect the plan's anticipated long-term healthcare costs. There were no other material assumption changes. A single discount rate of 5.70% was used to measure the total OPEB liability as of June 30, 2022, for the CERS Nonhazardous plan. This is an increase of 0.50% from the 5.20% discount rate used to measure the total OPEB liability as of June 30, 2021, for the CERS Nonhazardous plan. The single discount rate is based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.69% as reported in Fidelity Index's "20-year Municipal GO AA Index", as of June 30, 2022. Based on the stated assumptions and the projection of cash flows as of the fiscal year ending June 30, 2022, the plan's fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plan's actuarially determined contributions and any cost associated with the implicit subsidy will not be paid out of the plan trusts.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2023

NOTE 4. OTHER NOTES (Continued)

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

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

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 real rates of return for each major asset class are summarized early in this note.

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, 2022, calculated using the single discount rate of 5.70%] 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, 2022	1% Decrease [4.70%]	Current Discount [5.70%]	1% Increase [6.70%]
Net OPEB Liability	\$ 2,638,272,960	\$ 1,973,513,617	\$ 1,423,979,067
City's Proportionate Share	150,250	112,392	81,096

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, 2022, calculated using the healthcare cost trend rate for the year ended June 30, 2022], 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, 2022	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability	\$ 1,467,263,523	\$ 1,973,513,617	\$ 2,581,424,500
City's Proportionate Share	83,561	112,392	147,012

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. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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.

The City has taken appropriate steps to resolve a February 14, 2023 demand for Remedial Measures issued by the Division of Enforcement of the Kentucky Energy and Environmental Cabinet. The City anticipates the planned improvements will restore compliance by December 31, 2023.

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, 2022 decreased from 26.95% to 26.79%.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2023

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, 2023, is presented as follows:

CONDENSED STATEMENT OF NET POSITION

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Assets:			
Due From Other Funds	\$ 10,300	\$ 11,736	\$ 22,036
Other Current Assets	329,112	153,360	482,472
Other Noncurrent Assets	167,258	236,604	403,862
Capital Assets (Net)	1,017,997	1,518,802	2,536,799
Total Assets	<u>\$ 1,524,667</u>	<u>\$ 1,920,502</u>	<u>\$ 3,445,169</u>
Deferred Outflows of Resources:			
Other Debits	<u>\$ 58,431</u>	<u>\$ 58,431</u>	<u>\$ 116,862</u>
Liabilities:			
Other Current Liabilities	\$ 29,398	\$ 23,747	\$ 53,145
Noncurrent Liabilities	531,660	533,302	1,064,962
Total Liabilities	<u>\$ 561,058</u>	<u>\$ 557,049</u>	<u>\$ 1,118,107</u>
Deferred Inflows of Resources:			
Other Credits	<u>\$ 35,021</u>	<u>\$ 35,021</u>	<u>\$ 70,042</u>
Net Position:			
Net Investment in Capital Assets	\$ 676,022	\$ 1,150,291	\$ 1,826,313
Restricted	141,308	236,604	377,912
Unrestricted	169,689	(32)	169,657
Total Net Position	<u><u>\$ 987,019</u></u>	<u><u>\$ 1,386,863</u></u>	<u><u>\$ 2,373,882</u></u>

CONDENSED STATEMENT REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues	\$ 264,420	\$ 252,351	\$ 516,771
Depreciation Expense	(47,644)	(52,411)	(100,055)
Other Operating Expenses	(240,565)	(196,261)	(436,826)
Operating Income (Loss)	<u>\$ (23,789)</u>	<u>\$ 3,679</u>	<u>\$ (20,110)</u>
Nonoperating Revenues (Expenses):			
Investment Income	1,722	929	2,651
Interest Expense	(11,289)	(8,788)	(20,077)
Capital Contributions	19,890	-	19,890
Transfer In (Out)	-	53,647	53,647
Change in Net Position	<u>\$ (13,466)</u>	<u>\$ 49,467</u>	<u>\$ 36,001</u>
Beginning Net Position	1,000,485	1,337,396	2,337,881
Ending Net Position	<u><u>\$ 987,019</u></u>	<u><u>\$ 1,386,863</u></u>	<u><u>\$ 2,373,882</u></u>

CONDENSED STATEMENT OF CASH FLOWS

Net Cash Provided (Used) by:	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Activities	\$ 29,820	\$ 58,382	\$ 88,202
Capital and Related Financing Activities	(42,749)	(60,166)	(102,915)
Investing Activities	1,801	967	2,768
Net Increase (Decrease)	<u>\$ (11,128)</u>	<u>\$ (817)</u>	<u>\$ (11,945)</u>
Beginning Cash and Cash Equivalents	419,438	332,917	752,355
Ending Cash and Cash Equivalents	<u><u>\$ 408,310</u></u>	<u><u>\$ 332,100</u></u>	<u><u>\$ 740,410</u></u>

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2023

NOTE 4. OTHER NOTES (Continued)

4.D. MISCELLANEOUS (Continued)

Income Tax Status

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

Economic Dependence

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

COVID-19 PANDEMIC

Since early 2020, various restrictions have been placed on travel and business across the United States in response to the COVID-19 pandemic. The duration and pervasiveness of these restrictions are uncertain as of the date of these financial statements. The City is continuously evaluating the impact of COVID-19 and related responses on the operations and finances of the City. Restrictions placed on the City could negatively impact the City's revenue and expenses for an unknown period of time. At this time, a specific estimate of the impact could not reasonably be determined due to a number of unknown factors regarding the severity and duration of the event.

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, 2023 the City had not expended \$151,845.

Subsequent Events

Management has considered subsequent events through the date of this report September 1, 2023, for disclosure. No events were identified that would have impacted the financial statements for the year ended June 30, 2023.

CITY OF NEW CASTLE, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final Budget Favorable (Unfavorable)
<u>REVENUES</u>				
Property Taxes	\$ 80,000	\$ 82,500	\$ 87,845	\$ 5,345
Franchise Taxes	50,000	53,000	60,162	7,162
Insurance Taxes	140,000	155,600	186,445	30,845
Charges for Services	102,900	102,900	104,666	1,766
Interest Revenue	75	300	581	281
Fire Department	45,600	40,022	40,333	311
Miscellaneous Revenues	6,300	12,613	16,362	3,749
Proceeds from Outside Sources:				
State Fire Aid	11,000	11,000	11,500	500
KY Public Safety Program	4,400	4,400	4,564	164
Federal Emergency Management Agency	-	-	37,305	37,305
American Rescue Plan Act Fund	121,581	125,467	-	(125,467)
Total Revenues	\$ 561,856	\$ 587,802	\$ 549,763	\$ (38,039)
<u>EXPENDITURES</u>				
Current				
General Government	\$ 173,180	\$ 184,271	\$ 182,104	\$ 2,167
Public Safety				
Police Department	45,000	44,100	42,963	1,137
Fire Department	74,715	46,256	63,548	(17,292)
Public Services	102,900	102,900	101,430	1,470
Highways & Streets	57,982	58,778	67,150	(8,372)
Capital Outlay	176,370	103,648	65,190	38,458
Debt Service				
Principal	15,000	15,000	15,000	-
Interest and Other Charges	1,385	1,385	1,588	(203)
Total Expenditures	\$ 646,532	\$ 556,338	\$ 538,973	\$ 17,365
Excess Revenues Over (Under) Expenditures	\$ (84,676)	\$ 31,464	\$ 10,790	\$ (20,674)
Other Financing Sources (uses)				
Transfers In (Out)	\$ -	\$ -	\$ (53,647)	\$ (53,647)
Sale of Fixed Assets	-	31,000	32,500	1,500
Total Other Financing Services (Uses)	\$ -	\$ 31,000	\$ (21,147)	\$ (52,147)
Net Change in Fund Balance	\$ (84,676)	\$ 62,464	\$ (10,357)	\$ (72,821)
Fund Balances - July 1	323,958	381,457	519,502	138,045
Fund Balances - June 30	\$ 239,282	\$ 443,921	\$ 509,145	\$ 65,224

CITY OF NEW CASTLE, KENTUCKY
NOTES TO BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2023

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, 2023

	<u>June 30, 2022</u>	<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) %	0.005696%	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)	\$ 411,765	\$ 345,440	\$ 389,018	\$ 354,747	\$ 307,682	\$ 293,895	\$ 255,021	\$ 218,994	\$ 186,000
City's covered payroll	\$ 157,497	\$ 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	261.44%	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	52.4%	57.3%	47.8%	50.5%	53.5%	53.3%	55.5%	60.0%	62.6%

Notes: The above schedule will present 10 years of historical data, once such data is available.

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

	<u>2023</u>	<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	\$ 34,990	\$ 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>(34,990)</u>	<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>	<u>\$ -</u>
City's Covered Payroll	\$ 149,529	\$ 157,497	\$ 138,394	\$ 129,931	\$ 127,239	\$ 125,217	\$ 122,260	\$ 123,558	\$ 118,836
Contributions as a Percentage of Covered Payroll	23.40%	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%

Notes: The above schedule will present 10 years of historical data, once such data is available.

CITY OF NEW CASTLE, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
June 30, 2023

	<u>June 30, 2022</u>	<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>
City's proportion of the net OPEB liability (asset) %	0.005695%	0.005417%	0.005071%	0.005044%	0.005052%	0.005021%
City proportionate share of the net OPEB liability (asset)	\$ 112,392	\$ 103,706	\$ 122,449	\$ 84,821	\$ 89,697	\$ 100,939
City's covered payroll	\$ 157,497	\$ 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	71.36%	74.93%	94.24%	66.66%	71.63%	82.56%
Plan fiduciary net position as a percentage of the total OPEB liability.	60.9%	62.9%	51.7%	60.4%	57.6%	52.4%

Notes: The above schedule will present 10 years of historical data, once such data is available.

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

	<u>2023</u>	<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	\$ 5,069	\$ 9,083	\$ 8,324	\$ 6,185	\$ 6,693	\$ 5,886	\$ 5,783	\$ 5,733	\$ 5,846
Contributions in Relation to the Contractually Required Contributions	(5,069)	(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>	<u>\$ -</u>
City's Covered-Employee Payroll	\$ 149,529	\$ 157,497	\$ 138,394	\$ 129,931	\$ 127,239	\$ 125,217	\$ 122,260	\$ 123,558	\$ 118,836
Contributions as a Percentage of Covered-Employee Payroll	3.39%	5.78%	4.76%	4.76%	5.26%	4.70%	4.73%	4.64%	4.92%

Notes: The above schedule will present 10 years of historical data, once such data is available.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023

1. General Information

Contributions

Contractually required employer contributions reported on the Schedule of the City's Contributions (Pension) – County Employees Retirement System, exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The insurance contributions are reported on the Schedule of the City's Contributions (OPEB) – County Employees Retirement System.

Payroll

The City's covered payroll reported on the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of the City's Proportionate Share of the Net OPEB Liability is for the City's fiscal year.

2. Changes in Assumptions

June 30, 2023 – Pension & OPEB

The following changes in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for OPEB:

- Pre-65 initial healthcare trend rate starting at 6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.
- Post-65 initial healthcare trend rate starting at 6.30% at January 1, 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2021 premiums were known at the time of valuation and were incorporated into the liability measurement. Additionally, "Not to Exceed" 2022 Medicare premiums were provided, which were incorporated and resulted in an assumed 2.90% increase in Medicare premiums at January 1, 2022.

June 30, 2022 – Pension & OPEB

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 because of a duty related disability.

The following changes in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for OPEB:

- Salary Increases of 3.30% to 10.30%, varies by service
- 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
- Pre-65 initial healthcare trend rate 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.
- Post-65 initial healthcare trend rate 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 valuation and were incorporated into the liability measurement.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023

2. Changes in Assumptions (Continued)

June 30, 2021 – Pension & OPEB

The following changes in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for OPEB:

- Pre-65 initial healthcare trend rate starting at 7.0% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2019 premiums were known at the time of the valuation and were incorporated into the liability measurement.
- Post-65 initial healthcare trend rate starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years. The 2019 premiums were known at the time of valuation and were incorporated into the liability measurement.

June 30, 2020 – Pension & OPEB

The following changes in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for OPEB:

- Payroll Growth Rate 2.0%
- Investment Rate of Return 6.25%
- Inflation 2.30%
- Salary Increases of 3.30% to 11.55%
- Pre-65 initial healthcare trend rate starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
- Post-65 initial healthcare trend rate starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

June 30, 2019 – Pension & OPEB

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.

The following assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018, for OPEB:

- Payroll Growth Rate 4.0%
- Investment Rate of Return 7.50%
- Inflation 3.25%
- Salary Increases 4.0%, average
- Mortality: RP-2000 Combined Mortality Table, Projected to 2013 with Scale BB (set back 1 year for females)
- Pre-65 initial healthcare trend rate starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
- Post-65 initial healthcare trend rate starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

CITY OF NEW CASTLE, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023

2. Changes in Assumptions (Continued)

June 30, 2018 – Pension

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017:

- Payroll Growth Rate 2.0%
- Investment Rate of Return 6.25%
- Inflation 2.3%

June 30, 2017 – Pension

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016.

June 30, 2016 – Pension

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

- Investment Rate of Return 7.50%
- Inflation 3.25%
- Wage Inflation 0.75%
- Salary Increases 4.0%
- Mortality:
 - Active Members: RP-2000 Combined Mortality Table, projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
 - Healthy Retired Members & Beneficiaries: RP-2000 Combined Mortality Table, projected with Scale BB to 2013 (set back 1 year for females).
 - Disabled Members: RP-2000 Combined Disability Mortality Table, projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

June 30, 2015 – Pension

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2014.

June 30, 2014 – Pension

The following assumptions were made by the Kentucky Legislature and reflected in the initial valuation performed as of June 30, 2013:

- Payroll Growth Assumption Rate 4.50%
- Investment Rate of Return 7.75%
- Inflation 3.50%
- Mortality: Rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006. The 1994 Group Annuity Mortality Table was used for all other Members.

CITY OF NEW CASTLE, KENTUCKY
COMPARATIVE COMBINING STATEMENT OF NET POSITION
ALL PROPRIETARY FUND TYPES
June 30, 2023 and 2022

	June 30, 2023		
	Water Utilities Enterprise Fund	Sewer Utilities Enterprise Fund	Totals
<u>ASSETS</u>			
Current Assets:			
Cash, including time deposits	\$ 295,973	\$ 120,958	\$ 416,931
Accounts Receivable - (Net)	33,139	32,402	65,541
Due from Other Funds	10,300	11,736	22,036
Total Current Assets	\$ 339,412	\$ 165,096	\$ 504,508
Noncurrent Assets:			
Restricted Assets			
Cash, including time deposits	\$ 167,258	\$ 236,604	\$ 403,862
Capital Assets (Net)	1,017,997	1,518,802	2,536,799
Total Noncurrent Assets	\$ 1,185,255	\$ 1,755,406	\$ 2,940,661
Total Assets	\$ 1,524,667	\$ 1,920,502	\$ 3,445,169
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Attributable to Employee Pension Plan	\$ 37,693	\$ 37,693	\$ 75,386
Attributable to Employee Benefit Plan	20,738	20,738	41,476
Total Deferred Outflows of Resources	\$ 58,431	\$ 58,431	\$ 116,862
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	\$ 10,917	\$ 3,357	\$ 14,274
Accounts Payable Construction	-	-	-
Accrued Compensated Absences	2,132	2,132	4,264
Accrued Taxes / Employee Withholding	869	234	1,103
Current Liabilities Payable from Restricted Assets:			
Note Payable	8,480	12,724	21,204
Revenue Bonds Payable	7,000	5,300	12,300
Total Current Liabilities	\$ 29,398	\$ 23,747	\$ 53,145
Noncurrent Liabilities:			
Revenue Bonds Payable	\$ 205,500	\$ 169,000	\$ 374,500
Note Payable	120,995	181,487	302,482
Accrued Compensated Absences	9,844	9,844	19,688
Net Pension Liability	135,882	135,882	271,764
Net OPEB Liability	37,089	37,089	74,178
Noncurrent Liabilities Payable from Restricted Assets:			
Customer Deposits Payable	22,350	-	22,350
Total Noncurrent Liabilities	\$ 531,660	\$ 533,302	\$ 1,064,962
Total Liabilities	\$ 561,058	\$ 557,049	\$ 1,118,107
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Attributable to Employee Pension Plan	\$ 16,216	\$ 16,216	\$ 32,432
Attributable to Employee Benefit Plan	18,805	18,805	37,610
Total Deferred Inflows of Resources	\$ 35,021	\$ 35,021	\$ 70,042
<u>NET POSITION</u>			
Net Investment in Capital Assets	\$ 676,022	\$ 1,150,291	\$ 1,826,313
Restricted for:			
Debt Service	141,308	236,604	377,912
Unrestricted	169,689	(32)	169,657
Total Net Position	\$ 987,019	\$ 1,386,863	\$ 2,373,882

June 30, 2022		
Water Utilities Enterprise Fund	Sewer Utilities Enterprise Fund	Totals
\$ 210,064	\$ 33,700	\$ 243,764
31,712	29,804	61,516
7,190	7,190	14,380
<u>\$ 248,966</u>	<u>\$ 70,694</u>	<u>\$ 319,660</u>
\$ 264,374	\$ 324,717	\$ 589,091
1,045,751	1,535,248	2,580,999
<u>\$ 1,310,125</u>	<u>\$ 1,859,965</u>	<u>\$ 3,170,090</u>
<u>\$ 1,559,091</u>	<u>\$ 1,930,659</u>	<u>\$ 3,489,750</u>
\$ 24,240	\$ 24,240	\$ 48,480
20,839	20,839	41,678
<u>\$ 45,079</u>	<u>\$ 45,079</u>	<u>\$ 90,158</u>
\$ 9,975	\$ 3,652	\$ 13,627
-	21,450	21,450
2,462	2,462	4,924
863	182	1,045
8,460	12,691	21,151
23,000	34,200	57,200
<u>\$ 44,760</u>	<u>\$ 74,637</u>	<u>\$ 119,397</u>
\$ 212,500	\$ 175,019	\$ 387,519
129,475	194,211	323,686
8,101	8,101	16,202
113,995	113,995	227,990
34,223	34,223	68,446
22,475	-	22,475
<u>\$ 520,769</u>	<u>\$ 525,549</u>	<u>\$ 1,046,318</u>
<u>\$ 565,529</u>	<u>\$ 600,186</u>	<u>\$ 1,165,715</u>
\$ 20,722	\$ 20,722	\$ 41,444
17,434	17,434	34,868
<u>\$ 38,156</u>	<u>\$ 38,156</u>	<u>\$ 76,312</u>
\$ 674,316	\$ 1,119,127	\$ 1,793,443
239,187	324,717	563,904
86,982	(106,448)	(19,466)
<u>\$ 1,000,485</u>	<u>\$ 1,337,396</u>	<u>\$ 2,337,881</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, 2023 and 2022

	Year Ended June 30, 2023			Year Ended June 30, 2022		
	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	\$ 256,942	\$ -	\$ 256,942	\$ 252,493	\$ -	\$ 252,493
Sewer Services	-	250,966	250,966	-	241,795	241,795
Miscellaneous	7,478	1,385	8,863	6,041	49	6,090
Total Operating Revenues	\$ 264,420	\$ 252,351	\$ 516,771	\$ 258,534	\$ 241,844	\$ 500,378
<u>OPERATING EXPENSES</u>						
Salaries and Wages	\$ 51,523	\$ 51,537	\$ 103,060	\$ 51,469	\$ 50,971	\$ 102,440
Water and Sewer Supplies	13,045	17,403	30,448	11,948	23,622	35,570
Utilities	1,198	23,581	24,779	863	22,653	23,516
Payroll Taxes	3,928	3,929	7,857	3,967	3,928	7,895
Retirement Benefits	15,594	15,598	31,192	22,972	22,867	45,839
OPEB Benefits	6,036	6,036	12,072	6,962	6,933	13,895
Vehicle Expenses	3,478	3,478	6,956	2,734	2,680	5,414
Postage and Office Supplies	2,223	1,974	4,197	1,575	1,641	3,216
Insurance	33,214	33,214	66,428	28,884	28,884	57,768
General & Admin. Expenses	11,918	11,976	23,894	12,132	10,735	22,867
Depreciation	47,644	52,411	100,055	45,969	53,402	99,371
Miscellaneous	852	2,248	3,100	550	-	550
Water Purchases	63,667	-	63,667	60,984	-	60,984
Repairs and Maintenance	33,889	25,287	59,176	6,153	24,708	30,861
Total Operating Expenses	\$ 288,209	\$ 248,672	\$ 536,881	\$ 257,162	\$ 253,024	\$ 510,186
Operating Income (Loss)	\$ (23,789)	\$ 3,679	\$ (20,110)	\$ 1,372	\$ (11,180)	\$ (9,808)
<u>NON-OPERATING REVENUES (EXPENSES)</u>						
Interest Revenue	\$ 1,722	\$ 929	\$ 2,651	\$ 755	\$ 362	\$ 1,117
Interest Expense	(11,289)	(8,788)	(20,077)	(12,219)	(10,636)	(22,855)
Gain (Loss) from Disposition of Assets	-	-	-	(4,547)	(5,413)	(9,960)
Total Non-Operating Revenues (Expenses):	\$ (9,567)	\$ (7,859)	\$ (17,426)	\$ (16,011)	\$ (15,687)	\$ (31,698)
Income (Loss) before Capital Contributions/Transfers	\$ (33,356)	\$ (4,180)	\$ (37,536)	\$ (14,639)	\$ (26,867)	\$ (41,506)
Capital Contributions	19,890	-	19,890	-	-	-
Transfers In (Out)	-	53,647	53,647	19,668	4,528	24,196
Change in Net Position	\$ (13,466)	\$ 49,467	\$ 36,001	\$ 5,029	\$ (22,339)	\$ (17,310)
Net Position - July 1	1,000,485	1,337,396	2,337,881	995,456	1,359,735	2,355,191
Net Position - June 30	\$ 987,019	\$ 1,386,863	\$ 2,373,882	\$ 1,000,485	\$ 1,337,396	\$ 2,337,881

CITY OF NEW CASTLE, KENTUCKY
COMPARATIVE COMBINING STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
For the Years Ended June 30, 2023, and 2022

	Year Ended June 30, 2023			Year Ended June 30, 2022		
	Water Utilities Enterprise Fund	Sewer Utilities Enterprise Fund	Totals	Water Utilities Enterprise Fund	Sewer Utilities Enterprise Fund	Totals
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>						
Receipts from Customers	\$ 262,993	\$ 248,317	\$ 511,310	\$ 257,687	\$ 241,676	\$ 499,363
Payments to Suppliers	(182,938)	(139,811)	(322,749)	(144,361)	(131,184)	(275,545)
Payments to Employees	(50,110)	(50,124)	(100,234)	(49,236)	(48,738)	(97,974)
Receipts of Customer Meter Deposits	4,825	-	4,825	4,925	-	4,925
Refunds of Customer Meter Deposits	(4,950)	-	(4,950)	(3,800)	-	(3,800)
Net Cash Provided (Used) by Operating Activities	\$ 29,820	\$ 58,382	\$ 88,202	\$ 65,215	\$ 61,754	\$ 126,969
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>						
Purchases of Capital Assets	\$ (19,890)	\$ (57,415)	\$ (77,305)	\$ (62,953)	\$ (4,528)	\$ (67,481)
Capital Contributions	19,890	-	19,890	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	866	-	866
Principal Paid on Capital Debt	(31,460)	(47,610)	(79,070)	(26,939)	(45,559)	(72,498)
Interest Paid on Capital Debt	(11,289)	(8,788)	(20,077)	(12,219)	(10,636)	(22,855)
Transfers from General Fund	-	53,647	53,647	19,668	4,528	24,196
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (42,749)	\$ (60,166)	\$ (102,915)	\$ (81,577)	\$ (56,195)	\$ (137,772)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>						
Interest Received	\$ 1,722	\$ 929	\$ 2,651	\$ 843	\$ 373	\$ 1,216
Redeemed Certificate of Deposits	79	38	117	-	-	-
Net Cash Provided (Used) by Investing Activities	\$ 1,801	\$ 967	\$ 2,768	\$ 843	\$ 373	\$ 1,216
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (11,128)	\$ (817)	\$ (11,945)	\$ (15,519)	\$ 5,932	\$ (9,587)
Balances - July 1	419,438	332,917	752,355	434,957	326,985	761,942
Balances - June 30	\$ 408,310	\$ 332,100	\$ 740,410	\$ 419,438	\$ 332,917	\$ 752,355
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>						
Operating Income (Loss)	\$ (23,789)	\$ 3,679	\$ (20,110)	\$ 1,372	\$ (11,180)	\$ (9,808)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:						
Depreciation Expense	47,644	52,411	100,055	45,969	53,402	99,371
Pension Expense	3,928	3,928	7,856	12,315	12,315	24,630
OPEB Expense	4,338	4,338	8,676	4,060	4,060	8,120
Change in Assets and Liabilities:						
Receivables, Net	(1,427)	(2,598)	(4,025)	(847)	(168)	(1,015)
Accounts Payable	942	(295)	647	(2,251)	12	(2,239)
Due from Other Funds	(3,110)	(4,546)	(7,656)	1,080	1,080	2,160
Customer Meter Deposits Payable	(125)	-	(125)	1,125	-	1,125
Accrued Compensated Absences	1,413	1,413	2,826	2,233	2,233	4,466
Accrued Taxes/Employee Withholding	6	52	58	159	-	159
Net Cash Provided by Operating Activities	\$ 29,820	\$ 58,382	\$ 88,202	\$ 65,215	\$ 61,754	\$ 126,969

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

At June 30, 2023, the Waterworks Enterprise Fund had no outstanding obligations and the Sewer Utilities Enterprise Fund had no outstanding obligations for the acquisition/construction of plant assets. At June 30, 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.

CITY OF NEW CASTLE, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2023
BUDGET AND ACTUAL
ALL PROPRIETARY FUND TYPES

	<u>Water Utilities</u>			<u>Sewer Utilities</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>OPERATING REVENUES</u>						
Water Sales	\$ 267,500	\$ 256,942	\$ (10,558)	\$ -	\$ -	\$ -
Sewer Services	-	-	-	251,333	250,966	(367)
Miscellaneous	6,200	7,478	1,278	425	1,385	960
Total Operating Revenues	\$ 273,700	\$ 264,420	\$ (9,280)	\$ 251,758	\$ 252,351	\$ 593
<u>OPERATING EXPENSES</u>						
Salaries and Wages	\$ 51,500	\$ 51,523	\$ (23)	\$ 51,500	\$ 51,537	\$ (37)
Water and Sewer Supplies	17,000	13,045	3,955	20,000	17,403	2,597
Utilities	1,000	1,198	(198)	24,300	23,581	719
Payroll Taxes	4,000	3,928	72	4,000	3,929	71
Retirement Benefits	10,050	15,594	(5,544)	10,050	15,598	(5,548)
OPEB Benefits	3,350	6,036	(2,686)	3,350	6,036	(2,686)
Vehicle Expenses	3,500	3,478	22	3,500	3,478	22
Postage and Office Supplies	2,200	2,223	(23)	2,000	1,974	26
Insurance	36,324	33,214	3,110	36,324	33,214	3,110
General & Admin. Expenses	11,800	11,918	(118)	11,700	11,976	(276)
Depreciation	26,180	47,644	(21,464)	48,820	52,411	(3,591)
Miscellaneous	900	852	48	2,500	2,248	252
Water Purchases	64,000	63,667	333	-	-	-
Repairs and Maintenance	36,500	33,889	2,611	23,600	25,287	(1,687)
Total Operating Expenses	\$ 268,304	\$ 288,209	\$ (19,905)	\$ 241,644	\$ 248,672	\$ (7,028)
Operating Income (Loss)	\$ 5,396	\$ (23,789)	\$ (29,185)	\$ 10,114	\$ 3,679	\$ (6,435)
<u>NON-OPERATING REVENUES (EXPENSES):</u>						
Interest Revenue	\$ 1,300	\$ 1,722	\$ 422	\$ 800	\$ 929	\$ 129
Interest Expense	(10,600)	(11,289)	(689)	(7,129)	(8,788)	(1,659)
Gain (Loss) from Disposition of Assets	-	-	-	-	-	-
Total Non-Operating Revenues (Expenses):	\$ (9,300)	\$ (9,567)	\$ (267)	\$ (6,329)	\$ (7,859)	\$ (1,530)
Income (Loss) Before Capital Contributions/Transfers	\$ (3,904)	\$ (33,356)	\$ (29,452)	\$ 3,785	\$ (4,180)	\$ (7,965)
Capital Contributions	20,000	19,890	(110)	-	-	-
Transfers In (Out)	-	-	-	-	53,647	53,647
Change in Net Position	\$ 16,096	\$ (13,466)	\$ (29,562)	\$ 3,785	\$ 49,467	\$ 45,682
Net Position - July 1	475,882	1,000,485	524,603	409,994	1,337,396	927,402
Net Position - June 30	\$ 491,978	\$ 987,019	\$ 495,041	\$ 413,779	\$ 1,386,863	\$ 973,084

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 Phoebe Thompson, 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, 2023, 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 1, 2023.

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 2023-001 and 2023-002 that we consider to be material weaknesses.

The Honorable Phoebe Thompson, Mayor
and Members of the City Commission
of the City of New Castle, Kentucky 40050
Page Two

REPORT ON COMPLIANCE AND OTHER MATTERS

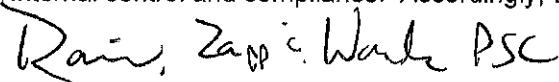
As part of obtaining reasonable assurance about whether City of New Castle, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2023-003.

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 1, 2023

**CITY OF NEW CASTLE, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2023**

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 2023-001 and 2023-002 were reported as material weaknesses.
3. One instance 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* was disclosed during the audit. It is identified in the Schedule of Findings and Responses as Item 2023-003.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESSES

2023-001 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, 2022 as item 2022-001.

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.

2023-002 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, 2022 as item 2022-002.

**CITY OF NEW CASTLE, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
For the Year Ended June 30, 2023**

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (Continued)

MATERIAL WEAKNESSES (Continued)

2023-002 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

2023-003 FAILURE TO SECURE PUBLIC FUNDS AS REQUIRED UNDER KRS 66.480

CRITERIA:

KRS 66.480 requires a Depository to pledge securities to protect public funds except direct federal obligations and funds protected by FDIC insurance.

CONDITION:

The City had \$16,830 in deposits at June 30, 2023 that were not covered by FDIC insurance for which assets had not been pledged and considered at risk.

CAUSE:

The City had additional deposits in excess of the FDIC coverage limit and pledged securities during year.

EFFECT:

City funds in the amount of \$16,830 were unsecured at June 30, 2023.

RECOMMENDATION:

The City should request that its depository pledge securities to secure its funds.

VIEWS OF RESPONSIBLE OFFICIALS:

The City will request the Depository to pledge assets to secure the City's funds as required.