

BOOK ENTRY ONLY
New Issue – Not Bank Qualified

RATINGS: S&P "A+"
See "Rating" herein

In the opinion of Bond Counsel for the Bonds, based upon an analysis of laws, regulations, rulings and court decisions, and assuming continuing compliance with certain covenants made by the City, and subject to the conditions and limitations set forth herein under the caption "LEGAL MATTERS – Tax Exemption" herein, interest on the Bonds is excludable from gross income for Federal income tax purposes and is not a specific item of tax preference for purposes of the Federal alternative minimum tax. Interest on the is exempt from Kentucky income tax and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

\$11,720,000*

CITY OF NEWPORT, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2021

Dated: Date of Initial Delivery

Due: February 1, as shown below

Interest on the captioned bonds (herein the "Bonds") will be payable from the dated date, on February 1 and August 1, commencing August 1, 2021, and the Bonds mature on each February 1, as shown , as shown below:

<u>Year</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Price/ Yield</u>	<u>Cusip 651894</u>	<u>Year</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Price/ Yield</u>	<u>Cusip 651894</u>
2024	\$185,000				2033	\$635,000			
2025	460,000				2034	650,000			
2026	525,000				2035	665,000			
2027	550,000				2036	685,000			
2028	705,000				2037	700,000			
2029	720,000				2038	725,000			
2030	730,000				2039	740,000			
2031	740,000				2040	760,000			
2032	755,000				2041	790,000			

The Bonds will be issuable under a book entry system, registered in the name of The Depository Trust Company ("DTC") or its nominee. There will be no distribution of the Bonds to the ultimate purchasers. See "Book Entry" herein. Principal and interest on the Bonds is payable at the principal office of U.S. Bank National Association, Louisville, Kentucky, as Paying Agent and Bond Registrar.

The Bonds maturing on and after February 1, 2030 are subject to optional redemption on any date on and after February 1, 2029 in whole or in part, in such order of maturity as may be selected by the Issuer and by lot within a maturity, at a redemption price equal to the principal amount of Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

The Bonds are being issued as fully registered bonds in denominations of \$5,000 and integral multiples thereof. Interest payments will be mailed by the Paying Agent to each holder of record as of the fifteenth day of the month preceding the date for such interest payment.

The City deems this Preliminary Official Statement to be final for purposes of Security and Exchange Commission Rule 15c2-12, except for certain information on the cover page hereof and certain pages herein which has been omitted in accordance with the Rule and will be provided with the final Official Statement.

The Bonds are offered when, as and if issued, subject to the approval of legality and tax exemption by Dinsmore & Shohl LLP, Bond Counsel, Covington, Kentucky. Certain legal matters have been passed upon for the City by Daniel R. Braun, Esq., City Attorney. The Bonds are expected to be available for delivery on or about April 6, 2021.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.



Dated: April __, 2021

*Indicates preliminary; subject to change, throughout.

THIS PRELIMINARY OFFICIAL STATEMENT AND INFORMATION CONTAINED HEREIN ARE SUBJECT TO CHANGE, COMPLETION OR AMENDMENT WITHOUT NOTICE. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE OFFICIAL STATEMENT IS DELIVERED IN FINAL FORM. UNDER NO CIRCUMSTANCES SHALL THIS PRELIMINARY OFFICIAL STATEMENT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF ANY OFFER TO BUY. NOR SHALL THERE BE

CITY OF NEWPORT, KENTUCKY

Mayor
Tom Guidugli

Vice Mayor
Frank Peluso, Sr.

Board of Commissioners
Beth Fennell
Jerry R. Peluso
Ken Rehtin

City Attorney
Daniel R. Braun, Esq.

Director of Finance
Leonard Kuntz

City Manager
Thomas J. Fromme

BOND COUNSEL
Dinsmore & Shohl LLP
Covington, Kentucky

FINANCIAL ADVISOR
RSA Advisors, LLC
Lexington, Kentucky

BOND PAYING AGENT AND REGISTRAR
U.S. Bank National Association
Louisville, Kentucky

TABLE OF CONTENTS

REGARDING THIS OFFICIAL STATEMENT	1
INTRODUCTION	1
The Issuer	1
Sources of Payment for the Bonds.....	1
Purpose of the Bonds	1
Description of the Bonds	1
Book Entry.....	2
Payment of Bonds and Paying Agent and Registrar.....	2
Interest	2
Tax Exemption	2
Parties to the Issuance of the Bonds	2
Authority for Issuance	3
Offering and Delivery of the Bonds	3
Disclosure Information	3
Additional Information	3
DESCRIPTION OF THE BONDS	3
Redemption Provisions.....	3
Security and Source of Payment for Bonds.....	5
BOOK ENTRY	5
DESCRIPTION OF THE PROJECT AND PLAN OF FINANCE	6
SOURCES AND USES OF FUNDS	6
INVESTMENT CONSIDERATIONS	6
PROFILE OF THE CITY AND SURROUNDING AREA.....	6
CITY GOVERNMENT	7
Organization and Major Offices.....	7
Elected and Appointed Officials.....	7
Financial Matters	7
Financial Management	8
Financial Reports and Examinations of Accounts.....	8
Budgeting and Appropriations Procedures.....	8
Investment Policies.....	8
Debt Limitation.....	10
Tax Limitation	10
Bond Anticipation Notes	11
Future Borrowings of the City.....	11
LEGAL MATTERS	11
General Information	11
Transcript and Closing Certificates	12
Litigation	12
Tax Exemption	12
General	12
RATING	14
CONTINUING DISCLOSURE.....	15
UNDERWRITING	16
FINANCIAL ADVISOR	17
MISCELLANEOUS	17

APPENDICES:

APPENDIX A - Estimated Debt Service Requirements for the Bonds

APPENDIX B - Demographic, Economic and Financial Data

APPENDIX C - Statement of Indebtedness

APPENDIX D - Audited General Purpose Financial Statements of the City of Newport, Kentucky for the Fiscal Year Ending June 30, 2014

APPENDIX E - Form of Legal Approving Opinion of Bond Counsel

APPENDIX F - Book-Entry Only System

REGARDING THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the City. No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representation, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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

Upon issuance, the Bonds will not be registered by the City under any federal or state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity or agency except the City will have, at the request of the City, passed upon the accuracy or adequacy of this Official Statement or approved the Bonds for sale.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future.

Insofar as the statements contained in this Official Statement involve matters of opinion or estimates, even if not expressly stated as such, such statements are made as such and not as representations of fact or certainty, no representation is made that any of such statements have been or will be realized, and such statements should be regarded as suggesting independent investigation or consultation of other sources prior to the making of investment decisions. Certain information may not be current; however, attempts were made to date and document sources of information. Neither this Official Statement nor any oral or written representations by or on behalf of the City preliminary to sale of the Bonds should be regarded as part of the City's contract with the successful bidder or the holders from time to time of the Bonds.

References herein to provisions of Kentucky law, whether codified in the Kentucky Revised Statutes ("KRS") or uncodified, or to the provisions of the Kentucky Constitution or the City's ordinances or resolutions, are references to such provisions as they presently exist. Any of these provisions may from time to time be amended, repealed or supplemented.

As used in this Official Statement, "debt service" means principal of, interest and any premium on, the obligations referred to; "City" means the City of Newport; and "State" or "Kentucky" means the Commonwealth of Kentucky.

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to provide certain information with respect to the issuance of \$11,720,000* aggregate principal amount of General Obligation Bonds, Series 2021 (the "Bonds") of the City of Newport, Kentucky as specified on the cover hereof.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Bonds to potential investors is made only by means of the entire Official Statement.

The Issuer

The Bonds are being issued by the City of Newport, Kentucky (the "City"), a municipal corporation and political subdivision of the Commonwealth of Kentucky. The City is located in Campbell County in Northern Kentucky.

Sources of Payment for the Bonds

The Bonds are general obligation debt of the City. The basic security for the Bonds is the City's ability to levy an annual tax to pay the interest on and principal of the Bonds as and when the same become due and payable. (See "DESCRIPTION OF THE BONDS - Security and Source of Payment for the Bonds," herein).

Purpose of the Bonds

The Bonds are being issued for the purpose of (i) financing the acquisition, construction, installation and equipping of multiple public projects comprised of various sidewalk, road and infrastructure projects, improvements to Festival Park, and underground utility upgrades (collectively, the "Project") and (ii) paying the costs of issuing the Bonds. (See "DESCRIPTION OF THE PROJECT AND PLAN OF FINANCE" herein for a more detailed description of the Project.).

Description of the Bonds

General. The Bonds mature as indicated on the cover page hereof. The Bonds are being offered in the denominations of \$5,000 or any integral multiple thereof. The Bonds are initially being issued in Book-Entry-Only form registered in the name of DTC or its nominee. There will be no distribution of Bonds to ultimate purchasers (see "Book-Entry", herein).

Redemption. The Bonds maturing February 1, 2030 and thereafter are subject to optional redemption prior to maturity, commencing February 1, 2029, see "DESCRIPTION OF THE BONDS – Redemption Provisions – Optional Redemption," herein).

The Bonds maturing on February 1, 20__ are subject to mandatory sinking fund redemption commencing February 1, 20__ (see "DESCRIPTION OF THE BONDS - Redemption Provisions - Mandatory Sinking Fund Redemption", herein).

In the event any Bonds are called for redemption, notice shall be given by mailing a copy of the redemption notice at least thirty (30) days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed (see "DESCRIPTION OF THE BONDS - Redemption Provisions", herein).

Book Entry

The Bonds are issuable only as fully registered Bonds, without coupons. The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Bonds. Purchasers will not receive certificates representing their ownership interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest due on the Bonds will be made directly to DTC. Principal of, redemption premium, if any, and interest on the Bonds will be paid directly to DTC by U.S. Bank National Association, Louisville, Kentucky, as Registrar and Paying Agent (the "Paying Agent and Registrar"). See "BOOK-ENTRY" herein.

Payment of Bonds and Paying Agent and Registrar

Principal of the Bonds will be paid in lawful money of the United States of America at the offices of U.S. Bank National Association, Louisville, Kentucky (the "Paying Agent and Registrar"), and interest shall be mailed by the Paying Agent and Registrar to the record date registered holders at the address of such holder maintained on the registration book of the Paying Agent and Registrar. The record dates for February 1 and August 1 interest payment dates on the Bonds shall be the fifteenth day of the month the respective payment dates.

Interest

The Bonds shall each be dated their date of initial delivery. The Bonds bear interest at the rates set forth on the inside cover hereof, payable semi-annually on February 1 and August 1 of each year, commencing August 1, 2021. Interest on the Bonds shall be calculated on the basis of a 360 day year with 30 day months.

Tax Exemption

Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest, including original issue discount, if any, on the Bonds is excludible from gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, interest on the Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax. In rendering the opinions in this paragraph, Bond Counsel has assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. Bond Counsel expresses no other opinion as to the federal tax consequences of purchasing, holding or disposing of the Bonds. Interest on the Bonds is also exempt from income taxation and the bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

The City has designated the Bonds as "qualified tax-exempt obligations" with respect to certain financial institutions under Section 265 of the Internal Revenue Code of 1986, as amended.

See "LEGAL MATTERS – Tax Exemption" herein and Appendix E for the form of the opinion Bond Counsel proposes to deliver in connection with the Bonds.

Parties to the Issuance of the Bonds

The Paying Agent and Registrar is U.S. Bank National Association, Louisville, Kentucky. Legal matters incident to the issuance of the Bonds and with regard to the tax-exempt status of the interest thereon are subject to the approving legal opinion of Dinsmore & Shohl LLP, Covington, Kentucky, Bond Counsel. The Financial Advisor to the City is RSA Advisors, LLC.

Authority for Issuance

Authority for the issuance of the Bonds is provided by Sections 66.011 through 66.171 of the Kentucky Revised Statutes and an ordinance (the "Ordinance") adopted by the Board of Commissioners of the City on February 22, 2021.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued by the City. The Bonds will be delivered on or about April 6, 2021 in New York, New York through the Depository Trust Company (DTC).

Disclosure Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. This Official Statement and continuing disclosure documents of the City are intended to be made available through one or more repositories. Copies of the basic documentation relating to the Bonds, including the authorizing ordinances and the note forms, are available from the City.

The City deems this Preliminary Official Statement to be final for the purposes of Securities and Exchange Commission Rule 15c2-12(b)(3), except for certain information on the cover page hereof and certain pages herein which has been omitted in accordance with the Rule and will be provided with the final Official Statement.

Additional Information

Additional information concerning this Official Statement, as well as copies of the basic documentation relating to the Bonds, is available from RSA Advisors, LLC, Financial Advisor to the City of Newport, 325 West Main Street, Lexington, Kentucky 40507, Attention Mr. Joe Lakofka (859) 977-6600.

DESCRIPTION OF THE BONDS

The Bonds are dated their date of initial issuance and delivery and bear interest from such date at the rates set forth on the cover page of this Official Statement. The Bonds are being issued as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof.

Interest on the Bonds is payable semi-annually on February 1 and August 1 of each year, commencing August 1, 2021. Interest on the Bonds is payable by check or draft mailed to the registered holder by U.S. Bank National Association, Louisville, Kentucky, the Paying Agent and Registrar. Principal is payable when due to the registered holder upon surrender of the Bonds at the principal corporate office of the Paying Agent and Registrar.

Redemption Provisions

Optional Redemption

The Bonds maturing on and after February 1, 2030 shall be subject to optional redemption prior to their maturity on any date on or after February 1, 2029, in whole or in part, in such order of maturity as may be selected by the City and by lot within a maturity at a redemption price equal to the principal amount of Bonds to be redeemed, plus accrued interest to the date of redemption.

Mandatory Sinking Fund Redemption

The Bonds maturing on the dates set forth below are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on the dates, in the years and in the principal amounts as follows

<u>Date</u>	<u>Amount</u>
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*Final Maturity

Notice of Redemption

If less than all Bonds which are payable by their terms on the same date are to be called, the particular Bonds or portions of Bonds payable on such same date and to be redeemed from such series shall be selected by lot by the Paying Agent and Registrar, in such manner as the Paying Agent and Registrar in its discretion may determine; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or some multiple thereof, and that, in selecting Bonds for redemption, the Paying Agent and Registrar shall treat each bond as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000.

At least thirty (30) days before the redemption date of any Bonds the Paying Agent and Registrar shall cause a notice of such redemption either in whole or in part, signed by the Paying Agent and Registrar, to be mailed, postage prepaid, to all registered owners of Bonds to be redeemed in whole or in part at their addresses as they appear on the registration books kept by the Paying Agent and Registrar, but failure so to mail any such notice shall not affect the validity of the proceedings for such redemption. Each such notice shall set forth the date fixed for redemption, the redemption price to be paid and, if less than all of the Bonds being payable by their terms on a single date then outstanding shall be called for redemption, the distinctive numbers or letters, if any, of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. In case any Bond is to be redeemed in part only, the notice of redemption which relates to such Bond shall state also that on or after the redemption date upon surrender of such Bonds, a new Bond in principal amount equal to the unredeemed portion of such Bonds will be issued.

On the date so designated for redemption, notice having been sent in the manner and under the conditions hereinabove provided and moneys for payment of the redemption price being held in separate accounts by the Paying Agent and Registrar for the holders of the Bonds or portions thereof to be redeemed, the Bonds or portions of Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Bonds or portions of Bonds on such date, interest on the Bonds or portions of Bonds so called for redemption shall cease to accrue, and the holders or registered owners of such Bonds or portions of Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof and to receive Bonds for any unredeemed portions of Bonds.

In case part but not all of an outstanding Bond shall be selected for redemption, the registered owner thereof or his attorney or legal representative shall present and surrender such Bond to the Paying Agent and Registrar for payment of the principal amount hereof so called for redemption, and the City shall execute and the Paying Agent and Registrar shall authenticate and deliver to or upon the order of such registered owner or his legal representative, without charge therefor, for the unredeemed portion of the principal amount of the Bond so surrendered a Bond of the same series and maturity and bearing interest at the same rate.

Security and Source of Payment for Bonds

The Bonds are general obligations of the City and the full faith, credit and taxing power of the City is irrevocably pledged to the payment of principal of and interest on the Bonds when due. The basic security for the general obligation debt of the City, including the Bonds, is the City's ability to levy, and its pledge to levy, an annual tax to pay the interest on and principal of the Bonds as and when the same become due and payable. The tax must be levied in sufficient amount to pay, as the same become due, the principal of and interest on the Bonds as well as the principal of and interest on all outstanding general obligation bonds and bond anticipation notes of the City. The Constitution of the State mandates the collection of a tax sufficient to pay the interest on an authorized indebtedness and the creation of a sinking fund for the payment of the principal thereof. The Ordinance levies such annual tax which shall be collected to the extent other lawfully available monies of the City are not provided. The Ordinance also maintains a sinking fund into which the proceeds of such tax or other lawfully available monies of the City are to be deposited for payment of the interest on and principal of the Bonds and shall not be used for any other purpose.

Chapter 9 of the Federal Bankruptcy Code contains provisions relating to the adjustment of debts of a Commonwealth's political subdivisions, public agencies and instrumentalities ("eligible entity"), such as the City. Under the Bankruptcy Code and in certain circumstances described therein, an eligible entity may be authorized to initiate Chapter 9 proceedings without prior notice to or consent of its creditors, which proceedings may result in material and adverse modification or alteration of the rights of its secured and unsecured creditors, including holders of its bonds and notes.

Section 66.400 of the Kentucky Revised Statutes permits a political subdivision, such as the City, for the purpose of enabling such subdivision to take advantage of the provisions of the Bankruptcy Code, and for that purpose only, to file a petition stating that the subdivision is insolvent or unable to meet its debts as they mature, and that it desires to effect a plan for the composition or readjustment of its debts, and to take such further proceedings as are set forth in the Bankruptcy Code as they relate to such subdivision. No taxing subdivision is permitted, in availing itself of the provisions of the Bankruptcy Code, to scale down, cut down or reduce the principal sum of its securities except that interest thereon may be reduced in whole or in part.

In April 2019, the Kentucky General Assembly enacted amendments to KRS Chapter 58 via Senate Bill 192 (the "2019 Amendments") to provide a statutory lien on tax revenues pledged for the benefit of general obligation debt.

The 2019 Amendments creating the statutory lien, provide, among other things, that the tax revenues pledged for the repayment of principal of, premium and interest on all general obligation bonds and notes, whether or not the pledge is stated in the bonds and notes or in the proceedings authorizing the issue and the pledge constitutes a first lien on such tax revenues. In addition, the legislation creates a statutory lien on annual appropriations for the payment of obligations subject to annual renewal, including without limitation leases entered into under KRS Chapter 58 and KRS Chapter 65.

The Federal Bankruptcy Code and Section 66.400 of the Kentucky Revised Statutes also permit the County of Campbell, Kentucky to initiate Chapter 9 proceedings, which, because the County collects certain revenues on behalf of the City, may adversely affect the financial condition of the City if the proper transfer of revenues is delayed.

BOOK ENTRY

The Bonds initially will be issued solely in book entry form to be held in the book-entry only system maintained by DTC. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of Bonds and Beneficial Owners will not be or be considered to be,

and will not have any rights as, owners or holders of the Bonds under the Ordinance. For additional information about DTC and the book-entry-only system see "APPENDIX F – Book-Entry Only System."

THE INFORMATION IN THIS SECTION AND IN APPENDIX F CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE CITY BELIEVES TO BE RELIABLE, BUT THE CITY TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF

DESCRIPTION OF THE PROJECT AND PLAN OF FINANCE

The Bonds are being issued to (i) financing a portion of the costs of multiple public projects, comprised of infrastructure improvements, a new public works facility, underground utilities and multiple miscellaneous capital improvements (collectively, the "Project") and (ii) pay the cost of issuance of the Bonds.

SOURCES AND USES OF FUNDS

Sources:

Par Amount of Bonds	\$	
Plus: Original Issue Premium	\$	
Total Sources	\$	

Uses:

Deposit to Construction Fund	\$	
Underwriter's Discount	\$	
Cost of Issuance	\$	
Total Uses:	\$	

INVESTMENT CONSIDERATIONS

The Bonds, like all obligations of state and local government, are subject to changes in value due to changes in the condition of the tax-exempt bond market and/or changes in the financial condition of the City.

Prospective purchasers of the Bonds may need to consult their own tax advisors prior to any purchase of the Bonds as to the impact of the Internal Revenue Code of 1986, as amended, upon their acquisition, holding or disposition of the Bonds.

It is possible under certain market conditions, or if the financial condition of the City should change, that the market price of the Bonds could be adversely affected.

With regard to the risk involved in a lowering of the City's bond rating, see "RATING" herein. With regard to creditors' rights, see "DESCRIPTION OF THE BONDS – Security and Source of Payment for Bonds" herein.

PROFILE OF THE CITY AND SURROUNDING AREA

Demographic, economic and financial information with respect to the City and the surrounding area is set forth in Appendix B hereto.

CITY GOVERNMENT

Organization and Major Offices

The City operates pursuant to the general statutes of the Commonwealth of Kentucky governing municipalities under the city manager form of government.

Elected and Appointed Officials

The City of Newport is governed by a Board of Commissioners, comprised of a Mayor, elected to a four year term, and four (4) commissioners who are elected to two year terms. The members of the Board of Commissioners and their terms of office are as follows:

<u>Member</u>	<u>Original Term Began</u>	<u>Current Term Ends</u>
Jerry R. Peluso	January 1, 2088	December 31, 2022
Tom Guidugli	January 1, 2011	December 31, 2024
Beth Fennell	August 1, 1992	December 31, 2022
Frank Peluso, Sr.	January 1, 2007	December 31, 2022
Ken Rechten	January 1, 2009	December 31, 2022

The current appointed City officials who serve at the pleasure of Board of Commissioners are:

City Manager	Thomas J. Fromme
Director of Finance	Leonard Kuntz
City Attorney	Daniel R. Braun, Esq.

Financial Matters

The Chief Financial Officer is the fiscal officer of the City, and is appointed by and serves at the pleasure of the Board of Commissioners. The Chief Financial Officer is responsible for the accounting, collection, custody and disbursement of the funds of the City. The Chief Financial Officer serves the Board of Commissioners and the City Manager as financial advisor in connection with City affairs, and performs such other duties as the Board of Commissioners or City Manager request.

The City's fiscal year commences July 1 and ends the following June 30.

The administrative functions of the City are performed by or under the supervision of the following:

1. Establishment of overall financial policy, the Board of Commissioners.
2. Planning and development, City Manager and Chief Financial Officer.
3. Assessment of real and personal property, the Campbell County Property Valuation Administrator.
4. Financial control functions, the Chief Financial Officer.
5. Inspection and supervision of the accounts and reports of the City as required by law, by the Auditor of Public Accountants and by independent certified public accountants.

Financial Management

The Board of Commissioners is responsible for appropriating the funds used to support the various City activities. The Board of Commissioners exercises its legislative powers by budgeting, appropriating, levying taxes, issuing bonds and notes, and letting contracts for public works and services to provide this financial management.

Financial Reports and Examinations of Accounts

Each city in the State is required to keep its accounting records and render financial reports in such a way as to: (a) determine compliance with statutory provisions and (b) determine fairly and with full disclosure the financial operations of consistent funds and account groups of the city in conformity with generally accepted governmental accounting principles. Municipal accounting systems are required to be organized and operated on a fund basis. The City maintains its accounts and other fiscal records on an appropriation and modified accrual basis in accordance with the procedures established and prescribed by the Kentucky Department for Local Government.

As required by law, financial reports are prepared annually by the City and filed with the Kentucky Department for Local Government. Audits are required to be completed by the February 1st immediately following the fiscal year being audited.

The accounting procedures prescribed by the Kentucky Department for Local Government are generally applicable to all cities in Kentucky and may be different from generally accepted government accounting principles as presented and recommended in the National Council on Governmental Accounting publication "Governmental Accounting Auditing and Financial Reporting," and the Industry Audit Guide of the American Institute of Certified Public Accountants, entitled "Audits of State and Local Governmental Units." Those publications, among other things, provide for a modified accrual basis of accounting for the general fund, all special revenue funds and the debt service fund, and for a full accrual basis of accounting for all other funds, and further provide for the preparation for each fund of balance sheets, statements of revenues and expenditures, and statements showing changes in fund balances.

Budgeting and Appropriations Procedures

Detailed provisions for City budgeting, tax levies and appropriations are made in the Kentucky Revised Statutes. Cities are required to operate under an annual budget ordinance and no City may expend any moneys from a governmental or proprietary fund except in accordance with such budget. A budget proposal must be submitted to the City's legislative body no later than 30 days prior to the beginning of the fiscal year covered by the budget. No budget ordinance may be adopted which provides for appropriations to exceed revenues and the available fund balance in a fiscal year. The full amount estimated to be required for debt service during the budget year must be appropriated.

Investment Policies

Section 66.480 of the Kentucky Revised Statutes sets forth the requirements and limitations for investments of the state's political subdivisions, including the City. Under that Section, the City must adopt an investment policy and may invest its funds only in the classifications of obligations; which are eligible for investment, which are as follows:

- (a) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with sources including, but not limited to, national or state banks chartered in Kentucky;

- (b) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States governmental agency, including but not limited to:
 - 1. United States Treasury;
 - 2. Export-Import Bank of the United States;
 - 3. Farmers Home Administration;
 - 4. Governmental National Mortgage corporation; and
 - 5. Merchant Marine bonds;
- (c) Obligations of any corporation of the United States government, including but not limited to:
 - 1. Federal Home Loan Mortgage Corporation;
 - 2. Federal Farm Credit Banks;
 - 3. Bank for Cooperatives;
 - 4. Federal Intermediate Credit Banks;
 - 5. Federal Land Banks;
 - 6. Federal Home Loan Banks;
 - 7. Federal National Mortgage Association; and
 - 8. Tennessee Valley Authority;
- (d) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by KRS 41.240(d);
- (e) Uncollateralized certificates of deposit issued by any bank or savings and loan institutions rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;
- (f) Bankers' acceptances for banks rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;
- (g) Commercial paper rated in the highest category by a nationally recognized rating agency;
- (h) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;
- (i) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one (1) of the three highest categories by a nationally recognized rating agency; and
- (j) Shares of mutual funds, each of which shall have the following characteristics;
 - 1. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
 - 2. The management company of the investment company shall have been in operation for at least five (5) years; and
 - 3. All of the securities in the mutual fund shall be eligible investments pursuant to this section.

The City's current investment policy is more restrictive than is permitted by State law.

The City values safety, liquidity and return, in that order.

Debt Limitation

Kentucky Constitution Section 158 provides that cities shall not incur indebtedness to an amount exceeding the following maximum percentages on the value of the taxable property therein, to be estimated by the last assessment previous to the incurring of the indebtedness:

- (a) Cities having a population of fifteen thousand (15,000) or more, ten percent (10%);
- (b) Cities having a population of less than fifteen thousand (15,000) but not less than three thousand, five percent (5%); and
- (c) Cities having a population of less than three thousand (3,000), three percent (3%).

Nothing shall prevent the issue of renewal bonds, or bonds to fund the floating indebtedness of any city, county, or taxing district. Subject to the limits and conditions set forth in that section and elsewhere in the Constitution, the General Assembly has the power to establish additional limits on indebtedness and conditions under which debt may be incurred by cities.

KRS 66.041 provides the same limitations as are set forth in the Constitution except that the limitations apply to "net indebtedness". In calculating "net indebtedness," KRS 66.031 provides that certain obligations of a municipality are not to be considered in the calculation, including self-supporting obligations, revenue bonds and special assessment debt. (For a complete list of exempt debt see the Statement of Indebtedness attached as Appendix C.)

Other infrequently-issued types of obligations are also excluded from the calculation of net indebtedness. The City has no such obligations outstanding. Notes issued in anticipation of bonds excluded from the calculation of net indebtedness are also excluded from such calculation. Appendix C of this Official Statement is a Statement of Indebtedness for the City, certified by the Chief Financial Officer, calculating the amount of the outstanding obligations of the City (including the Bonds) which are subject to the total direct debt limit (10% limit). The total principal amount of general obligation debt that could be issued by the City, subject to the 10% total direct debt limitation is \$83,284,239.30 and the City's net debt subject to such limitation presently outstanding (including the Bonds) is \$30,220,535* leaving a balance of approximately \$53,063,704.30* borrowing capacity issuable within such limitation.

However, as described below, the City's ability to incur debt in these amounts is restricted by tax limitations. In the case of general obligation debt, both the debt limitations and tax limitations must be met.

Tax Limitation

The Kentucky Constitution Section 157 also indirectly imposes a debt limitation on general obligation indebtedness of Cities by limiting the tax rates cities may impose upon the value of taxable property, as follows:

- (a) cities having a population of fifteen thousand or more, one dollar and fifty cents on each hundred dollars of assessed value;
- (b) cities having a population of less than fifteen thousand and not less than ten thousand, one dollar on each hundred dollars of assessed value; and

(c) cities having a population of less than ten thousand, seventy-five cents on the hundred dollars.

Section 159 of the Kentucky Constitution requires the collection of an annual tax sufficient to pay the interest on contracted indebtedness and to retire indebtedness over a period not exceeding forty years. The two constitutional provisions operate as a limit on general obligation debt. Because the indirect debt limit results from tax limitations and the requirement to levy taxes to pay debt charges, it has application only to debts which are payable from taxes either initially or in the event other pledged non-tax revenues prove to be insufficient. It does not have any application where the type of debt being issued does not pledge the credit of the municipality or when the debt is payable solely out of the revenues of non-tax sources, such as utility income.

Appendix C of this Official Statement contains a Statement of Indebtedness, certified by the City, setting forth the property tax rates currently levied by the City (\$.265/\$100 for real property and \$.286/\$100 for personal property) and certifying that the issuance of the Notes will not cause such rates to increase to amounts which would exceed the maximum permissible rates.

Bond Anticipation Notes

Under Kentucky law, notes, including renewal notes, issued in anticipation of general obligation bonds may be issued from time to time upon the same terms and conditions as bonds except that notes may be sold by private negotiated sale in a manner determined or authorized by the legislative authority.

The ability of the City to retire bond anticipation notes from the proceeds of the sale of either renewal notes or bonds will be dependent upon the marketability of such renewal notes or bonds under market conditions then prevailing.

Future Borrowings of the City

The City is not presently contemplating issuing any additional general obligation debt in the immediate future.

LEGAL MATTERS

General Information

Legal matters incident to the issuance of the Bonds and with regard to the tax-exempt status thereof are subject to the approving legal opinion of Dinsmore & Shohl LLP, Bond Counsel. Upon delivery of the Bonds of the City to the successful bidder therefor, the Bonds will be accompanied by an approving opinion dated the date of such delivery, rendered by Dinsmore & Shohl LLP. A draft of such legal opinion for the Bonds is attached as Appendix E.

Said firm as Bond Counsel has performed certain functions to assist the City in the preparation by the City of its Official Statement. However, said firm assumes no responsibility for, and will express no opinion regarding the accuracy or completeness of this Official Statement or any other information relating to the City or the Bonds that may be made available by the City or others to the bidders or holders of the Bonds or others.

The engagement of said firm as Bond Counsel is limited to the preparation of certain of the documents contained in the transcript of proceedings with regard to the Bonds, and an examination of such transcript proceedings incident to rendering its legal opinion. In its capacity as Bond Counsel, said firm has reviewed the information in this Official Statement under Sections entitled "General Information" as to legal matters, "Authority for Issuance", "Security and Source of Payment for Bonds",

"Debt Limitation", "Tax Limitation" and "Tax Exemption", which review did not include any independent verification of financial statements and statistical data included therein, if any.

Transcript and Closing Certificates

A complete transcript of proceedings, a no-litigation certificate and other appropriate closing documents will be delivered by the City when the Bonds are delivered to the original purchaser. The City will also provide to the original purchaser, at the time of such delivery, a certificate from the City's Mayor and or Chief Financial Officer addressed to such purchaser relating to the accuracy and completeness of this Official Statement.

Litigation

To the knowledge of the City, no litigation or administrative action or proceeding is pending or threatened materially affecting the financial position of the City, directly affecting the Bonds, the security for the Bonds or the improvements being financed from the proceeds of the Bonds. A No-Litigation Certificate to that effect will be delivered to the purchaser at the time of the delivery of the Bonds.

Tax Exemption

General

In the opinion of Bond Counsel for the Bonds, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Bonds will be excludible from gross income for Federal income tax purposes. Bond Counsel for the Bonds is also of the opinion that interest on the Bonds will not be a specific item of tax preference under Section 57 of the Internal Revenue Code of 1986 (the "Code") for purposes of the Federal alternative minimum tax. Furthermore, Bond Counsel for the Bonds is of the opinion that interest on the Bonds is exempt from income taxation and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

A copy of the opinion of Bond Counsel for the Bonds is set forth in Appendix E, attached hereto.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for Federal income tax purposes of interest on obligations such as the Bonds. The City has covenanted to comply with certain restrictions designed to ensure that interest on the related issues of Bonds will not be includable in gross income for Federal income tax purposes. Failure to comply with these covenants could result in interest on the Bonds being includable in income for Federal income tax purposes and such inclusion could be required retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the tax status of the interest on the Bonds.

Certain requirements and procedures contained or referred to in the Bond documents and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Dinsmore & Shohl LLP.

Although Bond Counsel for the Bonds is of the opinion that interest on the Bonds will be excludible from gross income for Federal income tax purposes and that interest on the Bonds is excludible from gross income for Kentucky income tax purposes, the ownership or disposition of, or the accrual or

receipt of interest on, the Bonds may otherwise affect a Bondholder's Federal, state or local tax liabilities. The nature and extent of these other tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion and each Bondholder or potential Bondholder is urged to consult with tax counsel with respect to the effects of purchasing, holding or disposing the Bonds on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership or disposition of the Bonds may result in other collateral federal, state or local tax consequences for certain taxpayers. Such effects may include, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, increasing the federal tax liability of certain insurance companies, under Section 832 of the Code, increasing the federal tax liability and affecting the status of certain S Corporations subject to Sections 1362 and 1375 of the Code, increasing the federal tax liability of certain individual recipients of Social Security or the Railroad Retirement benefits under Section 86 of the Code and limiting the amount of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of any of the Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain other taxpayers, pursuant to Section 265 of the Code. Finally, residence of the holder of the Bonds in a state other than Kentucky or being subject to tax in a state other than Kentucky may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Bonds.

The City has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

Original Issue Premium

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

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

Original Issue Discount

The Bonds having a yield that is higher than the interest rate (as shown on the cover page hereof) are being offered and sold to the public at an original issue discount ("OID") from the amounts payable at maturity thereon (the "Discount Bonds"). OID is the excess of the stated redemption price of a bond at maturity (the face amount) over the "issue price" of such bond. The issue price is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of bonds of the same maturity are sold pursuant to that initial offering. For federal income tax purposes, OID on each bond will accrue over the term of the

bond, and for the Discount Bonds, the amount of accretion will be based on a single rate of interest, compounded semiannually (the "yield to maturity"). The amount of OID that accrues during each semi-annual period will do so ratably over that period on a daily basis. With respect to an initial purchaser of a Discount Bond at its issue price, the portion of OID that accrues during the period that such purchaser owns the Discount Bond is added to such purchaser's tax basis for purposes of determining gain or loss at the maturity, redemption, sale or other disposition of that Discount Bond and thus, in practical effect, is treated as stated interest, which is excludable from gross income for federal income tax purposes.

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

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

Legislative Proposals

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters described above or affect the market value of the Bonds. It cannot be predicted whether or in what form any such other proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding the any pending or proposed federal tax legislation.

RATING

Standard & Poor's Ratings Services, a Division of The McGraw Hill Companies, Inc. ("S&P") has given the Bonds the rating of "A+." Such rating reflects only the view of S&P. An explanation of the significance of the rating given by S&P may be obtained from S&P at 55 Water Street, New York, New York 10041 (212) 438-2124. There is no assurance that the rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

There can be no assurance that a rating when assigned will continue for any given period of time or that it will not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of a rating may have an adverse effect on the marketability and/or market price of the Bonds.

The City presently expects to furnish such rating agency with information and material that it may request on future general obligation bond issues. However, the City assumes no obligation to furnish requested information and materials, and may issue debt for which a rating is not requested. Failure to furnish requested information and materials, or the issuance of debt for which a rating is not requested, may result in the suspension or withdrawal of the rating agency's ratings on outstanding general obligation bonds.

CONTINUING DISCLOSURE

In accordance with the Securities and Exchange Commission Rule 15c2-12 (the "Rule") and so long as the Bonds are outstanding the City (the "Obligated Person") will agree pursuant to a Continuing Disclosure Undertaking dated as of November 1, 2015 (the "Disclosure Undertaking"), to be delivered on the date of delivery of the Bonds, to cause the following information to be provided:

- (i) to the Municipal Securities Rulemaking Board ("MSRB"), or any successor thereto for purposes of the Rule, through the continuing disclosure service portal provided by the MSRB's Electronic Municipal Market Access ("EMMA") system as described in 1934 Act Release No. 59062, or any similar system that is acceptable to the Securities and Exchange Commission, certain annual financial information and operating data, including audited financial statements, generally consistent with the information contained in "Appendix B" of the Official Statement ("Financial Data"). The annual financial information shall be provided within 270 days after the end of the fiscal year ending June 30, commencing with the fiscal year ending June 30, 2020; provided that the audited financial statements may not be available by such date, but will be made available immediately upon delivery thereof by the auditors for the Obligated Person; and;
- (ii) to the MSRB through EMMA, in a timely manner, not in excess of ten business days after the occurrence of the event, notice of the occurrence of the following events with respect to the Bonds:
 - (a) Principal and interest payment delinquencies;
 - (b) Non-payment related defaults, if material;
 - (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
 - (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
 - (e) Substitution of credit or liquidity providers, or their failure to perform;
 - (f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security;
 - (g) Modifications to rights of security holders, if material;
 - (h) Bond calls, if material, and tender offers (except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);
 - (i) Defeasances;
 - (j) Release, substitution or sale of property securing repayment of the securities;
 - (k) Rating changes;
 - (l) Bankruptcy, insolvency, receivership or similar event of the obligated person (Note: For the purposes of this event, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person);

- (m) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
 - (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
 - (o) Incurrence of a financial obligation of the Issuer or Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or Obligated Person, any of which affect security holders, if material; and
 - (p) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the issuer or obligated person, any of which reflect financial difficulties.
- (iii) in a timely manner to the MSRB through EMMA, notice of a failure (of which the Obligated Persons have knowledge) of an Obligated Person to provide the required Annual Financial Information on or before the date specified in the Disclosure Undertaking.

As used under this heading, "Financial Obligation" means (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of either (a) or (b). The term Financial Obligation does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

The Disclosure Undertaking provides bondholders, including beneficial owners of the Bonds, with certain enforcement rights in the event of a failure by the Obligated Person to comply with the terms thereof; however, a default under the Disclosure Undertaking does not constitute an event of default under the Ordinance. The Disclosure Undertaking may also be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein.

F For purposes of this transaction with respect to events as set forth in the Rule:

- (a) there are no debt service reserve funds applicable to the Bonds;
- (b) there are no credit enhancements applicable to the Bonds;
- (c) there are no liquidity providers applicable to the Bonds; and
- (d) there is no property securing the Bonds.

The City has previously entered into continuing disclosure undertakings pursuant to the Rule (the "Prior Disclosure Undertakings"). For the most recent five year period, the annual financial information, including the audited financial statements, for the fiscal years ended June 30, 2016 through June 30, 2020, was filed after the dates specified by the City in certain of the Prior Disclosure Undertakings.

[Disclosure Info]

UNDERWRITING

The Bonds are being purchased for reoffering by _____ (the " Underwriter"). The Underwriter has agreed to purchase the Bonds at an aggregate purchase price of \$ _____ (reflecting the par amount of the Bonds, plus original issue premium of \$ _____, less underwriter's discount of \$ _____). The initial public offering prices which

produce the yields set forth on the inside cover page of this Official Statement may be changed by the Underwriter and the Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the offering prices which produce the yields set forth on the cover page.

FINANCIAL ADVISOR

RSA Advisors, LLC, Lexington, Kentucky has been employed as Financial Advisor in connection with the issuance of the Bonds. RSA Advisors, LLC's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery thereof.

RSA Advisors, LLC has reviewed the information in the Official Statement in final form in accordance with and as part of its responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but RSA Advisors, LLC does not guarantee the accuracy or completeness of such information.

Among other services, RSA Advisors, LLC also assists local jurisdictions in various other capacities. If the City chooses to use one or more services, then RSA Advisors, LLC may be entitled to separate compensation for such services. On prior occasions, RSA Advisors, LLC may have served the City in other capacities and may do so again in the future.

MISCELLANEOUS

To the extent any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, such statements are made as such and not as representations of fact or certainty, and no representation is made that any of such statements will be realized. Information herein has been derived by the City from official and other sources and is believed by the City to be reliable, but such information other than that obtained from official records of the City has not been independently confirmed or verified by the City and its accuracy is not guaranteed. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the holders of the Bonds.

This Official Statement has been duly executed and delivered for and on behalf of the City of Newport, Kentucky, by its Mayor.

CITY OF NEWPORT, KENTUCKY

By: /s/ _____
Mayor

Dated: April __, 2021

APPENDIX A

**CITY OF NEWPORT, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2021**

ESTIMATED DEBT SERVICE REQUIREMENTS FOR THE BONDS

ESTIMATED DEBT SERVICE REQUIREMENTS FOR THE BONDS

APPENDIX B

**CITY OF NEWPORT, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2021**

ECONOMIC AND FINANCIAL DATA

ECONOMIC AND FINANCIAL DATA

CITY OF NEWPORT, KENTUCKY

General

The City of Newport, Kentucky, founded on December 14, 1795, is an urban community with a diverse resident mix located in the northern most part of the state, situated directly across the Ohio River from Cincinnati and occupying a land area of only 3 ½ square miles. It is the fifth largest city in the three county (Boone, Campbell and Kenton) area of northern Kentucky and the largest city in Campbell County.

The latest census data listed the City as having 7,609 residential housing units, a population of 15,467, 35 street miles, and 772 firms.

Newport is a full service city offering a full-time professional fire department, including advanced life support paramedic service, a professional police department which has earned both national and state accreditation, a full complement of public works services, and 13 parks with a multitude of recreational programs. The City boasts 2 elementary schools and 2 high schools as well.

TAXATION

KRS 92.281 authorizes cities to levy and collect all taxes permitted by the Kentucky Constitution. Taxes that are permitted to be imposed by Section 181 of the Constitution are:

License fees on stock used for breeding purposes;

License fees on franchises, trades, occupations and professions;

Taxes on tangible and intangible personal property based on income, licenses and franchises in lieu of ad valorem taxes; and

Ad valorem taxes.

Most city tax revenue in Kentucky comes from two of the four general tax categories, namely numbers 2 and 4 listed above.

Local Fees and Licenses

Cities in Kentucky are authorized to levy license fees on franchises, trades, occupations and professions. Such occupational licenses may be imposed on either a percentage of compensation earned basis, or on a flat annual rate basis. The City of Newport levies a business license of .35% (35/100 of 1%) of gross receipts earned in the City. The fee is imposed on all entities doing business in the City. The gross receipts fee has a \$75 minimum annual payment and is capped at a maximum of \$26,400 per year.

The City also has authority under state statute to levy a payroll tax, which is 2.5% of all wages paid to employees while they are working in the City. The maximum taxable wage is equivalent to the FICA maximum taxable amount. Neither of these fees has a maximum statutory rate nor does either require voter approval to authorize an increase in the rate.

Ad Valorem Property Taxes

Cities are authorized to tax all real and personal property that is not exempt from taxation by the constitution or by state statute. All property in Kentucky is required, by statute, to be assessed at 100% of fair cash value. State law limits the ad valorem property tax rates that may be imposed each year by local governments. The rate limit for municipalities is \$1.50 per \$100 of valuation. If the rate passed by the local government will produce more than a four percent (4%) increase in property tax revenue, the rate may be subjected to a voter referendum.

State law also provides a homestead exemption which eliminates from taxation the first \$39,300 of the value of real property owned by persons over sixty-five (65) years of age or individuals who are disabled. The exempt amount is adjusted for inflation every two years by the Department of Revenue. The City is permitted, by statute, to ask the voters to approve a special assessment on their tax bills for streets, parks or some other specific purpose.

Land and buildings are taxed by the state and may be taxed by local jurisdictions. The 2020 tax rate for Newport was \$.265 per \$100 of assessed valuation. In addition, the City assesses a personal property tax on property used in business. In 2020, the personal property tax rate was \$.286 per \$100 of assessed valuation.

Kentucky municipalities can also enact an insurance premium tax on fire, casualty, auto, accident, health, life and other forms of insurance. A 15% tax on such premiums is currently charged.

Kentucky cities may also regulate a tax on utilities such as gas and electric, land-based telephone, water, sewer and cable television. The City of Newport currently levies a 3% fee on gas and electric charges.

Real Property Valuation

<u>Fiscal Year</u>	<u>Real Property Valuation</u> <u>(In Thousands)</u>
2015	\$1,156,896,328
2016	\$1,184,267,582
2017	\$1,205,485,586
2018	\$1,252,925,942
2019	\$1,275,614,742
2020	\$1,306,600,261

Collections and Delinquencies – Ad Valorem Taxes

The following table sets forth the amounts billed and collected for City ad valorem real estate and personal property taxes on the tax duplicate for the fiscal years 2014 through 2019.

<u>Fiscal Year</u>	<u>Taxes Levied</u>	<u>Collected</u>	<u>% Collected</u>
2015	2,042,622	1,957,349	95.80%
2016	2,124,304	1,972,673	92.90%
2017	2,114,952	2,030,191	96.00%
2018	2,189,191	2,128,362	97.20%
2019	2,295,847	2,234,024	97.30%
2020	2,386,315	2,293,223	96.10%

Rate of Taxation

The following table sets forth the rates of taxation for the City of Newport and certain overlapping taxing jurisdictions on the tax bills in each of the fiscal years from 2013 to 2017. The listed rates are the amounts levied per \$100 of assessed value of real property.

<u>Fiscal Year</u>	<u>City</u>	<u>County</u>	<u>State</u>	<u>Health/Library, Exten./Conserv.</u>	<u>Schools</u>	<u>Total</u>
2015	27.5000	15.4000	12.2000	13.3800	97.7000	166.1800
2016	27.4000	16.2000	12.2000	13.4800	97.5000	166.7800
2017	28.1000	16.7000	12.2000	13.0800	100.6000	170.0680
2018	28.7000	17.1000	12.2000	13.1800	108.6000	179.7800
2019	29.0000	17.1000	12.2000	12.9800	108.6000	179.8800
2020	29.1000	17.8000	12.2000	12.9300	108.6000	180.0630

Largest Real Estate/Tangible Property Taxpayers

The following were the ten largest real estate/tangible property taxpayers for the fiscal year ended June 30, 2020:

<u>Taxpayer</u>	<u>Real Estate Valuation</u>	<u>Tangible Valuation</u>	<u>Total RE & Tangible</u>
1. ACS II Newport Plaza KY LLC	\$15,200,000	\$0	\$15,200,000
2. Riverfront Place Ltd.	\$14,668,572	\$0	\$14,668,572
3. CPX Newport Commercial	\$10,387,200	\$0	\$10,387,200
4. NKY Hospitality LLC	\$8,100,000	\$0	\$8,100,000
5. ACS II Newport Shopping Center	\$7,393,025	\$0	\$7,393,025
6. Riverchase Properties LLC	\$6,779,134	\$0	\$6,779,134
7. Kroger Limited Partnership	\$0	\$6,495,120	\$6,495,120
8. New Riff Distilling LLC	\$0	\$6,494,577	\$6,494,577
9. Newport CIS Hotel Partners	\$6,175,000	\$0	\$6,175,000
10. Gator Newport Partners Ltd	\$4,843,325	\$0	\$4,843,325

PENSION PLANS

All current full-time City employees are covered under the County Employees Retirement System (CERS). Currently, hazardous duty employees (Police officers and Firefighters) contribute to CERS at the statutory rate of 8% and non-hazardous duty employees contribute at a rate of 5% of credible salary and compensation. The City currently contributes to the pension system at an annually determined rate by the Kentucky Retirement Systems.

CERS is not presently subject to the funding and vesting requirements of the Federal Employee Retirement Income Security Act of 1974. These pension funds are, however, complying with certain reporting requirements under that Act. From time to time Federal legislation regulating pension funds for public bodies and governments is considered.

DEBT CAPSULE SUMMARY REPORT THE CITY OF NEWPORT

<u>Bond Series</u>	<u>Description</u>	<u>Type</u>	<u>Original Par Amt</u>	<u>Amount Outstanding</u>	<u>Interest Rate Range</u>	<u>Final Maturity</u>
2006	KIA Note - Channel Crossing Refunding	Revenue	\$ 2,331,899	\$ 737,446	1.40%	06/01/25
2013REF	Refund Series 2002 Bonds	GO	\$ 8,042,767	\$ 2,946,207	2.90%	11/01/22
2015REF	Refund Series 2007-B	GO	\$ 6,910,000	\$ 5,730,000	2.00% - 4.00%	5/1/2032
2015B	Various Public Projects	GO	\$ 5,085,000	\$ 5,025,000	3.25% - 3.75%	10/01/40
2016REF	Refund Series 2007-A	GO	\$ 3,135,000	\$ 2,055,000	3.25% - 3.75%	05/01/27
2019	G.O. Note 2019	GO	\$ 1,500,000	\$ 1,219,139	3.27%	02/01/24
2020	G.O. Note 2020	GO	\$ 2,350,000	\$ 2,350,000	2.01%	02/01/25

APPENDIX C

**CITY OF NEWPORT, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2021**

STATEMENT OF INDEBTEDNESS

STATEMENT OF INDEBTEDNESS
CITY OF NEWPORT, KENTUCKY
KY CONST. §§157 and 158
KRS §66.041

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF CAMPBELL)

The undersigned Chief Financial Officer of the City of Newport, Kentucky, Commonwealth of Kentucky (the "City"), does hereby certify that the following statements concerning the financial condition of said City are true and correct as they appear from records of the City:

- | | | |
|-----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| 1. | The assessed valuation of all the taxable property in the City as estimated on the last certified assessment is | \$832,842,393 |
| 2. | The current population of the City is | 15,123 |
| 3. | The total of all bonds, notes and other obligations currently issued and outstanding, including the present issue of Bonds of \$11,720,000* | \$30,220,536 |
| 4. | Bonds, notes and other obligations excluded from the calculation of net indebtedness are as follows: | |
| (a) | Obligations issued in anticipation of the levy or collection of special assessments which are payable solely from those assessments or are otherwise self-supporting obligations..... | \$-0- |
| (b) | Obligations issued in anticipation of the collection of current taxes or revenues for the fiscal year which are payable within that fiscal year | \$-0- |
| (c) | Obligations, which are not self-supporting obligations, issued after July 15, 1996 by any instrumentality of the City created for the purpose of financing public projects for which there has been no pledge to the payment of debt charges of any tax of the City or for which there is no covenant by the City to collect or levy a tax to pay debt charges..... | \$-0- |
| (d) | Self-supporting obligations and other obligations for which there has been no pledge to the payment of debt charges of any tax of the City or for which there is no covenant by the City to collect or levy a tax to pay debt charges..... | \$-0- |
| (e) | Obligations issued to pay costs of public projects to the extent they are issued in anticipation of the receipt of, and are payable as to principal from, federal or state grants within that fiscal year | \$-0- |
| (f) | Leases entered into under KRS 65.940 to 65.956 after July 15, 1996 which are not tax-supported leases | \$-0- |
| (g) | Bonds issued in the case of an emergency, when the public health or safety should so require | \$-0- |

(h) Bonds issued to fund a floating indebtedness\$-0-

TOTAL EXEMPT OBLIGATIONS \$-0-

5. The total of bonds, notes and other obligations subject to the debt limitation set forth in KRS 66.041 (3 minus 4) is \$30,220,536
6. The total of bonds, notes and other obligations subject to the debt limitation set forth in KRS 66.041 as computed in 5 above, does not exceed 10%* of the assessed valuation of all the taxable property in the City of Newport, Kentucky.
7. The current tax rate of the City, for other than school purposes, upon the value of its taxable property is \$.____ per \$100 on real property and \$.____ per \$100 on personal property, which do not exceed the maximum permissible tax rate for the City as set forth in Section 157 of the Kentucky Constitution.
8. The issuance of the bonds, notes or other obligations set forth in 3 hereof will not cause the tax rate set forth in 7 hereof to increase in an amount which would exceed the maximum permissible tax rate for the City as set forth in Section 157 of the Kentucky Constitution.

IN WITNESS WHEREOF, I have hereunto set my hand this 6th day of April, 2021.

CITY OF NEWPORT, KENTUCKY

By: _____
Chief Financial Officer

*10% for cities having a population of fifteen thousand or more;
 5% for cities having a population of less than fifteen thousand but not less than three thousand; and
 3% for cities having a population of less than three thousand.

APPENDIX D

**CITY OF NEWPORT, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2021**

**AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS OF
CITY OF NEWPORT, KENTUCKY FOR FISCAL YEAR ENDING JUNE 30, 2020**

City of Newport, Kentucky

Comprehensive Annual Financial Report
Year Ended June 30, 2020



**CITY OF NEWPORT, KENTUCKY
COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Year Ended June 30, 2020

Prepared by:

**Finance Department
City of Newport**

CITY OF NEWPORT, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2020

CONTENTS

	Page
Introductory Section	
Letter of Transmittal.....	1-8
Organizational Chart.....	9
List of Principal Officials.....	10
Financial Section	
Independent Auditors' Report.....	11-12
Management's Discussion and Analysis.....	13-23
Basic Financial Statements	
Government-wide Statements	
Statement of Net Position.....	24
Statement of Activities.....	25
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	26
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	27
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	28
Statement of Net Position - Proprietary Funds.....	29
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds.....	30
Statement of Cash Flows - Proprietary Funds.....	31
Statement of Fiduciary Net Position - Fiduciary Funds.....	32
Statement of Changes in Fiduciary Net Position - Fiduciary Funds.....	33
Notes to Financial Statements.....	34-68
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund.....	69-72
Budgetary Comparison Schedule - Community Development Fund.....	73
Budgetary Comparison Schedule - Capital Projects Fund.....	74
Budgetary Comparison Schedule - TIF Fund.....	75
Schedule of Changes in Net Pension Liability and Related Ratios - Employees' Retirement Fund.....	76
Schedule of Contributions - Employees' Retirement Fund.....	77
Schedule of Changes in Net Pension Liability and Related Ratios - Policemen and Firefighter's Retirement Fund.....	78
Schedule of Contributions - Policemen and Firefighter's Retirement Fund.....	79
Schedule of Proportionate Share of the Net Pension Liability - County Employee's Retirement System - Non-Hazardous.....	80
Schedule of Contributions - County Employee's Retirement System - Non-Hazardous.....	81
Schedule of Proportionate Share of the Net Pension Liability - County Employee's Retirement System - Hazardous.....	82
Schedule of Contributions - County Employee's Retirement System - Hazardous.....	83

Required Supplementary Information (continued)

Schedule of Proportionate Share of the Net OPEB Liability -
County Employee's Retirement System - Non-Hazardous..... 84
Schedule of OPEB Contributions - County Employee's Retirement System - Non-Hazardous..... 85
Schedule of Proportionate Share of the Net OPEB Liability -
County Employee's Retirement System - Hazardous..... 86
Schedule of OPEB Contributions - County Employee's Retirement System - Hazardous..... 87
Notes to Required Supplementary Information..... 88-89

Supplementary Information

Schedule of Expenditures of Federal Awards..... 90
Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards* 91-92
Independent Auditors' Report on Compliance for Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance..... 93-94
Schedule of Findings and Questioned Costs..... 95

Statistical Section

Statistical Section Narrative..... 96
Net Position by Component..... 97
Changes in Net Position..... 98-99
Fund Balances - Governmental Funds..... 100
Changes in Fund Balances - Governmental Funds..... 101
Assessed Value and Estimated Actual Value of Taxable Property..... 102
Property Tax Rates, Direct and Overlapping Governments..... 103
Principal Property Taxpayers..... 104
Principal Employers by Payroll Taxes Paid..... 105
Property Tax Levies and Collections..... 106
Legal Debt Margin Information..... 107
Ratios of Outstanding Debt by Type..... 108
Ratios of General Bonded Debt Outstanding..... 109
Direct and Overlapping Governmental Activities Debt..... 110
Pledged Revenue Coverage..... 111
Demographic and Economic Statistics..... 112
Full-Time Equivalent City Government Employees by Function/Program..... 113
Operating Indicators by Function/Program..... 114
Capital Asset Statistics by Function/Program..... 115

INTRODUCTORY SECTION



December 31, 2020

To the Mayor, City Commissioners and Citizens of the City of Newport, Kentucky:

We are pleased to present the Comprehensive Annual Financial Report of The City of Newport, Kentucky (the City or Newport) for the fiscal year ended June 30, 2020 (FY 20).

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Newport's management. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and the results of operations of the City. To provide a reasonable basis for making these representations, management of the City has established internal controls that are designed both to protect its assets and the integrity of its operations, and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles (GAAP). All disclosures necessary to enable an understanding of financial activities have been included. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The Commonwealth of Kentucky requires that all general purpose governments publish, a complete set of financial statements prepared in accordance with GAAP, consistently applied, and audited by a firm of independent certified public accountants. RFH, PLLC, engaged by Newport to audit its FY 19 financial statements, issued an unmodified (clean) opinion on the financial statements for the fiscal year ended June 30, 2019, indicating that the City's financial statements are fairly presented in conformity with GAAP. The Independent Auditors' Report is included as the first component of the financial section of this report.

The independent audit of the financial statements of the City is part of a broader, federally mandated "Single Audit" designed to meet the special needs of Federal grantor agencies. The standards governing Single Audit engagements require an independent auditor to report not only on the fair presentation of the financial statements, but also on the City's internal controls and compliance with Federal Program requirements. In this fiscal year, a single audit was required due to expenditures related to grant awards from DLG, KHC and KYTC/FHWA exceeding the \$750,000 threshold of Federal grant funds. Those findings are included herein.

The Government Accounting Standards Board (GASB) requires that management provide a narrative introduction, overview and analysis to accompany the Financial Statements in the form of a Management's Discussion and Analysis (MD&A). This Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent public accountants.

The Financial Statements of the City consist of the Statements of Net Position and Statement of Activities and Fund Financial Statements. Notes to the Financial Statements are an integral part of the financial statements and should be read to better understand the reports presented.

City of Newport Overview

The City of Newport, founded in 1795, is located in the northern most part of the state, situated directly across the Ohio River from Cincinnati, Ohio, occupies a land area of 3 1/2 square miles and serves a population of approximately 16,000. The City's operations are primarily funded through the levying of taxes with major revenues from taxation on:

- Gross payroll
- Insurance premium
- Gross receipts (business) Bank deposits
- Personal and Real property

Overseeing operations of the City is the City Manager, Thomas Fromme. According to the International City/County Management Association, the council-manager form of government "combines the strong political leadership of elected officials with the strong managerial experience of an appointed manager or administrator. All power and authority to set policy rests with an elected governing body, which includes a mayor or chairperson and members of the council, commission, or board. The governing body in turn hires a nonpartisan manager who has very broad authority to run the organization."

Council (or Commission)-Manager has been Newport's form of government since 1932 and under such the voters elect only the City Commission, which appoints a City Manager to administer municipal affairs under its supervision. The Commission acts only collectively, and its individual members, including the Mayor, have no administrative functions. The Board of Commissioners is elected on a non-partisan basis for a two-year term, while the Mayor serves a four year term. The election for the Offices of City Commissioner and Office of the Mayor was held in November 2020.

The City Manager, subject to the general supervision of the Commission, is in full charge of the administration of municipal affairs, preparing the budget, appointing and dismissing personnel, directing the work of municipal departments, and attending Commission meetings, in which recommendations on municipal business are presented and an active part in discussions is taken. In directing daily operations of the City, the Manager is responsible for ensuring effective and efficient government service. Every City employee ultimately answers to the City Manager, so the Manager has the right to recommend or hire and fire staff as appropriate and allowable by law.

Departments over which the City Manager supervises are as follows:

- Police – An accredited, forty-five member department with divisions of administration, patrol, traffic, and investigation.
- Fire – Thirty-five member department with divisions of administration, headquarters, education and prevention, emergency medical services, and South Newport.
- Community Services – employs fifteen full-time and nineteen seasonal in the divisions of administration, Veteran’s pool, public works, parks and recreation, refuse, and municipal building maintenance.
- Code Enforcement – under which new or rehabilitation development plan review, building permit, and code enforcement services are conducted. The department is comprised of five full time and one part time employees.
- Finance and Administration – six full time personnel perform accounts payable, accounts receivable, management and reporting functions, property tax collection, business and rental licenses and fees collection as well as budget assistance and tracking.

In addition to the aforementioned departments and related activities, the governing body and City Manager bear responsibility for funding the policemen’s and firefighter’s retirement fund and City employees’ retirement fund therefore, these activities are included in the annual report.

The policemen’s and firefighter’s and the City employees’ retirement funds are self-funded plans under which those who retired before 1988 are still paid. The funds are considered fiduciary funds, which are funds used to account for assets held in trust by the City in a trustee capacity and cannot be used to support any other program. Additional information on the fund can be found in the auditor’s “Notes to the financial statements” on pages 34 - 68. The City has been a participant in the City and County Employees Retirement System (CERS) through the Commonwealth of Kentucky since August, 1988¹.

The Housing Authority of Newport (HAN) maintains close ties with the City, although it is **not** a component unit of the City as defined by the pronouncements of the Government Accounting Standards Board. The City is not financially accountable for the operations of HAN, has no responsibility to fund deficits or receive surpluses, and does not guarantee HAN’s debt. The City provides HAN with grants from the City’s CDBG (Community Development Block Grant) allocations for project specific development efforts.

Funding for operations is planned through the annual budget which serves as the main financial control foundation. Department heads work with the Finance Department to create a requested budget. The City Manager uses these requests as the starting point for developing the proposed budget for review by the Board of Commissioners. The final budget must be adopted by June 30th.

¹ The Government Accounting Standards Board (GASB) passed GASB statement 68 in June, 2012. Effective in fiscal year 2015, this statement will require those that participate in “cost-sharing, multiple employers” plans, like CERS, to include a representative portion of the plans’ unfunded liability on the City’s balance sheet. The Kentucky Retirement Systems actuaries calculated Newport’s percentage of unfunded liability at June, 2019 to be a total of .0864% for non-hazardous and .9860 for hazardous, equating to \$33,315,717. This amount is shown mainly on pages 24 and 29.

The City Manager can make transfers of appropriations between departments without the approval of Board of Commissioners but the Board of Commissioners must approve revisions to the budget that would alter total revenues and expenditures of any fund, noting that expenditures may not legally exceed budgeted appropriations at the fund level. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

Economic Condition and Outlook

Newport, along with metropolitan-Northern Kentucky was initially adversely impacted by the global economic recession. Over the last several years, Newport has continued to grow despite economic hardships, including the onset of COVID – 19 in February of 2020. But many local and national economists have stated that metropolitan-Northern Kentucky and Cincinnati remain attractive places to live, work and invest because the fundamentals are quite strong, the weather typically moderate, the overall workforce is educated, a concentration of excellent colleges and universities can be found, and all major U.S. cities are accessible from the Cincinnati-Northern Kentucky International Airport. As such economists have stated that, given these fundamentals, the region's economic recovery and overall outlook remain better than that of the nation.

Our region has seen an uptick in new building starts in the last year. Here in Newport we also see several new developments on the horizon: office, residential, mixed use, large and small scale development, in locations throughout the City. The New Route 9 was opened and development along this corridor is being discussed. Ovation became a reality in this Fiscal Year with the approval and groundbreaking of a Music Venue and supporting development on the site. These types of Economic Development Projects take several years of planning and approvals before construction begins. Several new investments have been made along Monmouth Street, including building renovations and new business openings.

Our goals continue to include furthering residential and commercial development; improving on quality of life issues through investments in parks and recreation and maintaining a safe walkable community. From a fiscal perspective we continue working on growing revenues, keeping our expenses reasonable, reduction of debt service and continued improvement of the City credit rating of A- by Standard & Poor's.

Spotlighting

This year marks the 225th anniversary of the founding of the City of Newport. Since 2006, the City has experienced well over \$300 million in new developments, and growing, making this period one of the most successful in the history of the City. In 2020 the City experienced a net gain of 79 businesses, adding 111 new jobs.

Ovation: In May of 2019 the announcement and groundbreaking for a Music Venue was completed. On the same site, currently plans identify a large promenade surrounded by an office

building and hotel, with 550 parking spaces. Plans for the second phase of construction, just south of Newport's Floodwall, were approved in November 2020. This phase will include a mix of uses: residential, retail, office, parking.

Newport on the Levee: In FY 2019 the sale of Newport on the Levee was finalized. North American Properties, a Cincinnati / Atlanta based company, purchased the Levee and has continued to diversify the offerings on site, including an outdoor oriented "Bridgeview Box Park", and continued office recruitment. In February 2020, Kentucky Tourism Tax Credits were approved in the amount of \$30M.

Newport Shopping Center and Plaza: Newport Shopping Center continued re-tenanting of the center, including the announcement of Newport Racing and Gaming, who took 17,000 square feet of space. Additionally, Defender Direct expanded into additional space at the Center, as the business saw significant growth.

Newport Plaza II: Gator Investments completed reconstruction of vacant space for new commercial tenants, Burlington and Ross, and continued planning for future out lots on the property.

Peace Bell Mixed Use Development: Design plans continued to be refined for a mixed-use development on the parking lot site adjacent to the World Peace Bell. The concept plan includes a hotel as Phase I and a mixed-use building as Phase II. A State TIF application has been submitted, and an economic impact study is underway.

One Riverfront Place: Leasing continues to be stable as major tenants P.L. Marketing and Divisions see growth in their respective business sectors.

Newport Steel Site: Tenaris S.A. began the acquisition process of IPSCO Tubulars. The site owned by IPSCO located in Newport has experienced significant interest to prospective buyers for redevelopment of the site. The City placed a Development Moratorium on the area, until the Comprehensive Plan process is complete and the City can put development controls in place to assure that the site is used to the highest and best use.

SkyPoint Condominiums: Construction on the former Baptist Home on Main Street, renamed SkyPoint Condominiums, began. This project includes 45 units of for sale condominium product. Three units have been purchased with 14 units presold.

13th Street Residential Redevelopment: A five-acre site in the Clifton neighborhood has been approved for a CitiRama project, bringing together the NKY and Cincinnati Homebuilders Associations to construct 18 single family detached residential units and 38 single family attached townhomes along 13th and 14th Street in Newport.

The Academy at 4th Street: This \$31 Million residential development, located at the old 4th Street School had its ribbon cutting in 2020. Approximately 200 units have already been leased.

Eilermann Building: Along Monmouth Street the renovation of the Historic Eilermann Building into 20 market rate loft apartments and one commercial space has been completed, and leasing has begun.

Central Business District Façade Improvements: Since 2018, over \$500,000 in exterior renovations of historic buildings along Monmouth and York Streets were completed with the assistance of the City's CDBG Funded Façade Improvement Program. An additional \$150,000 in improvements are estimated for FY 2021.

Riverfront Commons: Phase III of the Riverfront Commons was completed, including two new connector bridges to the Taylor Southgate Bridge. Additional funding was approved for Festival Park at Riverfront Commons through OKI Regional Council of Governments.

South 27 Smart Corridor: The US-27 Smart Corridor Group (multi-city) working group has been collaborating on various initiatives to form a common vision around this underutilized corridor and implement strategic solutions that will help the involved communities prosper by engaging with current and future residents, visitors, and businesses. The City of Newport has received grant funding to improve the streetscape into a more multi-modal, attractive corridor, that will further redevelopment over time. Design is well underway for the reconfiguration of US 27 South to promote economic development in the corridor through aesthetic and vehicular improvements.

Carothers Road: Phase II design has resumed.

Priorities for the next year

The City's focus remains to re-make Newport into an inviting place to live, work, and play. In pursuit of that goal, City Commissioners and the City Manager have identified a number of items on which to concentrate in the coming fiscal years including continued pursuit of and negotiations with businesses desiring to locate in the City, infrastructure, building, and equipment needs, riverfront mandates and continued improvements, fiscal soundness. Highlighting just the next year:

Community and Economic Development Goals:

- Finalize the 2020 NewportFORWARD Comprehensive Plan, and begin implementation of priority action steps.
- Continue to focus on assisting businesses to rebuild/ recover from the impacts of COVID-19
- Facilitate redevelopment underway: Peace Bell Site, Ovation, Newport on the Levee, SkyPoint, 13th Street, and along Monmouth Street and New Route 9
- Continue business retention / outreach
- Continue Façade Program Implementation
- Partner with neighboring Cities on evaluation of the US 27 Smart Corridor
- P&Z engagement and administration

- Landfill Redevelopment

Infrastructure and Maintenance Goals:

- Continue to evaluate ways to maintain aging infrastructure.
- Continue implementing plan for the street / sidewalk repairs, road paving schedule
- Install handicap ramps and replace curbing
- Phase II Carothers Construction
- Grant Implementation: Festival Park @ Riverfront Commons
- Continue to facilitate Levee projects, repair, maintenance and development related.
- Continue Monmouth Street Paver Replacement project

Financial Goals

- Continue to strengthen the City's reserves
- OpenGov: Add more detailed Fire and Police Data
- Continue to investigate ways to incorporate technology into city government functions
- Update Website, continue promotions of events, grow Facebook "Friends", expand communications
- Issue a Bond for capital improvements which would include South Monmouth / Underpass
- Work with Department heads to monitor City Budget
- Establish and set Property Tax Rate

The City is in dynamic times, mending outdated financial policies and procedures, prioritizing delayed repairs and maintenance, creating five year plans for streets, equipment, and the municipal complex and long term goals for the City's development, while enticing entrepreneurs, expanding businesses, and artisans to create a unique community wherein all who work and play can find enjoyment.

Acknowledgements

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance and Administration Department with special thanks to Leonard Kuntz, Director of Finance, for his continued devotion to the City's financial standing and reporting.

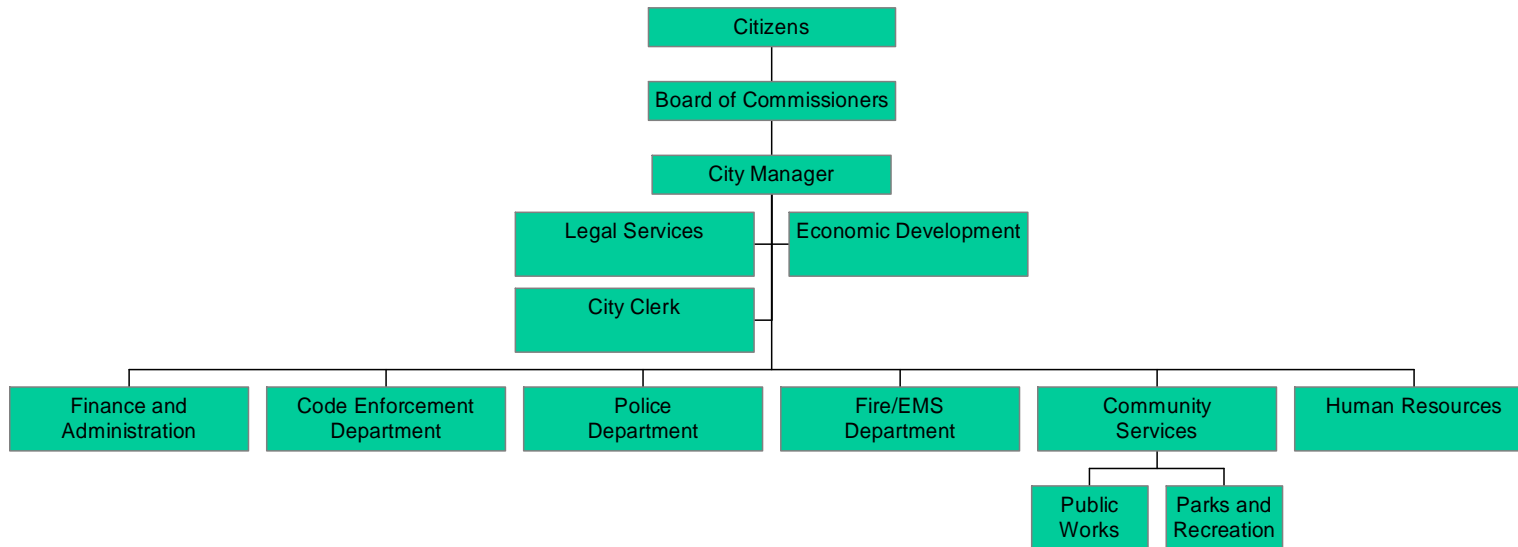
We wish to thank all of the City's departments and staff for their assistance in providing the data necessary to prepare this report. Tribute also is due to the Mayor, the Commission, and the Assistant City Manager for their unfailing support in maintaining the highest standards of professionalism in the management of the City of Newport's finances.

Sincerely and respectfully submitted,

A handwritten signature in black ink, appearing to read "Thomas J. Fromme". The signature is written in a cursive style with a vertical line separating the first and last names.

Thomas J. Fromme
City Manager

City of Newport, Kentucky Organizational Structure



CITY OF NEWPORT, KENTUCKY

LIST OF PRINCIPAL OFFICIALS

For the Year Ended June 30, 2020

Mayor

Jerry Peluso

Commissioners

Thomas L. Guidugli, Jr.

Frank T. Peluso, Sr.

Elisabeth Fennell

Kenneth Rehtin

City Manager

Thomas J. Fromme

Assistant City Manager

Larisa Sims

Department Heads

Fire/EMS Chief - William Darin

Chief of Police - Thomas Collins

Community Services - Doug Roell

Code Enforcement - Brian Steffen

Director of Finance - Leonard Kuntz

Office of City Manager

City Attorney - Daniel R. Braun

City Clerk - Amy B. Able

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the Commission
City of Newport, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newport, Kentucky, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Newport, Kentucky's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newport, Kentucky, as of June 30, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules and OPEB schedules on pages 13–23 and 69–89 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Newport, Kentucky's basic financial statements. The introductory section and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2020, on our consideration of the City of Newport, 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 Newport, 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 the City of Newport, Kentucky's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
December 31, 2020



NEWPORT

KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of City of Newport, Kentucky's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the City's basic financial statements, which begin on page 24.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 24 and 25) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 26. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most financially significant funds.

GASB 68

Passed in June 2012, the new standards are intended to: enhance usefulness of employer-level pension information in financial reports, improve transparency – Kentucky Retirement Systems – County Employee Retirement System's liability is shared by all participants (employers) in the plan, and make it easier to compare public pension plans by standardizing financial reporting requirements. GASB 68 requires the annual *government-wide* financial statements to include the proportionate share of **net pension liability**, the proportionate share of **pension expense**, additional pension-related note disclosures (**Notes to Financial Statement, page 54**), and additional pension-related **Required Supplemental Information**. The City's calculated share for FY 20 is \$33,315,717.

GASB 75

Passed in June 2015, the new standards are intended to: enhance usefulness of employer-level 'other post-employment benefit (OPEB)' information in financial reports, improve transparency – Kentucky Retirement Systems – County Employee Retirement System's liability is shared by all participants (employers) in the plan, and make it easier to compare public pension plans by standardizing financial reporting requirements. GASB 75 requires the annual government-wide financial statements to include the proportionate share of **net OPEB liability**, the proportionate share of **OPEB expense**, additional OPEB-related note disclosures (**Notes to Financial Statement, page 58**), and additional OPEB-related **Required Supplemental Information**. The City's calculated share for FY 20 is \$8,747,120.

It is a standard for preparing financial statements, not for funding, and contribution rates will be determined in the same manner as in the past. Employers, like the City of Newport, will now be required to account for their share of the unfunded liability but they are not required to fund that liability beyond the rates established in accordance with KRS 61.565(6).

Reporting the City as a Whole

Financial Highlights (with GASB 68 and GASB 75)

- The general liabilities of the City exceeded its assets at the close of the most recent year by \$(13,862,520) with the inclusion of the unfunded pension and OPEB liabilities of \$34,962,511 and \$8,747,120, respectively. This is the City's net position. For the statement of net position, refer to page 24.
- The City's total net position declined this year by **\$1,176,193** over last year. Net position of governmental activities decreased by **\$1,239,005** and net position of business-type activities increased by **\$62,812**. As of June 30, 2020, the City's governmental funds reported a combined ending fund balance of **\$9,183,982**, an increase of **\$968,644** in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was **\$6,439,998**, an increase of **\$1,311,093** over fiscal year 2019. An increase in unrestricted cash due to CARES funding and unspent GO lease proceeds.
- The City's total debt increased by **\$335,172** due to regularly scheduled principal payments (\$2,014,828) offset by the issuance of the Series 2020 GO Note for \$2,350,000.

Financial movement without consideration of GASB 68 and GASB 75 (pension & O P E B liabilities) is as follows:

- The governmental assets outpaced liabilities by \$21,953,051
- Total net position (including business [refuse and NOL] activity) rose by \$3,445,148, governmental activities increased by \$3,382,336, business activities increased by \$62,812.
- Fund and debt figures are unchanged.

The Statement of Net Position and the Statement of Activities

One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account when they are measurable, regardless of when cash is received or paid.

These two statements report the City's *net position* and changes in them. You can think of the City's net position, the difference between assets, what the taxpayers own, and liabilities, what the taxpayers owe, as one way to measure the City's financial health, or *financial position*. Over

time, *increases or decreases* in the City's net position are one indicator of whether its *financial health is* improving or deteriorating.

You will need to consider other non-financial factors, however, such as changes in the City's property tax base, franchise fee base, and the condition of the City's capital assets (roads, buildings, equipment and sidewalks) to assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- **Governmental activities:** most of the City's basic services are reported here, including the police, fire, emergency medical services, street maintenance, parks and recreation, and general administration. Payroll license fees, insurance license fees, property taxes, and gross receipts license fees finance most of these activities.
- **Business-type activities:** the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's refuse operations and Newport on the Levee parking operations are reported in this activity.

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analyses of the City's major funds begin on page 26 and provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law. However, the Board of Commissioners establishes many other funds to help it control and manage money for particular purposes (i.e. Community Development Fund, Capital Projects Fund and TIF Fund). The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental funds: Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year- end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides (*i.e. general fund, community development, capital projects, and TIF*). Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation beside the fund financial statements.

Proprietary funds: When the City charges customers for the full cost of the services it provides, whether to outside customers or to other units of the City, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise

funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. **For Newport, this is the Refuse (solid waste) fund.**

THE CITY AS A WHOLE

The statement of net position presents information on all of the City of Newport's assets and liabilities, with the differences between the two reported as net position. For the year ended June 30, 2020, net position changed as follows:

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 12,395,929	\$ 10,766,773	\$ 891,316	\$ 796,755	\$ 13,287,245	\$ 11,563,528
Capital assets	33,871,589	30,974,916	73,684	67,667	33,945,273	31,042,583
Total assets	\$ 46,267,518	\$ 41,741,689	\$ 965,000	\$ 864,422	\$ 47,232,518	\$ 42,606,111
Deferred outflows of resources	\$ 10,807,372	\$ 11,606,900	\$ 104,379	\$ 89,889	\$ 10,911,751	\$ 11,696,789
	\$ 10,807,372	\$ 11,606,900	\$ 104,379	\$ 89,889	\$ 10,911,751	\$ 11,696,789
Long-term liabilities	\$ 65,072,940	\$ 62,041,070	\$ 431,972	\$ 387,403	\$ 65,504,912	\$ 62,428,473
Other liabilities	2,928,462	2,143,742	100,015	103,028	3,028,477	2,246,770
Total liabilities	\$ 68,001,402	\$ 64,184,812	\$ 531,987	\$ 490,431	\$ 65,533,389	\$ 64,675,243
Deferred inflows of resources	\$ 3,435,928	\$ 2,287,212	\$ 37,472	\$ 26,772	\$ 3,473,400	\$ 2,313,984
	\$ 3,435,928	\$ 2,287,212	\$ 37,472	\$ 26,772	\$ 3,473,400	\$ 2,313,984
Net position:						
Net Investment in capital assets	\$ 15,692,724	\$ 14,242,797	\$ 73,684	\$ 67,667	\$ 15,766,408	\$ 14,310,464
Restricted	2,582,966	2,880,371	-	-	2,582,966	2,880,371
Unrestricted	(32,638,130)	(30,246,603)	426,236	369,441	(32,211,894)	(29,877,162)
Total net position	\$ (14,362,440)	\$ (13,123,435)	\$ 499,920	\$ 437,108	\$ (13,862,520)	\$ (12,686,327)
(without pension/OPEB liability)	\$ 21,953,051	\$ 18,570,714				

There was a decrease of **\$1,239,005** in net position for governmental activities. Assets were up \$4,525,829 due to A/R for the CARES grant of \$1,080,000 and construction of capital projects of \$2,896,673. Deferred Outflows were down for Pension (\$771,131) and up for OPEB (\$9,919). Liabilities increased \$3,816,590. The largest changes were an increase in accounts payable of \$473,363 and Net Pension Liability (GASB 68) of \$2,737,336. The OPEB liability (GASB 75) decreased \$25,922. There was a decrease in net position of **\$62,812** for business-type activities resulting primarily from unspent funds dedicated for the landfill.

Governmental Activities

Governmental activities decreased the net position of the City of Newport by **\$1,239,005** during FY 2020 as summarized on the following chart:

	Changes in Net Position					
	Governmental		Business-type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 1,174,999	\$ 1,242,192	\$ 1,458,547	\$ 3,922,522	\$ 2,633,546	\$ 5,164,714
Operating grants and contributions	2,182,660	960,467	-	-	2,182,660	960,467
Capital grants and contributions	1,541,305	223,444	-	-	1,541,305	223,444
General revenues:						
Property taxes	2,593,543	2,315,224	-	-	2,593,543	2,315,224
Other taxes	343,591	334,040	-	-	343,591	334,040
Payroll license fees	7,072,490	6,950,029	-	-	7,072,490	6,950,029
Gross receipts license fees	2,339,975	2,290,003	-	-	2,339,975	2,290,003
Insurance premium license fees	3,701,414	3,523,253	-	-	3,701,414	3,523,253
Other licenses and permits	1,430,605	617,310	-	-	1,430,605	617,310
Franchise fees	601,649	650,980	-	-	601,649	650,980
Other uses of property	368,318	681,811	-	-	368,318	681,811
Grants - non-program specific	-	-	-	-	-	-
Other	239,896	117,213	5,504	142,345	245,400	259,558
Total revenues	\$ 23,590,445	\$ 19,905,966	\$ 1,464,051	\$ 4,064,867	\$ 25,054,496	\$ 23,970,833
Expenses:						
General government	\$ 2,798,162	\$ 2,440,244	\$ -	\$ -	\$ 2,798,162	\$ 2,440,244
Police	8,295,344	8,084,358	-	-	8,295,344	8,084,358
Fire	7,682,292	7,407,263	-	-	7,682,292	7,407,263
Development services	1,581,271	998,908	-	-	1,581,271	998,908
Community services	3,585,638	3,461,304	-	-	3,585,638	3,461,304
Municipal complex	387,633	314,084	-	-	387,633	314,084
Interest on long-term debt	575,337	579,698	-	-	575,337	579,698
Solid waste collection	-	-	1,351,929	1,368,960	1,351,929	1,368,960
Parking facility operation	-	-	-	728,808	-	728,808
Total expenses	\$ 24,905,677	\$ 23,285,859	\$ 1,351,929	\$ 2,097,768	\$ 26,257,606	\$ 25,383,627
Increase in net position before transfers	(1,315,232)	(3,379,893)	112,122	1,967,099	(1,203,110)	(1,412,794)
Gain (loss) on disposal of assets	26,917	(18,197)	-	(2,311,069)	26,917	(2,329,266)
Transfers	49,310	46,969	(49,310)	(46,969)	-	-
Developer reimbursement - closeout	-	-	-	(6,234,845)	-	(6,234,845)
Increase (decrease) in net position	\$ (1,239,005)	\$ (3,351,121)	\$ 62,812	\$ (6,625,784)	\$ (1,176,193)	\$ (9,976,905)
Net position - Beginning of year	(13,123,435)	(9,772,314)	437,108	7,062,892	(12,686,327)	(2,709,422)
Net position - End of year	\$(14,362,440)	\$(13,123,435)	\$ 499,920	\$ 437,108	\$(13,862,520)	\$(12,686,327)

- Total revenues for the City's governmental activities totaled **\$23,590,445** compared to **\$19,190,966** last year.
- Payroll license fees totaled **\$7,072,490** or **29.9%** of the total revenues. This was an increase of **\$122,461** from last year.
- Insurance premium license fees represented **\$3,701,414** or **15.7%** of total revenues. There was an increase of **\$178,161** from the prior year's fees.
- The third largest category of governmental revenues was property tax collection, which includes payments in lieu of property taxes, with a total of **\$2,593,543**, or **11.0%** of total revenues, an increase of \$278,319. During this period, new PILOT payments came online in the amount of \$200,000.
- Gross receipts license fees totaled **\$2,339,975** and accounted for **9.9%** of total revenues. This amount represents an increase of **\$49,972** from the previous year. This relates to the collection on delinquent accounts.
- Federal and State grants increased within operating grants and contributions from \$846,456 to \$1,903,613, primarily from the accrual of the CARES funding.
- This year total expenses for the City's governmental activities were **\$24,905,677** compared to **\$23,285,859** last year. Further explanation can be found below in ***Financial Analysis of the Government's Funds***.

Business-type Activities

- Revenues for business-type activities totaled **\$1,464,051**, compared to last fiscal year's total of **\$4,064,867**. Of this total, **\$1,366,717** or **93.4%** was from charges from services. Total revenue showed a decrease of \$2,600,816, which stems from the closing of the NOL Fund in December 2018. The year ended June 30, 2019, included six months of parking garage fees and ground/attendance rents from the aquarium. Refuse fees only climbed \$67,766 due to a slight rate increase.
- Expenses for business-type activities totaled **\$1,351,929** versus **\$2,097,768** last fiscal year. Total expenses decreased \$745,839 largely due to six months of NOL expenses in the previous year.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the City's governmental funds is to provide information on revenues, expenditures, and net spendable resources.

As of **June 30, 2020**, the City's governmental funds reported combined ending fund balance of **\$9,183,982**, an increase of **\$968,644** from the prior year. Of the total fund balance, the unassigned portion of the balance is **\$6,439,998**.

The General Fund is the main operating fund of the City. At the end of the fiscal year, the total fund balance in the General Fund was **\$8,627,745**. This represents an increase of **\$1,868,686** over the prior year. The main reason for this was several delays in the purchase of vehicles and pieces of capital equipment. This did not offset the proceeds of the \$2,350,000 GO Lease Series 2020 and will increase expenses in the following fiscal year. We also received \$1,080,000 in CARES funding.

While revenues have been trending upward, it is merely a matter of time before expenses could outpace realized gains; therefore, the Finance Department continues to recommend items that will stabilize future budgets. Those are:

- Adopting a property tax rate that takes the maximum 4% increase allowed by Kentucky State Statutes. This could lead to an increase in total tax revenue of \$80,000 to \$100,000.
- More useful and productive monitoring of departmental operational expenses.
- Reduced reliance on short-term borrowing.
- Strategic plan for capital needs replacement.
- Continued education for department heads on budget tracking.
- Implementation and enforcement of written standard procedures in all segments of the Finance and Administration Department.
- Continue to implement recommendations from the Audit team.

The Community Development Fund's fund balance increased **\$196,250**. At the end of the fiscal year, the total fund balance in the Community Development Fund was **\$87,179**. Another section of the Monmouth Street streetscape (800 Block) was completed for \$114,600. In response to the COVID-19 outbreak, the City instituted an Emergency Business Assistance Program or EBAP. Suffering businesses could apply for funding to offset losses incurred due to the virus outbreak. This resulted in \$13,500 in community help. The remaining balance is earmarked for the Business Corridor Façade program.

The Capital Project Fund's fund balance decreased **\$746,016**. At the end of the fiscal year, the total fund balance in the Capital Projects Fund was **\$395,319**. Two major projects accounted for the majority of the decrease. The first being the relocation of Wildcat Dr. Secondly, is the 'almost' completion of Riverfront Commons Phase III, involving the construction of two pedestrian bridges which connects both the east and west walkways of the Taylor Southgate Bridge to the floodwall.

The TIF Fund's fund balance increased **\$42,224**. At the end of the fiscal year, the total fund balance in the TIF Fund was **\$73,739**.

Proprietary Funds

The City's proprietary funds provide the same information found in the government-wide financial statements. See "Business-type Activities" above.

GENERAL FUND BUDGETARY HIGHLIGHTS

Toward the end of the fiscal year, the Board of Commissioners revised the General Fund budget to make any necessary adjustments to beginning fund balance and to increase/decrease revenues and expenditures to more closely reflect the anticipated actual revenues and expenditures for the year.

The amended General Fund revenue budget (excluding beginning budgetary fund balance) was **\$139,180** lower than the original budget amount. The most significant changes were as follows:

- **\$800,000** decrease in Payroll Taxes, Occupational License and ABC Fees. The expectation was a downturn in these revenue streams due to COVID-19.
- **\$90,000** increase in intergovernmental, due to the KOHS police radio grant.
- **\$410,000** increase in other financing related to the Series 2019 G.O. note.

The revised General Fund expense budget (including transfers) was approximately **\$1,115,960** higher than the original appropriation.

• General Government	\$ 163,390
• Finance Department	(45,370)
• Police Department	16,020
• Fire Department	177,790
• Development Services	60,250
• Community Services	(211,270)
• Municipal Complex	6,980
• Capital Outlay	(316,020)
• Debt service	(218,400)
• Transfers out	30,800
• Other Financing Uses	<u>2,400</u>
Total:	\$ 1,115,960

Actual General Fund revenues (including transfers in) were **\$2,032,837** higher than the amended budget numbers. There were several variances, both high and low, but the majority increase was from two categories. The first group is Licensing/Permits (occupational licenses, payroll tax and insurance premium tax) which increased by around \$889,135 collectively. The second group was intergovernmental which is where the CARES funding of \$1,080,000 was booked.

The actual expenses for the General Fund were **\$823,136** lower than the amended budget. Comprising this total were departmental results as listed:

Office of City Manager	\$ (229,081)
Finance Department	54,478
Police Department	(27,143)
Fire Department	62,969
Development Services (Building, Zoning, Code Enforcement)	98,382
Community Services (Admin.. Pool. Public Works. Parks & Recreation)	247,680
Municipal Complex	21,744
Capital Outlay*	468,810
Debt Service	54
Transfers out	125,243
<u>Other Financing</u>	<u>0</u>
TOTAL:	<u><u>\$ 823,136</u></u>

* Capital Outlay is reflected in each department of the Budget, but broken out in a separate category for purposes of the Audit.

DEBT AND CAPITAL ASSET ADMINISTRATION

Debt

At year-end, the City had **\$21,795,283** in total outstanding payables, notes, capital leases, compensated absences and bonds compared to **\$21,474,825** last year.

Compensated absences rose \$9,056. The City's total *long-term* debt for governmental activities and business type activities increased \$311,402 due to the payoff of scheduled debt and the issuance of the Series 2020 G.O. Note.

DEBT PRINCIPAL

	Governmental		Business-type		Totals	
	Activities	Activities	Activities	Activities	Totals	Totals
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Bonds payable						
(backed by City revenues)	\$ 16,656,265	\$ 15,275,896	\$ -	\$ -	\$ 16,656,265	\$ 15,275,896
Bonds payable						
(backed by fee revenues)	-	-	-	-	-	-
Compensated absences	1,455,365	1,446,309	-	-	1,455,365	1,446,309
Notes payable						
(backed by City revenues)	3,683,653	4,752,620	-	-	3,683,653	4,752,620
Totals	<u>\$ 21,795,283</u>	<u>\$ 21,474,825</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,795,283</u>	<u>\$ 21,474,825</u>

For additional information concerning the City's debt, please refer to Notes E and F, to the financial statements, pages 44 – 48.

Capital Assets

At the end of June 30, 2004, the City reported for the first time all of its infrastructure. The infrastructure is reported at cost along with the accumulated depreciation. At June 30, 2020, capital assets, before accumulated depreciation, amounted to **\$73,659,9144** including equipment, vehicles, buildings, park facilities, streets and sidewalks. This represents a net decrease of **\$4,665,996** or 6.8 percent, over last year.

Capital assets for governmental and business-type activities are summarized in the following table:

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Land	\$ 6,645,184	\$ 6,645,184	\$ -	\$ -	\$ 6,645,184	\$ 6,645,184
Land improvements	46,617,208	45,587,640	-	-	46,617,208	45,587,640
Buildings and systems	8,416,535	7,269,118	-	-	8,416,535	7,269,118
Machinery and equipment	3,082,234	2,931,555	-	-	3,082,234	2,931,555
Licensed vehicles	6,440,761	5,349,215	319,250	253,750	6,760,011	5,602,965
Non licensed vehicles	412,446	340,805	-	-	412,446	340,805
Construction in progress	1,726,296	616,651	-	-	1,726,296	616,651
Subtotals	\$ 73,340,664	\$ 68,740,168	\$ 319,250	\$ 253,750	\$ 73,659,914	\$ 68,993,918
Accumulated depreciation	39,469,075	37,765,252	245,566	186,083	39,714,641	37,951,335
Net Assets	\$ 33,871,589	\$ 30,974,916	\$ 73,684	\$ 67,667	\$ 33,945,273	\$ 31,042,583

This year's major additions included:

-City Building Roof & HVAC Replacement	\$ 1,147,417
-Street resurfacing (various)	346,732
-Traffic Lights: 3 rd & Washington	107,032
-Police Units (12) New/Used	340,723
-Fire Engine	571,008
	<u>\$ 2,512,912</u>

For additional information concerning the City's capital assets please refer to Note D in the Notes to Financial Statements on pages 43 and 44.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

As previously mentioned in the letter of transmittal on pages 4 and 5, overall economic outlook for the City continues to be positive. Several large- and small-scale projects are in varying stages of development, and interest in development opportunities along the New State Route 9 on the City's west side continues to grow. It is noteworthy to also mention two tax increment financing districts have been adopted and are now being utilized, meaning that those particular areas will be eligible to receive tax funding from Campbell County and the Commonwealth of Kentucky in addition to funding from the City for use specifically in those areas. Ovation (a Signature TIF), a mixed-use development at the confluence of the Licking and Ohio Rivers, is well under construction, and a mixed use development within the Center City TIF, (the "Peace Bell" site along 4th and 5th Streets), is in project development.

The City has struggled long and hard to improve City finances and operations over the past ten years. Despite several obstacles, the City has strengthened finances as well as attracted many new developments and businesses. The City's cash balance is nearly \$3 million, and significant investments have been made to repair infrastructure. This has been accomplished through efficient use of our resources and maintaining a very lean staff. There are presently many exciting projects progressing such as the Ovation, development of the Peace Bell Site, a CitiRama 52-unit housing development, and Newport Gaming and Racing. These promise to make the City's future even brighter.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Manager's Office or the Department of Finance and Administration at 998 Monmouth Street, Newport, Kentucky 41071.

You may also email your request to lkuntz@newportky.gov.

BASIC FINANCIAL STATEMENTS

CITY OF NEWPORT, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2020

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 3,714,573	\$ 722,085	\$ 4,436,658
Receivables:			
Property taxes	154,577	-	154,577
Intergovernmental	1,478,474	-	1,478,474
Accounts, net	4,240,627	169,231	4,409,858
Prepaid expenses	74,339	-	74,339
Noncurrent assets:			
Restricted cash	2,733,339	-	2,733,339
Capital assets:			
Land and construction in progress	8,371,480	-	8,371,480
Depreciable capital assets, net	<u>25,500,109</u>	<u>73,684</u>	<u>25,573,793</u>
Total Assets	<u>46,267,518</u>	<u>965,000</u>	<u>47,232,518</u>
Deferred Outflows of Resources			
Deferred outflows - defeasance on refunding	409,276	-	409,276
Deferred outflows - pension	7,006,969	72,717	7,079,686
Deferred outflows - OPEB	<u>3,391,127</u>	<u>31,662</u>	<u>3,422,789</u>
Total Deferred Outflows of Resources	<u>10,807,372</u>	<u>104,379</u>	<u>10,911,751</u>
Liabilities			
Accounts payable	1,827,954	92,965	1,920,919
Accrued liabilities	967,496	7,050	974,546
Accrued interest payable	133,012	-	133,012
Noncurrent liabilities:			
Compensated absences	1,455,364	-	1,455,364
Net pension liability	34,611,057	351,454	34,962,511
Net OPEB liability	8,666,602	80,518	8,747,120
Other noncurrent liabilities:			
Due within one year	2,554,801	-	2,554,801
Due after one year	<u>17,785,116</u>	<u>-</u>	<u>17,785,116</u>
Total Liabilities	<u>68,001,402</u>	<u>531,987</u>	<u>68,533,389</u>
Deferred Inflows of Resources			
Deferred inflows - pension	973,836	7,926	981,762
Deferred inflows - OPEB	<u>2,462,092</u>	<u>29,546</u>	<u>2,491,638</u>
Total Deferred Inflows of Resources	<u>3,435,928</u>	<u>37,472</u>	<u>3,473,400</u>
Net Position			
Net investment in capital assets	15,692,724	73,684	15,766,408
Restricted for:			
Debt service	824,019	-	824,019
Other	1,758,947	-	1,758,947
Unrestricted	<u>(32,638,130)</u>	<u>426,236</u>	<u>(32,211,894)</u>
Total Net Position	<u>\$ (14,362,440)</u>	<u>\$ 499,920</u>	<u>\$ (13,862,520)</u>

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

CITY OF NEWPORT, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,798,162	\$ 282,878	\$ 174,200	\$ -	\$ (2,341,084)	\$ -	\$ (2,341,084)
Police	8,295,344	289,121	1,086,746	-	(6,919,477)	-	(6,919,477)
Fire/EMS	7,682,292	410,481	507,636	-	(6,764,175)	-	(6,764,175)
Development services	1,581,271	155,665	-	416,866	(1,008,740)	-	(1,008,740)
Community services	3,585,638	36,854	414,078	1,124,439	(2,010,267)	-	(2,010,267)
Municipal complex	387,633	-	-	-	(387,633)	-	(387,633)
Interest on long-term debt	575,337	-	-	-	(575,337)	-	(575,337)
Total governmental activities	<u>24,905,677</u>	<u>1,174,999</u>	<u>2,182,660</u>	<u>1,541,305</u>	<u>(20,006,713)</u>	<u>-</u>	<u>(20,006,713)</u>
Business-type activities:							
Refuse	1,351,929	1,458,547	-	-	-	106,618	106,618
Total business-type activities	<u>1,351,929</u>	<u>1,458,547</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,618</u>	<u>106,618</u>
Total primary government	<u>\$ 26,257,606</u>	<u>\$ 2,633,546</u>	<u>\$ 2,182,660</u>	<u>\$ 1,541,305</u>	<u>(20,006,713)</u>	<u>106,618</u>	<u>(19,900,095)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					2,937,134	-	2,937,134
License fees:							
Payroll/Occupational licenses					9,412,465	-	9,412,465
Insurance premiums					3,701,414	-	3,701,414
Other permits and licenses					1,430,605	-	1,430,605
Franchise fees					601,649	-	601,649
Other uses of property					368,318	-	368,318
Interest					57,064	5,504	62,568
Miscellaneous					182,832	-	182,832
Total general revenues					<u>18,691,481</u>	<u>5,504</u>	<u>18,696,985</u>
Gain on disposal of assets					26,917	-	26,917
Transfers in (out)					49,310	(49,310)	-
Change in net position					<u>(1,239,005)</u>	<u>62,812</u>	<u>(1,176,193)</u>
Net position - beginning					<u>(13,123,435)</u>	<u>437,108</u>	<u>(12,686,327)</u>
Net position - ending					<u>\$ (14,362,440)</u>	<u>\$ 499,920</u>	<u>\$ (13,862,520)</u>

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

CITY OF NEWPORT, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	General	Community Development	Capital Projects	TIF	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 3,135,534	\$ 121,430	\$ 325,422	\$ -	\$ 3,582,386
Receivables:					
Property taxes	154,577	-	-	-	154,577
Intergovernmental	1,080,034	-	398,440	-	1,478,474
Accounts	4,091,162	1,750	131,071	7,823	4,231,806
Prepays and other assets	73,839	500	-	-	74,339
Due from other funds	800,000	-	85,886	-	885,886
Restricted assets:					
Cash and cash equivalents	<u>2,113,908</u>	<u>-</u>	<u>553,458</u>	<u>65,973</u>	<u>2,733,339</u>
Total Assets	<u>\$ 11,449,054</u>	<u>\$ 123,680</u>	<u>\$ 1,494,277</u>	<u>\$ 73,796</u>	<u>\$ 13,140,807</u>
Liabilities					
Accounts payable	\$ 1,431,400	\$ 36,501	\$ 193,881	\$ 57	\$ 1,661,839
Accrued liabilities	967,496	-	-	-	967,496
Due to other funds	<u>115,886</u>	<u>-</u>	<u>800,000</u>	<u>-</u>	<u>915,886</u>
Total Liabilities	<u>2,514,782</u>	<u>36,501</u>	<u>993,881</u>	<u>57</u>	<u>3,545,221</u>
Deferred Inflows of Resources					
Unavailable revenue	<u>306,527</u>	<u>-</u>	<u>105,077</u>	<u>-</u>	<u>411,604</u>
Fund Balances					
Nonspendable	73,839	500	-	-	74,339
Restricted	2,113,908	-	395,319	73,739	2,582,966
Committed	-	-	-	-	-
Assigned	-	86,679	-	-	86,679
Unassigned	<u>6,439,998</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,439,998</u>
Total Fund Balances	<u>8,627,745</u>	<u>87,179</u>	<u>395,319</u>	<u>73,739</u>	<u>9,183,982</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 11,449,054</u>	<u>\$ 123,680</u>	<u>\$ 1,494,277</u>	<u>\$ 73,796</u>	<u>\$ 13,140,807</u>
Total governmental fund balances					\$ 9,183,982
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds,					
net of accumulated depreciation					33,871,589
Net position of internal service fund					4,893
Accrued interest payable on long-term debt					(133,012)
Deferred outflows - defeasance on bond refunding					409,276
Deferred inflows - unavailable revenue					411,604
Long-term liabilities and related pension and OPEB deferred inflows/outflows, are not due and payable in the current period and therefore are not reported in the funds					<u>(58,110,772)</u>
Net position of governmental activities					<u>\$ (14,362,440)</u>

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

CITY OF NEWPORT, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	<u>General</u>	<u>Community Development</u>	<u>Capital Projects</u>	<u>TIF</u>	<u>Total Governmental Funds</u>
Revenues					
Property taxes	\$ 2,899,107	\$ -	\$ -	\$ 42,502	\$ 2,941,609
Licenses and permits	14,544,484	-	-	-	14,544,484
Intergovernmental	2,170,972	415,616	1,124,439	-	3,711,027
Fines and forfeitures	224,422	-	-	-	224,422
Charges for services	966,443	-	-	-	966,443
Uses of property	969,967	-	-	-	969,967
Interest	43,716	1,314	11,010	362	56,402
Refunds and reimbursements	92,591	-	121,888	-	214,479
Miscellaneous	6,648	21,133	-	-	27,781
Total Revenues	<u>21,918,350</u>	<u>438,063</u>	<u>1,257,337</u>	<u>42,864</u>	<u>23,656,614</u>
Expenditures					
Current:					
General government	2,671,453	-	-	-	2,671,453
Police	5,880,503	-	-	-	5,880,503
Fire/EMS	5,104,211	-	-	-	5,104,211
Development services	768,668	636,743	-	640	1,406,051
Community services	1,997,600	-	206,742	-	2,204,342
Municipal complex	229,296	-	-	-	229,296
Capital outlay	2,557,560	-	2,129,738	-	4,687,298
Debt service:					
Principal	2,014,828	-	-	-	2,014,828
Interest	594,398	-	-	-	594,398
Total Expenditures	<u>21,818,517</u>	<u>636,743</u>	<u>2,336,480</u>	<u>640</u>	<u>24,792,380</u>
Excess (deficiency) of revenues over (under) expenditures	<u>99,833</u>	<u>(198,680)</u>	<u>(1,079,143)</u>	<u>42,224</u>	<u>(1,135,766)</u>
Other Financing Sources (Uses)					
Cost of debt issuance	(9,900)	-	-	-	(9,900)
Bond proceeds	2,350,000	-	-	-	2,350,000
Transfers in	49,310	2,430	333,127	-	384,867
Transfers out	(620,557)	-	-	-	(620,557)
Total Other Financing Sources (Uses)	<u>1,768,853</u>	<u>2,430</u>	<u>333,127</u>	<u>-</u>	<u>2,104,410</u>
Net Change in Fund Balances	1,868,686	(196,250)	(746,016)	42,224	968,644
Fund Balances - Beginning	<u>6,759,059</u>	<u>283,429</u>	<u>1,141,335</u>	<u>31,515</u>	<u>8,215,338</u>
Fund Balances - Ending	<u>\$ 8,627,745</u>	<u>\$ 87,179</u>	<u>\$ 395,319</u>	<u>\$ 73,739</u>	<u>\$ 9,183,982</u>

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

CITY OF NEWPORT, 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, 2020

Net change in fund balances - total governmental funds	\$ 968,644
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:	
Capital asset purchases capitalized	4,687,298
Depreciation expense	(1,762,961)
Revenues in the statement of activities that do not provide current financial resources are fully deferred in the funds.	(12,253)
Repayment of note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	2,014,828
Gain on disposal of fixed assets that are only recorded on government-wide financial statements.	26,917
Proceeds from the sale of capital assets are only reported in the governmental funds.	(54,579)
Premiums on bond issuances are amortized through expense in the government-wide financial statements.	23,770
Defeasance on bond issuances are amortized through expense in the government-wide financial statements.	(38,316)
Change in the net pension liability.	(4,008,140)
Change in the net OPEB liability.	(613,201)
Net proceeds issued on general obligation bonds outstanding is an other financing source in the governmental funds but increases long-term liabilities in the statement of net position.	(2,350,000)
Accrued interest on long-term debt is reported in the government-wide financial statements and not reported in the governmental funds. This is the change in the amount of interest accrued through year end.	(4,709)
An internal service fund is used by management to charge the costs of certain activities, such as health and dental insurance to individual funds. The net revenues (expenses) of the internal service fund are reported with governmental activities.	(107,246)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds, such as compensated absences.	(9,057)
Change in net position of governmental activities	\$ <u>(1,239,005)</u>

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

CITY OF NEWPORT, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2020

	Business-type Activities	Internal Service Funds
	Refuse	Health and Dental
Assets		
Current assets:		
Cash and cash equivalents	\$ 722,085	\$ 132,187
Accounts receivable (net of allowance)	169,231	8,821
Due from other funds	-	30,000
Total current assets	<u>891,316</u>	<u>171,008</u>
Noncurrent assets:		
Capital assets (net of depreciation):		
Vehicles	<u>73,684</u>	<u>-</u>
Total noncurrent assets	<u>73,684</u>	<u>-</u>
Total Assets	<u>965,000</u>	<u>171,008</u>
Deferred Outflows of Resources		
Deferred outflows - pension	72,717	-
Deferred outflows - OPEB	<u>31,662</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>104,379</u>	<u>-</u>
Liabilities		
Current liabilities:		
Accounts payable	92,965	166,115
Accrued liabilities	<u>7,050</u>	<u>-</u>
Total current liabilities	<u>100,015</u>	<u>166,115</u>
Noncurrent liabilities:		
Net pension liability	351,454	-
Net OPEB liability	<u>80,518</u>	<u>-</u>
Total noncurrent liabilities	<u>431,972</u>	<u>-</u>
Total Liabilities	<u>531,987</u>	<u>166,115</u>
Deferred Inflows of Resources		
Deferred inflows - pension	7,926	-
Deferred inflows - OPEB	<u>29,546</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>37,472</u>	<u>-</u>
Net Position		
Net investment in capital assets	73,684	-
Unrestricted	<u>426,236</u>	<u>4,893</u>
Total Net Position	<u>\$ 499,920</u>	<u>\$ 4,893</u>

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

CITY OF NEWPORT, KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2020

	<u>Business-type Activities</u>	<u>Internal Service Funds</u>
	<u>Refuse</u>	<u>Health and Dental</u>
Operating Revenues		
Charges for sales and services:		
Refuse fees	\$ 1,366,717	\$ -
Franchise fees	49,948	-
Penalties	41,882	-
Other services	-	1,539,586
Total Operating Revenues	<u>1,458,547</u>	<u>1,539,586</u>
Operating Expenses		
Cost of sales and services	1,292,446	1,932,493
Depreciation	59,483	-
Total Operating Expenses	<u>1,351,929</u>	<u>1,932,493</u>
Net Operating Income (Loss)	<u>106,618</u>	<u>(392,907)</u>
Non-Operating Revenues (Expenses)		
Interest income	5,504	661
Total Non-Operating Revenues (Expenses)	<u>5,504</u>	<u>661</u>
Transfer in (out)	<u>(49,310)</u>	<u>285,000</u>
Net Income (loss)	62,812	(107,246)
Net Position-Beginning Of Year	<u>437,108</u>	<u>112,139</u>
Net Position-End Of Year	<u>\$ 499,920</u>	<u>\$ 4,893</u>

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

CITY OF NEWPORT, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2020

	<u>Business-Type Activities</u>	<u>Internal Service Funds</u>
	<u>Refuse</u>	<u>Health and Dental</u>
Cash flows from operating activities		
Cash received from customers	\$ 1,466,016	\$ 1,530,765
Cash paid for employee services and benefits	(179,601)	-
Cash paid to suppliers	<u>(1,075,078)</u>	<u>(1,896,596)</u>
Net cash provided (used) by operating activities	<u>211,337</u>	<u>(365,831)</u>
Cash flows from noncapital financing activities		
Transfer from (to) other funds	<u>(67,167)</u>	<u>285,000</u>
Net cash provided (used) by noncapital financing activities	<u>(67,167)</u>	<u>285,000</u>
Cash flows from capital and related financing activities		
Purchase of capital assets	<u>(65,501)</u>	<u>-</u>
Net cash (used by) financing activities	<u>(65,501)</u>	<u>-</u>
Cash flows from investing activities		
Interest income	<u>5,504</u>	<u>661</u>
Net cash provided by investing activities	<u>5,504</u>	<u>661</u>
Net increase (decrease) in cash	84,173	(80,170)
Cash and cash equivalents at beginning of year	<u>637,912</u>	<u>212,357</u>
Cash and cash equivalents at end of year	<u>\$ 722,085</u>	<u>\$ 132,187</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 106,618	\$ (392,907)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	59,483	-
Change in net pension liability	39,871	-
Change in net OPEB liability	909	-
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	7,469	(8,821)
Increase (decrease) in accounts payable	(3,234)	35,897
Increase (decrease) in accrued liabilities	<u>221</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ 211,337</u>	<u>\$ (365,831)</u>

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

CITY OF NEWPORT, KENTUCKY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2020

		<u>Total Retirement Plans</u>
Assets		
Investments		
Cash balance in funds	\$ 173,667	
Corporate bonds	129,234	
Closed end funds	321,168	
Mutual funds	124,711	
Market backed securities	22,464	
Preferred securities	10,028	
Government securities	66,266	
Corporate stock	<u>470,047</u>	
Total investments		<u>1,317,585</u>
Total Assets		<u>1,317,585</u>
Net Position		
Held in trust for pension benefits		<u>1,317,585</u>
Total Net Position		<u>\$ 1,317,585</u>

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

CITY OF NEWPORT, KENTUCKY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2020

	<u>Total Retirement Plans</u>
Additions	
Contributions:	
Employer	\$ 250,000
Total contributions	<u>250,000</u>
Investment earnings:	
Interest and dividends	35,963
Net appreciation in the fair value of investments, including realized gains and losses	<u>37,942</u>
Total investment earnings	<u>73,905</u>
Total Additions	<u>323,905</u>
Deductions	
Benefits	421,918
Administrative expense	<u>20,654</u>
Total Deductions	<u>442,572</u>
Change in Net Position	(118,667)
Net Position-Beginning Of Year	<u>1,436,252</u>
Net Position-End Of Year	<u>\$ 1,317,585</u>

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

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Newport, Kentucky, (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the City are described below.

Financial Reporting Entity

The City of Newport is a municipality operating under a City Manager form of government. Legislative authority is vested in the Board of Commissioners consisting of the Mayor and four City Commissioners. As required by accounting principles generally accepted in the United States of America, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations therefore data from these units are combined with data of the primary government. Each blended component unit of the City has a June 30 year-end. The component units discussed below are included in the City's reporting entity because of the significance of their operational and/or financial relationship with the City.

Included in the Reporting Entity:

City of Newport Employees' Retirement Fund

Certain City employees participate in the non-uniformed Employees' Retirement Fund. The fund functions for the benefit of the retirees and is governed by a seven-member board of trustees: the Mayor, the four City Commissioners, the City Manager, and the Chief Financial Officer. The City is obligated to fund all pension benefit costs based upon actuarial valuations. There are no active employees in the plan.

City of Newport Policemen and Firefighters' Retirement Fund

All uniformed public employees who retired prior to August 1, 1988, participate in the Policemen and Firefighters' Retirement Fund. The fund functions for the benefit of the retirees and is governed by a four-member board of trustees: the Mayor, the City Manager, and two public safety retirees. The City is obligated to fund all pension benefit costs based upon actuarial valuations. There are no active employees in the plan.

City of Newport Municipal Properties Corporation

The City of Newport Municipal Properties Corporation was formed to act as an agent and to be instrumental in the financing of public improvements and projects of a capital nature for the City and for the particular purpose of acquiring real estate located within the City and constructing, acquiring and equipping thereon capital improvements, facilities, buildings, structures and related appurtenances. The Corporation finances these projects by the issuance of debt. These debt issues are secured by 1) first mortgage liens on the projects, 2) lease and option agreements between the Corporation and the City, 3) the construction agreements and 4) pledged receipts. The lease and option agreements require the City to pay rental from specified revenues, on a yearly basis with the option to renew each year. If the City renews the lease from year-to-year, and pays the rentals for each year as stipulated, and when the Corporation has fully paid and retired all the bonds, the Corporation agrees it will convey the properties to the City free and clear.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

The Board of Directors of the Corporation consists of the Mayor and the four City Commissioners. The City Manager serves as Treasurer. The City Clerk serves as Secretary.

The Newport Foundation was formed in March 2009 as a public charity under section 501(c)(3) of the Internal Revenue Service Code, whose purpose is to facilitate the City's many festivals and special events. During the year ended June 30, 2018, the Newport Foundation made changes to its organizational structure. Consequently, the Newport Foundation is no longer presented as a component unit of the City.

Government-wide Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent, on fees and charges for services.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internal activity with the Health and Dental Fund is eliminated in the statement of activities.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability rather than as an expenditure.

Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes, license fees and interest are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, in

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

accordance with accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The government reports the following funds of the financial reporting entity:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The Community Development Fund is used for other community development projects, including state and federally funded programs. The Capital Projects Fund is used to account for capital projects to be financed by grants and/or debt financing. The TIF Fund is used to account for the revenues and expenditures related to the tax increment financing (TIF) districts established by the City.

Proprietary funds distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The government's only proprietary fund, the Refuse Fund, accounts for trash collection services provided to the residential and business owners within City limits.

The City's only internal service fund is the self-insurance fund for the City's health and dental costs.

Additionally, the City reports two fiduciary funds. The pension trust funds account for the activities of the Policemen and Firefighters' Retirement Fund and Employees' Retirement Fund for the accumulation of resources for pension benefit payments to qualified retired employees.

Assets, Liabilities, and Net Position or Equity

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity date within three months of the date acquired by the City.

The City is authorized by state statute to invest in:

- Obligations of the United States and of its agencies and instrumentalities
- Certificates of deposits
- Bankers acceptances
- Commercial paper
- Bonds of other state or local governments
- Mutual funds

Investments

Investments held at June 30, 2020 are recorded at fair value based on quoted market prices.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Property Tax Receivable

Property taxes are levied on September 30 on property values assessed as of January 1. The taxes are billed on approximately September 30 and are due and payable on October 31. On November 1, unpaid bills become delinquent and the City may assess penalties and interest. A lien may be placed on the property on November 1.

Allowance for Doubtful Accounts

Accounts receivable in the statement of net position are presented net of an allowance for doubtful accounts of \$261,794, as of June 30, 2020.

Short-Term Inter-fund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term loans also occasionally occur between funds. These receivables and payables are classified as “due to/from other funds” on the balance sheet.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2020, are recorded as prepaid items utilizing the purchases method for all governmental funds.

Capital Assets

General capital assets are those assets not specifically related to activities in the proprietary fund. These assets are reported in the governmental activities column of the government-wide statement of net position. Capital assets used by the proprietary fund are reported in the business-type activities column of the government-wide statement of net position. The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as an expenditure in the governmental funds and capitalized (recorded and accounted for) in the government-wide financial statements. Infrastructure such as streets, parks, and bridges are capitalized. Capital assets are defined by the City as assets with an initial, individual cost of at least \$2,500 and an estimated useful life of two or more years. The valuation basis for capital assets are either historical costs or, where historical costs are not available, estimated historical cost based on replacement cost.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The range of lives used for depreciation purposes for each capital asset class is as follows:

	<u>Life, years</u>
Buildings	40
Building Improvements	10-20
Public Domain Infrastructure	25-40
Vehicles	5-15
Machinery and Equipment	3-5

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation pay. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations, retirements, or budgeted buyouts. As of June 30, 2020, compensated absences of \$179,776 have matured and are recorded as accrued liabilities in the General Fund. Compensated absences are liquidated in the General Fund.

Long-Term Obligations

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. In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds.

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

Net Position and Fund Balance

Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through external restrictions imposed by creditors, grantors or laws and regulations of other governments, or through enabling legislation adopted by the City.

The City uses funds and account groups to report on its financial position and the result of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Nonspendable fund balances consist of amounts that are not in spendable form; the City considers prepaid expenses and inventories to be nonspendable.

Restricted fund balances are amounts that can only be used pursuant to constraints imposed by external sources; such as bond covenant requirements, state government restrictions or the funds restricted by the will of the City's voters. These include the balances of restricted cash in the City's General and Capital Projects Funds. The restricted cash in the General Fund represents unspent bond proceeds that will be used to fund building and improvement projects, and equipment and vehicle purchases, as well as funds that have been used to establish reserve and debt sinking fund accounts, as required by the City's creditor. The restricted cash in the Capital Projects Fund represents unspent bond proceeds that will be used to fund multiple public projects. The restricted cash in the TIF Fund represents unspent TIF revenue that will be used to fund TIF projects.

Committed fund balances are amounts that can only be used for specific purposes as stipulated internally by the City Commission. These items can only be changed or lifted by the Commission taking the same formal action that imposed the restraint.

Assigned fund balances consists of funds that are set aside with the intent to be used for a specific purpose by the City's highest level of decision-making authority or a body or official that has been given the authority to assign funds. This includes the residual balance from the Community Development Fund.

Unassigned fund balances consist of all residual funds not included in nonspendable, restricted, committed, or assigned fund balances. The General Fund is the only fund that reports a positive unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Commission or the finance committee has provided otherwise in its commitment or assignment actions.

Revenues, Expenditures and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for the proprietary fund are those that result from providing services and producing and delivering goods and/or services. It also includes all revenues and expenses not related to capital and related financing, non-capital 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, governmental funds are classified as follows:

- Governmental funds – by character:
 - Current – further classified by function
 - Debt service
 - Capital outlay
- Proprietary funds – by operating and non-operating

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

Inter-fund Transactions

Inter-fund services provided or used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could differ from those estimates.

Management's Review of Subsequent Events

Management has evaluated events through December 31, 2020, the date on which the financial statements were available for issue.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- A. In accordance with City ordinance, prior to June 30, the City Manager submits to the Board of Commissioners, 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.
- B. Prior to June 30, the budget is legally enacted through passage of an ordinance.
- C. The City Manager is required by Kentucky Revised Statutes to present a quarterly report to the Board of Commissioners explaining any variance from the approved budget.
- D. Appropriations continue in effect until a new budget is adopted.
- E. The Board of Commissioners may authorize supplemental appropriations during the year.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Expenditures may not legally exceed budgeted appropriations at the fund level. Any revisions to the budget that would alter total revenues and expenditures of any fund must be approved by the Board of Commissioners; however, with proper approval by the City Manager, budgetary transfers between departments can be made. All appropriations lapse at fiscal year-end.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE C – DEPOSITS AND INVESTMENTS

Investment Policies – The City has separate investment policies for those investments held in the name of the City and those of the pension funds, that are held in a fiduciary capacity by the City.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City’s policy will attempt to match its investments with anticipated cash flow requirements and unless matched to a specific cash flow need, funds should not, in general, be invested in securities maturing more than 5 years from the date of purchase.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The City’s custodial credit risk policy requires that all cash and investments maintained in any financial institution be collateralized, with the exception of certain certificates of deposit approved by the governing body and as outlined in the City’s investment policy. It is the City’s policy to permit deposits allowed by Kentucky Revised Statutes.

Cash and Cash Equivalents – The City maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2020, the City’s deposits were entirely insured and/or collateralized with securities held by the financial institution in the City’s name. At June 30, 2020, \$500,000 of deposits were insured by the FDIC and \$6,202,768 of collateral was pledged to the City by the custodial bank. In addition, the City had bank deposits of \$553,458 of cash equivalents invested in federal government obligations.

Investments – The City had custodial credit risk at June 30, 2020 of \$1,317,585. The related securities totaling this amount are uninsured, unregistered and held by various trust departments. The City has an investment policy for public funds. The City holds the funds above in trust, which is subject to policy mandated by Kentucky statute that allows for trust funds to be invested in securities which would be regarded by a prudent businessman as a safe investment.

As of June 30, 2020, the City’s pension funds had the following investments:

<u>Investment Type</u>	<u>Investment Value</u>	<u>Weighted Average Maturity (Years)</u>
Corporate bonds	\$ 129,234	9.33
Market backed securities	22,464	5.67
Preferred securities	10,028	5.63
Government securities	66,266	10.81
Cash balance in funds	173,667	-
Mutual funds	124,711	-
Common stock	470,047	-
Closed end funds	<u>321,168</u>	-
Total investments	<u>\$ 1,317,585</u>	
Portfolio weighted average maturity		<u>1.60</u>

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Credit Risk – Investments – As of June 30, 2020, the City’s pension fund investments in corporate bonds received the following ratings by Standard & Poor’s:

Investment	Rating
Corporate bonds – Fiduciary Funds	
American Express	A-
Comcast Corp	A-
General Electric Capital Corp.	BBB+
Goldman Sachs	BBB+
JP Morgan Chase Global	A-
Prudential Financial Inc.	A
Verizon Communications	BBB+
Wells Fargo & Company	A-

Investment Valuation - The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City does not have any investments that are measured using Level 3 inputs.

For those investments measured at fair value, the investments’ fair value measurements are as follows at June 30, 2020:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Corporate income	\$ 129,234	\$ -	\$ 129,234	\$ -
Market backed securities	22,464	-	22,464	-
Preferred securities	10,028	10,028	-	-
Government securities	66,266	-	66,266	-
Cash balance in funds	173,667	173,667	-	-
Mutual funds	124,711	124,711	-	-
Common stock	470,047	470,047	-	-
Closed end funds	<u>321,168</u>	<u>321,168</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,317,585</u>	<u>\$ 1,099,621</u>	<u>\$ 217,964</u>	<u>\$ -</u>

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE D – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2020 is as follows:

	Balance June 30, 2019	Additions	Retirements/ Adjustments	Balance June 30, 2020
Governmental activities:				
Items not being depreciated:				
Construction in progress	\$ 616,651	\$ 1,470,852	\$ (361,207)	\$ 1,726,296
Land	<u>6,645,184</u>	<u>-</u>	<u>-</u>	<u>6,645,184</u>
Subtotal	<u>7,261,835</u>	<u>1,470,852</u>	<u>(361,207)</u>	<u>8,371,480</u>
Capital assets being depreciated:				
Land improvements	45,587,640	1,029,568	-	46,617,208
Buildings	7,269,118	1,147,417	-	8,416,535
Machinery and equipment	2,931,555	150,679	-	3,082,234
Licensed vehicles	5,349,215	1,178,346	(86,800)	6,440,761
Non-licensed vehicles	<u>340,805</u>	<u>71,641</u>	<u>-</u>	<u>412,446</u>
Subtotal	<u>61,478,333</u>	<u>3,577,651</u>	<u>(86,800)</u>	<u>64,969,184</u>
Accumulated depreciation:				
Land improvements	(27,333,367)	(967,593)	-	(28,300,960)
Buildings	(3,910,263)	(241,230)	-	(4,151,493)
Machinery and equipment	(2,550,660)	(124,880)	-	(2,675,540)
Licensed vehicles	(3,721,101)	(411,762)	59,138	(4,073,725)
Non-licensed vehicles	<u>(249,861)</u>	<u>(17,496)</u>	<u>-</u>	<u>(267,357)</u>
Subtotal	<u>(37,765,252)</u>	<u>(1,762,961)</u>	<u>59,138</u>	<u>(39,469,075)</u>
Net depreciable capital assets	<u>23,713,081</u>	<u>1,814,690</u>	<u>(27,662)</u>	<u>25,500,109</u>
Total capital assets, net	<u>\$ 30,974,916</u>	<u>\$ 3,285,542</u>	<u>\$ (388,869)</u>	<u>\$ 33,871,589</u>

Depreciation was charged to functions as follows:

Governmental activities:	
General government	\$ 36,893
Police	166,271
Fire/EMS	320,745
Development services	56,175
Community services	1,024,540
Municipal complex	<u>158,337</u>
Total governmental activities depreciation expense	<u>\$ 1,762,961</u>

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

The following is a summary of changes in the capital assets in the proprietary funds:

	Balance June 30, 2019	Additions	Retirements/ Adjustments	Balance June 30, 2020
Proprietary activities:				
Vehicles	\$ 253,750	\$ 65,500	\$ -	\$ 319,250
Subtotal	<u>253,750</u>	<u>65,500</u>	<u>-</u>	<u>319,250</u>
Accumulated depreciation				
Vehicles	(186,083)	(59,483)	-	(245,566)
Subtotal	<u>(186,083)</u>	<u>(59,483)</u>	<u>-</u>	<u>(245,566)</u>
Net capital assets	<u>\$ 67,667</u>	<u>\$ 6,017</u>	<u>\$ -</u>	<u>\$ 73,684</u>

Proprietary fund depreciation was charged to the Refuse Fund in the amounts of \$59,483.

NOTE E – LONG-TERM DEBT

Governmental Activities

Notes Payable

All notes payable are payable from general fund revenues and are secured by City assets.

Note Payable – Kentucky Infrastructure Authority

The City entered into a loan agreement with the Kentucky Infrastructure Authority on September 16, 1994, to fund the development of the Channel Crossing Project in the amount of \$2,331,899 with an annual interest rate of 5.25%. The repayment of the loan is on a thirty-year amortization schedule with a balloon payment due in year twenty. This note was refinanced with the Kentucky Infrastructure authority on December 1, 2006, with a new repayment amortization schedule of twenty years and a new interest rate of 1.40%. The balance at June 30, 2020, is \$737,446. The following is a schedule of future debt service requirements to maturity as of June 30, 2020:

Year Ended June 30,	Note Payable KIA		
	Principal	Interest/ Fees	Total Debt Service
2021	\$ 143,403	\$ 11,228	\$ 154,631
2022	145,418	8,925	154,343
2023	147,460	6,590	154,050
2024	149,532	4,223	153,755
2025	<u>151,633</u>	<u>1,822</u>	<u>153,455</u>
Total	<u>\$ 737,446</u>	<u>\$ 33,688</u>	<u>\$ 770,234</u>

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note Payable - Bank of Kentucky

The City entered into a lease agreement for \$8,042,767 with Bank of Kentucky on December 27, 2013, to currently refund the outstanding General Obligation Public Project Bonds, Series 2002. The obligation constitutes a general obligation of the City and is payable semi-annually in May and November with final maturity on November 1, 2022. The obligation bears interest at a rate of 2.90%. The balance of the note at June 30, 2020 is \$2,946,207. The following is a schedule of future debt service requirements to maturity as of June 30, 2020:

Year Ended June 30,	Bank of Kentucky Note Payable		
	Principal	Interest	Total Debt Service
2021	\$ 956,118	\$ 71,576	\$ 1,027,694
2022	982,601	43,465	1,026,066
2023	1,007,488	14,609	1,022,097
Total	\$ 2,946,207	\$ 129,650	\$ 3,075,857

Bonds Payable

The following bonds payable are payable from general fund revenues and are secured by the City assets which were financed by the bonds.

General Obligation Refunding Bonds, Series 2015

On September 24, 2015, the City issued \$6,910,000 of refunding bonds. The bonds have an interest rate ranging between 1.3% and 4% and mature on May 1, 2032. The bonds were issued with a premium of approximately \$30,000 that will be amortized over the life of the bond. The proceeds from the bonds were used to refund Taxable General Obligation Bonds, Series 2007B. The principal balance at June 30, 2020 is \$5,730,000. The following is a schedule of future debt service requirements to maturity as of June 30, 2020:

June 30,	General Obligation Refunding Bonds, Series 2015		
	Principal	Interest	Total Debt Service
2021	\$ 395,000	\$ 205,013	\$ 600,013
2022	415,000	193,163	608,163
2023	420,000	180,713	600,713
2024	440,000	168,113	608,113
2025	445,000	154,363	599,363
2026-2030	2,480,000	524,925	3,004,925
2031-2032	1,135,000	68,600	1,203,600
Total	\$ 5,730,000	\$ 1,494,890	\$ 7,224,890

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

General Obligation Bonds, Series 2015B

On November 12, 2015, the City issued \$5,085,000 of general obligation bonds. The bonds have an interest rate ranging between 3% and 3.75% and mature on October 1, 2040. The bonds were issued with a premium of approximately \$189,000 that will be amortized over the life of the bond. Proceeds were used to finance a portion of the costs of multiple public projects, comprised of infrastructure improvements, a new public works facility, underground utilities and multiple miscellaneous capital improvements and refund the General Obligation Bond Anticipation Notes, Series 2014. The principal balance at June 30, 2020 is \$5,025,000. The following is a schedule of future debt service requirements to maturity as of June 30, 2020:

General Obligation Bonds, Series 2015B			
June 30,	Principal	Interest	Total Debt Service
2021	\$ 20,000	\$ 159,450	\$ 179,450
2022	20,000	158,850	178,850
2023	20,000	158,250	178,250
2024	560,000	149,550	709,550
2025	590,000	132,300	722,300
2026-2030	1,990,000	435,900	2,425,900
2031-2035	930,000	231,456	1,161,456
2036-2040	730,000	101,625	831,625
2041	165,000	3,094	168,094
Total	\$ 5,025,000	\$ 1,530,475	\$ 6,555,475

General Obligation Bonds, Series 2016

In July 2016, the City issued \$3,135,000 of general obligation bonds. The bonds have an interest rate ranging between 1% and 3% and mature on May 1, 2027. The bonds were issued with a premium of \$162,129 that will be amortized over the life of the bond. Proceeds were used to refund the General Obligation Bond, Series 2007A. The principal balance at June 30, 2020 is \$2,055,000. The following is a schedule of future debt service requirements to maturity as of June 30, 2020:

General Obligation Bonds, Series 2016			
Year Ended June 30,	Principal	Interest	Total Debt Service
2021	\$ 275,000	\$ 56,150	\$ 331,150
2022	275,000	53,400	328,400
2023	285,000	45,150	330,150
2024	295,000	36,600	331,600
2025	300,000	27,750	327,750
2026-2027	625,000	28,200	653,200
Total	\$ 2,055,000	\$ 247,250	\$ 2,302,250

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

General Obligation Bonds, Series 2019

In January 2019, the City issued \$1,500,000 of general obligation bonds. The bonds have an interest rate of 3.27% and mature on January 17, 2024. Proceeds are to be used to fund building and improvement projects and equipment and vehicle purchases. The principal balance at June 30, 2020, is \$1,219,137. The following is a schedule of future debt service requirements to maturity as of June 30, 2020:

Year Ended June 30,	General Obligation Bonds, Series 2019		
	Principal	Interest	Total Debt Service
2021	\$ 290,120	\$ 37,513	\$ 327,633
2022	299,685	27,949	327,634
2023	309,564	18,069	327,633
2024	319,768	7,864	327,634
Total	\$ 1,219,137	\$ 91,395	\$ 1,310,534

General Obligation Bonds, Series 2020

In February 2020, the City issued \$2,350,000 of general obligation bonds. The bonds have an interest rate of 2.01% and mature on February 20, 2025. Proceeds are to be used to fund building and improvement projects and equipment and vehicle purchases. The principal balance at June 30, 2020, is \$2,350,000. The following is a schedule of future debt service requirements to maturity as of June 30, 2020:

Year Ended June 30,	General Obligation Bonds, Series 2020		
	Principal	Interest	Total Debt Service
2021	\$ 451,390	\$ 44,978	\$ 496,368
2022	460,508	35,860	496,368
2023	469,811	26,557	496,368
2024	479,302	17,066	496,368
2025	488,989	7,379	496,368
Total	\$ 2,350,000	\$ 131,840	\$ 2,481,840

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Changes in Long-Term Liabilities

During the year ended June 30, 2020 the following changes occurred in long-term liabilities in the governmental funds:

	June 30, <u>2019</u>	<u>Additions</u>	<u>Retirements</u>	June 30, <u>2020</u>	Due within <u>One Year</u>
Compensated absences	\$ 1,446,309	\$ 374,267	\$ (365,212)	\$ 1,455,364	\$ -
GO refunding bonds - 2015	6,110,000	-	(380,000)	5,730,000	395,000
Gen. obligation bonds - 2015B	5,040,000	-	(15,000)	5,025,000	20,000
Premium on bonds issued - 2015	182,984	-	(9,030)	173,954	9,031
Gen. obligation bonds - 2016	2,325,000	-	(270,000)	2,055,000	275,000
Premium on bonds issued - 2016	117,912	-	(14,739)	103,173	14,739
Notes payable - KIA	878,862	-	(141,416)	737,446	143,403
Notes Payable - Bank of Kentucky	3,873,758	-	(927,551)	2,946,207	956,118
Gen. obligation bonds - 2019	1,500,000	-	(280,863)	1,219,137	290,120
Gen. obligation bonds - 2020	-	2,350,000	-	2,350,000	451,390
Net pension liability	31,873,721	2,737,336	-	34,611,057	-
Net OPEB liability	<u>8,692,524</u>	<u>-</u>	<u>(25,922)</u>	<u>8,666,602</u>	<u>-</u>
Total	<u>\$ 62,041,070</u>	<u>\$ 5,461,603</u>	<u>\$ (2,429,733)</u>	<u>\$ 65,072,940</u>	<u>\$ 2,554,801</u>

Proprietary Activities

Changes in Long-Term Liabilities

Long-term liability activity for business-type activities for the year ended June 30, 2020, was as follows:

	June 30, <u>2019</u>	<u>Additions</u>	<u>Retirements</u>	June 30, <u>2020</u>	Due within <u>One Year</u>
Net pension liability	\$ 302,496	\$ 48,958	\$ -	\$ 351,454	\$ -
Net OPEB liability	<u>84,907</u>	<u>-</u>	<u>(4,389)</u>	<u>80,518</u>	<u>-</u>
Total	<u>\$ 387,403</u>	<u>\$ 48,958</u>	<u>\$ (4,389)</u>	<u>\$ 431,972</u>	<u>\$ -</u>

The General Fund would typically be expected to liquidate pension and OPEB liabilities.

NOTE F – CLAIMS AND JUDGMENTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims including amounts already collected may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE G – COMBINING FIDUCIARY FUND FINANCIAL STATEMENTS

The financial statements of the City include the statement of fiduciary net position and the statement of changes in fiduciary net position as of June 30, 2020, and for the year then ended, for the combined pension trusts. The following table presents the combining statement of fiduciary net position as of June 30, 2020:

	Policemen and Firefighters' Retirement Fund	Employees' Retirement Fund	Total
Assets			
Investments			
Cash balance in funds	\$ 108,457	\$ 65,210	\$ 173,667
Corporate bonds	122,184	7,050	129,234
Closed end funds	228,660	92,508	321,168
Mutual funds	100,527	24,184	124,711
Market backed securities	20,112	2,352	22,464
Preferred securities	10,028	-	10,028
Government securities	59,745	6,521	66,266
Corporate stock	<u>340,386</u>	<u>129,661</u>	<u>470,047</u>
Total Assets	<u>990,099</u>	<u>327,486</u>	<u>1,317,585</u>
Net Position			
Held in trust for pension benefits	<u>990,099</u>	<u>327,486</u>	<u>1,317,585</u>
Total Net Position	<u>\$ 990,099</u>	<u>\$ 327,486</u>	<u>\$ 1,317,585</u>

The following table presents the combining statement of changes in fiduciary net position for the year ended of June 30, 2020:

	Policemen and Firefighters' Retirement Fund	Employees' Retirement Fund	Total
Additions			
Contributions:			
Employer	\$ -	\$ 250,000	\$ 250,000
Investment earnings:			
Interest and dividends	31,679	4,284	35,963
Net appreciation in the fair value of Investments	<u>39,742</u>	<u>(2,352)</u>	<u>37,942</u>
Total investment earnings	<u>71,421</u>	<u>2,484</u>	<u>73,905</u>
Total Additions	<u>71,421</u>	<u>252,484</u>	<u>323,905</u>
Deductions			
Benefits	283,516	138,402	421,918
Administrative expense	<u>14,587</u>	<u>6,067</u>	<u>20,654</u>
Total Deductions	<u>298,103</u>	<u>144,469</u>	<u>442,572</u>
Change in net position	(226,682)	108,015	(118,667)
Net position – beginning of year	<u>1,216,781</u>	<u>219,471</u>	<u>1,436,252</u>
Net position – end of year	<u>\$ 990,099</u>	<u>\$ 327,486</u>	<u>\$ 1,317,585</u>

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE H – DEFINED BENEFIT PENSION PLANS

The government maintains two single-employer, defined benefit pension plans, the Employees' Retirement Fund and the Policemen and Firefighters' Retirement Fund (PFRF). The City also participates in the Commonwealth of Kentucky County Employees' Retirement System (CERS), which covers all governmental employees not already covered by the Employees' Retirement Fund or the PFRF.

Policemen and Firefighters' Retirement Fund and the Employees' Retirement Fund

Plan Description – The plans are presented as fiduciary funds in the City's financial statements. The Employees' Retirement Fund covers substantially all non-public safety employees hired prior to April 1, 1977. The Policemen and Firefighters' Retirement Fund covers all retired policemen and firefighters who were receiving benefits prior to August 1, 1988. Each plan provides retirement, disability, and death benefits to plan members and their beneficiaries.

Neither plan has active members. In addition, future employees are not eligible to participate in the plans. The Employees' Retirement fund has 2 retired and 11 beneficiary members receiving benefits. The Policemen and Firefighters' Retirement fund has 1 retired, 5 disabled, and 15 beneficiary members receiving benefits.

Benefits Provided – Benefits for the Employees' Retirement Fund are provided and may be amended by City ordinance. Benefits for the Policemen and Firefighters' Retirement Fund are provided by state statute. Members are vested and retirement is available upon completion of 20 years of service. The monthly benefit at retirement is 2.5% of average salary for the first 20 years of service plus 1% per year after 20 years with a maximum benefit of 65% of average salary. The Policemen and Firefighters' Retirement Fund has a minimum benefit of \$434. Cost-of-living adjustments, for the Policemen and Firefighters' Retirement Fund are provided at the discretion of the Board of Trustees.

Contributions – The City must provide annual contributions sufficient to satisfy the actuarially determined contribution requirements as mandated by state statutes. A contribution of \$250,000 was made during the year ended June 30, 2020, for the Employees' Retirement Fund. No contribution was made during the year ended June 30, 2020 for the PFRF; however, contributions were made in fiscal year 2007 in excess of the annual required contribution. At June 30, 2020, neither pension fund was overfunded based on the fiscal year 2020 or 2007 payments. The City is developing a plan to generate the contributions that are necessary to fund the Plans and prevent estimated depletions.

Measurement Focus and Basis of Accounting – The Plans' operations are accounted for on an economic resources measurement focus and the accrual basis of accounting. Employer contributions are recognized when due pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as revenue when earned. Retirement benefits and refunds are recognized when due and payable in accordance with terms of the Plan.

The Employees' Retirement Fund and the Policemen and Firefighters' Retirement Fund implemented Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans in 2014. The fiduciary fund statements are presented in accordance with Statement No. 67. The Primary Government (PG), as the Plan's single-employer, implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions in fiscal year 2015.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

The following was the Board's adopted target allocation and the long-term expected rate of return on Plan investments for the Employees' Retirement Fund and the Policemen and Firefighters' Retirement Fund:

Asset Class	Target Allocation	Long-term Expected Rate of Return
Fixed income	30%	4.67%
Equity funds	60%	6.67%
Cash	<u>10%</u>	<u>1.00%</u>
	100%	5.50%

Investments – Investments are reported at fair value.

The Plans' policy for allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

Investments that represent 5% or more of the net position of the Employees' Retirement Fund at June 30, 2020, are as follows:

<u>Investment</u>	<u>Fair Value</u>
SPDR S&P 500 ETF TR	\$ 92,508
PayPal Holdings Inc	\$ 34,846
Phillip Morris Intl Inc	\$ 35,030
Proctor & Gamble Co	\$ 59,785

Investments that represent 5% or more of the net position of the Policemen and Firefighters' Retirement Fund at June 30, 2020, are as follows:

<u>Investment</u>	<u>Fair Value</u>
SPDR S&P 500 ETF TR	\$ 154,180
Amazon.com Inc.	\$ 179,323

Net Pension Liability – The components of the net pension liability at June 30, 2020, were as follows:

Employees' Retirement Fund:

Total pension liability	\$ 1,025,036
Less: Plan fiduciary net position	<u>327,610</u>
Net pension liability	<u>\$ 697,426</u>
Plan fiduciary net position as a percentage of total pension liability	31.96%

Policemen and Firefighters' Retirement Fund:

Total pension liability	\$ 1,941,228
Less: Plan fiduciary net position	<u>991,860</u>
Net pension liability	<u>\$ 949,368</u>
Plan fiduciary net position as a percentage of total pension liability	51.09%

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Actuarial Assumptions – The total pension liability for both Plans was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions:

Employees' Retirement Fund:

Cost of Living	- %
Salary Adjustments	N/A
Investment Rate of Return	5.5 %

Policemen and Firefighters' Retirement Fund

Cost of Living	- %
Salary Adjustments	N/A
Investment Rate of Return	5.5 %

Mortality rates for healthy individuals were based on Pub-2010 Total Mortality Table for males and females, as appropriate, with adjustments for mortality improvements based on Scale MP-2020. Mortality rates for disabled individuals were based on Pub-2010 Disabled Mortality Table for males and females, as appropriate, with adjustments for mortality improvements based on Scale MP-2020.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study from 2006 – 2014.

The long-term expected rate of return on Plan investments was determined using 10-year return expectations based on historical data in different yield environments. Best estimates of the geometric rates of return for each major asset class, included in the Plan's target asset allocation at June 30, 2020, is as follows:

Employees' Retirement Fund:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	4.67 %
Equity funds	6.67 %
Alternative funds	1.00 %

Policemen and Firefighters' Retirement Fund

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	4.67 %
Equity funds	6.67 %
Alternative funds	1.00 %

Discount Rate – The discount rate used to measure the total pension liability was 5.50% for the Policemen and Firefighters' Retirement Fund and 5.50% for the Employees' Retirement Fund. The discount rate was determined to be equal to the long-term asset return assumption, because it is the City's contribution policy to fund the plan to avoid insolvency.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability calculated using the discount rate noted above, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower and higher than the current rate.

Employees' Retirement Fund:

	Discount Rate	Net Pension Liability (Asset)
1% decrease	4.50%	\$ 767,702
Current discount rate	5.50%	\$ 697,426
1% increase	6.50%	\$ 635,794

Policemen and Firefighter's Retirement Fund:

	Discount Rate	Net Pension Liability (Asset)
1% decrease	4.50%	\$ 1,077,956
Current discount rate	5.50%	\$ 949,368
1% increase	6.50%	\$ 835,591

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to the Employees' Retirement Fund from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on Plan investments	-	4,226
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ 4,226</u>

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to the Policemen and Firefighters' Retirement Fund from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on Plan investments	-	51,049
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ 51,049</u>

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows for Employees' Retirement Fund and the Police and Firefighters' Retirement fund:

Year ending June 30,

2021	\$	(38,312)
2022	\$	(13,011)
2023	\$	(811)
2024	\$	(3,141)

County Employees Retirement System (CERS) Pension Plan

The City of Newport is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website.

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each city, county, 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. Cost-of-living (COLA) adjustments are provided at the discretion of the state legislature.

Effective July 1, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5%, provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the cost-of-living adjustments if, in its judgment, the welfare of the Commonwealth so demands. No COLA has been granted since July 1, 2011.

Non-hazardous Benefits – For members who began contributing to CERS prior to September 1, 2008, final compensation represents the average fiscal year of earnings with the highest monthly average used when calculating your retirement benefit. Final compensation is based on the 5-high creditable compensation years with a minimum of 48 months and a minimum of five fiscal years. Final compensation is determined by dividing the total salary earned during the 5-high years by the number of months worked, then multiplying by twelve. Non-hazardous members, age 65 or older, or with 26 or more years of service are eligible to retire and receive unreduced benefits. Any non-hazardous member, age 55, with a minimum of five years of service may retire with a reduction in benefits.

For non-hazardous members who began contributing to CERS on or after September 1, 2008, any member age 57 or older, may retire with no reduction in benefits if the member's age and years of service equal 87. In addition, a member, age 65, with at least 60 months of service may retire with no reduction in benefits. A member, age 60 or older, with at least 120 months of service credit may retire at any time with a reduction of benefits.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Hazardous Benefits – For members who began contributing to CERS prior to September 1, 2008, final compensation represents the average fiscal year of earnings with the highest monthly average used when calculating your retirement benefit. Final compensation is based on the 3-high creditable compensation years with a minimum of 24 months and a minimum of three fiscal years. Final compensation is determined by dividing the total salary earned during the 3-high years by the number of months worked, then multiplying by twelve. Hazardous members, age 55 or older, or with 20 or more years of service are eligible to retire and receive unreduced benefits. Any hazardous member, age 50, with a minimum of fifteen years of service may retire with a reduction in benefits.

For hazardous members who began contributing to CERS on or after September 1, 2008, any member age 60 or older with 60 months of service or a member with 25 years of service, may retire with no reduction in benefits. A member, age 50 or older, with at least 180 months of service credit may retire at any time with a reduction of benefits.

Non-hazardous Contributions – For the year ended June 30, 2020, plan members were required to contribute 5% of their annual creditable compensation. Employees hired after September 1, 2008 were required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate.

Per Kentucky Revised Statute Section 61.565(3), 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 basis adopted by the Board. For the year ended June 30, 2020, participating employers contributed 24.06% of each employee's creditable compensation, which was the actuarially determined rate set by the Board. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described below. Plan members contributed 19.30% to the pension trust for non-hazardous job classifications. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Hazardous Contributions – For the year ended June 30, 2020, plan members were required to contribute 8% of their annual creditable compensation. Employees hired after September 1, 2008 were required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate.

Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2020, participating employers contributed 39.58% of each employee's creditable compensation, which was the actuarially determined rate set by the Board. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described below. Plan members contributed 30.06% to the pension trust for hazardous job classifications. Administrative costs of the KRS are financed through employer contributions and investment earnings.

For the year ended June 30, 2020, the City contributed \$539,825, or 100% of the required contribution for non-hazardous job classifications, and \$2,193,613, or 100% of the required contribution for hazardous job classifications. The contributions were allocated \$433,027 and \$1,665,993, respectively,

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

to the CERS pension fund and \$106,798 and \$527,620, respectively, to the CERS insurance fund. The CERS insurance fund is more fully described below.

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2020, the City reported a liability for its proportionate share of the net pension liability as follows:

Total CERS Net Pension Liability	Non-hazardous	Hazardous
<u>\$ 33,315,717</u>	<u>\$ 6,079,291</u>	<u>\$ 27,236,426</u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, and 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 entities, actuarially determined. The City's proportionate share at June 30, 2019, was as follows:

Non-hazardous	Hazardous
.0864%	.986%

The non-hazardous proportionate share at June 30, 2019, did not change from the share as of June 30, 2018. The hazardous proportionate share at June 30, 2019, decreased by .03% from the proportionate share as of June 30, 2018.

For the year ended June 30, 2020, the City recognized pension expense of \$6,823,006. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 1,312,436	\$ 25,687
Changes of assumptions	3,259,111	-
Net difference between projected and actual earnings on Plan investments	-	483,466
Changes in proportion and differences between City contributions and proportionate share of contributions	413,394	417,334
City contributions subsequent to the measurement date	<u>2,094,745</u>	<u>-</u>
Total	<u>\$ 7,079,686</u>	<u>\$ 926,487</u>

The \$2,094,745 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2021	\$ 2,870,687
2022	\$ 883,234
2023	\$ 273,029
2024	\$ 31,504

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Actuarial Assumptions – The total pension liability reported at June 30, 2019, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	2.30%
Salary increases	3.30% to 10.30%, varies by service, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

Hazardous

Inflation	2.30%
Salary increases	3.30% to 10.30%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

Mortality rates were based on the 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 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 MP-2014 Mortality Improvement Scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013. The total pension liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2019.

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

The target allocation and best estimates of nominal real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	62.50%	
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	2.60%
Liquidity	14.50%	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies	23.00%	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100.00%	6.25%

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Discount Rate – The discount rate used to measure the total pension liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The actuarially determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	Non-hazardous		Hazardous	
	Discount rate	City’s proportionate share of net pension liability	Discount rate	City’s proportionate share of net pension liability
1% decrease	5.25%	\$ 7,603,472	5.25%	\$ 34,051,644
Current discount rate	6.25%	\$ 6,079,291	6.25%	\$ 27,236,426
1% increase	7.25%	\$ 4,808,906	7.25%	\$ 21,648,930

Payable to the Pension Plan – At June 30, 2020, the City reported a payable of \$270,359 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020. The payable includes both the pension and insurance contribution allocation.

County Employees’ Retirement System (CERS) Postemployment Benefits Other Than Pensions (OPEB)

Plan Description – The City of Newport 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.

Contributions – Plan members contribute to CERS for non-hazardous and hazardous job classifications. For the year ending June 30, 2020, the employer’s contribution was 4.76% to the insurance trust for non-hazardous job classifications and 9.52% to the insurance trust for hazardous job classifications. Employees hired after September 1, 2008, were required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were 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 basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

For the year ended June 30, 2020, the City contributed \$106,798, or 100% of the required contribution for non-hazardous job classifications, and \$527,620, or 100% of the required contribution for 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

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2020, the City reported a liability for its proportionate share of the net OPEB liability as follows:

Total Net		
OPEB Liability	Non-hazardous	Hazardous
<u>\$ 8,747,120</u>	<u>\$ 1,453,495</u>	<u>\$ 7,293,625</u>

The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. 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 entities, actuarially determined. The City's proportionate share at June 30, 2019 was .0864% for non-hazardous, which is unchanged from the prior year, and .986% for hazardous, which was a decrease of .03%, respectively, compared to the proportionate share as of June 30, 2018.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

For the year ended June 30, 2020, the City recognized OPEB expense of \$1,286,678. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ -	\$ 1,795,406
Changes of assumptions	2,634,204	16,686
Net difference between projected and actual earnings on Plan investments	-	483,894
Changes in proportion and differences between City contributions and proportionate share of contributions	129,236	195,652
City contributions subsequent to the measurement date	<u>659,349</u>	<u>-</u>
Total	<u>\$ 3,422,789</u>	<u>\$ 2,491,638</u>

The \$659,349 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. This includes adjustments of \$31,209 for the nonhazardous implicit subsidy and (\$5,224) for the hazardous implicit subsidy, which are required to be recognized as deferred outflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ending June 30,

2021	\$ 448,799
2022	\$ 60,866
2023	\$ (168,714)
2024	\$ (33,126)
2025	\$ (30,751)
2026	\$ (5,272)

Actuarial Assumptions – The total OPEB liability reported at June 30, 2019, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**Non-hazardous and
Hazardous**

Inflation	2.30%
Salary increases	3.30% to 10.30%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare trend	

Pre – 65: Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.

Post – 65: Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Mortality rates were based on the 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 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 MP-2014 Mortality Improvement Scale using a base year of 2010.

The actuarial assumption used in the June 30, 2018, valuation was based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2018) to the plan's fiscal year ending June 30, 2019.

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

The target allocation and best estimates of arithmetic nominal real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	62.50%	
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	2.60%
Liquidity	14.50%	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies	23.00%	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100.00%	6.25%

Discount Rate – The discount rate used to measure the total net OPEB liability was 5.68% and 5.69% for non-hazardous and hazardous classifications, respectively. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.56%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index" as of June 28, 2019. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net OPEB liability calculated using the discount rate as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Non-hazardous		Hazardous	
	Discount rate	City's proportionate share of net OPEB liability	Discount rate	City's proportionate share of net OPEB liability
1% decrease	4.68%	\$ 1,947,085	4.69%	\$ 10,176,079
Current discount rate	5.68%	\$ 1,453,495	5.69%	\$ 7,293,625
1% increase	6.68%	\$ 1,046,809	6.58%	\$ 4,953,913

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the City's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Non-hazardous		Hazardous	
	Discount rate	City's proportionate share of net OPEB liability	Discount rate	City's proportionate share of net OPEB liability
1% decrease		\$ 1,080,972		\$ 5,075,015
Current trend rate		\$ 1,453,495		\$ 7,293,625
1% increase		\$ 1,905,224		\$ 10,000,211

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

NOTE I – DEFERRED COMPENSATION PLAN

Employees of the City may participate in the deferred compensation plan adopted under the provision of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments). Employees may also participate in a Section 401(k) adopted under the provisions of the Internal Revenue Code. The deferred compensation plan is available to all employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable financial emergency. During the year ended June 30, 2020, contributions to the 457 and 401(k) deferred compensation plans totaled \$377,986 and \$168,300, respectively.

The deferred compensation plans are administered by the Kentucky Public Employees' Deferred Compensation Authority.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE J – INTER-FUND TRANSACTIONS

A summary of the inter-fund account balances is as follows:

Receivable Funds	Payable Funds	Amount
General	Capital Projects	<u>\$ 800,000</u>
Capital Projects	General	<u>\$ 85,886</u>
Internal Service	General	<u>\$ 30,000</u>

Many of the outstanding balances between funds are short-term loans for payments of payables prior to the transfer of funds to cover such payables.

Inter-fund transfers at June 30, 2020 are as follows:

Transfer Out:	Transfer In:				Total
	General Fund	Community Development	Capital Projects	Employee Benefits	
General Fund	\$ -	\$ 2,430	\$ 333,127	\$ 285,000	\$ 620,557
Refuse Fund	<u>49,310</u>	-	-	-	<u>49,310</u>
	<u>\$ 49,310</u>	<u>\$ 2,430</u>	<u>\$ 333,127</u>	<u>\$ 285,000</u>	<u>\$ 669,867</u>

Transfers are used to (1) move debt service funds to the General Fund where all debt service is paid, (2) move funds from the fund that collected them to the fund that will be making the budgeted disbursement, or (3) to cover expenses in the internal service fund through a General Fund transfer.

NOTE K – CONTINGENT LIABILITIES

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

NOTE L – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City has obtained insurance coverage through a commercial insurance company. In addition, the City has effectively managed risk through various employee education and prevention programs through the efforts and cooperation of its risk manager and department heads.

All general liability risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred and the amount of loss can be reasonably estimated.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

The City has established a Health and Dental Self-Insurance Fund. Employees participate in the program and certain other medical insurance programs offered by the City. Under this program, the first \$30,000 of a participant's medical claim are payable by the Health and Dental Self-Insurance Fund. The City purchases insurance for claims in excess of coverage provided by the fund. The General Fund participates in the program and makes payments to the Health and Dental Fund based on estimates of the amount needed to pay current year claims. A liability for incurred but not reported claims as of June 30, 2020, has not been estimated based on the nature of the claims process. This is in accordance with the requirements of GASB Statement No. 10 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements unless such an estimate cannot be made.

The General Fund contains no provision for estimated legal claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

NOTE M – TAX ABATEMENTS

Job Development/KBI Incentive Programs

The City of Newport Jobs Development Incentive Program (JDIP) was created in 2007 to “recognize the importance of a growing and expanding economy by providing incentives for the creation of new jobs in the service, technology, and industrial sectors.” Manufacturing and technology companies and professional offices meeting the eligibility criteria may qualify for a rebate of occupational tax withholdings for up to ten years. Pursuant to Section 37.215 of the Newport City Code of Ordinances, a company must meet several eligibility criteria including the following:

- 1) It is a sole proprietorship, partnership or corporation authorized to do business in the Commonwealth of Kentucky exclusive of retail industry jobs, bars, hotels/motels or jobs in a sexually oriented business/adult entertainment business as elsewhere defined within the City's Code of Ordinances; and
- 2) It engages in industrial, service or technology activity inside the corporate limits of the City; or
- 3) It engages in the services of a licensed professional, such as, but not limited to, architects, attorneys, engineers, physicians, psychiatrists, psychologists and certified public accountants.
- 4) A project shall be eligible for employee withholdings credit only if it directly creates new jobs so as to generate employee withholdings sufficient to qualify the applicant for not less than the minimum incentive program amount.
- 5) The applicant must generate a minimum of \$250,000 in Newport taxable wages each fiscal year of the credit.

The City collects the full amount of the withholdings and, following a review of the criteria within the agreement, issues a rebate to the business. In the event of default under an employee withholdings credit agreement, the City may suspend the credit until such time as the default is cured or the City may terminate the credit. If the credit is terminated, the City may initiate legal proceedings to recover the amount of employee withholdings credited to the approved company up to the date the credit was terminated.

Kentucky's Business Investment (KBI) Program provides income tax credits and wage assessments to new and existing agribusinesses, regional and national headquarters, manufacturing companies, and non-retail service or technology related companies that locate or expand operations in Kentucky. KBI is authorized through KRS 154.32-010 through KRS 154.32-100. The City participates in Kentucky Business Investment programs with the State's Cabinet for Economic Development.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Taxes abated under this program during the year ended June 30, 2020, were as follows:

<u>Recipient</u>	<u>Program</u>	<u>Incentive Status</u>	<u>FY 2020 Amount Rebated</u>	<u>Date of KEDFA Action/City Approval</u>
Comprehensive Medical Management, LLC	JDIP	Active	\$ 4,017	6/10/2019
David J Joseph Company	JDIP	Active	32,702	8/17/2015
Defenders, Inc., aka Defender Security Co.	KBI	Final Approval	18,750	8/30/2012
Divisions, Inc.	KBI/JDIP	Final Approval	156,160	8/28/2014
Ethos Holding Corp.	KBI	Final Approval	-	12/10/2015
Fedders Construction LLC	JDIP	Active	5,726	4/23/2018
Greater Comfrot	JDIP	Active	-	4/22/2013
Harlow-HRK	JDIP	Active	57,947	9/10/2012
Healthpoint Family Care, Inc.	JDIP	Active	-	6/10/2019
New Riff Distilling, LLC	KEIA	Final Approval	-	6/30/2016
New Riff Distilling, LLC	KBI	Final Approval	-	4/27/2017
Nexigen	KDI/JDIP	Active	32,705	1/28/2013
Nimblesoft	JDIP	Active	2,654	10/20/2014
P. L. Marketing	KBI/JDIP	Final Approval	206,769	9/26/2013
Studio Vertu	JDIP	Active	4,119	10/20/2014
Tracker Products, LLC	JDIP	Active	4,864	4/13/2018
Western and Southern Life	JDIP	Active	<u>8,541</u>	8/17/2015
Total			<u>\$ 534,954</u>	

Property Assessment Moratorium

The City of Newport offers a Property Tax Assessment Moratorium for properties that meet certain eligibility standards. This program allows property owners to defer the value of building improvements from taxable assessment for a maximum period of five (5) years. Any structure that is 25 years or older that has a primary use of commercial business or is an existing residential unit may apply. This moratorium applies to ONLY City property tax. State Statutes dealing with assessment or reassessment moratorium include KRS Chapter 99, KRS 132.010, and KRS 132.190. The City's program is enabled through City Ordinance Section 37.020.

Once the application is approved by the City, it is sent to the property valuation administrator who will make an appraisal of subject property at its fair cash value as of the date of application. The applicant shall have two years in which to complete the improvements unless granted an extension by the administering agency. In no case shall it be extended beyond two additional years. Any application for a moratorium not acted upon shall be void two (2) years from the date of application and shall be removed from the files.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Taxes abated under this program during the year ended June 30, 2020, were as follows:

<u>Address</u>	<u>Approval Order</u>	<u>FY 2020 Assessment</u> <u>Value Deferred</u>	<u>Amount Abated @</u> <u>\$2.91/\$1,000</u>
1102 Brighton St	R-2018-024	\$ 10,000	\$ 29
501 Monroe St	R-2018-036	\$ 310,000	\$ 902
935 Monmouth St	R-2018-037	\$ 85,000	\$ 247
946 York St	R-2018-047	\$ 49,000	\$ 143
561 E 4th St	R-2014-006	\$ 79,000	\$ 230
730 Park Ave	R-2015-016	\$ 273,000	\$ 794
732 Park Ave	R-2015-015	\$ 353,000	\$ 1,027
728 Park Ave	R-2015-064	\$ 212,000	\$ 617
629 York St	R-2017-028	\$ 220,400	\$ 641
819 Overton St	R-2017-029	\$ 145,100	\$ 422
823 Overton St	R-2017-030	\$ 216,000	\$ 629
404 Overton St	R-2017-064	\$ 121,000	\$ 352
406 Overton St	R-2017-065	\$ 129,950	\$ 378
830 Monmouth St	R-2018-066	\$ 180,000	\$ 524
806 Monroe St	R-2017-056	\$ 78,000	\$ 227
301 E 8th St	R-2017-055	\$ 55,400	\$ 161
530 W 9th St	R-2017-054	\$ 293,750	\$ 855
40 E 9 th St	R-2017-052	\$ 116,000	\$ 338
842 Overton St	R-2018-065	\$ 361,000	\$ 1,051
734 Washington Ave.	R-2018-064	\$ 270,800	\$ 788
845 Overton St	R-2018-050	\$ 1,000	\$ 3
730 Maple Ave.	R-2018-051	\$ 168,900	\$ 492
740 Linden Ave.	R-2018-052	\$ 101,300	\$ 295
923 Monroe St	R-2018-054	\$ 139,799	\$ 407
208 E 8th St	R-2018-054	\$ 30,000	\$ 87

Industrial Revenue Bonds

Industrial Revenue Bonds (IRB) may be issued by state and local governments in Kentucky to help finance industrial buildings as defined by KRS 103.200. Bond funds may be used to finance the total project costs, including engineering, site preparation, land, buildings, machinery and equipment, and bond issuance costs.

Generally, the issuer serves as a conduit to provide a lower interest rate to the borrower, but the issuer is not obligated for debt repayment. Bondholders look to the “revenue” arising from the project to cover debt service. Bond proceeds from bond issues can be lent directly by the issuer.

KRS 103 also permits the issuer to hold title to the improvements financed with IRB proceeds. In this instance, the property owned by the issuer may be exempt from local property taxes during the duration of the bond issue. This property may also be eligible to be taxed at a reduced state rate of \$0.015 per \$100 of leasehold value, if such reduction receives the prior written approval by the Kentucky Economic Development Finance Authority (KEDFA) as required by KRS 103.210 and KRS 132.020. (See KEDFA operating procedures as it relates to this review process.) Any portions of such projects financed by private capital are subject to the full state and local property taxes applicable to private ownership.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Communities may negotiate for payments by industrial tenants to replace portions of local property taxes lost through public title to the property. These agreements are commonly referred to as Payment In Lieu of Tax (PILOT) agreements.

The City has approved the use of IRBs for and holds PILOT Agreements for the following projects that resulted in the following associated tax abatements:

<u>Project</u>	<u>FY 2020</u> <u>Abatement</u> <u>Amount</u>
South Shore	\$ 138,060
Vue 180	67,774
Academy on 4 th	2,910
Aquarium	74,918
Newport Holdings (IB Goodman)	6,873
Target	11,058
Pavilion	220,192
Monmouth Row	29,100
Aqua on the Levee/Aloft	82,707
Aloft: Airlot A4 -Hotel	32,582
Newport on the Levee	260,078
Hofbrauhaus	<u>4,343</u>
TOTAL:	<u>\$ 930,595</u>

Tax Increment Financing District

The City has created the local City Center Tax Increment Financing District north of 5th Street, in the downtown area. No taxes were abated under this program in the year ended June 30, 2020.

Property Assessed Clean Energy Financing

The City has created an Energy Project Assessment District to facilitate Property Assessed Clean Energy Projects. KY-PACE is a new program available to commercial, industrial, and multi-family building owners across the Commonwealth. PACE (Property Assessed Clean Energy) provides access to low-cost, extended term capital to finance energy efficiency and water efficiency improvements. KY-PACE is the implementation of a state law commonly called EPAD, that was adopted in 2015 (KRS 65.205), and allows a property owner to finance energy and water saving improvements through a voluntary assessment on the property. No taxes were abated under this program in the year ended June 30, 2020.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE – N – COVID-19 PANDEMIC

In early 2020, various restrictions were 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 evaluating the impact of COVID-19 and related responses on the operations and finances of the City. Restrictions placed on the local businesses 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.

The City agreed to a memorandum of understanding with the Department of Local Government (DLG) for \$1,080,034 of COVID-19 Coronavirus Relief Funds. These funds were used to reimburse fiscal year 2020 payroll expenses for public safety employees whose services were substantially dedicated to mitigating or responding to the COVID-19 public health emergency. These funds were recorded as intergovernmental revenue and accounts receivable in the General Fund for the year ended June 30, 2020.

The City entered into a memorandum of understanding with the DLG for a second round of COVID-19 Coronavirus Relief Funds in December 2020. The agreement will cover \$336,185 of COVID-19 related expenses in the year ended June 30, 2021.

REQUIRED SUPPLEMENTARY
INFORMATION

CITY OF NEWPORT, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 4,840,464	\$ 6,753,004	\$ 6,759,059	\$ 6,055
Resources (inflows):				
Taxes:				
Property	2,530,300	2,595,260	2,555,516	(39,744)
Tangible	247,970	246,320	255,354	9,034
Bank deposit	80,000	88,230	88,237	7
Licenses and permits:				
Payroll license fees	9,312,500	8,699,290	9,412,465	713,175
Insurance license fees	3,500,000	3,500,000	3,701,414	201,414
Other	1,531,100	1,342,240	1,430,605	88,365
Intergovernmental	1,024,480	1,116,740	2,170,972	1,054,232
Fines and forfeitures	122,800	204,840	224,422	19,582
Charges for services	1,045,020	928,830	966,443	37,613
Uses of property	1,018,530	1,023,800	969,967	(53,833)
Interest	10,000	45,000	43,716	(1,284)
Miscellaneous	6,000	5,850	6,648	798
Refunds and reimbursements	5,300	88,420	92,591	4,171
Transfers in	50,000	50,000	49,310	(690)
Amounts available for appropriation	<u>25,324,464</u>	<u>26,687,824</u>	<u>28,726,719</u>	<u>2,038,895</u>
Charges to appropriations (outflows):				
General Government:				
Office of City Manager:				
Personnel	864,440	892,750	1,156,228	(263,478)
Contractual	580,940	606,700	599,405	7,295
Materials and supplies	4,000	3,700	3,054	646
Other-unclassified	72,720	182,340	155,884	26,456
Total Office of City Manager	<u>1,522,100</u>	<u>1,685,490</u>	<u>1,914,571</u>	<u>(229,081)</u>
Finance and Administration:				
Personnel	632,690	596,530	564,767	31,763
Contractual	170,740	161,430	147,768	13,662
Materials and supplies	5,800	5,400	3,168	2,232
Other-unclassified	47,500	48,000	41,179	6,821
Total Finance and Administration	<u>856,730</u>	<u>811,360</u>	<u>756,882</u>	<u>54,478</u>
Total General Government	<u>\$ 2,378,830</u>	<u>\$ 2,496,850</u>	<u>\$ 2,671,453</u>	<u>\$ (174,603)</u>

CITY OF NEWPORT, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		(Continued)
Police:				
Chief's Office:				
Personnel	\$ 455,000	\$ 743,540	\$ 773,321	\$ (29,781)
Contractual	149,980	151,860	142,366	9,494
Materials and supplies	14,000	13,000	5,941	7,059
Other-unclassified	9,280	6,850	4,071	2,779
Total Chief's Office	<u>628,260</u>	<u>915,250</u>	<u>925,699</u>	<u>(10,449)</u>
Patrol:				
Personnel	4,156,420	3,725,800	3,767,542	(41,742)
Contractual	95,000	103,590	100,725	2,865
Materials and supplies	129,000	142,180	137,588	4,592
Other-unclassified	66,000	76,150	74,649	1,501
Total Patrol	<u>4,446,420</u>	<u>4,047,720</u>	<u>4,080,504</u>	<u>(32,784)</u>
Investigation:				
Personnel	383,760	496,030	493,553	2,477
Contractual	14,070	12,240	7,292	4,948
Materials and supplies	16,000	13,000	10,153	2,847
Other-unclassified	5,820	10,550	7,035	3,515
Total Investigation	<u>419,650</u>	<u>531,820</u>	<u>518,033</u>	<u>13,787</u>
Traffic:				
Personnel	273,110	257,100	259,152	(2,052)
Contractual	37,400	32,340	30,863	1,477
Materials and supplies	32,500	37,930	35,165	2,765
Other-unclassified	-	31,200	31,087	113
Total Traffic	<u>343,010</u>	<u>358,570</u>	<u>356,267</u>	<u>2,303</u>
Total Police	<u>5,837,340</u>	<u>5,853,360</u>	<u>5,880,503</u>	<u>(27,143)</u>
Fire/EMS				
Operations:				
Personnel	4,615,940	4,724,820	4,726,225	(1,405)
Contractual	228,170	260,490	239,021	21,469
Materials and supplies	105,900	116,950	100,659	16,291
Other-unclassified	24,000	45,000	21,002	23,998
Total Operations	<u>4,974,010</u>	<u>5,147,260</u>	<u>5,086,907</u>	<u>60,353</u>
South Newport:				
Contractual	12,460	16,850	15,432	1,418
Materials and supplies	1,850	1,200	278	922
Other-unclassified	1,070	1,870	1,594	276
Total South Newport	<u>15,380</u>	<u>19,920</u>	<u>17,304</u>	<u>2,616</u>
Total Fire/EMS	<u>\$ 4,989,390</u>	<u>\$ 5,167,180</u>	<u>\$ 5,104,211</u>	<u>\$ 62,969</u>

CITY OF NEWPORT, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		(Continued)
Development Services:				
Code Enforcement:				
Personnel	\$ 478,500	\$ 517,570	\$ 510,666	\$ 6,904
Contractual	265,450	288,630	228,208	60,422
Materials and supplies	22,100	20,100	12,314	7,786
Other-unclassified	40,750	40,750	17,480	23,270
Total Code Enforcement	<u>806,800</u>	<u>867,050</u>	<u>768,668</u>	<u>98,382</u>
Total Development Services	<u>806,800</u>	<u>867,050</u>	<u>768,668</u>	<u>98,382</u>
Community Services:				
Administration:				
Personnel	218,770	219,510	217,203	2,307
Contractual	13,200	11,490	9,642	1,848
Materials and supplies	2,300	2,000	742	1,258
Other-unclassified	700	700	408	292
Total Administration	<u>234,970</u>	<u>233,700</u>	<u>227,995</u>	<u>5,705</u>
Pool:				
Personnel	70,210	36,870	33,664	3,206
Contractual	40,000	30,970	23,263	7,707
Materials and supplies	23,000	15,500	12,882	2,618
Other-unclassified	16,790	890	337	553
Total Pool	<u>150,000</u>	<u>84,230</u>	<u>70,146</u>	<u>14,084</u>
Public Works:				
Personnel	1,087,870	1,028,480	1,004,467	24,013
Contractual	510,060	528,860	418,825	110,035
Materials and supplies	250,000	170,700	112,581	58,119
Other-unclassified	35,000	43,580	34,277	9,303
Total Public Works	<u>1,882,930</u>	<u>1,771,620</u>	<u>1,570,150</u>	<u>201,470</u>
Parks and Recreation:				
Contractual	128,950	119,730	110,014	9,716
Materials and supplies	53,700	25,000	12,458	12,542
Other-unclassified	6,000	11,000	6,837	4,163
Total Parks and Recreation	<u>188,650</u>	<u>155,730</u>	<u>129,309</u>	<u>26,421</u>
Total Community Services	<u>\$ 2,456,550</u>	<u>\$ 2,245,280</u>	<u>\$ 1,997,600</u>	<u>\$ 247,680</u>

CITY OF NEWPORT, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative) (Continued)
	Original	Final		
Municipal Complex:				
Contractual	\$ 216,450	\$ 204,300	\$ 188,288	\$ 16,012
Materials and supplies	13,000	11,200	8,593	2,607
Other-unclassified	14,610	35,540	32,415	3,125
Total Municipal Complex	<u>244,060</u>	<u>251,040</u>	<u>229,296</u>	<u>21,744</u>
Capital Outlay:				
General government	15,000	-	-	-
Police	175,000	308,550	305,473	3,077
Fire/EMS	653,000	849,200	602,862	246,338
Development Services	25,000	106,700	103,515	3,185
Community services	275,000	614,500	398,293	216,207
Municipal complex	750,000	1,147,420	1,147,417	3
Total Capital Outlay	<u>1,893,000</u>	<u>3,026,370</u>	<u>2,557,560</u>	<u>468,810</u>
Debt Service:				
Principal	2,200,550	2,014,850	2,014,828	22
Interest	627,130	594,430	594,398	32
Total Debt Service	<u>2,827,680</u>	<u>2,609,280</u>	<u>2,609,226</u>	<u>54</u>
Transfers out	<u>715,000</u>	<u>745,800</u>	<u>620,557</u>	<u>125,243</u>
Total charges to appropriations	<u>22,148,650</u>	<u>23,262,210</u>	<u>22,439,074</u>	<u>823,136</u>
Other financing sources (uses):				
Other financing use - cost of debt issuance	(7,500)	(9,900)	(9,900)	-
Other financing source - bond proceeds	1,940,000	2,350,000	2,350,000	-
Budgetary fund balance, June 30	<u>\$ 5,108,314</u>	<u>\$ 5,765,714</u>	<u>\$ 8,627,745</u>	<u>\$ 2,862,031</u>

CITY OF NEWPORT, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT FUND
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balances, July 1	\$ 323,657	\$ 283,429	\$ 283,429	\$ -
Resources (inflows):				
Intergovernmental	469,150	518,810	415,616	(103,194)
Interest	350	1,300	1,314	14
Miscellaneous	5,000	21,900	21,133	(767)
Transfers in	50,000	5,800	2,430	(3,370)
Amounts available for appropriation	<u>848,157</u>	<u>831,239</u>	<u>723,922</u>	<u>(107,317)</u>
Charges to appropriations (outflows):				
Hamlet Row	469,150	518,810	415,616	103,194
Emergency Business Assistance	-	16,500	13,500	3,000
Tree Fund	5,000	21,900	21,822	78
South Bank	45,000	-	-	-
Other	-	6,000	3,693	2,307
Façade Improvement	285,500	196,500	182,112	14,388
Total charges to appropriation	<u>804,650</u>	<u>759,710</u>	<u>636,743</u>	<u>122,967</u>
Budgetary fund balances, June 30	<u>\$ 43,507</u>	<u>\$ 71,529</u>	<u>\$ 87,179</u>	<u>\$ 15,650</u>

CITY OF NEWPORT, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 809,965	\$ 1,141,335	\$ 1,141,335	\$ -
Resources (inflows):				
Intergovernmental	2,524,320	1,307,090	1,124,439	(182,651)
Refunds and reimbursements	93,400	163,850	121,888	(41,962)
Interest	350	12,000	11,010	(990)
Transfers in	<u>315,000</u>	<u>315,000</u>	<u>333,127</u>	<u>18,127</u>
Amounts available for appropriation	<u>3,743,035</u>	<u>2,939,275</u>	<u>2,731,799</u>	<u>(207,476)</u>
Charges to appropriations (outflows):				
Community services	-	-	206,742	(206,742)
Capital project expenditures:				
Street improvement program	1,804,930	883,000	858,914	24,086
Public service facility	219,260	247,000	109,803	137,197
Parks improvement program	1,508,650	1,398,290	1,159,397	238,893
Floodwall repairs and upgrades	<u>156,860</u>	<u>54,560</u>	<u>1,624</u>	<u>52,936</u>
Total charges to appropriation	<u>3,689,700</u>	<u>2,582,850</u>	<u>2,336,480</u>	<u>246,370</u>
Budgetary fund balances, June 30	<u>\$ 53,335</u>	<u>\$ 356,425</u>	<u>\$ 395,319</u>	<u>\$ 38,894</u>

CITY OF NEWPORT, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
TIF FUND
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 31,640	\$ 31,515	31,515	\$ -
Resources (inflows):				
Property tax	124,500	42,500	42,502	2
Interest	-	-	362	362
Amounts available for appropriation	<u>156,140</u>	<u>74,015</u>	<u>74,379</u>	<u>364</u>
Charges to appropriations (outflows):				
Other expenses	-	-	640	(640)
Total charges to appropriation	<u>-</u>	<u>-</u>	<u>640</u>	<u>(640)</u>
Budgetary fund balances, June 30	<u>\$ 156,140</u>	<u>\$ 74,015</u>	<u>\$ 73,739</u>	<u>\$ (276)</u>

CITY OF NEWPORT, KENTUCKY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
EMPLOYEES' RETIREMENT FUND
LAST SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability							
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	36,933	51,105	53,487	40,195	81,914	94,516	96,307
Changes of benefit terms	-	23,933	61,745	-	-	44,114	73,370
Difference between expected and actual experience	57,813	(231,348)	(31,853)	(19,651)	(63,950)	(189,829)	(280,842)
Change in assumptions	(168,725)	32,430	(28,727)	(185,356)	261,386	195,572	310,707
Benefit payments	<u>(138,402)</u>	<u>(155,218)</u>	<u>(184,420)</u>	<u>(186,744)</u>	<u>(201,430)</u>	<u>(226,777)</u>	<u>(243,758)</u>
Net change in total pension liability	(212,381)	(279,098)	(129,768)	(351,556)	77,920	(82,404)	(44,216)
Total pension liability - beginning	<u>1,237,417</u>	<u>1,516,515</u>	<u>1,646,283</u>	<u>1,997,839</u>	<u>1,919,919</u>	<u>2,002,323</u>	<u>2,046,539</u>
Total pension liability - ending	1,025,036	1,237,417	1,516,515	1,646,283	1,997,839	1,919,919	2,002,323
Plan fiduciary net position							
Contributions:							
Employer	250,000	-	-	-	-	-	-
Employee	-	-	-	-	-	-	-
Net investment income	(108)	9,079	32,108	38,157	(28,637)	(18,699)	116,640
Benefit payments	(138,402)	(155,218)	(184,420)	(186,744)	(201,430)	(226,777)	(243,758)
Administrative expense	(3,700)	(7,200)	(3,600)	-	-	-	-
Refunds of contributions	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	107,790	(153,339)	(155,912)	(148,587)	(230,067)	(245,476)	(127,118)
Plan fiduciary net position - beginning	<u>219,820</u>	<u>373,159</u>	<u>529,071</u>	<u>677,658</u>	<u>907,725</u>	<u>1,153,201</u>	<u>1,280,319</u>
Plan fiduciary net position - ending	<u>327,610</u>	<u>219,820</u>	<u>373,159</u>	<u>529,071</u>	<u>677,658</u>	<u>907,725</u>	<u>1,153,201</u>
Net pension liability - ending	<u>\$ 697,426</u>	<u>\$ 1,017,597</u>	<u>\$ 1,143,356</u>	<u>\$ 1,117,212</u>	<u>\$ 1,320,181</u>	<u>\$ 1,012,194</u>	<u>\$ 849,122</u>
Plan fiduciary net position as a % of total pension liability	31.96%	17.76%	24.61%	32.14%	33.92%	47.28%	57.59%
Covered employee payroll	-	-	-	-	-	-	-
Net pension liability as a % of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**CITY OF NEWPORT, KENTUCKY
SCHEDULE OF CONTRIBUTIONS
EMPLOYEES' RETIREMENT FUND
LAST SEVEN FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 86,342	\$ 86,342	\$ 71,552	\$ 71,552	\$ 51,289	\$ 51,289	\$ 58,344
Contributions in relation to actuarially determined contribution	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ (163,658)</u>	<u>\$ 86,342</u>	<u>\$ 71,552</u>	<u>\$ 71,552</u>	<u>\$ 51,289</u>	<u>\$ 51,289</u>	<u>\$ 58,344</u>
Covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes

Note 1: Valuation Date: Actuarially determined contribution rates are calculated as of July 1st following the fiscal year end in which the contributions are reported.

Note 2: Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level, closed
Remaining amortization period	20 years
Asset valuation method	Market value
Cost of Living increase	0.00%
Salary increases	N/A
Investment rate of return	5.50%
Retirement age	65 years old
Mortality	In the 2020 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the MP-2020 Mortality Tables.

CITY OF NEWPORT, KENTUCKY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
POLICEMEN AND FIREFIGHTERS' RETIREMENT FUND
LAST SEVEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	80,333	96,279	106,638	91,182	167,421	193,347	205,401
Changes of benefit terms	-	44,613	91,129	-	-	56,156	62,846
Difference between expected and actual experience	(215,396)	(8,450)	(109,757)	15,759	17,761	(24,766)	(106,169)
Change in assumptions	(185,958)	84,863	(27,342)	(222,269)	477,015	432,511	55,493
Benefit payments	<u>(283,516)</u>	<u>(303,070)</u>	<u>(323,796)</u>	<u>(353,910)</u>	<u>(364,585)</u>	<u>(365,887)</u>	<u>(392,370)</u>
Net change in total pension liability	(604,537)	(85,765)	(263,128)	(469,238)	297,612	291,361	(174,799)
Total pension liability - beginning	<u>2,545,765</u>	<u>2,631,530</u>	<u>2,894,658</u>	<u>3,363,896</u>	<u>3,066,284</u>	<u>2,774,923</u>	<u>2,949,722</u>
Total pension liability - ending	1,941,228	2,545,765	2,631,530	2,894,658	3,363,896	3,066,284	2,774,923
Plan fiduciary net position							
Contributions:							
Employer	-	-	-	-	-	-	-
Employee	-	-	-	-	-	-	-
Net investment income	60,389	41,428	104,280	150,409	(35,616)	(70,036)	286,710
Benefit payments	(283,516)	(303,070)	(323,796)	(353,910)	(364,585)	(365,887)	(392,370)
Administrative expense	(3,700)	(7,200)	(3,600)	-	-	-	-
Refunds of contributions	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Net change in plan fiduciary net position	(226,827)	(268,842)	(223,116)	(203,501)	(400,201)	(435,923)	(105,660)
Plan fiduciary net position - beginning	<u>1,218,687</u>	<u>1,487,529</u>	<u>1,710,645</u>	<u>1,914,146</u>	<u>2,314,347</u>	<u>2,750,270</u>	<u>2,855,930</u>
Plan fiduciary net position - ending	<u>991,860</u>	<u>1,218,687</u>	<u>1,487,529</u>	<u>1,710,645</u>	<u>1,914,146</u>	<u>2,314,347</u>	<u>2,750,270</u>
Net pension liability - ending	<u>\$ 949,368</u>	<u>\$ 1,327,078</u>	<u>\$ 1,144,001</u>	<u>\$ 1,184,013</u>	<u>\$ 1,449,750</u>	<u>\$ 751,937</u>	<u>\$ 24,653</u>
Plan fiduciary net position as a % of total pension liability	51.09%	47.87%	56.53%	59.10%	56.90%	75.48%	99.11%
Covered employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability as a % of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

CITY OF NEWPORT, KENTUCKY
SCHEDULE OF CONTRIBUTIONS
POLICEMEN AND FIREFIGHTERS' RETIREMENT FUND
LAST SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 77,709	\$ 77,709	\$ 70,409	\$ 70,409	\$ 1,528	\$ 1,528	\$ 1,691
Contributions in relation to actuarially determined contribution	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ 77,709</u>	<u>\$ 77,709</u>	<u>\$ 70,409</u>	<u>\$ 70,409</u>	<u>\$ 1,528</u>	<u>\$ 1,528</u>	<u>\$ 1,691</u>
Covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

Note 1: Valuation Date: Actuarially determined contribution rates are calculated as of July 1st following the fiscal year end in which the contributions are reported.

Note 2: Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level, closed
Remaining amortization period	20 years
Asset valuation method	Market value
Cost of Living increase	0.00%
Salary increases	N/A
Investment rate of return	5.50%
Retirement age	65 years old
Mortality	In the 2020 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the MP-2020 Mortality Tables.

CITY OF NEWPORT, KENTUCKY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM - NON-HAZARDOUS
LAST SIX FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.0864%	0.0864%	0.0874%	0.0799%	0.078%	0.075%
City's proportionate share of the net pension liability (asset)	\$ 6,079,291	\$ 5,261,110	\$ 5,114,269	\$ 3,933,909	\$ 3,363,394	\$ 2,422,504
City's covered payroll	\$ 2,196,114	\$ 2,137,147	\$ 2,113,469	\$ 1,904,886	\$ 1,803,394	\$ 1,712,734
City's share of the net pension liability (asset) as a percentage of its covered payroll	276.82%	246.17%	241.98%	206.52%	186.50%	141.44%
Plan fiduciary net position as a percentage of the total pension liability	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%

Notes:

The above schedule will present 10 years of historical data, once available.

The measurement date of the net pension liability is one year preceding the fiscal year of the City.

The City's covered payroll reported above is payroll for the corresponding measurement date of the net pension liability and differs from the City's fiscal year payroll reported on the Schedule of Contributions.

CITY OF NEWPORT, KENTUCKY
SCHEDULE OF CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM - NON-HAZARDOUS
LAST SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 433,027	\$ 356,209	\$ 312,505	\$ 296,868	\$ 237,299	\$ 229,933	\$ 235,329
Contributions in relation to actuarially determined contribution	<u>433,027</u>	<u>356,209</u>	<u>312,505</u>	<u>296,868</u>	<u>237,299</u>	<u>229,933</u>	<u>235,329</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered payroll	 \$ 2,221,509	 \$ 2,196,114	 \$ 2,137,147	 \$ 2,113,469	 \$ 1,904,886	 \$ 1,803,394	 \$ 1,712,734
Contributions as a percentage of covered payroll	19.49%	16.22%	14.62%	14.05%	12.46%	12.75%	13.74%

Notes:

The above schedule will present 10 years of historical data, once available.

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

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated directly to the insurance fund of the CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

CITY OF NEWPORT, KENTUCKY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM - HAZARDOUS
LAST SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.9860%	1.0160%	0.9690%	0.9487%	0.944%	0.934%
City's proportionate share of the net pension liability (asset)	\$ 27,236,426	\$ 24,570,432	\$ 21,679,786	\$ 16,279,790	\$ 14,493,582	\$ 11,230,216
City's covered payroll	\$ 5,600,682	\$ 5,654,339	\$ 5,316,819	\$ 4,929,315	\$ 4,817,366	\$ 4,775,916
City's share of the net pension liability (asset) as a percentage of its covered payroll	486.31%	434.54%	407.76%	330.26%	300.86%	235.14%
Plan fiduciary net position as a percentage of the total pension liability	46.63%	49.26%	49.78%	53.95%	57.52%	63.46%

Notes:

The above schedule will present 10 years of historical data, once available.

The measurement date of the net pension liability is one year preceding the fiscal year of the City.

The City's covered payroll reported above is payroll for the corresponding measurement date of the net pension liability and differs from the City's fiscal year payroll reported on the Schedule of Contributions.

**CITY OF NEWPORT, KENTUCKY
SCHEDULE OF CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM - HAZARDOUS
LAST SIX FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 1,665,993	\$ 1,392,890	\$ 1,255,263	\$ 1,154,842	\$ 999,305	\$ 1,005,520	\$ 1,041,523
Contributions in relation to actuarially determined contribution	<u>1,665,993</u>	<u>1,392,890</u>	<u>1,255,263</u>	<u>1,154,842</u>	<u>999,305</u>	<u>1,005,520</u>	<u>1,041,523</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,542,227	\$ 5,600,682	\$ 5,654,339	\$ 5,316,819	\$ 4,929,315	\$ 4,817,366	\$ 4,775,916
Contributions as a percentage of covered payroll	30.06%	24.87%	22.20%	21.72%	20.27%	20.87%	21.81%

Notes:

The above schedule will present 10 years of historical data, once available.

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

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated directly to the insurance fund of the CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

CITY OF NEWPORT, KENTUCKY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM - NON-HAZARDOUS
LAST FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.0864%	0.0864%	0.0874%	0.0799%
City's proportionate share of the net OPEB liability (asset)	\$ 1,453,495	\$ 1,533,677	\$ 1,756,516	\$ 1,377,759
City's covered payroll	\$ 2,196,114	\$ 2,137,147	\$ 2,113,469	\$ 1,904,886
City's share of the net OPEB liability (asset) as a percentage of its covered payroll	66.18%	71.76%	83.11%	72.33%
Plan fiduciary net position as a percentage of the total OPEB liability	60.44%	57.62%	52.39%	unavailable

Notes:

The above schedule will present 10 years of historical data, once available.

The measurement date of the net OPEB liability is one year preceding the fiscal year of the City.

The City's covered payroll reported above is payroll for the corresponding measurement date of the net OPEB liability and differs from the City's fiscal year payroll reported on the Schedule of Contributions.

CITY OF NEWPORT, KENTUCKY
SCHEDULE OF OPEB CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM - NON-HAZARDOUS
LAST SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required employer contribution	\$ 106,798	\$ 115,516	\$ 101,434	\$ 100,658	\$ 88,653	\$ 88,727	\$ 88,206
Contributions relative to contractually required employer contribution	<u>106,798</u>	<u>115,516</u>	<u>101,434</u>	<u>100,658</u>	<u>88,653</u>	<u>88,727</u>	<u>88,206</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,221,509	\$ 2,196,114	\$ 2,137,147	\$ 2,113,469	\$ 1,904,886	\$ 1,803,394	\$ 1,712,734
Employer contributions as a percentage of covered payroll	4.81%	5.26%	4.75%	4.76%	4.65%	4.92%	5.15%

Notes:

The above schedule will present 10 years of historical data, once available.

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

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated directly to the pension fund of the CERS. The above contributions only include those contributions allocated directly to the CERS insurance fund.

CITY OF NEWPORT, KENTUCKY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM - HAZARDOUS
LAST FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.9860%	1.0160%	0.9690%	0.9487%
City's proportionate share of the net OPEB liability (asset)	\$ 7,293,625	\$ 7,243,754	\$ 8,010,654	\$ 4,786,659
City's covered payroll	\$ 5,600,682	\$ 5,654,339	\$ 5,316,819	\$ 4,929,315
City's share of the net OPEB liability (asset) as a percentage of its covered payroll	130.23%	128.11%	150.67%	97.11%
Plan fiduciary net position as a percentage of the total OPEB liability	64.44%	64.24%	58.99%	unavailable

Notes:

The above schedule will present 10 years of historical data, once available.

The measurement date of the net OPEB liability is one year preceding the fiscal year of the City.

The City's covered payroll reported above is payroll for the corresponding measurement date of the net OPEB liability and differs from the City's fiscal year payroll reported on the Schedule of Contributions.

**CITY OF NEWPORT, KENTUCKY
SCHEDULE OF OPEB CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM - HAZARDOUS
LAST SEVEN FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required employer contribution	\$ 527,620	\$ 586,391	\$ 528,681	\$ 497,364	\$ 625,922	\$ 658,706	\$ 666,441
Contributions relative to contractually required employer contribution	<u>527,620</u>	<u>586,391</u>	<u>528,681</u>	<u>497,364</u>	<u>625,922</u>	<u>658,706</u>	<u>666,441</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 5,542,227	\$ 5,600,682	\$ 5,654,339	\$ 5,316,819	\$ 4,929,315	\$ 4,817,366	\$ 4,775,916
Employer contributions as a percentage of covered payroll	9.52%	10.47%	9.35%	9.35%	12.70%	13.67%	13.95%

Notes:

The above schedule will present 10 years of historical data, once available.

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

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated directly to the pension fund of the CERS. The above contributions only include those contributions allocated directly to the CERS insurance fund.

CITY OF NEWPORT, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

1. GENERAL INFORMATION

Contributions

Contractually required employer contributions reported on the Schedule of Pension Contributions 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 OPEB Contributions.

Payroll

The City's covered payroll reported on the Proportionate Share of the Net Pension Liability and the Proportionate Share of the Net OPEB Liability Schedules is one year prior to the City's fiscal year payroll as reported on the Schedule of Contributions for Pension and OPEB.

2. CHANGES OF ASSUMPTIONS

June 30, 2020 – Pension and OPEB Hazardous and Nonhazardous

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

- The assumed rate of salary increases was increased from 3.05% to 3.3% to 10.3% on average for non-hazardous and 3.05% to 3.55% to 19.05% on average for hazardous.

June 30, 2019 – Pension and OPEB – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018 for either pension or OPEB.

June 30, 2018 – Pension – Hazardous and Nonhazardous

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

- The assumed rate of return was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.3%.
- Payroll growth assumption was reduced from 4% to 2%

June 30, 2017 – Pension and OPEB – Hazardous and Nonhazardous

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

CITY OF NEWPORT, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2016 – Pension – Hazardous and Nonhazardous

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

- The assumed rate of return was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.5% to 3.25%.
- The assumed rate of wage inflation was reduced from 1% to .75%.
- Payroll growth assumption was reduced from 4.5% to 4%.
- Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females).
- For Disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.

June 30, 2015 – Pension – Hazardous and Nonhazardous

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 – Hazardous and Nonhazardous

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

- The assumed rate of return was 7.75%.
- The assumed rate of inflation was 3.5%.
- The assumed rate of wage inflation was 1%.
- Payroll growth assumption was 4.5%.
- 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.

SUPPLEMENTARY INFORMATION

CITY OF NEWPORT, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2020

Federal Agency	Federal Grantor/Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
HUD	Passed through Commonwealth of Kentucky Community Development Block Grant - Department for Local Government State-Administered Small Cities Program Newport Homeownership Development	14.228	15-033 17-040	\$ 2,000 <u>413,616</u> 415,616
DOT	Passed through Kentucky Transportation Cabinet Highway Planning and Construction Grant Carother's Road Redesign	20.205	PO2-625-1600003827	540
DOT	Passed through Kentucky Transportation Cabinet Highway Planning and Construction Grant Riverfront Commons Bicycle and Pedestrian Corridor	20.205	PO2-625-1700004459	907,017
DOT	Passed through Kentucky Transportation Cabinet Highway Planning and Construction Grant US 27 South Monmouth Phases I and II	20.205	PO2-625-1600003827	165,881
DOT	Passed through Kentucky Transportation Cabinet Highway Planning and Construction Grant Red Bike Stations	20.205	PO2-625-1900001594	106,636
DOT	Passed through Kentucky Transportation Cabinet Division of Highway Safety Programs Law Enforcement Overtime	20.600	PO2-625-170000561	7,951
DOI	Passed through Kentucky Heritage Council Historic Preservation Fund Grants-in-Aid	15.904	SC-410-1900000137	11,000
EOP	Passed through Kentucky Transportation Cabinet Northern Kentucky Drug Strike Force	95.001	G19OH0003A	15,739
TREAS	Passed through Kentucky Department of Local Government CARES - COVID 19 Relief Fund	21.019	PON2 112 2100000153	<u>1,080,034</u>
Total Federal Expenditures:				<u>\$ 2,710,414</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Newport, Kentucky and is presented on the accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in, or used in the preparation of, the basic financial statements may differ from those numbers.

Note 2 - Indirect Cost Rates

The City did not elect to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.

Note 3 - Subrecipient Pass Through

The City did not pass through any funds to subrecipients.



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

To the Honorable Mayor and
Members of the Commission
City of Newport, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newport, Kentucky, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Newport, Kentucky's basic financial statements, and have issued our report thereon dated December 31, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Newport, Kentucky's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Newport, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Newport, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Newport, 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

RFH

RFH, PLLC
Lexington, Kentucky
December 31, 2020



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Mayor and
Members of the Commission
City of Newport, Kentucky

Report on Compliance for Each Major Federal Program

We have audited the City of Newport, Kentucky's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Newport, Kentucky's major federal programs for the year ended June 30, 2020. The City of Newport, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Newport, Kentucky, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

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

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

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

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

RFH

RFH, PLLC
Lexington, Kentucky
December 31, 2020

CITY OF NEWPORT, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2020

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified ___ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses ___ Yes X None reported

Non-compliance material to financial statements noted ___ Yes X No

Federal Awards:

Internal control over major programs:

Material weaknesses identified ___ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses ___ Yes X None reported

Type of auditors' report issued on compliance for major programs:

Unmodified for all major programs.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

___ Yes X No

Major Program:

CFDA Numbers

Name of Federal Program or Cluster

20.205

Highway Planning and Construction Cluster

21.019

CARES - Coronavirus Relief Fund

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

\$ 750,000

Auditee qualified as a low-risk auditee?

___ Yes X No

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

NONE REPORTED

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE REPORTED

IV. PRIOR AUDIT FINDINGS

NONE REPORTED

STATISTICAL SECTION

STATISTICAL SECTION NARRATIVE

The Statistical Section of the City of Newport's Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding the information in the financial statements, notes and supplementary information as it pertains to the overall financial health of the City.

Section 1: Financial Trend Data:

Pages 97– 101

These tables contain trend information to help the reader understand how the City's financial status has changed in recent years.

Section 2: Revenue Capacity:

Pages 102 – 106

These tables contain information to help the reader assess the City's most significant local sources of revenue.

Section 3: Debt Capacity:

Pages 107 – 111

These tables include information to help the reader assess the affordability of the City's current outstanding debt and its ability to issue additional debt in the future.

Section 4: Demographic and Economic Information:

Page 112

This table shows demographic and economic indicators to help the reader understand the local environment in which the City's financial activities take place.

Section 5: Operating Information:

Pages 113 – 115

These tables contain service and infrastructure data to help the reader understand how the information contained in this report relates to the City's services and activities.

CITY OF NEWPORT, KENTUCKY
NET POSITION BY COMPONENT
Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities										
Net investment in capital assets	\$ 171,645	\$ 2,033,413	\$ 4,268,083	\$ 7,779,586	\$ 10,492,966	\$ 11,317,581	\$ 12,675,293	\$ 12,989,261	\$ 14,242,797	\$ 15,692,724
Restricted	464,478	2,126,793	1,351,158	35,464	81,193	4,141,909	3,293,973	1,631,794	2,782,359	2,582,966
Unrestricted	966,916	821,010	673,121	(12,272,560)	(12,858,460)	(17,217,833)	(22,336,744)	(24,393,369)	(30,148,591)	(32,638,130)
Total governmental activities net position	\$ 1,603,039	\$ 4,981,216	\$ 6,292,362	\$ (4,457,510)	\$ (2,284,301)	\$ (1,758,343)	\$ (6,367,478)	\$ (9,772,314)	\$ (13,123,435)	\$ (14,362,440)
Business-type activities										
Net investment in capital assets	\$ 436,766	\$ 1,855,533	\$ 1,524,302	\$ 1,839,167	\$ 1,726,037	\$ 2,052,781	\$ 2,099,182	\$ 2,429,487	\$ 67,667	\$ 73,684
Restricted	5,675,216	6,183,375	8,056,299	4,865,770	4,517,219	4,283,578	4,390,759	4,272,209	-	-
Unrestricted	831,923	782,140	319,735	(48,063)	71,938	127,019	117,399	361,196	369,441	426,236
Total business-type activities net position	\$ 6,943,905	\$ 8,821,048	\$ 9,900,336	\$ 6,656,874	\$ 6,315,194	\$ 6,463,378	\$ 6,607,340	\$ 7,062,892	\$ 437,108	\$ 499,920
Primary government										
Net investment in capital assets	\$ 608,411	\$ 3,888,946	\$ 5,792,385	\$ 9,618,753	\$ 12,219,003	\$ 13,370,362	\$ 14,774,475	\$ 15,418,748	\$ 14,310,464	\$ 15,766,408
Restricted	6,139,694	8,310,168	9,407,457	4,901,234	4,598,412	8,425,487	7,684,732	5,904,003	2,782,359	2,582,966
Unrestricted	1,798,839	1,603,150	992,856	(12,320,623)	(12,786,522)	(17,090,814)	(22,219,345)	(24,032,173)	(29,779,150)	(32,211,894)
Total primary government net position	\$ 8,546,944	\$ 13,802,264	\$ 16,192,698	\$ 2,199,364	\$ 4,030,893	\$ 4,705,035	\$ 239,862	\$ (2,709,422)	\$ (12,686,327)	\$ (13,862,520)

Note: Net position for 2015 and 2014 is shown with a restatement due to the implementation of GASB 68. Net position for 2017 is shown with a restatement for GASB 75.

CITY OF NEWPORT, KENTUCKY
CHANGES IN NET POSITION
Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental activities:										
General government	\$ 1,778,054	\$ 1,499,391	\$ 1,747,163	\$ 1,811,096	\$ 1,829,592	\$ 2,961,163	\$ 3,856,204	\$ 2,614,472	\$ 2,440,244	\$ 2,798,162
Police	5,794,501	4,411,540	4,958,910	4,864,165	4,973,609	5,438,311	5,541,681	7,356,908	8,084,358	8,295,344
Fire/EMS	4,524,310	3,928,970	4,287,637	4,325,418	4,451,947	5,272,373	5,253,734	6,571,753	7,407,263	7,682,292
Development services	1,762,281	806,179	699,017	1,712,783	708,249	809,960	1,542,152	1,672,674	998,908	1,581,271
Community services	2,574,489	2,208,272	2,587,440	3,124,678	2,987,731	3,233,087	3,164,224	3,805,036	3,461,304	3,585,638
Municipal complex	313,053	348,160	346,430	307,821	347,091	310,673	290,707	276,632	314,084	387,633
Interest on long-term debt	1,195,131	1,131,534	1,059,359	974,019	794,518	760,692	614,309	602,544	579,698	575,337
Total governmental activities expenses	17,941,819	14,334,046	15,685,956	17,119,980	16,092,737	18,786,259	20,263,011	22,900,019	23,285,859	24,905,677
Business-type activities:										
Refuse	1,018,014	1,078,905	1,084,372	1,112,668	1,124,065	1,216,349	1,234,511	1,258,339	1,368,960	1,351,929
Newport on the Levee	6,117,063	5,779,336	5,996,105	8,514,839	5,511,513	5,320,849	5,116,313	4,952,761	728,808	-
Total business-type activities expenses	7,135,077	6,858,241	7,080,477	9,627,507	6,635,578	6,537,198	6,350,824	6,211,100	2,097,768	1,351,929
Total primary government expenses	\$ 25,076,896	\$ 21,192,287	\$ 22,766,433	\$ 26,747,487	\$ 22,728,315	\$ 25,323,457	\$ 26,613,835	\$ 29,111,119	\$ 25,383,627	\$ 26,257,606
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 213,501	\$ 391,529	\$ 261,166	\$ 231,970	\$ 236,143	\$ 239,634	\$ 248,633	\$ 273,146	\$ 283,185	\$ 282,878
Police	292,558	806,560	338,300	242,472	279,813	342,751	297,510	391,197	340,209	289,121
Fire/EMS	499,237	934,907	457,831	477,499	534,085	496,695	475,917	409,710	439,248	410,481
Development services	-	62,337	12,885	15,055	25,732	28,754	43,988	80,101	140,791	155,665
Community services	157,893	219,322	121,603	50,139	79,111	48,430	88,383	103,242	38,759	36,854
Municipal complex	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	657,100	673,362	1,158,359	1,098,265	1,141,755	968,693	897,990	1,021,208	960,467	2,182,660
Capital grants and contributions	2,159,270	1,896,717	1,813,415	4,176,657	586,025	1,028,185	1,486,750	570,609	223,444	1,541,305
Total governmental activities program revenues	3,979,559	4,984,734	4,163,559	6,292,057	2,882,664	3,153,142	3,539,171	2,849,213	2,426,103	4,898,964
Business-type activities:										
Charges for services:										
Refuse	1,103,387	1,149,023	1,211,843	1,234,637	1,287,365	1,350,209	1,384,000	1,326,446	1,392,280	1,458,547
Newport on the Levee	7,509,365	7,321,280	7,507,103	4,525,184	4,746,981	5,077,473	4,921,279	5,073,657	2,530,242	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	8,612,752	8,470,303	8,718,946	5,759,821	6,034,346	6,427,682	6,305,279	6,400,103	3,922,522	1,458,547
Total primary government program revenues	\$ 12,592,311	\$ 13,455,037	\$ 12,882,505	\$ 12,051,878	\$ 8,917,010	\$ 9,580,824	\$ 9,844,450	\$ 9,249,316	\$ 6,348,625	\$ 6,357,511

CITY OF NEWPORT, KENTUCKY
CHANGES IN NET POSITION
Last Ten Fiscal Years

	(Continued)									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net (Expense)/Revenue										
Governmental activities	\$ (13,962,260)	\$ (9,349,312)	\$ (11,522,397)	\$ (10,827,923)	\$ (13,210,073)	\$ (15,633,117)	\$ (16,723,840)	\$ (20,050,806)	\$ (20,859,756)	\$ (20,006,713)
Business-type activities	1,477,675	1,612,062	1,638,469	(3,867,686)	(601,232)	(109,516)	(45,545)	189,003	1,824,754	106,618
Total primary government net (expense)/revenue	\$ (12,484,585)	\$ (7,737,250)	\$ (9,883,928)	\$ (14,695,609)	\$ (13,811,305)	\$ (15,742,633)	\$ (16,769,385)	\$ (19,861,803)	\$ (19,035,002)	\$ (19,900,095)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes, levied for general purposes	\$ 1,721,021	\$ 1,980,029	\$ 1,953,820	\$ 3,727,354	\$ 2,590,894	\$ 2,038,779	\$ 2,133,032	\$ 2,252,282	\$ 2,315,224	\$ 2,593,543
Taxes, levied for bank deposits	58,323	49,251	50,839	61,721	61,426	64,964	67,447	67,447	79,838	88,237
Tangible	213,579	229,851	254,259	252,477	272,173	280,160	222,681	222,681	254,202	255,354
Payroll	5,055,781	4,960,332	4,887,904	5,276,794	5,724,313	6,201,961	6,623,813	6,720,680	6,950,028	7,072,492
Gross receipts franchise	1,412,842	1,435,960	1,590,134	1,671,196	1,885,917	2,026,947	1,771,847	1,992,322	2,290,004	2,339,973
Insurance premiums	2,515,644	2,268,680	2,763,745	2,981,708	2,943,775	2,861,193	3,122,632	3,364,978	3,523,253	3,701,414
Other permits	539,701	580,911	621,522	631,232	760,895	579,216	650,769	611,517	617,310	1,430,605
Franchise fees	722,659	698,698	651,868	701,437	667,857	574,829	595,515	603,247	650,980	601,649
Other uses of property	845,530	490,683	445,329	517,532	483,249	1,413,721	2,368,475	428,606	681,811	368,318
Grants and contributions - non-program specific	67,939	38,192	15,645	-	-	-	-	-	-	-
Interest	1,633	2,216	2,124	2,559	3,937	4,191	8,560	25,313	62,727	57,064
Miscellaneous	25,124	12,470	13,814	13,385	3,785	35,757	85,596	52,644	54,486	182,832
Gain (loss) on sale of capital assets	-	-	-	(49,000)	-	(1,000)	15,853	259,582	(18,197)	26,917
Transfers	(41,381)	(19,784)	(17,585)	(16,788)	(14,939)	47,257	48,700	44,671	46,969	49,310
Transfers from (to) component unit	-	-	-	-	-	31,100	(45,000)	-	-	-
Prior period adjustment	-	-	(399,875)	-	-	-	-	-	-	-
Total governmental activities	13,138,395	12,727,489	12,833,543	15,771,607	15,383,282	16,159,075	17,669,920	16,645,970	17,508,635	18,767,708
Business-type activities:										
Interest	304,436	305,297	303,561	304,395	304,613	304,957	308,288	311,220	142,345	5,504
Gain (loss) on sale of capital assets	-	-	-	-	-	-	-	-	(2,311,069)	-
Transfer out to NOL developer	-	-	-	-	-	-	-	-	(6,234,845)	-
Transfers	(38,619)	(40,216)	(42,415)	(43,212)	(45,061)	(47,257)	(48,700)	(44,671)	(46,969)	(49,310)
Prior period adjustment	-	-	(820,327)	(514,117)	-	-	-	-	-	-
Total business-type activities	265,817	265,081	(559,181)	(252,934)	259,552	257,700	259,588	266,549	(8,450,538)	(43,806)
Total primary government	\$ 13,404,212	\$ 12,992,570	\$ 12,274,362	\$ 15,518,673	\$ 15,642,834	\$ 16,416,775	\$ 17,929,508	\$ 16,912,519	\$ 9,058,097	\$ 18,723,902
Change in net position										
Governmental activities	\$ (823,865)	\$ 3,378,177	\$ 1,311,146	\$ 4,943,684	\$ 2,173,209	\$ 525,958	\$ 946,080	\$ (3,404,836)	\$ (3,351,121)	\$ (1,239,005)
Business-type activities	1,743,492	1,877,143	1,079,288	(4,120,620)	(341,680)	148,184	214,043	455,552	(6,625,784)	62,812
Total change in net position	\$ 919,627	\$ 5,255,320	\$ 2,390,434	\$ 823,064	\$ 1,831,529	\$ 674,142	\$ 1,160,123	\$ (2,949,284)	\$ (9,976,905)	\$ (1,176,193)

Note: The city began to report accrual information when it implemented GASB 34 in fiscal year 2002.

CITY OF NEWPORT, KENTUCKY
FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General fund										
Unassigned	\$ (546,959)	\$ (51,588)	\$ 178,062	\$ 2,293,558	\$ 1,944,398	\$ 3,537,244	\$ 3,915,570	\$ 4,425,071	\$ 5,128,905	\$ 6,439,998
Nonspendable	1,162	2,446	42,133	5,009	13,521	37	706	12,271	20,645	73,839
Restricted	231,875	100,151	57,664	35,464	81,193	4,141,909	3,293,973	1,631,794	1,609,509	2,113,908
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Total general fund	\$ (313,922)	\$ 51,009	\$ 277,859	\$ 2,334,031	\$ 2,039,112	\$ 7,679,190	\$ 7,210,249	\$ 6,069,136	\$ 6,759,059	\$ 8,627,745
All other governmental funds										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,172,850	\$ 469,058
Nonspendable	-	-	-	-	-	-	-	-	-	500
Assigned	805,578	427,257	487,967	428,478	462,520	602,171	690,425	400,050	283,429	86,679
Committed	115,006	172,159	600	-	-	-	-	-	-	-
Unassigned, reported in:	-	-	-	-	-	-	-	-	-	-
Revolving loan fund	-	-	(29,999)	-	-	-	-	-	-	-
Capital projects fund	-	-	-	-	(3,731)	-	-	-	-	-
Total all other governmental funds	\$ 920,584	\$ 599,416	\$ 458,568	\$ 428,478	\$ 458,789	\$ 602,171	\$ 690,425	\$ 400,050	\$ 1,456,279	\$ 556,237

CITY OF NEWPORT, KENTUCKY
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Taxes	\$ 1,992,923	\$ 2,259,131	\$ 2,258,918	\$ 4,019,952	\$ 2,911,967	\$ 2,402,093	\$ 2,428,217	\$ 2,551,860	\$ 2,696,158	\$ 2,941,609
Licenses and permits	9,523,968	9,245,882	9,863,305	10,560,930	11,314,900	11,669,317	12,169,061	12,672,345	13,380,595	14,544,484
Intergovernmental	2,770,299	1,759,750	2,408,022	4,885,470	1,719,409	1,990,064	2,379,536	1,527,036	1,150,050	3,711,027
Fines and forfeitures	160,459	177,586	159,381	102,172	114,879	100,013	90,053	217,512	201,112	224,422
Charges for services	1,002,730	1,039,922	995,904	983,802	1,029,657	1,091,226	1,044,991	1,002,239	1,059,111	966,443
Uses of property	1,568,188	1,166,992	1,712,093	1,328,814	1,204,981	2,042,425	3,027,944	1,345,308	1,595,049	969,967
Interest	1,357	1,980	1,907	2,382	3,839	4,035	8,450	25,147	62,131	56,402
Miscellaneous	363,137	1,039,320	93,739	288,491	3,785	35,757	153,654	52,644	58,385	242,260
Total revenues	17,383,061	16,690,563	17,493,269	22,172,013	18,303,417	19,334,930	21,301,906	19,394,091	20,202,591	23,656,614
Expenditures										
General government	1,549,703	1,521,333	1,606,362	1,628,804	1,686,759	2,166,545	3,719,893	2,053,361	2,129,726	2,671,453
Police	4,413,309	4,495,014	4,699,789	4,600,633	4,620,901	4,499,178	4,919,023	5,284,024	5,519,158	5,880,503
Fire/EMS	3,827,032	4,006,267	4,002,085	4,012,694	4,089,724	4,372,694	4,516,539	4,567,830	4,864,685	5,104,211
Development services	1,758,876	775,560	651,684	1,632,634	652,217	716,881	1,428,255	1,560,933	842,364	1,406,051
Community services	1,373,411	1,435,138	1,695,088	2,228,436	2,029,004	2,104,366	2,149,250	2,518,623	2,196,108	2,204,342
Municipal complex	179,111	215,057	216,736	176,882	216,689	180,448	191,080	183,699	193,556	229,296
Capital outlay	919,631	1,475,024	1,775,298	3,169,052	2,378,130	1,999,322	1,967,606	1,765,292	1,467,804	4,687,298
Debt service										
Principal	1,653,815	1,561,530	1,614,116	1,661,771	1,662,655	1,642,417	1,703,425	1,662,966	1,696,544	2,014,828
Interest	1,205,650	1,142,095	1,070,524	918,237	806,257	760,875	658,032	632,524	587,406	594,398
Debt issuance cost	-	-	-	-	-	-	-	-	-	-
Total expenditures	16,880,538	16,627,018	17,331,682	20,029,143	18,142,336	18,442,726	21,253,103	20,229,252	19,497,351	24,792,380
Excess (deficiency) of revenues over (under) expenditures	502,523	63,545	161,587	2,142,870	161,081	892,204	48,803	(835,161)	705,240	(1,135,766)
Other financing sources (uses)										
Proceeds from long-term debt, including premium	-	-	-	8,042,767	-	12,214,108	3,297,129	-	1,500,000	2,350,000
Refunding of long-term debt	-	-	-	(7,987,155)	-	(6,734,623)	(3,221,130)	-	-	-
Bond issue costs on refunded debt	-	-	-	(55,612)	-	(366,586)	(74,189)	(1,000)	(6,057)	(9,900)
Transfers in	220,231	163,659	809,425	1,047,607	642,609	745,832	1,771,588	2,005,923	1,676,755	384,867
Transfers out	(261,612)	(183,443)	(885,010)	(1,164,395)	(1,068,298)	(967,475)	(2,202,888)	(2,601,250)	(2,129,786)	(620,557)
Total other financing sources (uses)	(41,381)	(19,784)	(75,585)	(116,788)	(425,689)	4,891,256	(429,490)	(596,327)	1,040,912	2,104,410
Special items										
Pension contributions from bond issue	-	-	-	-	-	-	-	-	-	-
Total special items	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	\$ 461,142	\$ 43,761	\$ 86,002	\$ 2,026,082	\$ (264,608)	\$ 5,783,460	\$ (380,687)	\$ (1,431,488)	\$ 1,746,152	\$ 968,644
Debt service as a percentage of non capital expenditures	17.92%	17.84%	17.26%	15.30%	15.66%	14.62%	12.24%	12.43%	12.67%	12.98%

City of Newport, Kentucky
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended June 30	Real Property			Personal Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Public Service	Personal Property	Public Service					
2011	490,644,819	601,321,953	13,649,405	55,475,343	15,095,951	412,209,452	763,978,019	2.39	1,176,187,471	64.95%
2012	484,611,603	602,987,017	14,079,362	59,036,972	15,374,007	414,985,234	761,103,727	2.52	1,176,088,961	64.71%
2013	468,149,876	617,232,472	15,360,965	58,715,730	16,518,663	431,805,365	744,172,341	2.58	1,175,977,706	63.28%
2014	463,665,282	611,205,897	16,567,680	57,345,597	18,064,234	435,075,846	731,772,844	2.64	1,166,848,690	62.71%
2015	462,715,480	677,179,540	17,001,308	64,344,787	17,945,030	501,477,996	737,708,149	2.75	1,239,186,145	59.53%
2016	464,915,199	701,736,079	17,616,304	68,076,836	19,639,293	507,099,108	764,884,603	2.74	1,271,983,711	60.13%
2017	470,805,842	717,031,027	17,648,717	70,757,341	21,430,390	544,886,076	752,787,241	2.81	1,297,673,317	58.01%
2018	475,979,474	760,134,911	16,811,557	72,162,113	22,217,820	524,704,765	822,601,110	2.87	1,347,305,875	61.06%
2019	488,730,716	769,096,551	17,787,475	72,671,941	21,906,213	578,993,986	791,198,910	2.90	1,370,192,896	57.74%
2020	498,424,522	789,306,268	18,869,471	74,443,307	23,777,083	579,872,966	824,947,685	2.91	1,404,820,651	58.72%

**CITY OF NEWPORT, KENTUCKY
PROPERTY TAX RATES (1)
DIRECT AND OVERLAPPING GOVERNMENTS (2)
Last Ten Fiscal Years**

Fiscal Year	City of Newport	Overlapping Rates				School District	Total Direct and Overlapping Rates
		Campbell County	State	Other			
2011	2.390	1.280	1.220	1.198	8.860	14.948	
2012	2.520	1.360	1.220	1.238	9.270	15.608	
2013	2.580	1.430	1.220	1.318	9.510	16.058	
2014	2.640	1.500	1.220	1.308	9.770	16.438	
2015	2.750	1.540	1.220	1.338	9.770	16.618	
2016	2.740	1.620	1.220	1.348	9.750	16.678	
2017	2.810	1.670	1.220	1.308	10.060	17.068	
2018	2.870	1.710	1.220	1.318	10.860	17.978	
2019	2.900	1.710	1.220	1.298	10.860	17.988	
2020	2.910	1.780	1.220	1.293	10.860	18.063	

(1) Per \$1,000 assessed valuation

(2) Overlapping rates are those of the county government that apply to property owners living in the City of Newport.

**CITY OF NEWPORT
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago**

Taxpayer	2020			2011		
	Taxable Assessed	Rank	Percentage of Total Taxable Assessed	Taxable Assessed	Rank	Percentage of Total Taxable Assessed
	Valuation		Valuation	Valuation		Valuation
ACS II Newport Plaza KY LLC	\$ 15,200,000	1	1.92%	\$ -		
Riverfront Place Ltd.	14,668,572	2	1.85%	16,400,000	1	2.15%
CPX Newport Commercial Devp LLC	10,387,200	3	1.31%	11,150,000	2	1.46%
NKY Hospitality LLC	8,100,000	4	1.02%	-		
ACS II Newport Shopping Center	7,393,025	5	0.93%	-		
Riverchase Properties LLC	6,779,134	6	0.86%	6,869,834	5	0.90%
Kroger Limited Partnership (Tang)	6,495,120	7	0.82%	6,244,732	6	0.82%
New Riff Distilling LLC (Tang)	6,494,577	8	0.82%	-		
Newport CIS Hotel Partners LTD	6,175,000	9	0.78%	-		
Gator Newport Partners LTD	4,843,325	10	0.61%	-		
Louis Trauth Dairy LLC (Real & Tang)	-			10,422,501	3	1.37%
American Diversified Devp. Inc.	-			7,014,871	4	0.92%
KY Properties Company	-			5,950,000	7	0.92%
Newport Hotel Association LLC	-			5,040,000	8	0.66%
DW Productions LLC	-			4,200,000	9	0.55%
Joslin Enterprises	-			3,800,000	10	0.50%
TOTAL	\$ 86,535,953		10.92%	\$ 77,091,938		10.25%

**CITY OF NEWPORT, KENTUCKY
PRINCIPAL EMPLOYERS BY PAYROLL TAXES PAID
Current Year and Nine Years Ago**

Taxpayer	2020		2011	
	Rank	Percentage of Total City Payroll Taxes	Rank	Percentage of Total City Payroll Taxes
Commonwealth of Kentucky	1	5.04%	2	5.24%
Newport Board of Education	2	4.77%	1	7.28%
P L Marketing Inc	3	4.61%		
Divisions	4	3.96%		
Defender Direct	5	3.68%		
Kroger #423	6	3.64%	9	2.02%
City of Newport	7	3.13%	5	3.56%
Campbell County Fiscal Court	8	2.76%	7	2.91%
Newport Aquarium LLC	9	2.32%	10	1.99%
St. Elizabeth Physicians	10	1.67%		
Trauth Dairy			3	5.06%
Xanodyne			4	3.92%
Baptist Covalescent Center			6	2.92%
Gerner & Kearns Co. LPA			8	2.08%
		35.58%		36.98%

CITY OF NEWPORT, KENTUCKY
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal year of the Levy		Collections in Subsequent years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percentage of Levy
2011	1,874,485	1,777,769	94.8%	66,668	1,844,437	98.4%
2012	1,971,360	1,908,201	96.8%	76,526	1,984,727	100.7%
2013	1,944,338	1,862,730	95.8%	108,596	1,971,325	101.4%
2014	1,973,958	1,870,998	94.8%	76,343	1,947,341	98.7%
2015	2,042,622	1,957,349	95.8%	95,212	2,052,561	100.5%
2016	2,124,304	1,972,673	92.9%	100,704	2,073,377	97.6%
2017	2,114,952	2,030,191	96.0%	71,397	2,101,589	99.4%
2018	2,191,635	2,128,362	97.1%	85,696	2,214,058	101.0%
2019	2,296,066	2,234,024	97.3%	85,803	2,319,827	101.0%
2020	2,386,315	2,293,223	96.1%	56,902	2,350,126	98.5%

**CITY OF NEWPORT, KENTUCKY
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(amounts expressed in thousands)**

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt limit	76.40	76.11	74.42	73.18	73.77	76.49	75.28	82.26	79.12	82.49
Total debt applicable to limit	(23.54)	(22.12)	(20.65)	(19.27)	(17.74)	(22.18)	(20.78)	(18.91)	(17.35)	(19.33)
Legal debt margin	99.94	98.23	95.06	92.45	91.51	98.67	96.06	101.17	96.47	101.82
Total debt applicable to the limit as a percentage of debt limit	-30.81%	-29.06%	-27.74%	-26.33%	-24.05%	-29.00%	-27.60%	-22.98%	-21.93%	-23.43%

Legal Debt Margin Calculation for Fiscal Year

Total taxable assessed value	\$ 761,104	\$ 744,172	\$ 731,773	\$ 737,708	\$ 764,885	\$ 752,787	\$ 822,601	\$ 791,199	\$ 824,948
Debt limit (10% of total taxable assessed value)	\$ 76,110	\$ 74,417	\$ 73,177	\$ 73,771	\$ 76,489	\$ 75,279	\$ 82,260	\$ 79,120	\$ 82,495
Less Debt applicable to limit:	(22,115)	(20,645)	(19,268)	(17,743)	(22,184)	(20,780)	(18,906)	(18,849)	(19,325)
Legal debt margin	\$ 53,995	\$ 53,772	\$ 53,909	\$ 56,028	\$ 54,305	\$ 54,499	\$ 63,354	\$ 60,271	\$ 63,170

Note: Under KRS 66.041, the City of Newport's outstanding general obligation debt should not exceed 10 percent of total taxable assessed value.

CITY OF NEWPORT, KENTUCKY
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-type Activities		Total Primary Government	Percentage to Personal Income	Per Capita
	General Obligation Bonds	Notes Payable	Capital Leases	Revenue Bonds	Notes Payable			
2011	23,535,000	1,941,892	53,385	32,740,000	-	58,270,277	4.39%	3,764
2012	22,115,000	1,815,410	38,337	29,260,000	-	53,228,747	4.15%	3,460
2013	20,645,000	1,687,152	22,479	28,015,000	-	50,369,631	4.20%	3,283
2014	19,267,767	1,557,091	5,768	26,660,000	-	47,490,626	3.88%	3,092
2015	17,742,767	1,425,204	-	25,195,000	-	44,362,971	3.57%	2,893
2016	22,184,169	1,291,463	-	23,605,000	-	47,080,632	3.96%	2,762
2017	20,779,722	1,155,844	-	21,885,000	-	43,820,566	4.14%	2,875
2018	18,905,845	1,018,319	-	20,020,000	-	39,944,164	3.97%	2,657
2019	18,848,758	878,862	-	-	-	19,727,620	3.89%	1,296
2020	19,325,346	737,446	-	-	-	20,062,792	3.77%	1,324

CITY OF NEWPORT, KENTUCKY
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

<u>Governmental Activities</u>			Percentage of Actual Taxable Value of Property	Per Capita
Fiscal Year	General Obligation Bonds			
2011	23,535,000		2.00%	1,520
2012	22,115,000		1.88%	1,437
2013	20,645,000		1.76%	1,346
2014	19,267,767		1.65%	1,255
2015	17,742,767		1.43%	1,157
2016	22,184,169		1.74%	1,301
2017	20,779,722		1.60%	1,363
2018	18,905,845		1.40%	1,258
2019	18,848,758		1.38%	1,239
2020	19,325,346		1.38%	1,275

CITY OF NEWPORT, KENTUCKY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2020

Governmental Unit		Debt Outstanding	Estimated Percentage Applicable (3)	Estimated Share of Overlapping Debt
Debt repaid with property taxes: School	(1)	\$ 16,744,230	99.515%	\$ 16,663,001
Debt repaid with property taxes: County	(2)	\$ 16,290,000	11.702%	1,906,328
Subtotal overlapping debt				<u>18,569,329</u>
City of Newport direct debt				<u>19,325,346</u>
Total direct and overlapping				<u><u>\$ 37,894,675</u></u>

Source: (1) Newport Board of Education
(2) Campbell County Fiscal Court
(3) The percentage overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the taxable assessed value that is within the City of Newport and dividing it by the county's/school's total taxable assessed value.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Newport. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

**CITY OF NEWPORT, KENTUCKY
PLEGGED REVENUE COVERAGE
Last Ten Fiscal Years**

**Newport on the Levee
Revenue Bonds**

Fiscal Year	Gross Revenues ⁽¹⁾	Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service		Coverage
				Principal	Interest	
2011	7,509,365	1,593,848	5,915,517	3,310,000	2,891,367	0.95
2012	7,321,280	1,546,521	5,774,759	2,995,000	2,600,966	1.03
2013	7,810,664	1,996,457	5,814,207	1,245,000	2,423,415	1.58
2014	4,829,081	1,686,164	3,142,917	1,355,000	2,314,541	0.86
2015	5,050,844	1,736,930	3,313,914	1,465,000	2,196,453	0.91
2016	5,381,766	1,769,150	3,612,615	1,590,000	2,068,525	0.99
2017	5,228,813	1,563,546	3,665,267	1,720,000	1,929,919	1.00
2018	5,383,704	1,501,088	3,882,617	1,865,000	1,779,797	1.07
2019 ⁽³⁾	2,667,308	728,808	1,938,500	-	-	-
2020						-

(1) Total Revenues (including interest)

(2) Total operating expenses exclusive of depreciation

(3) The debt associated with Newport on the Levee was surrendered by the City in fiscal year 2019

**CITY OF NEWPORT, KENTUCKY
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years**

Fiscal Year	Population (1)	Personal Income	Median Income (2)	Median Age (3)	Newport Independent Public School Enrollment (4)	Unemployment Rate (5)
2011	15,483	581,092,473	37,531	34.0	1,786	10.0%
2012	15,385	577,414,435	37,531	34.0	1,691	7.7%
2013	15,342	531,907,140	34,670	35.9	1,824	7.5%
2014	15,357	537,495,000	35,000	36.0	1,979	8.1%
2015	15,335	537,353,735	35,041	35.4	1,949	4.4%
2016	17,048	592,145,232	34,734	31.9	1,949	3.2%
2017	15,241	529,380,894	34,734	35.7	1,572	3.9%
2018	15,033	501,545,979	33,363	35.7	1,582	3.2%
2019	15,219	507,751,497	33,363	35.6	1,687	3.0%
2020	15,152	532,804,928	35,164	35.9	1,478	5.9%

(1) Census Bureau updated estimate and State Data Center

(2) U.S. Census Bureau

(3) U.S. Census Bureau

(4) Newport Independent School District

(5) Bureau of Labor Statistics Data and KY Department for Employment Services using Campbell County data.

CITY OF NEWPORT, KENTUCKY
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
Last Ten Fiscal Years

	Full-Time Equivalent Employees as of June 30									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Function/Program										
General Government										
Office of the City Manager	6	7	6	6	6	4	6	6	5	5
Finance & Administration	6	6	5	5	5	6	5	5	6	6
Public Safety										
Police										
Sworn	45	43	42	42	42	42	41	41	41	41
Civilian	4	6	5	7	7	8	8	8	3	3
Fire										
Firefighters & Officers	37	37	37	37	37	37	37	37	37	34
Civilian	1	1	1	1	1	1	1	1	1	-
Development Services										
Administration	2	2	2	2	2	2	2	2	-	-
Code Enforcement	2	4	2	2	2	2	3	3	5	5
Community Services										
Administration	2	2	2	2	2	2	2	2	2	2
Code Enforcement	-	-	-	-	-	-	-	-	-	-
Maintenance	7	7	9	9	9	9	12	13	14	14
Parks and Recreation	-	-	-	-	-	-	-	-	-	-
Total	112	115	111	113	113	113	117	118	114	110

Source: Finance & Administration Department (Budget Documents)

CITY OF NEWPORT, KENTUCKY
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Police										
Physical arrests	5,364	5,177	3,025	4,102	8,060	6,116	2,835	2,051	1,468	1,204
Parking violations	9,196	7,607	7,604	5,377	4,946	5,430	10,628	5,014	5,271	4,498
Traffic violations	1,979	1,075	2,627	3,977	5,915	2,811	1,434	1,591	1,663	1,822
Fire										
Number of calls answered:										
Fire	1,493	1,571	1,629	1,637	1,642	1,643	1,720	1,820	668	685
Emergency Medical Services	3,313	3,555	3,336	3,435	3,702	3,592	3,512	3,272	4,146	3,943
Inspections	943	875	904	744	673	678	475	675	631	400
Highways and streets										
Street resurfacing (miles)	-	-	0.5 #	1.2	- *	1.6 *	1.4 *	1.5 *	3.7 *	4.3
Potholes repaired	N/A	N/A	4,321 *	4,269	4,464 *	3,897 *	1,640 *	1,060 *	879 *	967
Asphalt usage - tons	-	-	-	-	-	390	164	106	88	97
Culture and recreation										
Athletic field permits issued	338	258	80	77	82	87	742	462	408	186
Pool admissions	6,474	12,223	9,998	8,557	8,166	9,151	6,740	6,127	7,744	-
Pool passes	31	45	230	327	352	60	371	278	187	-
Facilities and services not included in this reporting entity:										
Education:										
Number of elementary school instructors	84	74	76	79	79	70	72	91	92	83
Number of secondary school instructors	79	76	81	85	84	79	80	63	64	63
Water										
Number of service connections	6,286	6,192	6,108	6,104	6,104	5,701	5,716	5,719	5,718	5,732
Average daily consumption (thousands of gallons)	2,300	2,300	2,300	2,300	2,300	4,100	4,100	4,226	4,250	4,315
Sanitation										
Average daily sewage treatment (thousands of gallons)	36,970	40,850	35,700	35,800	29,500	36,600	36,600	36,600	36,600	36,600

* - estimate number

- procedure change in how inspections are counted results in lower number

CITY OF NEWPORT, KENTUCKY
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Function										
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	34	32	41	40	38	30	32	35	41	41
Fire stations										
Apparatus	2	2	2	2	2	2	2	2	2	2
Highways and streets	6	6	6	6	6	6	6	6	6	7
Street (miles)										
Streetlights	35	35	35	35	35	35	35	35	35	35
Culture and recreation	1,100	1,100	1,100	1,100	1,100	1,100	1,300	1,300	1,300	1,325
Parks acreage										
Parks	52	52	52	52	52	52	52	52	52	52
Swimming pools	12	12	12	12	12	12	12	12	12	12
Tennis courts	1	1	1	1	1	1	1	1	1	1
Ball fields	3	3	3	3	3	3	3	3	3	3
	6	6	6	6	6	6	6	6	6	6
Facilities and services not included in this reporting entity:										
Education:										
Number of elementary schools	2	2	2	2	2	2	2	2	1	1
Number of secondary schools	2	2	2	2	2	2	2	2	2	2
Water										
Water mains (miles)	51.30	53.42	53.50	53.50	53.50	58.90	59.27	59.30	53.30	53.30
Fire hydrants	440	464	434	460	473	485	420	429	431	433
Maximum daily capacity (thousands of gallons)	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Sanitation										
Contained sanitary/storm sewers (miles)	1,921	1,931	1,962	1,966	1,971	1,990	2,071	2,100	2,100	2,100
Number of treatment plants	6	6	7	7	7	7	7	7	7	7
Maximum daily treatment capacity (thousands of gallons)	51,500	70,500	70,500	70,500	70,500	70,500	70,500	70,500	70,500	70,500

APPENDIX E

**CITY OF NEWPORT, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2021**

FORM OF LEGAL APPROVING OPINION OF BOND COUNSEL

The form of the legal approving opinion of Dinsmore & Shohl LLP, bond counsel, is set forth below. The actual opinion will be delivered on the date of delivery of the bonds referred to therein and may vary from the form set forth to reflect circumstances both factual and legal at the time of such delivery. Recirculation of the Final Official Statement shall create no implication that Dinsmore & Shohl LLP has reviewed any of the matters set forth in such opinion subsequent to the date of such opinion.

Gentlemen:

We have examined the transcript submitted relating to the issue of \$11,720,000* General Obligation Bonds, Series 2021 (the "Bonds") of the City of Newport, Kentucky (the "Issuer"), dated April 6, 2021, numbered R-1 and upwards and of the denomination of \$5,000 and any integral multiple thereof. The Bonds mature, bear interest, and are subject to mandatory and optional redemption upon the terms set forth therein. We have also examined a specimen Bond.

Based on this examination, we are of the opinion, based upon laws, regulations, rulings and decisions in effect on the date hereof, that:

1. The Bonds constitute valid obligations of the Issuer in accordance with their terms, which unless paid from other sources, are payable from taxes to be levied by the Issuer without limitation as to rate.

2. Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest on the Bonds is excludible from gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, interest on the Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax. In rendering the opinions in this paragraph, we have assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. We express no other opinion as to the federal or state tax consequences of purchasing, holding or disposing of the Bonds.

3. The interest on the Bonds is not subject to taxation by the Commonwealth of Kentucky, and the Bonds are not subject to ad valorem taxation by the Commonwealth of Kentucky or by any political subdivision thereof.

The Issuer has designated the Bonds as "qualified tax-exempt obligations" with respect to investments by certain financial institutions under Section 265 of the Code.

In giving this opinion, we have relied upon covenants and certifications of facts, estimates and expectations made by officials of the Issuer and others contained in the transcript; which we have not independently verified. It is to be understood that the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other laws in effect from time to time affecting creditors' rights, and to the exercise of judicial discretion.

Very truly yours,

DINSMORE & SHOHL LLP

APPENDIX F

**CITY OF NEWPORT, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2021**

BOOK-ENTRY ONLY SYSTEM

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity date of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory

requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

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

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

\$11,720,000*

City of Newport, Kentucky General Obligation Bonds, Series 2021

Notice is hereby given that electronic bids will be received by the City of Newport, Kentucky (the "City"), until 11:30 a.m., E.T. on March 16, 2021 (or at such later times and dates announced at least forty-eight hours in advance via the **BiDCOMP™/PARITY™** system) for the purchase of \$11,720,000* General Obligation Bonds, Series 2021 (the "Bonds"). Alternatively, written sealed or facsimile bids for the Bonds by the designated time will be received by the Finance Director, 998 Monmouth Street, Newport, Kentucky 41071 (FAX: (859) 292-3663). Electronic bids must be submitted through **BiDCOMP™/PARITY™** as described herein and no other provider of electronic bidding services will be accepted. Bids will be opened and acted upon later that same day.

STATUTORY AUTHORITY, PURPOSE OF ISSUE AND SECURITY

These Bonds are authorized pursuant to Sections 66.011 to 66.181, inclusive, of the Kentucky Revised Statutes and are being issued in accordance with Bond Ordinances (collectively, the "Bond Ordinances") adopted by the City on February 25, 2021. The Bonds are general obligation bonds and constitute a direct indebtedness of the City.

The Bonds are being issued for the purpose of (i) financing the acquisition, construction, installation and equipping of multiple public projects comprised of various sidewalk, road and infrastructure projects, improvements to Festival Park, and underground utility upgrades (collectively, the "Project") and (ii) paying the costs of issuing the Bonds.

BOND MATURITIES, PRIOR REDEMPTION PROVISIONS AND PAYING AGENT

The Bonds will be dated their date of initial delivery, bearing interest from such date, payable on the first day of each February and August, commencing August 1, 2021.

The Bonds are scheduled to mature on February 1, in each of the years as follows:

<u>MATURITY</u>	<u>AMOUNT*</u>	<u>MATURITY</u>	<u>AMOUNT*</u>
February 1, 2024	\$185,000	February 1, 2033	\$635,000
February 1, 2025	460,000	February 1, 2034	650,000
February 1, 2026	525,000	February 1, 2035	665,000
February 1, 2027	550,000	February 1, 2036	685,000
February 1, 2028	705,000	February 1, 2037	700,000
February 1, 2029	720,000	February 1, 2038	725,000
February 1, 2030	730,000	February 1, 2039	740,000
February 1, 2031	740,000	February 1, 2040	760,000
February 1, 2032	755,000	February 1, 2041	790,000

*Preliminary; subject to Permitted Adjustment.

The Bonds maturing on or after February 1, 2030 are subject to optional redemption on any date on or after February 1, 2029, in whole or in part, in such order of maturity as shall be designated in writing by the City and by lot within any maturity, at the election of the City upon 45 days' written notice to the Paying Agent and Registrar (as hereinafter defined) at a redemption prices equal to the par amount thereof, plus accrued interest to the date of redemption.

At least thirty (30) days before the redemption date of any Bonds, the Paying Agent and Registrar shall cause a notice of such redemption either in whole or in part, signed by the Paying Agent and Registrar, to

be mailed, first class, postage prepaid, to all registered owners of the Bonds to be redeemed at their addresses as they appear on the registration books kept by the Paying Agent and Registrar, but failure to mail any such notice shall not affect the validity of the proceedings for such redemption of Bonds for which such notice has been sent. Each such notice shall set forth the date fixed for redemption, the redemption price to be paid and, if less than all of the Bonds being payable by their terms on a single date then outstanding shall be called for redemption, the distinctive number or letters, if any, of such Bonds to be redeemed.

U.S. Bank National Association, Louisville, Kentucky, has been appointed Paying Agent and Registrar for the Bonds.

BIDDING CONDITIONS AND RESTRICTIONS

The terms and conditions of the sale of the Bonds are as follows:

- (A) The aggregate principal amount of the Bonds (the "Preliminary Aggregate Principal Amount") and the annual maturing principal amount of the Bonds (the "Preliminary Annual Principal Amounts" and collectively, with reference to the Preliminary Aggregate Principal Amounts, the "Preliminary Amounts") offered for sale as set forth herein may be revised before the submission of bids for the purchase of the Bonds. Any such revisions (the "Revised Aggregate Principal Amount", the "Revised Annual Principal Amounts" and the "Revised Amounts") WILL BE GIVEN BY NOTIFICATION PUBLISHED NOT LATER THAN 11:30 A.M., EASTERN TIME ON MARCH 16, 2021. In the event that no such revisions are made, the Preliminary Amounts will constitute the Revised Amounts and will remain as stated in herein. BIDDERS SHALL SUBMIT BIDS BASED ON THE REVISED AMOUNTS, IF ANY. Prospective bidders may request notification by facsimile transmission or e-mail of any revisions in the Preliminary Amounts, together with receipt of a revised Official Bid Form, by so advising and faxing their telecopier number(s) or providing their e-mail information to RSA Advisors, LLC, Lexington, Kentucky, Financial Advisor to the City, at (859) 381-1357 by 11:30 a.m., Eastern Time, on March 16, 2021.
- (B) Electronic bids for the Bonds must be submitted through **BiDCOMP™/PARITY™** system and no other provider of electronic bidding services will be accepted. Subscription to the **BiDCOMP™/PARITY™** Competitive Bidding System is required in order to submit an electronic bid. The City will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by **BiDCOMP™/PARITY™** shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in **BiDCOMP™/PARITY™** conflict with the terms of the Official Terms and Conditions of Bond Sale, this Official Terms and Conditions of Bond Sale shall prevail. Electronic bids made through the facilities of **BiDCOMP™/PARITY™** shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the City. The City shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by **BiDCOMP™/PARITY™**. The use of **BiDCOMP™/PARITY™** facilities are at the sole risk of the prospective bidders. Notwithstanding the foregoing non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Forms. Written sealed bids (in a sealed envelope marked "Official Bid for Bonds" or facsimile bids for the Bonds by the designated time will be received by the Finance Director, 1098 Monmouth Street, Newport, Kentucky 41072 (FAX: (859) 292-3822). Official Bid Forms, together with a Preliminary Official Statement, may be obtained at the office of the Financial Advisor, RSA Advisors, LLC, 325 West Main Street, Lexington, Kentucky 40507, Attention Mr. Joe Lakofka (800) 255-0795 or at <http://www.rsanet.com>.

- (C) Bidders are required to bid for the entire issue of Bonds at a minimum price of not less than \$4,983,300 (98.00% of par), PAYABLE IN IMMEDIATELY AVAILABLE FUNDS.
- (D) Interest rates for the Bonds must be in multiples of 1/8, 1/10 or 1/20 of 1%, which rates must be on an ascending scale, in that the rate on the applicable series of Bonds in any maturity is not less than the rate on the applicable series of Bonds for any preceding maturity and all Bonds of the same maturity and series shall bear the same and a single interest rate from the date thereof to maturity.
- (E) The determination of the best purchase bid for the Bonds shall be made on the basis of all bids submitted for exactly \$11,720,000 principal amount of Bonds offered for sale hereunder; but the City may adjust the principal amount of Bonds which may be awarded to such best bidder upward by up to \$1,170,000 (the "Permitted Adjustment") to a maximum of \$12,890,000 or downward in an amount deemed by the City to be in its best interest. The price of which such adjusted principal amount of Bonds will be sold will be the same price per \$1,000 of Bonds as the price per \$1,000 for the Bonds bid.

While it is the City's intention to sell and issue the approximate par amounts of the Bonds as set forth herein, there is no guarantee that adjustments and/or revisions may not be necessary in order to properly size the Bonds. Accordingly, the City reserves the right in its sole discretion to adjust up or down the original par amount of the Bonds per maturity by up to \$50,000, even if the issue size of the Bonds does not change from \$11,720,000. Among other factors the City may (but shall be under no obligation to) consider in sizing the par amounts and individual maturities of the Bonds, is the size of individual maturities or sinking fund installments, assuring aggregate level debt service, and/or other preferences of the City.

In the event of any such adjustment and/or revision with respect to the Bonds, no rebidding will be permitted, and the portion of such premium or discount (as may have been bid on the Bonds) shall be adjusted in the same proportion as the amount of such revision in par amount of the Bonds bears to the original par amount of such Bonds offered for sale.

The successful bidder for the Bonds will be notified by no later than 4:00 p.m. (Eastern Time), on the sale date of the exact revisions and/or adjustment required, if any.

- (F) Bonds maturing in any two or more consecutive years may, in lieu of maturing in each of such years, be combined to comprise one or more maturities of Bonds scheduled to mature in the latest of such year and be subject to mandatory sinking fund redemption at par in each of the years and in the principal amounts of such term Bonds scheduled in the year of maturity of the term Bonds, which principal amount shall mature in that year.
- (G) CUSIP identification numbers will be printed on the Bonds at the expense of the City. Improper imprintation or the failure to imprint CUSIP numbers shall not constitute cause for a failure or refusal by the purchaser to accept delivery of and pay for the Bonds in accordance with the terms of any accepted proposal for the purchase of the Bonds.
- (H) The City will provide to the successful purchaser a Final Official Statement in accordance with SEC Rule 15c2-12. A final Official Statement will be provided in Electronic Form to the successful bidders, in sufficient time to meet the delivery requirements of the successful bidders under SEC and Municipal Securities Rulemaking Board Delivery Requirements. The successful bidders will be required to pay for the printing of Final Official Statements.

- (I) Bids need not be accompanied by a certified or bank cashier's good faith check, but the successful bidder will be required to wire transfer to the order of the City an amount equal to 2% of the amount of the principal amount of Bonds awarded by the close of business on the day following the award. Said good faith amount will be forfeited as liquidated damages in the event of a failure of the successful bidder to take delivery of such Bonds when ready. The good-faith amount will be applied (without interest) to the purchase price upon delivery of the Bonds. The successful bidder shall not be required to take delivery and pay for the Bonds unless delivery is made within 45 days from the date the bid is accepted.
- (J) The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. They will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond certificate will be issued for each maturity of the Bonds of each series, each in the aggregate principal amount of such maturity, and will be deposited with DTC. Purchases of the Bonds under the DTC system must be made by or through securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations (the "Direct Participants"), which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (a "Beneficial Owner") is in turn to be recorded on the records of Direct Participants or securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant (the "Indirect Participants"). Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued. The successful bidder may also elect to notify the Financial Advisor within twenty-four (24) hours of the award that standard bond certificates be issued. In the event that certificated Bonds are to be issued at the election of a successful bidder, the costs of printing such Bond Certificates shall be borne by such bidder.
- (K) The City reserves the right to reject any and all bids, to waive any informality in any bid or, upon 24 hours advance notice prior to the sale date given through the **BiDCOMPT™/PARITY™** system, to postpone the sale date of the Bonds. The City reserves the right to reject any and all bids or to waive any informality in any bid. The Bonds are offered for sale subject to the principal and interest of the Bonds not being subject to Federal income taxation nor being subject to Kentucky income taxation or Kentucky ad valorem taxation on the date of their delivery to the successful bidders, all in accordance with the final approving legal opinion of Dinsmore & Shohl LLP, Covington, Kentucky, which opinion will be qualified in accordance with the section hereof on TAX TREATMENT.
- (L) Bidders are advised that RSA Advisors, LLC has been employed as Financial Advisor in connection with the issuance of the Bonds. Their fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery thereof.
- (M) The purchasers of the Bonds will be required to certify to the City as to certain of their activities regarding any reoffering to the public of the Bonds, including any reoffering prices. This information from the purchasers of the Bonds shall also be made available to the Financial Advisor immediately after the sale of the Bonds.

- (N) Unless bids for the Bonds are rejected, the Bonds will be awarded on an all or none basis on the sale date to the bidder whose bid result in the lowest true interest rate for the Bonds to be calculated as that rate (or yield) that, when used in computing the present worth of all payments of principal and interest on the Bonds (compounded semi-annually from the date of the Bonds), produces an amount equal to the purchase price of the Bonds, exclusive of accrued interest. For purposes of calculating the true interest cost, the principal amount of any Term Bonds scheduled for mandatory sinking fund redemption as part of the Term Bond shall be treated as a serial maturity in such year for the Bonds. In the event that two or more bidders offer to purchase the Bonds at the same lowest true interest cost, the Mayor, upon the advice of the Financial Advisor, shall determine (in his or her sole discretion) which of the bidders shall be awarded such Bonds.
- (O) Additional information, including the Preliminary Official Statement, the Official Terms and Conditions of Bond Sale and the Official Bid Form, may be obtained from the City's Financial Advisor, RSA Advisors, LLC, 325 West Main Street, Lexington, Kentucky 40507, Attention Mr. Joe Lakofka (800) 255-0795 or at <http://www.rsanet.com>. Further information regarding **BiDCOMP™/PARITY™** may be obtained from **BiDCOMP™/PARITY™**, 1359 Broadway - 2nd Floor, New York, NY 10018, Telephone: (800) 850-7422.
- (P) At the election and cost of the purchaser of the Bonds, one or more maturities of any Bonds may be insured under a municipal bond insurance policy. In such event, the City agrees to cooperate with the purchaser to qualify such Bonds for bond insurance; however the City will not assume any of the expenses incident to the issuance of such a bond insurance policy, other than the costs for securing a rating of the Bonds from Standard & Poor's Investors Services, a division of The McGraw-Hill Companies, Inc. ("S&P").

CONTINUING DISCLOSURE

In accordance with the Securities and Exchange Commission Rule 15c2-12 (the "Rule") and so long as the Bonds are outstanding the City (the "Obligated Person") will agree pursuant to an Undertaking to be dated as of November 1, 2015 (the "Disclosure Undertaking"), to cause the following information to be provided:

- (i) to the Municipal Securities Rulemaking Board (the "MSRB"), certain annual financial information and operating data, including audited financial statements prepared in accordance with generally accepted accounting principles as applied to governmental units, generally consistent with the information contained in "Appendix B" ("Financial Data") and "Appendix D" of the Official Statement; such information shall be provided within 270 days after the end of the fiscal year ending June 30, commencing with the fiscal year ended June 30, 2021; provided that the audited financial statements may not be available by such date, but will be made available immediately upon delivery thereof by the auditor to the Obligated Person;
- (ii) to the MSRB, in a timely manner, not in excess of ten business days after the occurrence of the event, notice of the occurrence of the following events with respect to the Bonds:
 - (a) Principal and interest payment delinquencies;
 - (b) Non-payment related defaults, if material;
 - (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
 - (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
 - (e) Substitution of credit or liquidity providers, or their failure to perform;
 - (f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of

- the security, or other material events affecting the tax-exempt status of the security;
- (g) Modifications to rights of security holders, if material;
 - (h) Bond calls, except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event;
 - (i) Defeasances;
 - (j) Release, substitution or sale of property securing repayment of the securities;
 - (k) Rating changes;
 - (l) Bankruptcy, insolvency, receivership or similar event of the obligated person (Note: For the purposes of this event, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person);
 - (m) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
 - (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material; and
 - (o) Incurrence of a financial obligation of the Issuer or Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or Obligated Person, any of which affect security holders, if material; and
 - (p) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the issuer or obligated person, any of which reflect financial difficulties.
- (iii) in a timely manner to the MSRB, notice of a failure (of which the Obligated Persons have knowledge) of an Obligated Person to provide the required Annual Financial Information on or before the date specified in the Disclosure Undertaking.

As used under this heading, “Financial Obligation” means (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of either (a) or (b). The term Financial Obligation does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

The Disclosure Undertaking provides bondholders, including beneficial owners of the Bonds, with certain enforcement rights in the event of a failure by the Obligated Person to comply with the terms thereof; however, a default under the Disclosure Undertaking does not constitute an event of default under the Ordinance. The Disclosure Undertaking may also be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein.

For purposes of this transaction with respect to material events as defined under the Rule:

- (a) there are no debt service reserve funds applicable to the Bonds;
- (b) there are no credit enhancements applicable to the Bonds;
- (c) there are no liquidity providers applicable to the Bonds; and
- (d) there is no property securing the Bonds.

The City has previously entered into continuing disclosure undertakings pursuant to the Rule (the "Prior Disclosure Undertakings"). For the most recent five year period, the annual financial information, including the audited financial statements, for the fiscal years ended June 30, 2016 through June 30, 2020, was filed after the dates specified by the City in certain of the Prior Disclosure Undertakings.

TAX TREATMENT

In the opinion of Bond Counsel for the Bonds, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Bonds is excludible from gross income for Federal income tax purposes under the Internal Revenue Code of 1986 (the "Code") and is not a specific item of tax preference under Section 57 of for purposes of the Federal individual or corporate alternative minimum taxes. Furthermore, Bond Counsel for the Bonds is of the opinion that interest on the Bonds is exempt from taxation, including personal income taxation, by the Commonwealth of Kentucky and its political subdivisions.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for Federal income tax purposes of interest on obligations such as the Bonds. The City has covenanted to comply with certain restrictions designed to ensure that interest on the related issues of Bonds will not be includable in gross income for Federal income tax purposes. Failure to comply with these covenants could result in interest on the Bonds being includable in income for Federal income tax purposes and such inclusion could be required retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the tax status of the interest on the Bonds.

Certain requirements and procedures contained or referred to in the Bond documents and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Dinsmore & Shohl LLP.

Although Bond Counsel for the Bonds is of the opinion that interest on the Bonds will be excludible from gross income for Federal income tax purposes and that interest on the Bonds is excludible from gross income for Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Bondholder's Federal, state or local tax liabilities. The nature and extent of these other tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion and each Bondholder or potential Bondholder is urged to consult with tax counsel with respect to the effects of purchasing, holding or disposing the Bonds on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership or disposition of the Bonds may result in other collateral federal, state or local tax consequences for certain taxpayers. Such effects may include, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, increasing the federal tax liability of certain insurance companies, under Section 832 of the Code, increasing the federal tax liability and affecting the status of certain S Corporations subject to Sections 1362 and 1375 of the Code, increasing the federal tax liability

of certain individual recipients of Social Security or the Railroad Retirement benefits under Section 86 of the Code and limiting the amount of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of any of the Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain other taxpayers, pursuant to Section 265 of the Code. Finally, residence of the holder of the Bonds in a state other than Kentucky or being subject to tax in a state other than Kentucky may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Bonds.

The City has NOT designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

/s/ Tom Guidugli

Mayor, City of Newport, Kentucky

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