

THIS PRELIMINARY OFFICIAL STATEMENT AND THE 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 BEFORE 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 ANY SALE OF THESE SECURITIES IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION, OR SALE WOULD BE UNLAWFUL BEFORE REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF SUCH JURISDICTION.

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 24, 2024

Book-Entry Only
New Issue – Not Bank Qualified

Rating: S&P “AA-”
See “RATING” herein

In the opinion of Bond Counsel, 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 Treatment,” 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 imposed on individuals. Interest on the Bonds 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.



\$18,130,000*
CITY OF NEWPORT, KENTUCKY
GENERAL OBLIGATION BONDS,
SERIES 2024A

Dated: Date of Initial Delivery

Due: October 1, as shown below

The above-referenced Bonds (the “Bonds”) will bear interest from their dated date, payable on each April 1 and October 1, commencing April 1, 2025, and will mature on each October 1, as shown below:

<u>Year</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u>	<u>Year</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u>
					<u>651894</u>						<u>651894</u>
2026	\$ 70,000					2036	\$1,140,000				
2027	505,000					2037	1,210,000				
2028	635,000					2038	1,205,000				
2029	755,000					2039	960,000				
2030	805,000					2040	1,015,000				
2031	855,000					2041	1,145,000				
2032	910,000					2042	1,210,000				
2033	970,000					2043	1,280,000				
2034	1,025,000					2044	1,355,000				
2035	1,080,000										

The Bonds are being issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The Bonds will be issued under a book-entry system and registered in the name of The Depository Trust Company or its nominee. There will be no distribution of the Bonds to the ultimate purchasers. See “DESCRIPTION OF THE BONDS – Book-Entry Only System” herein. The principal of the Bonds will be payable when due at the designated corporate trust office of U.S. Bank Trust Company, National Association, in Louisville, Kentucky, as Paying Agent and Bond Registrar. Interest payments will be mailed by the Paying Agent and Bond Registrar to each holder of record as of the fifteenth day of the month preceding the date for such interest payment. See “DESCRIPTION OF THE BONDS.”

The Bonds are subject to redemption before maturity as described herein.

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

The Bonds are offered when, as, and if issued, subject to the approval of the legality and the tax exemption by Dinsmore & Shohl LLP, Covington, Kentucky, Bond Counsel. 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 October 15, 2024.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY AND 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 October __, 2024

* Preliminary, subject to change.

CITY OF NEWPORT, KENTUCKY

Mayor

Tom Guidugli Jr.

Board of Commissioners

Beth Fennell, Vice Mayor

Mike Radwanski

Ken Rehtin

Julie Smith-Morrow

City Manager

Thomas J. Fromme

Finance Director

Leonard Kuntz

City Attorney

Daniel R. Braun, Esq.

City Clerk

Tiffany Myers

BOND COUNSEL

Dinsmore & Shohl LLP

Covington, Kentucky

MUNICIPAL ADVISOR

RSA Advisors, LLC

Lexington, Kentucky

PAYING AGENT AND BOND REGISTRAR

U.S. Bank Trust Company, National Association

Louisville, Kentucky

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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 representation 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 any 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 such 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, and no representation is made that any of such statements have been or will be realized, and all such statements should be regarded as suggesting independent investigation or consultation of other sources before the making of investment decisions. Certain information contained in this Official Statement 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 the 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.

All references in this Official Statement to any provisions of Kentucky law, whether codified in the Kentucky Revised Statutes or uncodified, or to any provisions of the Kentucky Constitution or the City's ordinances, resolutions, or municipal orders are references to such provisions as they presently exist. Any of these provisions may be amended, repealed, or supplemented from time to time.

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

INTRODUCTION

The purpose of this Official Statement, which includes the cover page hereof and the appendices hereto, is to provide certain information with respect to the issuance of \$18,130,000* aggregate principal amount of General Obligation Bonds, Series 2024A (the “Bonds”) of the City of Newport, Kentucky, as specified on the cover page 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 hereof and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the 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, directly across the Ohio River from Cincinnati, Ohio.

Authority for Issuance

The authority for the issuance of the Bonds is provided by Sections 66.011 to 66.191, inclusive, of the Kentucky Revised Statutes and an ordinance duly adopted by the Board of Commissioners of the City on January 22, 2024 (the “Ordinance”).

Security and Source of Payment for the Bonds

The Bonds are a general obligation of the City. The basic security for the Bonds is the City’s ability to levy, and its pledge to levy, an annual tax to pay the principal of and interest on 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 purposes of (i) financing the costs of the acquisition, construction, installation, and equipping of a new parking garage in downtown Newport; (ii) paying capitalized interest for the Bonds, (iii) paying the costs of credit enhancement for the Bonds, if any; and (iv) paying the costs of issuance of the Bonds. (See “PLAN OF FINANCE” herein.)

Description of the Bonds

The Bonds mature as set forth on the cover page hereof. The Bonds are being offered in 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 The Depository Trust Company, New York, New York (“DTC”), the securities depository for the Bonds, or in the name of its nominee. There will be no distribution of the Bonds to the ultimate purchasers thereof. (See “DESCRIPTION OF THE BONDS – Book-Entry Only System” herein).

Redemption

The Bonds maturing on and after October 1, 2033 are subject to optional redemption before maturity on and after October 1, 2032, in whole or in part, in such order of maturity as shall be designated in writing by the City and by lot within a maturity, at the election of the City upon thirty-five days’ written notice to U.S. Bank Trust Company, National Association, Louisville, Kentucky, as Paying Agent and Bond Registrar (the “Paying Agent and Bond Registrar”), at a redemption price equal to the principal amount of Bonds to be redeemed, plus accrued interest to the redemption date. (See “DESCRIPTION OF THE BONDS – Redemption Provisions – Optional Redemption” herein).

[The Bonds maturing on October 1, 20__ are subject to mandatory sinking fund redemption before maturity commencing on October 1, 20__. (See “DESCRIPTION OF THE BONDS – Redemption Provisions – Mandatory Sinking Fund Redemption” herein).]

* Preliminary, subject to change.

If any of the Bonds are called for redemption, notice of such redemption shall be given by mailing a copy of the redemption notice to the registered owner of each Bond to be redeemed at least thirty days prior to the date fixed for redemption. (See “DESCRIPTION OF THE BONDS – Redemption Provisions – Notice of Redemption” herein).

Book-Entry

The Bonds are issuable only as fully registered Bonds, without coupons. The Bonds, when issued, shall be registered in the name of Cede & Co., as the nominee of DTC. The purchasers of the Bonds will not receive certificates representing their ownership interest in the Bonds. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal, premium, if any, and interest due on the Bonds will be made directly to DTC by the Paying Agent and Bond Registrar. (See “DESCRIPTION OF THE BONDS – Book-Entry Only System” and “APPENDIX F – Book-Entry Only System” attached hereto.)

Payment of the Bonds

The principal of and interest on the Bonds are payable in lawful money of the United States of America. The principal of the Bonds shall be paid upon their surrender by the registered owners thereof at the designated corporate trust office of the Paying Agent and Bond Registrar in Louisville, Kentucky, and interest on the Bonds shall be mailed by the Paying Agent and Bond Registrar to the registered owners of the Bonds, as of the applicable record date set forth below, at their addresses appearing on the registration books maintained by the Paying Agent and Bond Registrar. Alternatively, the principal of and interest on the Bonds may be paid by any other transfer of funds acceptable to the Paying Agent and Bond Registrar and the registered owners of the Bonds. The record dates for each April 1 and October 1 interest payment date shall be the preceding March 15 and September 15, respectively.

Interest

The Bonds shall be dated their date of initial issuance and delivery and shall bear interest at the rates set forth on the cover page hereof, payable semiannually on April 1 and October 1 of each year, commencing April 1, 2025.

Tax Treatment

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 under the Internal Revenue Code of 1986, as amended (the “Code”). Further, interest on the Bonds will not be treated as a specific item of tax preference in computing the federal alternative minimum tax imposed on individuals. In addition, interest on the Bonds is also exempt from Kentucky income taxation and the Bonds are also exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions. In rendering the opinions set forth in this paragraph, Dinsmore & Shohl LLP, Bond Counsel for the Bonds, 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 or state tax consequences of purchasing, holding, or disposing of the Bonds.

The City has not designated the Bonds as “qualified tax-exempt obligations” with respect to certain financial institutions under Section 265 of the Code.

See “LEGAL MATTERS – Tax Treatment” herein and “APPENDIX E – Form of Approving Legal Opinion of Bond Counsel” hereto 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 Bond Registrar for the Bonds will be U.S. Bank Trust Company, National Association, Louisville, Kentucky. Legal matters incident to the issuance of the Bonds and with respect to the treatment of the interest thereon for purposes of federal and Kentucky income taxation are subject to the approving legal opinion of Dinsmore & Shohl LLP, Covington, Kentucky, as Bond Counsel for the Bonds. The Municipal Advisor to the City is RSA Advisors, LLC, Lexington, Kentucky.

Offering and Delivery of the Bonds

The Bonds are offered when, as, and if issued by the City, and will be delivered on or about October 15, 2024, 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 the 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 Ordinance and the bond forms, are available from the City.

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

Additional Information

Additional information concerning this Official Statement and copies of the basic documentation relating to the Bonds is available from RSA Advisors, LLC, 147 East Third Street, Lexington, Kentucky 40508, Telephone: (800) 255-0795, Attention: Joe Lakofka.

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 denominations of \$5,000 or any integral multiple thereof.

Interest on the Bonds is payable semiannually on each April 1 and October 1, commencing April 1, 2025, and shall be paid by check or draft mailed to the registered owners thereof, as of the applicable record date set forth below, by U.S. Bank Trust Company, National Association, the Paying Agent and Bond Registrar. Principal is payable when due to the registered owners of the Bonds, upon the surrender thereof at the corporate trust office of the Paying Agent and Bond Registrar in Louisville, Kentucky. Alternatively, the principal of and interest on the Bonds may also be paid by any other transfer of funds acceptable to the Paying Agent and Bond Registrar and the registered owners thereof. The record dates for each April 1 and October 1 interest payment date shall be the preceding March 15 and September 15, respectively.

Redemption Provisions

Optional Redemption

The Bonds maturing on and after October 1, 2033 shall be subject to optional redemption before maturity on and after October 1, 2032, in whole or in part, in such order of maturity as shall be designated in writing by the City and by lot within a maturity, at the election of the City upon thirty-five days' written notice to the Paying Agent and Bond Registrar, 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 shall be subject to mandatory sinking fund redemption before maturity at a redemption price of 100% of the principal amount of Bonds to be redeemed, plus accrued interest to the redemption date, on the dates, in the years, and in the principal amounts as follows:

Maturing October 1, 20__	
<u>Date</u>	<u>Amount</u>
October 1, 20__	
October 1, 20__	
October 1, 20__*	
* Final Maturity	

Notice of Redemption

If less than all Bonds which, by their terms, are payable on the same date are to be called for redemption, then the particular Bonds or portions thereof payable on such date and to be redeemed shall be selected by lot, by the Paying Agent and Bond Registrar, in such manner as the Paying Agent and Bond Registrar, in its discretion, may determine;

provided, however, that (i) the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or any integral multiple thereof, and (ii) in selecting Bonds for redemption, the Paying Agent and Bond 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 days before the redemption date of any Bonds, the Paying Agent and Bond Registrar shall cause a notice of redemption, signed by the Paying Agent and Bond Registrar, to be mailed, postage prepaid, to all registered owners of the 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 Bond Registrar; provided, however, that the failure to mail any such notice shall not affect the validity of the proceedings for such redemption. Each redemption 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 the Bonds to be redeemed. In addition, if any Bond is to be redeemed in part only, such redemption notice shall also set forth the portion of the principal amount of the Bond to be redeemed and shall include a statement that on or after the date fixed for redemption, upon the surrender of such Bond for redemption, a new Bond will be issued in a principal amount equal to the unredeemed portion of the Bond so redeemed.

On the date so fixed for redemption, notice having been sent in the manner and under the conditions set forth above, and moneys for the payment of the redemption price being held in a separate account by the Paying Agent and Bond Registrar for the registered owners of the Bonds or portions thereof to be redeemed, (i) the Bonds or portions thereof so called for redemption shall become and be due and payable at the redemption price provided for the redemption of such Bonds or portions thereof on such date; (ii) interest on the Bonds or portions thereof so called for redemption shall cease to accrue; and (iii) the registered owners of the Bonds or portions thereof to be redeemed shall have no rights in respect thereof, except the right to receive payment of the redemption price thereof and to receive new Bonds for any unredeemed portions of such Bonds.

If part, but not all, of any Bond shall be selected for redemption, the registered owner thereof, or their attorney or legal representative, shall present and surrender such Bond to the Paying Agent and Bond Registrar for payment of the principal amount thereof so called for redemption, and thereupon, the City shall execute, and the Paying Agent and Bond Registrar shall authenticate and deliver, to or upon the order of such registered owner or attorney or legal representative, without charge therefor, a new Bond in a principal amount equal to the unredeemed portion of the Bond so surrendered for redemption, and of the same series and maturity and bearing interest at the same rate as the Bond so redeemed.

Security and Source of Payment for the Bonds

The Bonds are a general obligation of the City, and the full faith, credit, and taxing power of the City have been irrevocably pledged to the payment of the principal of and interest on the Bonds as and when due and payable. The basic security for general obligation indebtedness of the City, including the Bonds, is the City's ability to levy, and its pledge to levy, an annual tax to pay the principal of and interest on 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 and payable, the principal of and interest on all outstanding general obligation bonds and other obligations of the City, including the Bonds. The Kentucky Constitution 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 requires the maintenance of the City's existing Sinking Fund, into which the proceeds of such tax or other monies of the City are to be deposited for the payment of the principal of and interest on the general obligation bonds and other obligations of the City, including the Bonds, and such proceeds or other monies on deposit therein shall not be used for any other purpose.

Chapter 9 of the federal Bankruptcy Code contains provisions with respect to the adjustment of the debts of a state's political subdivisions, public agencies, or instrumentalities (each, an "eligible entity"), such as the City. Under the federal 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 a material and adverse modification or alteration of the rights of the entity's secured and unsecured creditors, including the holders of its bonds and notes.

Statutory Lien

Section 66.400 of the Kentucky Revised Statutes (the "Municipal Bankruptcy Law") permits any political subdivision in Kentucky, such as the City, for the purpose of enabling such political subdivision to take advantage of the

provisions of the Bankruptcy Code, and for that purpose only, (i) to file a petition stating (a) that the political subdivision is insolvent or unable to meet its debts as they mature and (b) desires to effect a plan for the composition or readjustment of its debts, and (ii) to take any further proceedings set forth in the Bankruptcy Code as they relate to such political subdivision. Under the Municipal Bankruptcy Law, the City does not need the approval or permission of the State Local Debt Officer or any other governmental authority before availing itself of the bankruptcy process.

The Municipal Bankruptcy Law provides that (a) a statutory lien exists on any tax revenues pledged for the benefit of general obligation debt; (b) such tax revenues are pledged for the repayment of the principal of and premium, if any, and interest on all outstanding general obligation indebtedness, regardless of whether such pledge is stated in the documents or proceedings authorizing such indebtedness; and (c) such pledge constitutes a first lien on such tax revenues. In addition, the Municipal Bankruptcy Law also creates a statutory lien on annual appropriations for the payment of any obligations that are subject to annual renewal, including, without limitation, any leases entered into under Chapter 58 and Chapter 65 of the Kentucky Revised Statutes.

The validity and priority of the statutory lien summarized above have not been adjudicated in any Chapter 9 bankruptcy proceeding or otherwise.

Book-Entry Only System

The Bonds will initially be issued solely in book-entry form, to be held in the book-entry 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 the Bonds, and the beneficial owners of the Bonds will not be or be considered to be, and will not have any rights as, the 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” attached hereto.

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

PLAN OF FINANCE

The Bonds are being issued for the purposes of (i) financing the costs of the acquisition, construction, installation, and equipping of a new parking garage in downtown Newport, (ii) paying capitalized interest for the Bonds, (iii) paying the costs of credit enhancement for the Bonds, if any, and (iv) paying the costs of issuance of the Bonds.

SOURCES AND USES OF FUNDS

Sources:	
Bond Proceeds	\$ _____
[Plus Original Issue Premium][Less Original Issue Discount]	_____
Total Sources	\$ _____
Uses:	
Underwriter’s Discount	\$ _____
Deposit to Construction Fund	_____
Cost of Issuance	_____
Total Uses	\$ _____

INVESTMENT CONSIDERATIONS

The following is a discussion of certain investment considerations for investors to consider of risks that could affect payments to be made with respect to the Bonds. Such discussion is not exhaustive and should be read in conjunction with all other parts of this Official Statement, and should not be considered a complete description of all risks that could affect such payments. Prospective purchasers of the Bonds should carefully analyze the information contained in this Official Statement, including the Appendices hereto, and additional information in the form of the complete documents summarized herein, copies of which are available as described in this Official Statement.

Limitation on Enforcement of Remedies

Enforcement of the remedies applicable to the Bonds under the Ordinance may be limited or restricted by laws relating to bankruptcy and insolvency and by the rights of creditors under the application of general principles of equity,

and may be substantially delayed in the event of litigation or the required use of statutory remedy procedures. All legal opinions delivered in connection with the Bonds and relating to the enforceability of such remedies contain an exception regarding the limitations that may be imposed by bankruptcy and insolvency laws and by the rights of creditors under general principals of equity.

Risk of Bankruptcy

The obligations of the City under the Bonds and the Ordinance are general obligations of the City secured only by the pledge to the bondholders of the full faith, credit, and taxing power of the City, any monies on deposit in the City's Sinking Fund (on a parity with all other general obligation indebtedness of the City), the Bond Payment Fund established under the Ordinance, and the statutory lien provided by the Municipal Bankruptcy Law. A bondholder's enforcement of any remedies provided under the Ordinance may be limited or delayed in the event of the application of federal bankruptcy laws or any other laws affecting creditors' rights and may be substantially delayed and subject to judicial discretion in the event of any litigation or the required use of any statutory remedial procedures. The validity and priority of the statutory lien provided under the Municipal Bankruptcy Law has not been adjudicated in any Chapter 9 bankruptcy proceeding or otherwise.

Under the Municipal Bankruptcy Law, the City is permitted to file a petition for relief under Title 11, Chapter 9 of the United States Code (the "Bankruptcy Code") without the prior approval of any official or department of the state government, including the Kentucky Department for Local Government State Local Debt Officer. If the City were to file such a petition, the filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the City and any interest in (a) monies contained in the Sinking Fund or the Bond Payment Fund, (b) the City's general fund revenues, or (c) the taxing power of the City. However, any such petition would not stay the application of pledged special revenues, as defined by the Bankruptcy Code.

During its bankruptcy proceedings, the City could use its property, including its tax receipts and the proceeds thereof, but excluding any pledged special revenues, for the benefit of the City's bankruptcy estate, despite the claims of its creditors. Notwithstanding the foregoing, it is possible that the City could also use its pledged special revenues to pay certain operating expenses, even after filing its bankruptcy petition.

In any Chapter 9 proceeding under the Bankruptcy Code, only the City, and not any other creditor or party in interest, could file a proposed plan of adjustment. The plan of adjustment is the vehicle for satisfying, and provides for the comprehensive treatment of, all claims against the City, and could result in the modification of rights of any class of creditors, secured or unsecured, and which modification of rights could be contrary to state law. To confirm a plan of adjustment, with one exception discussed below, it must be approved by the vote of each class of impaired creditors. A class approves a plan of adjustment if, of those who vote, those holding more than one-half in number and at least two-thirds in amount vote in favor of such plan. If fewer than all impaired classes accept the plan, the plan may nevertheless be confirmed by the bankruptcy court, and all claims and interests would be bound thereby regardless of whether or how they voted. For this "cramdown" to occur, at least one impaired class must vote to accept the plan and the bankruptcy court must determine that the plan does not "discriminate unfairly" and is "fair and equitable" with respect to the non-consenting classes. To be confirmed, the bankruptcy court must also determine that the plan, among other requirements, is proposed by the City in good faith and is in the best interest of its creditors, such that the plan represents a reasonable effort by the City to satisfy its debts and is a better alternative than dismissal of the bankruptcy case. Unlike in a Chapter 11 proceeding, in a Chapter 9 proceeding, this standard does not include use of a liquidation analysis.

Generally, the City would likely receive a discharge after (i) the plan of adjustment is confirmed, (ii) the City deposits any consideration to be distributed under the plan with a disbursing agent appointed by the bankruptcy court, and (iii) the bankruptcy court determines that the securities deposited with the disbursing agent will constitute valid and legal obligations of the City and that any provision made to pay or secure payment of such obligations is valid.

See the additional discussion regarding the statutory pledge of tax revenues provided for the Bonds under the heading "DESCRIPTION OF THE BONDS – Statutory Lien" herein. Prospective bondholders should consult their legal counsel regarding the impact of a bankruptcy filing by the City on the payment and security of the Bonds.

Suitability of Investment

An investment in the Bonds involves a certain degree of risk. The interest rates borne by the Bonds are intended to compensate the investor for assuming this element of risk. Prospective investors should carefully examine this Official

Statement, including the Appendices hereto, and assess their ability to bear the economic risk of such an investment and determine whether or not the Bonds are an appropriate investment for them.

Additional Debt

The City may, from time to time, issue additional general obligation bonds or notes. The issuance of additional general obligation bonds or notes would increase the City’s overall debt service requirements and could adversely affect the debt service coverage on the Bonds.

General Economic Conditions

Adverse general economic conditions may result in, among other adverse circumstances, a reduction in the City’s occupational license fees and general tax revenues or declines in the City’s investment portfolio values, resulting in increased funding requirements, all of which could negatively impact the results of operations and the overall financial condition of the City.

Market for the Bonds

There is presently no secondary market for the Bonds and no assurance that a secondary market will develop. Consequently, investors may not be able to resell any of the Bonds they purchase should they need or wish to do so for emergency or other purposes.

Bond Rating

There can be no assurance that the rating assigned to the Bonds at the time of issuance will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for and marketability of the Bonds. For more information, see the discussion under the heading “RATING” herein.

Tax Implications

Prospective purchasers of the Bonds may need to consult their own tax advisors before purchasing any Bonds regarding the impact of the Internal Revenue Code of 1986, as amended (the “Code”), upon their acquisition, holding, or disposition of the Bonds.

PROFILE OF THE CITY AND SURROUNDING AREA

Certain demographic, economic, and financial information with respect to the City and the surrounding area is set forth in “APPENDIX B – Demographic, Economic, and Financial Data” hereto.

CITY GOVERNMENT

Elected and Appointed Officials

The City operates under a City Manager form of government, and is governed by a Board of Commissioners made up of a Mayor and four Commissioners elected by the citizens of the City on a non-partisan ballot. The Mayor is elected to a four year term and the Commissioners are elected to a two year term. The Mayor and the Commissioners have equal voting power. 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>
Tom Guidugli Jr., Mayor	January 1, 2021	December 31, 2024
Beth Fennell, Vice Mayor	August 1, 1992	December 31, 2024
Mike Radwanski	January 1, 2023	December 31, 2024
Ken Rehtin	January 1, 2017	December 31, 2024
Julie Smith-Morrow	January 1, 2023	December 31, 2024

The Board of Commissioners sets the policies that govern the City and appoints advisory citizen groups to help in the decision making process for the City. The City Manager is hired by the Board of Commissioners to act as the chief administrative officer of the City and is responsible for the day-to-day operations of the City’s employees. The department managers are responsible for their various departments and report to the City Manager.

The currently appointed City officials are:

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

Financial Matters

The Finance Director is the fiscal officer of the City and is responsible for the accounting, collection, custody and disbursement of the funds of the City. The Finance Director 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, the City Manager.
- (3) Assessment of all real property and personal property, the Campbell County Property Valuation Administrator.
- (4) Financial control functions and supervision, the Finance Director.
- (5) Inspection of the accounts and reports of the City as required by law, by independent certified public accountants.

Financial Management

The Board of Commissioners is responsible for appropriating the funds used to support the various activities of the City. 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 Kentucky is required to keep its accounting records and render financial reports in such a way as to: (a) determine compliance with statutory provisions, (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, and (c) readily provide all financial data as may be required by federal and state grant programs. 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 under and 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 subsequently filed with the Kentucky Department for Local Government. Audits are required to be completed by the February 1 immediately following the fiscal year being audited.

The governmental accounting procedures established and prescribed by the Kentucky Department for Local Government are generally applicable to all cities in Kentucky and may be different from the generally accepted government accounting principles presented and recommended in (a) the Governmental Accounting Standards Board's publication entitled "Governmental Accounting, Auditing, and Financial Reporting," and (b) the American Institute of Certified Public Accountants' publication entitled "State and Local Governments – Audit and Accounting Guide." Those publications provide for, among other things, (1) a modified accrual basis of accounting for the general fund and all special revenue funds, capital project funds, and debt service funds, (2) a full accrual basis of accounting for all other funds, and (3) the preparation, for each fund, of balance sheets, statements of revenues and expenditures, and statements showing changes in fund balances. In addition, government-wide financial statements are also required for all governmental activities and all business-type activities.

The Annual Comprehensive Financial Report of the City for the Fiscal Year ended June 30, 2023 is attached hereto as Appendix C.

Budgeting and Appropriations Procedures

Detailed provisions with respect to budgeting, tax levies, and appropriations are made in the Kentucky Revised Statutes. Under 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 legislative body of a city no later than thirty days before 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 by any 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 its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of the 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, any 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 obligations;
 - 2. Export-Import Bank of the United States notes or guaranteed participation certificates;
 - 3. Farmers Home Administration insured notes;
 - 4. Governmental National Mortgage Corporation obligations; and
 - 5. Merchant Marine bonds;
- (c) Obligations of any corporation of the United States government, including, but not limited to:
 - 1. the Federal Home Loan Mortgage Corporation;
 - 2. Federal Farm Credit Banks;
 - 3. the Bank for Cooperatives (CoBank);
 - 4. Federal Intermediate Credit Banks;
 - 5. Federal Land Banks;
 - 6. Federal Home Loan Banks;
 - 7. the Federal National Mortgage Association; and
 - 8. the Tennessee Valley Authority;
- (d) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution having a physical presence in Kentucky which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by Section 41.240(4) of the Kentucky Revised Statutes;
- (e) Uncollateralized certificates of deposit issued by any bank or savings and loan institution having a physical presence in Kentucky rated in one of the three highest categories by a competent rating agency;
- (f) Bankers' acceptances for banks rated in one of the three highest categories by a competent rating agency;
- (g) Commercial paper rated in the highest category by a competent rating agency;
- (h) Bonds or certificates of indebtedness of the Commonwealth and of its agencies and instrumentalities;
- (i) Securities issued by a state or local government, or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a competent rating agency;

- (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 years; and
 3. All of the securities in the mutual fund shall be eligible investments under this section.
- (k) Individual equity securities if the funds being invested are managed by a professional investment manager regulated by a federal regulatory agency. The individual equity securities shall be included within the Standard and Poor's 500 Index, and a single sector shall not exceed twenty-five percent of the equity allocation; and
- (l) Individual high-quality corporate bonds that are managed by a professional investment manager that:
 1. Are issued, assumed, or guaranteed by a solvent institution created and existing under the laws of the United States;
 2. Have a standard maturity of no more than ten years; and
 3. Are rated in the three highest rating categories by at least two competent credit rating agencies.

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

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

Debt Limitation

Section 158 of the Kentucky Constitution provides that cities shall not incur indebtedness in 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 15,000 or more, 10%;
- (b) Cities having a population of less than 15,000 but not less than 3,000, 5%; and
- (c) Cities having a population of less than 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 Section 158 and elsewhere in the Kentucky Constitution, the General Assembly has the power to establish additional limits on indebtedness and conditions under which debt may be incurred by cities.

Section 66.041 of the Kentucky Revised Statutes provides the same limitations as are set forth in the Kentucky Constitution except that the limitations apply to "net indebtedness." In calculating "net indebtedness," Section 66.031 of the Kentucky Revised Statutes provides that certain obligations of a municipality are not considered indebtedness, including any notes issued in anticipation of bonds, self-supporting obligations, revenue bonds, special assessment debt, and other infrequently-issued types of obligations. For a complete list of all debt exempt from the calculation of "net indebtedness," see the Statement of Indebtedness attached hereto as Appendix D.

Appendix D to this Official Statement contains a Statement of Indebtedness for the City, certified by the Finance Director, calculating the amount of the outstanding obligations of the City (including the Bonds) that are subject to the 5% total direct debt limitation applicable to the City. The total principal amount of general obligation debt that could be issued by the City, subject to the 5% direct debt limit, is \$69,394,001, and the City's net indebtedness subject to such limit and presently outstanding (including the Bonds) is \$38,875,715*, leaving a balance of approximately \$30,518,286* 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 limitation and tax limitation must be met.

* Preliminary, subject to adjustment.

Tax Limitation

Section 157 of the Kentucky Constitution imposes an indirect debt limitation on general obligation indebtedness of cities by limiting the tax rates that cities may impose upon the assessed value of taxable property, as follows:

- (a) cities having a population of 15,000 or more, \$1.50 on each \$100.00 of assessed value;
- (b) cities having a population of less than 15,000 and not less than 10,000, \$1.00 on each \$100.00 of assessed value; and
- (c) cities having a population of less than 10,000, \$0.75 on the \$100.00 of assessed value.

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 D of this Official Statement contains a Statement of Indebtedness, certified by the Finance Director of the City, setting forth the property tax rate currently levied by the City of \$0.260 per \$100.00 for real property and \$0.274 per \$100.00 for personal property, and certifying that the issuance of the Bonds will not cause such tax rates of the City to increase to amounts which would exceed the maximum permissible rates.

Future Borrowings of the City

The City may issue one or more additional series of general obligation bonds in the future to finance the costs of additional public projects, subject to the constitutional and statutory restrictions described herein. The City currently has no formal plans to issue additional general obligation bonds, notes, or other indebtedness to finance the costs of any designated public projects. Nevertheless, the City reserves the right to issue additional general obligation indebtedness in the 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, as Bond Counsel for the Bonds. Upon their delivery to the successful bidder therefor, the Bonds will be accompanied by an approving legal opinion rendered by Dinsmore & Shohl LLP and dated the date of delivery of the Bonds. A form of such legal opinion is attached hereto as Appendix E.

As Bond Counsel, Dinsmore & Shohl LLP has performed certain functions to assist the City in the preparation of this Official Statement. However, the firm assumes no responsibility for, and will express no opinion with respect to 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, the holders of the Bonds, or any other persons.

The engagement of the firm as Bond Counsel is limited to the preparation of certain documents contained in the transcript of proceedings for the Bonds and an examination of such transcript of proceedings incident to rendering its approving legal opinion for the Bonds. In its capacity as Bond Counsel, the firm has reviewed the information set forth in this Official Statement under the Sections entitled "INTRODUCTION – Authority for Issuance," "DESCRIPTION OF THE BONDS – Security and Source of Payment for the Bonds," "CITY GOVERNMENT – Debt Limitation," "CITY GOVERNMENT – Tax Limitation," "LEGAL MATTERS – General Information," and "LEGAL MATTERS – Tax Treatment", which review did not include any independent verification of the financial statements and statistical data included therein, if any.

Transcript and Closing Certificates

A complete transcript of proceedings for the Bonds, including a No Litigation Certificate and other appropriate closing documents, will be delivered by the City when the Bonds are delivered to the original purchaser. At the time of

such delivery, the City will also provide the original purchaser with a certificate executed by the Mayor or the Finance Director of the City, addressed to such purchaser, and relating to the accuracy and completeness of this Official Statement.

Litigation

To the knowledge of the City, no litigation, administrative action, or other proceeding is pending or threatened directly affecting the Bonds, the security for the Bonds, or the improvements being financed with 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 Treatment

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 under the Internal Revenue Code of 1986, as amended (the “Code”). In addition, Bond Counsel is also of the opinion that interest on the Bonds will not be a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals (for a discussion of the corporate alternative minimum tax, see “LEGAL MATTERS – Tax Treatment – Corporate Alternative Minimum Tax” herein). Further, Bond Counsel is of the opinion that interest on the Bonds will be exempt from Kentucky income taxation and that the Bonds will be exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

A copy of the approving legal opinion Bond Counsel will deliver in connection with the Bonds is set forth in “APPENDIX E – Form of Approving Legal Opinion of Bond Counsel” hereto.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion of the interest on certain obligations, such as the Bonds, from gross income for federal income tax purposes. 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. Any failure to comply with these covenants could result in the interest on the Bonds being includable in gross income for federal income tax purposes, and such inclusion could be required retroactively to the issue date 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 Bonds and any other relevant documents with respect thereto may be changed, and certain actions (including, without limitation, the 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 tax status of the interest thereon if any such change occurs or any such action is taken or omitted upon the advice or approval of bond counsel other than Dinsmore & Shohl LLP.

Although Bond Counsel 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 will be 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 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 its tax counsel with respect to the effects of purchasing, holding, or disposing of 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, (i) increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, (ii) increasing the federal tax liability of certain insurance companies under Section 832 of the Code, (iii) increasing the federal tax liability and affecting the status of certain S Corporations subject to Sections 1362 and 1375 of the Code, (iv) increasing the federal tax liability of certain individual recipients of Social Security or the Railroad Retirement benefits under Section 86 of the Code, and (v) 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.

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 call date. The Bonds that bear an interest rate that is higher than the yield (as shown on the cover page hereof), are initially being offered and sold to the public at an Acquisition Premium (the “Premium Bonds”). For federal income tax purposes, the amount of the Acquisition Premium on each bond, the interest on which is excludable from gross income of the holder thereof 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 any 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 with 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 on such Bonds at maturity (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 in accordance with that initial offering. For federal income tax purposes, OID on each bond will accrue over the term of such bond, and for the Discount Bonds, the amount of such accretion will be based on a single rate of interest, compounded semiannually (the “yield to maturity”). The amount of OID that accrues during each semiannual 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 such purchaser owns the Discount Bond is added to the 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 to the foregoing, OID 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 of the Discount Bonds should be aware that the accrual of OID in each year may result in an alternative minimum tax liability, additional distribution requirements, or other collateral federal income tax consequences even though the owner of such Discount Bond has not received cash attributable to such OID in such year.

Holders of any 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.

Corporate Alternative Minimum Tax

The Inflation Reduction Act of 2022 imposes a corporate alternative minimum tax equal to 15% of the “adjusted financial statement income” of “applicable corporations,” both as defined in Section 59(k) of the Code. Generally, an applicable corporation includes any corporation (as defined for federal income tax purposes, other than S corporations,

regulated investment companies, and real estate investment trusts) with an “average annual adjusted financial statement income” of more than \$1,000,000,000 over any preceding period of three tax years (ending with a tax year ending after December 31, 2021). The corporate alternative minimum tax applies for tax years beginning after December 31, 2022. Under the Inflation Reduction Act, interest on tax-exempt bonds, including the interest on the Bonds, is included (i) in computing “average annual adjusted financial statement income” for the purpose of determining whether a corporation qualifies as an “applicable corporation,” and (ii) in determining an applicable corporation’s “adjusted financial statement income” for the purpose of calculating the alternative minimum tax to be imposed on such applicable corporation under Section 55 of the Code, regardless of the issue date of such tax-exempt bonds.

RATING

As noted on the cover page of this Official Statement, S&P Global Ratings (“S&P”) has given the Bonds its municipal bond rating of “AA-”. Such rating reflects only the view of S&P. An explanation of the significance of the may only be obtained from S&P at 55 Water Street, New York, New York 10041, Telephone: (212) 438-2124. There is no assurance that the rating on the Bonds, when given, will continue for any given period of time or that the rating on the Bonds will not be revised downward or withdrawn entirely if, in the judgment of S&P, the circumstances so warrant. Any such downward revision or withdrawal of the rating on the Bonds may have an adverse effect on the marketability and/or the market price of the Bonds.

The City expects to furnish S&P with any information and materials that it may request with respect to future general obligation bond issues by the City. However, the City assumes no obligation to furnish such requested information and materials to S&P, and may issue debt for which a rating is not requested. Any failure by the City to furnish any such requested information and materials to S&P, or the issuance by the City of any debt for which a rating is not requested, may result in the suspension or withdrawal of S&P’s ratings on the City’s outstanding general obligation bonds.

CONTINUING DISCLOSURE

In accordance with Securities and Exchange Commission Rule 15c2-12 (the “Rule”) and so long as the Bonds are outstanding, the City will agree, under a continuing disclosure undertaking to be dated as of the date of the issuance and delivery of the Bonds (the “Disclosure Undertaking”), to cause the following information to be provided:

- (i) to the Municipal Securities Rulemaking Board (the “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 other similar system acceptable to the Securities and Exchange Commission, certain annual financial information and operating data for the City, including audited financial statements of the City, generally consistent with the information set forth in “APPENDIX B – Demographic, Economic, and Financial Data” and “APPENDIX C – Annual Comprehensive Financial Report of the City of Newport, Kentucky for the Fiscal Year Ended June 30, 2023” attached hereto (the “Annual Financial Information”). The Annual Financial Information will be provided within 270 days after the end of the fiscal year ending on the preceding June 30, commencing with the fiscal year ending June 30, 2024; provided that the audited financial statements may not be available by such date, but will be made available immediately upon the delivery thereof by the auditors for the City; 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 any other material notices or determinations with respect to the tax status of the security, or any 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 any property securing repayment of the securities, if material;
 - (k) Rating changes;
 - (l) Bankruptcy, insolvency, receivership, or similar event of the City (Note: This event is considered to occur upon the occurrence of the following: the appointment of a receiver, fiscal agent, or similar officer for the City 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 City, 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 City);
 - (m) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, 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;
 - (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
 - (o) Incurrence of a material financial obligation by the City or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any financial obligation of the City, 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 any financial obligation of the City, any of which reflect financial difficulties.
- (iii) to the MSRB, through EMMA, in a timely manner, notice of any failure of the City (of which the City has knowledge) to provide the required Annual Financial Information on or before the date specified in the Disclosure Undertaking.

The Disclosure Undertaking provides bondholders, including the beneficial owners of the Bonds, with certain enforcement rights in the event of a failure by the City 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 events as set forth in the Rule:

- (i) there are no debt service reserve funds applicable to the Bonds;
- (ii) there are no credit enhancements applicable to the Bonds;
- (iii) there are no liquidity providers applicable to the Bonds; and
- (iv) there is no property securing the repayment of the Bonds.

The City has previously entered into continuing disclosure undertakings in accordance with the Rule (the “Prior Disclosure Undertakings”). During the past five years, the City has fully complied with all of its continuing disclosure obligations under the Prior Disclosure Undertakings and the Rule.

The City intends to file all future Annual Financial Information within the time requirements specified in the Prior Disclosure Undertakings and in the Disclosure Undertaking relating to the Bonds, and the City has adopted policies and procedures to ensure the timely filing thereof, which policies and procedures are available to the public upon request.

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/less]

original issue [premium/discount] of \$[____], and less underwriter’s discount of \$[____]). The initial public offering prices which produce the yields set forth on the 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 hereof.

MUNICIPAL ADVISOR

RSA Advisors, LLC, Lexington, Kentucky, has been employed as the independent registered municipal advisor (the “Municipal Advisor”) in connection with the issuance of the Bonds. The Municipal Advisor’s fee for its services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery thereof.

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 in the name and on behalf of the City of Newport, Kentucky, by its Mayor.

CITY OF NEWPORT, KENTUCKY

By: _____
Mayor

Dated: October __, 2024

APPENDIX A
CITY OF NEWPORT, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2024A

ESTIMATED DEBT SERVICE REQUIREMENTS FOR THE BONDS

Debt Service

FY Ending June 30	Principal Portion	Interest Portion	Total Payment
2025		\$326,491	\$326,491
2026		\$660,319	\$660,319
2027	\$70,000	\$659,066	\$729,066
2028	\$505,000	\$649,152	\$1,154,152
2029	\$635,000	\$629,760	\$1,264,760
2030	\$755,000	\$606,382	\$1,361,382
2031	\$805,000	\$580,252	\$1,385,252
2032	\$855,000	\$552,447	\$1,407,447
2033	\$910,000	\$522,884	\$1,432,884
2034	\$970,000	\$491,394	\$1,461,394
2035	\$1,025,000	\$457,824	\$1,482,824
2036	\$1,080,000	\$421,979	\$1,501,979
2037	\$1,140,000	\$383,336	\$1,523,336
2038	\$1,210,000	\$341,254	\$1,551,254
2039	\$1,205,000	\$297,000	\$1,502,000
2040	\$960,000	\$256,803	\$1,216,803
2041	\$1,015,000	\$219,462	\$1,234,462
2042	\$1,145,000	\$177,525	\$1,322,525
2043	\$1,210,000	\$130,947	\$1,340,947
2044	\$1,280,000	\$81,076	\$1,361,076
2045	\$1,355,000	\$27,642	\$1,382,642
<hr/>			
Totals:	\$18,130,000	\$8,472,994	\$26,602,994

Notes: All figures rounded to the nearest dollar

APPENDIX B

**CITY OF NEWPORT, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2024A**

DEMOGRAPHIC, 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 4,598 residential housing parcels, a population of 14,378, 35 street miles, and 998 Newport-based businesses.

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:

1. License fees on stock used for breeding purposes.
2. License fees on franchises, trades, occupations and professions.
3. Taxes on tangible and intangible personal property based on income, licenses and franchises in lieu of ad valorem taxes; and
4. 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 \$30,200 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 \$40,500 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 2022 tax rate for Newport was \$.274 per \$100 of assessed valuation. In addition, the City assesses a personal property tax on property used in business. In 2022, the personal property tax rate was \$.274 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 (In Thousands)</u>
2018	\$1,252,925,942
2019	\$1,275,614,742
2020	\$1,306,600,261
2021	\$1,591,520,796
2022	\$1,640,623,039
2023	\$1,690,140,543



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 2018 through 2023.

<u>Fiscal Year</u>	<u>Taxes Levied</u>	<u>Collected</u>	<u>% Collected</u>
2018	2,086,508	2,021,845	96.90%
2019	2,188,183	2,129,673	97.30%
2020	2,270,298	2,214,654	97.50%
2021	2,410,743	2,316,444	96.10%
2022	2,514,666	2,438,158	97.00%
2023	2,660,578	2,602,110	97.80%

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 2017 to 2022. 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>
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	180.6300
2021	26.5000	17.8000	12.2000	12.5500	101.7000	170.7500
2022	27.4000	17.7000	11.9000	12.1000	101.7000	170.8000
2023	27.4000	17.1000	11.5000	11.9000	101.2000	169.1000

Largest Real Estate/Tangible Property Taxpayers

The following were the ten largest real estate/tangible property taxpayers for the fiscal year ended June 30, 2023.

<u>Taxpayer</u>	<u>Real Estate Valuation</u>	<u>Tangible Valuation</u>	<u>Total RE & Tangible</u>
1. Newport Shopping Center	\$18,200,000	\$0	\$18,200,000
2. Newport Plaza	\$16,160,000	\$0	\$16,160,000
3. Riverfront Place Ltd.	\$14,668,572	\$0	\$14,668,572
4. Newport SPE LLC	\$10,200,000	\$0	\$10,200,000
5. Newport Racing & Gaming	\$0	\$9,675,910	\$9,675,910
6. CPX Ovation West Parking	\$9,472,700	\$0	\$9,472,700
7. NKY Hospitality LLC	\$9,150,000	\$0	\$9,150,000
8. Kroger Limited Partnership	\$0	\$7,260,429	\$7,260,429
9. Bellevue RE LLC	\$6,966,200	\$0	\$6,966,200
10. Joslin Enterprises	\$6,422,000	\$0	\$6,422,000



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	\$ 301,165	1.40%	06/01/25
2015REF	Refund Series 2007-B	GO	\$ 6,910,000	\$ 4,500,000	2.00% - 4.00%	05/01/32
2015B	Various Public Projects	GO	\$ 5,085,000	\$ 4,965,000	3.25% - 3.75%	10/01/40
2016REF	Refund Series 2007-A	GO	\$ 3,135,000	\$ 1,220,000	3.25% - 3.75%	05/01/27
2019	G.O. Note 2019	GO	\$ 1,500,000	\$ 319,770	3.27%	02/01/24
2020	G.O. Note 2020	GO	\$ 2,350,000	\$ 968,291	2.01%	02/01/25
2021	G.O. Bond 2021	GO	\$11,720,000	\$11,275,000	1.25% - 2.85%	02/01/41
-	-	-	-	-	-	-



APPENDIX C

**CITY OF NEWPORT, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2024A**

ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY OF NEWPORT, KENTUCKY
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

City of Newport, Kentucky

Annual Comprehensive Financial Report
Year ended June 30, 2023



Office Building at
Ovation 200 W 3rd St

CITY OF NEWPORT, KENTUCKY
ANNUAL COMPREHENSIVE
FINANCIAL REPORT
For the Year Ended June 30, 2023

Prepared by:

Finance Department
City of Newport

CITY OF NEWPORT, KENTUCKY
ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2023

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INTRODUCTORY SECTION



NEWPORT

KENTUCKY

February 7, 2024

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

We are pleased to present the Annual Comprehensive Financial Report of The City of Newport, Kentucky (the City or Newport) for the fiscal year ended June 30, 2023 (FY 23).

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 23 financial statements, issued an unmodified (clean) opinion on the financial statements for the fiscal year ended June 30, 2023, 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 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."

The City Manager Plan 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 Mayor was held in November 2022.

The City Manager, subject to Policies, is in 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:

- All City Manager Staff, City Clerk and Legal Department.
- Police – An accredited, forty-five member department with divisions of administration, patrol, traffic, and investigation.
- Fire – Thirty-seven 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 – seven 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 - 70. The City has been a participant in the City and County Employees Retirement System (CERS) through the Commonwealth of Kentucky since July, 1989¹.

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

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, 2022 to be a total of .105% for non-hazardous and .984% for hazardous, equating to \$37,594,644. This amount is shown mainly on pages 24 and 29.

proposed budget for review by the Board of Commissioners. The final budget must be adopted by June 30th.

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

Many local and national economists have stated that metropolitan-Northern Kentucky and Cincinnati are attractive places to live, work and invest because the fundamentals are quite strong, the weather is 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 outlook remains favorable.

Newport has several new developments on the horizon: office, residential, mixed use, large- and small-scale development, in locations throughout the City. These types of Economic Development Projects of scale take several years of planning and approvals before construction begins.

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 228th anniversary of the founding of the City of Newport. Since 2006, the City has experienced well over \$1 billion in new developments, and growing, making this period one of the most successful in the history of the City. In 2023, businesses in the City added 159 net new jobs. In 2023, we also welcomed the first new homes in the Martins Gate Development in South Newport.

Ovation: In May of 2021 the Music Venue was completed. The hotel and office building component of phase one is scheduled for completion in 2024. Plans for the second phase of construction, just south of Newport's Floodwall, were approved in November 2020, and are under construction. This phase will include a mix of uses: residential, retail and parking.

Newport on the Levee: In FY 2018 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. Recently, plans for a \$14 million Margaritaville Resort at this location were approved.

Newport Shopping Center and Plaza: Newport Shopping Center continued re-tenanting of the center, including Newport Racing and Gaming, who took 17,000 square feet of space. New ownership took possession in 2022 and has plans for recruiting many new businesses.

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 approved. We are currently assessing the possible construction of a publicly owned parking garage on the site.

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

Newport Steel Site: The site 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. Nearly all of these units have been purchased.

13th Street Residential Redevelopment (Martins Gate): A five-acre site in the Clifton neighborhood has been approved for a 2023 HomeArama project, bringing together the NKY and Cincinnati Homebuilders Associations to construct a projected 62 single-family residential units along 13th and 14th Street in Newport with an estimated value of \$44 million dollars.

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. Bids for the project will be submitted in early 2024.

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:

- Continue necessary amendments to the 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 at 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.

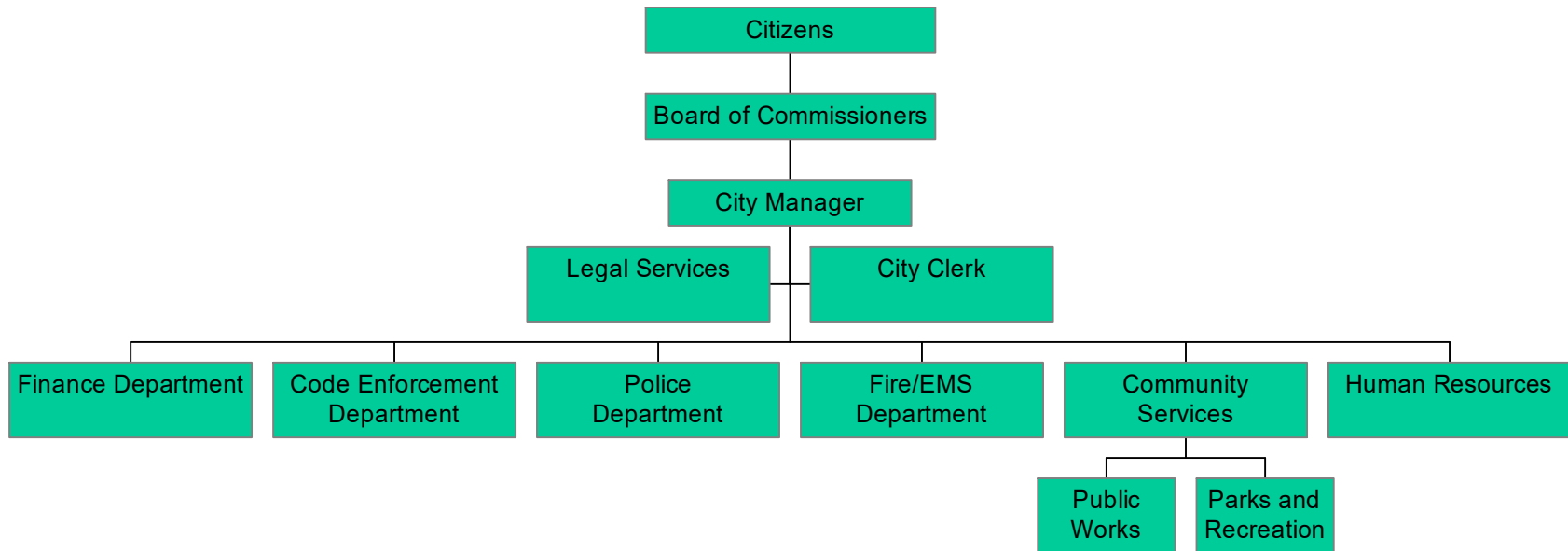
We wish to thank all of the City's departments and staff for their assistance in providing the data necessary to prepare this report. Tribute also is due to the Mayor and the Commission for their unfailing support in maintaining the highest standards of professionalism in the management of the City of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

Sincerely and respectfully submitted,

A handwritten signature in black ink that reads "Thomas J. Fromme". The signature is written in a cursive style with a large initial 'T' and 'F'.

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, 2023

Mayor

Thomas L. Guidugli, Jr.

Commissioners

Elisabeth Fennell
Michael Radwanski
Julie Smith-Morrow
Kenneth Rechten

City Manager

Thomas J. Fromme

Department Heads

Fire/EMS - Chief Frank Peluso, Jr.
Police - Chief Christopher Fangman
Planning/Development - Brian Steffen
Community Services – Ray Ebert
Finance - Leonard Kuntz

Office of City Manager

City Attorney - Daniel R. Braun
City Clerk – Tiffany Meyers

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newport, Kentucky, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Newport, Kentucky's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newport, Kentucky, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Newport, Kentucky's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Newport, Kentucky's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules and OPEB schedules on pages 13–23 and 71–91 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary 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 accompanying capital projects fund budgetary comparison schedule and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the

basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the capital projects fund budgetary comparison schedule and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2024, 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
February 7, 2024



NEWPORT

KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Newport, Kentucky's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2023. 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 58**), and additional pension-related **Required Supplemental Information**. The City's calculated share for FY 2023 is \$37,594,696.

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 61**), and additional OPEB-related **Required Supplemental Information**. The City's calculated share for FY 2023 is \$10,447,359.

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 \$(8,149,476) with the inclusion of the unfunded pension and OPEB liabilities of \$39,044,613 and \$10,447,359, respectively. This is the City's net position. For the statement of net position, refer to page 24.
- The City's total net position increased this year by **\$6,206,612** over last year. Net position of governmental activities increased by **\$5,935,681** and net position of business-type activities increased by **\$270,931**. As of June 30, 2023, the City's governmental funds reported a combined ending fund balance of **\$26,773,501**, an increase of **\$3,852,476** in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was **\$9,823,483**, an increase of **\$1,870,721** over fiscal year 2022. With the receipt of seven Opioid Settlement payments, the City was able to place funds into the 'Reserve' bank account.
- The City's total debt, excluding bond premiums, increased by **\$3,531,123** due to amortized SBITA liability, changes in the state pension liabilities and regularly scheduled principal payments.

Financial movement without consideration of GASB 68 and GASB 75 (pension & OPEB liabilities) is as follows:

- The governmental assets outpaced liabilities by \$33,551,386.
- Total net position (including business [refuse] activity) rose by \$7,358,340, governmental activities increased by \$7,055,316, and business activities increased by \$303,024. On the asset side, cash and equivalents were up significantly due to revenue growth such as payroll tax. The offset on the liability can be seen in the down payment of note and lease principal.
- 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 on 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 for weekly garbage pickup and maintenance of the former City landfill 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, 2023, net position changed as follows:

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 32,177,352	\$ 28,479,134	\$ 1,334,080	\$ 1,264,326	\$ 33,511,432	\$ 29,743,460
Capital assets	32,354,216	33,053,335	342,191	30,567	32,696,407	33,083,902
Total assets	\$ 64,531,568	\$ 61,532,469	\$ 1,676,271	\$ 1,294,893	\$ 66,207,839	\$ 62,827,362
Deferred outflows of resources	\$ 9,542,663	\$ 9,118,170	\$ 116,428	\$ 119,385	\$ 9,659,091	\$ 9,237,555
	\$ 9,542,663	\$ 9,118,170	\$ 116,428	\$ 119,385	\$ 9,659,091	\$ 9,237,555
Long-term liabilities	\$ 76,518,669	\$ 73,023,216	\$ 533,190	\$ 460,497	\$ 77,051,859	\$ 73,483,713
Other liabilities	3,714,624	5,354,276	97,068	18,714	3,811,692	5,372,990
Total liabilities	\$ 80,233,293	\$ 78,377,492	\$ 630,258	\$ 479,211	\$ 80,863,551	\$ 78,856,703
Deferred inflows of resources	\$ 3,114,803	\$ 7,482,693	\$ 38,052	\$ 81,609	\$ 3,152,855	\$ 7,564,302
	\$ 3,114,803	\$ 7,482,693	\$ 38,052	\$ 81,609	\$ 3,152,855	\$ 7,564,302
Net position:						
Net Investment in capital assets	\$ 19,953,828	\$ 17,829,757	\$ 342,191	\$ 30,567	\$ 20,296,019	\$ 17,860,324
Restricted	6,486,253	3,493,810	-	-	6,486,253	3,493,810
Unrestricted	(35,713,946)	(36,533,113)	782,198	822,891	(34,931,748)	(35,710,222)
Total net position	\$ (9,273,865)	\$ (15,209,546)	\$ 1,124,389	\$ 853,458	\$ (8,149,476)	\$ (14,356,088)
(without pension/OPEB liability)	\$ 33,551,386	\$ 26,496,070				

There was an increase of **\$5,935,681** in net position for governmental activities. General Fund revenues exceeded expenses by \$3,488,834 leading to an increase in cash of \$ 2,349,438 (restricted and non). On the liability side, the drawing down of ARPA funds caused a reduction of \$1,250,000. Net Pension Liability (GASB 68) increased \$5,188,290, and OPEB liability (GASB 75) increased \$762,044. There was an increase in net position of **\$270,931** for business-type activities resulting primarily in an increase in the refuse fee and lower than normal landfill maintenance costs.

Government-wide

Government-wide activities increased the net position of the City of Newport by **\$6,206,612** during FY 2023 as summarized on the following chart:

	Changes in Net Position					
	Governmental		Business-type		Total	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 4,557,296	\$ 2,661,209	\$ 1,699,873	\$ 1,621,702	\$ 6,257,169	\$ 4,282,911
Operating grants and contributions	2,702,293	1,887,093	-	-	2,702,293	1,887,093
Capital grants and contributions	251,029	697,900	-	-	251,029	697,900
General revenues:						
Property taxes	3,501,331	3,308,203	-	-	3,501,331	3,308,203
Other taxes	335,939	144,529	-	-	335,939	144,529
Payroll license fees	9,597,493	8,243,863	-	-	9,597,493	8,243,863
Gross receipts license fees	3,041,408	2,478,740	-	-	3,041,408	2,478,740
Insurance premium license fees	4,707,407	4,994,124	-	-	4,707,407	4,994,124
Other licenses and permits	927,481	909,309	-	-	927,481	909,309
Franchise fees	812,702	733,251	-	-	812,702	773,251
Other uses of property	434,039	374,125	-	-	434,039	374,125
Grants - non-program specific	-	-	-	-	-	-
Other	636,121	166,944	19,865	979	655,986	167,923
Total revenues	\$ 31,504,538	\$ 26,639,290	\$ 1,719,738	\$ 1,622,681	\$ 33,224,276	\$ 28,261,971
Expenses:						
General government	\$ 3,512,034	\$ 4,910,511	\$ -	\$ -	\$ 3,512,034	\$ 4,910,511
Police	8,036,938	7,259,731	-	-	8,036,938	7,259,731
Fire	7,427,947	6,987,152	-	-	7,427,947	6,987,152
Development services	1,719,174	1,360,929	-	-	1,719,174	1,360,929
Community services	3,924,274	4,132,649	-	-	3,924,274	4,132,649
Municipal complex	444,063	447,088	-	-	444,063	447,088
Interest on long-term debt	637,344	698,090	-	-	637,344	698,090
Solid waste collection	-	-	1,391,248	1,377,023	1,391,248	1,377,023
Parking facility operation	-	-	-	-	-	-
Total expenses	\$ 25,701,774	\$ 25,796,150	\$ 1,391,248	\$ 1,377,023	\$ 27,093,022	\$ 27,173,173
Increase in net position before transfers	5,802,764	843,140	328,490	245,658	6,131,254	1,088,798
Gain (loss) on disposal of assets	75,358	22,219	-	-	75,358	22,219
Transfers	57,559	54,884	(57,559)	(54,884)	-	-
Increase (decrease) in net position	\$ 5,935,681	\$ 920,243	\$ 270,931	\$ 190,774	\$ 6,206,612	\$ 1,111,017
Net position - Beginning of year	(15,209,546)	(16,129,789)	853,458	662,684	(14,356,088)	(15,467,105)
Net position - End of year	\$ (9,273,865)	\$ (15,209,546)	\$ 1,124,389	\$ 853,458	\$ (8,149,476)	\$ (14,356,088)

Governmental Activities

- Total revenues for the City's governmental activities totaled **\$31,504,538** compared to **\$26,639,290** last year.
- Payroll license fees totaled **\$9,597,493** or **30.5%** of the total revenues. This was an increase of **\$1,353,630** from last year. The Ovation TIF footprint continues to create an influx of construction jobs. Of the two major tenants at Riverfront Place, one did not vacate as scheduled and the other added jobs, These are also our two largest P/R tax payers.
- Insurance premium license fees represented **\$4,707,407** or **14.9%** of total revenues. This was a decrease of **(\$286,717)** from the prior year's fees. In FY 2022, the City received a single \$400,000+ payment for multi-year coverage of a construction project. This has caused a one-year downturn, even though the line item displays good growth over the past seven years. The Ovation project continues to expand its TIF footprint.
- The third largest category of governmental revenues was property tax collection, which includes payments in lieu of property taxes, with a total of **\$3,501,331**, or **11.1%** of total revenues, an increase of **\$193,128**. The City continues to take the allowable tax rate (compensating +4%) when setting the annual real estate and tangible tax rates. Also, one new PILOT payments came online in the amount of \$10,000.
- Gross receipts license fees totaled **\$3,041,408** and accounted for **9.7%** of total revenues. This amount represents an increase of **\$562,668** from the previous year. Finance has an additional employee to assist the administrator, the direct result can be seen the collection of delinquent and unregistered accounts. Large construction projects in the TIF zones continue to contribute.
- This year total expenses for the City's governmental activities were **\$25,701,774** compared to **\$25,796,150** last year. Further explanation can be found below in ***the Financial Analysis of the Government's Funds***.

Business-type Activities

- Revenues for business-type activities totaled **\$1,719,738**, compared to last fiscal year's total of **\$1,622,681**. Of this total, **\$1,699,873** or **98.8%** was from Refuse (garbage) fees, which only climbed \$78,171, due to a 5% rate increase.
- Expenses for business-type activities totaled **\$1,391,248** versus **\$1,377,023** last fiscal year. FY 2023 was the first year of the new union contract for the two members of the "Clean-Team".

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, 2023**, the City's governmental funds reported combined ending fund balance of **\$26,773,501**, an increase of **\$3,852,476** from the prior year. Of the total fund balance, the unassigned portion of the balance is **\$9,823,483**.

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 **\$14,219,330**. This represents an increase of **\$3,488,834** over the prior year. Excluding the effect of 'Other Financing Sources (Uses), FY'23, revenues were up **\$3,442,189** over FY'22 and FY'23 expenses were also up **\$1,844,765** over FY'22.

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 \$90,000 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 Department.
- Continue to implement recommendations from the Audit team.

The Community Development Fund's fund balance decreased **\$777**. At the end of the fiscal year, the total fund balance in the Community Development Fund was **\$49,499**. The City no longer offers grants for the Business Corridor Façade program and the remaining balance is earmarked for the Monmouth Street streetscape (700 Block).

The Capital Project Fund's fund balance increased **\$188,257**. Unspent Bond monies had interest earnings of \$379,895.69. At the end of the fiscal year, the total fund balance in the Capital Projects Fund was **\$11,971,043**. Most of the projects comprising the GO 2021 bond issue are still in the design phase so little monies have been spent by the end of the fiscal year. These major projects include: the 'US 27 South-Streetscape', both a Seawall and Festival Park along the riverfront and lastly, Phase II of the Carothers Road Street project.

The TIF Fund's fund balance increased **\$176,162**. At the end of the fiscal year, the total fund balance in the TIF Fund was **\$533,629**. Both the City and Campbell County paid TIF increments for the 'Ovation TIF' amounting to \$172,643.

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 **\$2,039,660 higher** than the original budget amount. The most significant changes were as follows:

- **\$1,734,500** increase in Payroll Taxes. Our second highest P/R taxpayer from FY’22 was projected to leave the City during this year. They ended up remaining in town for FY’23 and those monies were not included in the budget. Wages from construction for components of the Ovation District continue to rise as well.
- **\$261,700** increase in Occupational Licenses Gross Receipts. In addition to the overall thriving economy, we also have improved efforts to track down unregistered businesses.
- **\$200,000** increase in Insurance Premium Tax, which is tied to bullet point # 2.
- **(\$459,820)** decrease in intergovernmental for Federal grants. We made an adjustment in our ARPA Year 3 and year 4 recognition schedule.
- **\$89,080** increase in Property Taxes. We had the Skypoint PILOT program take full effect and the Martin’s Gate PILOT Program became active.

The revised General Fund expense budget (including transfers) was approximately **\$1,110,060** higher than the original appropriation.

• Office of City Manager	\$ (210,200)
• Finance Department	17,520
• Police Department	64,700
• Fire Department	158,870
• Development Services	566,280
• Community Services	(5,130)
• Municipal Complex	24,680
• Capital Outlay	155,600
• Debt service	19,740
• Transfers out	318,000
Total:	<u>\$ 1,110,060</u>

Actual General Fund revenues (including transfers in) were **\$1,939,358** higher than the amended budget numbers. There were several variances, both high and low, but the majority increase was from two categories. Payroll Tax for \$779,400 and Charges for Service for \$442,882.00. The recognition in Opioid Settlement monies of \$381,522.76 was unplanned.

The actual expenses for the General Fund were **\$619,276** lower than the amended budget. Comprising this total were departmental results as listed:

Office of City Manager	\$ (62,822)
Finance Department	(11,786)
Police Department	(155,430)
Fire Department	(254,848)
Development Services (Building, Zoning, Code)	(114,462)
Community Services (Admin/Pool/PW & Rec)	(142,098)
Municipal Complex	(33,222)
Capital Outlay*	(13,375)
Debt Service	42,100
Transfers out	<u>126,667</u>
TOTAL:	<u>\$ (619,276)</u>

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

DEBT AND CAPITAL ASSET ADMINISTRATION

Debt

At year-end, the City had **\$26,141,457** in total outstanding payables, notes, compensated absences and bonds compared to **\$28,453,555** last year.

The City's total *long-term* debt for governmental activities and business type activities decreased \$2,312,098 due to the payoff of scheduled debt.

DEBT PRINCIPAL

	Governmental		Business-type		Totals	
	Activities	Activities	Activities	Activities	Totals	Totals
	2023	2022	2023	2022	2023	2022
Bonds payable						
(backed by City revenues)	\$ 23,665,100	\$ 25,205,145	\$ -	\$ -	\$ 23,665,100	\$ 25,205,145
Bonds payable						
(backed by fee revenues)	-	-	-	-	-	-
Compensated absences	2,175,192	1,792,297	-	-	2,175,192	1,792,297
Notes payable						
(backed by City revenues)	301,165	1,456,113	-	-	301,165	1,456,113
Totals	<u>\$ 26,141,457</u>	<u>\$ 28,453,555</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,141,457</u>	<u>\$ 28,453,555</u>

For additional information concerning the City's debt, please refer to Note E, to the financial statements, pages 44 – 49.

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, 2023, capital assets, before accumulated depreciation, amounted to **\$77,519,105** including equipment, vehicles, buildings, park facilities, streets and sidewalks. This represents a net increase of **\$1,403,863** or **1.8** percent, over last year.

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

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Land	\$ 6,645,184	\$ 6,645,184	\$ -	\$ -	\$ 6,645,184	\$ 6,645,184
Land improvements	49,767,115	49,523,864	-	-	49,767,115	49,523,864
Buildings and systems	8,624,858	8,522,420	-	-	8,624,858	8,522,420
Machinery and equipment	3,415,181	3,256,406	-	-	3,415,181	3,256,406
Licensed vehicles	6,206,024	5,970,877	649,478	319,250	6,855,502	6,290,127
Non licensed vehicles	416,695	416,695	-	-	416,695	416,695
Leased equipment	77,952	77,952	-	-	77,952	77,952
SBITA	162,543	-	-	-	162,543	-
Construction in progress	1,554,075	1,382,594	-	-	1,554,075	1,382,594
Subtotals	\$ 76,869,627	\$ 75,795,992	\$ 649,478	\$ 319,250	\$ 77,519,105	\$ 76,115,242
Accumulated depreciation	44,450,162	42,724,668	307,287	288,683	44,757,449	43,013,351
Accumulated amortization	65,249	17,989	-	-	65,249	17,989
Net Assets, as restated	<u>\$ 32,354,216</u>	<u>\$ 33,053,335</u>	<u>\$ 342,191</u>	<u>\$ 30,567</u>	<u>\$ 32,696,407</u>	<u>\$ 33,083,902</u>

This year's major additions included:

- Road Resurfacings	\$ 243,251
- 10 vehicles	688,628
- City Building improvements	102,438
- Refuse: Street Sweeper	330,228
	<u>\$ 1,364,545</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


The economic outlook for the City remains very positive. Several projects are in varying stages of development or planning. The interest in development opportunities along the Route 9 corridor and residential rehab activity on the City's west side continues to grow. It is noteworthy to mention that three tax increment financing districts (TIF) have been adopted and are now being utilized, meaning that those particular areas will be eligible to receive tax funding for use in those areas. The TIF districts include 'Ovation', a mixed-use development is well under construction. 'City Center' which encompasses parts of 3rd, 4th and 5th street and the World Peace Bell site at 4th and Monmouth, is a third TIF that is currently under development.

The City has strived to improve our finances and operations over the past decade. Despite a severe recession and current inflationary pressures, we have improved our financial position through the attraction of many new developments and businesses. Currently, our cash balance is nearly \$6.2 million and total reserves are \$9.8 million. This turnaround has been accomplished through the efficient use of our resources and maintaining a very lean staffing level. With everything going on and planned in the City, we believe that the stage is set for continued success for many years to come.

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.

A handwritten signature in black ink that reads "Thomas J. Fromme". The signature is written in a cursive style with a large initial 'T' and 'F'.

Thomas J. Fromme

BASIC FINANCIAL STATEMENTS

CITY OF NEWPORT, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2023

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 9,827,161	\$ 1,196,165	\$ 11,023,326
Receivables:			
Property taxes	124,357	-	124,357
Intergovernmental	150,095	-	150,095
Accounts, net	6,146,919	137,915	6,284,834
Prepaid expenses	63,434	-	63,434
Noncurrent assets:			
Restricted cash and cash equivalents	15,865,386	-	15,865,386
Capital assets:			
Land and construction in progress	8,199,259	-	8,199,259
Depreciable capital assets, net	24,112,983	342,191	24,455,174
Leased equipment, net	41,974	-	41,974
Total Assets	<u>64,531,568</u>	<u>1,676,271</u>	<u>66,207,839</u>
Deferred Outflows of Resources			
Deferred outflows - defeasance on refunding	294,329	-	294,329
Deferred outflows - pension	5,708,643	69,265	5,777,908
Deferred outflows - OPEB	3,539,691	47,163	3,586,854
Total Deferred Outflows of Resources	<u>9,542,663</u>	<u>116,428</u>	<u>9,659,091</u>
Liabilities			
Accounts payable	1,346,505	94,121	1,440,626
Accrued liabilities	907,601	2,947	910,548
Accrued interest payable	180,767	-	180,767
Unearned revenue	1,279,751	-	1,279,751
Noncurrent liabilities:			
Due within one year	2,745,589	-	2,745,589
Due after one year:			
Compensated absences	2,175,192	-	2,175,192
Net pension liability	38,623,040	421,573	39,044,613
Net OPEB liability	10,335,742	111,617	10,447,359
Other noncurrent liabilities	22,639,106	-	22,639,106
Total Liabilities	<u>80,233,293</u>	<u>630,258</u>	<u>80,863,551</u>
Deferred Inflows of Resources			
Deferred inflows - pension	306,938	2,460	309,398
Deferred inflows - OPEB	2,807,865	35,592	2,843,457
Total Deferred Inflows of Resources	<u>3,114,803</u>	<u>38,052</u>	<u>3,152,855</u>
Net Position			
Net investment in capital assets	19,953,828	342,191	20,296,019
Restricted for:			
Debt service	993,426	-	993,426
Reserve	2,681,579	-	2,681,579
Other	2,811,248	-	2,811,248
Unrestricted	(35,713,946)	782,198	(34,931,748)
Total Net Position	<u>\$ (9,273,865)</u>	<u>\$ 1,124,389</u>	<u>\$ (8,149,476)</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, 2023

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,512,034	\$ 3,093,082	\$ 324,727	\$ -	\$ (94,225)	\$ -	\$ (94,225)
Police	8,036,938	362,405	976,709	-	(6,697,824)	-	(6,697,824)
Fire/EMS	7,427,947	723,324	769,881	-	(5,934,742)	-	(5,934,742)
Development services	1,719,174	188,229	70,500	243,349	(1,217,096)	-	(1,217,096)
Community services	3,924,274	190,256	560,476	7,680	(3,165,862)	-	(3,165,862)
Municipal complex	444,063	-	-	-	(444,063)	-	(444,063)
Interest on long-term debt	637,344	-	-	-	(637,344)	-	(637,344)
Total governmental activities	25,701,774	4,557,296	2,702,293	251,029	(18,191,156)	-	(18,191,156)
Business-type activities:							
Refuse	1,391,248	1,699,873	-	-	-	308,625	308,625
Total business-type activities	1,391,248	1,699,873	-	-	-	308,625	308,625
Total primary government	\$ 27,093,022	\$ 6,257,169	\$ 2,702,293	\$ 251,029	(18,191,156)	308,625	(17,882,531)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					3,837,270	-	3,837,270
License and franchise fees based on gross receipts:							
Payroll/Occupational licenses					12,638,900	-	12,638,900
Insurance premiums					4,707,407	-	4,707,407
Other licenses					927,481	-	927,481
Franchise fees					812,702	-	812,702
Other uses of property					434,039	-	434,039
Interest					543,075	19,865	562,940
Miscellaneous					93,046	-	93,046
Total general revenues					23,993,920	19,865	24,013,785
Gain on disposal of assets					75,358	-	75,358
Transfers in (out)					57,559	(57,559)	-
Change in net position					5,935,681	270,931	6,206,612
Net position - beginning					(15,209,546)	853,458	(14,356,088)
Net position - ending					\$ (9,273,865)	\$ 1,124,389	\$ (8,149,476)

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

CITY OF NEWPORT, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	<u>General</u>	<u>Community Development</u>	<u>Capital Projects</u>	<u>TIF</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 12,882,877	\$ 73,866	\$ 12,108,245	\$ 474,516	\$ 25,539,504
Receivables:					
Property taxes	124,357	-	-	-	124,357
Intergovernmental	142,415	-	7,680	-	150,095
Accounts	5,925,472	8,046	107,841	59,164	6,100,523
Prepays and other assets	63,434	-	-	-	63,434
Due from other funds	-	-	104,507	-	104,507
Total Assets	<u>\$ 19,138,555</u>	<u>\$ 81,912</u>	<u>\$ 12,328,273</u>	<u>\$ 533,680</u>	<u>\$ 32,082,420</u>
Liabilities					
Accounts payable	\$ 799,317	\$ 21,345	\$ 302,825	\$ 51	\$ 1,123,538
Accrued liabilities	896,533	11,068	-	-	907,601
Due to other funds	281,507	-	-	-	281,507
Unearned revenue	1,279,751	-	-	-	1,279,751
Total Liabilities	<u>3,257,108</u>	<u>32,413</u>	<u>302,825</u>	<u>51</u>	<u>3,592,397</u>
Deferred Inflows of Resources					
Unavailable revenue	1,662,117	-	54,405	-	1,716,522
Fund Balances					
Nonspendable	63,434	-	-	-	63,434
Restricted	4,332,413	-	11,971,043	533,629	16,837,085
Committed	-	-	-	-	-
Assigned	-	49,499	-	-	49,499
Unassigned	9,823,483	-	-	-	9,823,483
Total Fund Balances	<u>14,219,330</u>	<u>49,499</u>	<u>11,971,043</u>	<u>533,629</u>	<u>26,773,501</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 19,138,555</u>	<u>\$ 81,912</u>	<u>\$ 12,328,273</u>	<u>\$ 533,680</u>	<u>\$ 32,082,420</u>

Total governmental fund balances \$ 26,773,501

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,	32,354,216
net of accumulated depreciation	153,472
Net position of internal service fund	(180,767)
Accrued interest payable on long-term debt	294,329
Deferred outflows - defeasance on bond refunding	1,716,522
Deferred inflows - unavailable revenue	(70,385,138)
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	

Net position of governmental activities \$ (9,273,865)

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, 2023

	General	Community Development	Capital Projects	TIF	Total Governmental Funds
Revenues					
Property taxes	\$ 3,682,164	\$ -	\$ -	\$ 172,643	\$ 3,854,807
Licenses and permits	19,368,345	-	-	-	19,368,345
Intergovernmental	2,735,193	210,449	7,680	-	2,953,322
Fines and forfeitures	307,275	-	-	-	307,275
Charges for services	1,767,672	-	-	-	1,767,672
Uses of property	1,246,741	-	-	-	1,246,741
Interest	156,737	695	379,895	4,136	541,463
Refunds and reimbursements	95,962	-	14,136	-	110,098
Miscellaneous	38,337	31,920	-	-	70,257
Total Revenues	<u>29,398,426</u>	<u>243,064</u>	<u>401,711</u>	<u>176,779</u>	<u>30,219,980</u>
Expenditures					
Current:					
General government	3,502,162	-	-	-	3,502,162
Police	6,917,050	-	-	-	6,917,050
Fire/EMS	6,524,022	-	-	-	6,524,022
Development services	1,186,798	243,841	-	617	1,431,256
Community services	2,273,492	-	115,730	-	2,389,222
Municipal complex	225,248	-	-	-	225,248
Capital outlay	1,005,725	-	521,391	-	1,527,116
Debt service:					
Principal	2,707,647	-	-	-	2,707,647
Interest	689,883	-	-	-	689,883
Total Expenditures	<u>25,032,027</u>	<u>243,841</u>	<u>637,121</u>	<u>617</u>	<u>25,913,606</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,366,399</u>	<u>(777)</u>	<u>(235,410)</u>	<u>176,162</u>	<u>4,306,374</u>
Other Financing Sources (Uses)					
SBITA proceeds	155,543	-	-	-	155,543
Transfers in	57,559	-	423,667	-	481,226
Transfers out	(1,090,667)	-	-	-	(1,090,667)
Total Other Financing Sources (Uses)	<u>(877,565)</u>	<u>-</u>	<u>423,667</u>	<u>-</u>	<u>(453,898)</u>
Net Change in Fund Balances	3,488,834	(777)	188,257	176,162	3,852,476
Fund Balances - Beginning	<u>10,730,496</u>	<u>50,276</u>	<u>11,782,786</u>	<u>357,467</u>	<u>22,921,025</u>
Fund Balances - Ending	<u>\$14,219,330</u>	<u>\$ 49,499</u>	<u>\$ 11,971,043</u>	<u>\$ 533,629</u>	<u>\$26,773,501</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, 2023

Net change in fund balances - total governmental funds	\$ 3,852,476
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	1,527,116
Depreciation and amortization expense	(2,223,725)
Revenues in the statement of activities that do not provide current financial resources are fully deferred in the funds.	1,360,811
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.	2,707,647
Gain on disposal of capital assets that are only recorded on government-wide financial statements.	75,358
Proceeds from the sale of capital assets are only reported in the governmental funds.	(77,868)
SBITA proceeds are an other financing source in the governmental funds but increase depreciable capital assets.	(155,543)
Premiums on bond issuances are amortized through expense in the government-wide financial statements.	35,670
Defeasance on bond issuances are amortized through expense in the government-wide financial statements.	(38,316)
Change in the net pension liability.	(358,171)
Change in the net OPEB liability.	(761,467)
Accrued legal claims payable recorded as long-term liabilities in the government-wide financial statements are not reported in the governmental funds until paid. Payments on long-term liabilities reported as an expenditure on the fund financial statements during the year.	250,000
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.	16,869
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.	107,718
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.	<u>(382,894)</u>
Change in net position of governmental activities	<u>\$ 5,935,681</u>

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

CITY OF NEWPORT, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2023

	Business-type Activities	Internal Service Funds
	Refuse	Health and Dental
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,196,165	\$ 153,043
Accounts receivable (net of allowance)	137,915	46,396
Due from other funds	-	177,000
Total current assets	<u>1,334,080</u>	<u>376,439</u>
Noncurrent assets:		
Capital assets (net of depreciation):		
Vehicles	<u>342,191</u>	<u>-</u>
Total noncurrent assets	<u>342,191</u>	<u>-</u>
Total Assets	<u>1,676,271</u>	<u>376,439</u>
Deferred Outflows of Resources		
Deferred outflows - pension	69,265	-
Deferred outflows - OPEB	<u>47,163</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>116,428</u>	<u>-</u>
Liabilities		
Current liabilities:		
Accounts payable	94,121	222,967
Accrued liabilities	<u>2,947</u>	<u>-</u>
Total current liabilities	<u>97,068</u>	<u>222,967</u>
Noncurrent liabilities:		
Net pension liability	421,573	-
Net OPEB liability	<u>111,617</u>	<u>-</u>
Total noncurrent liabilities	<u>533,190</u>	<u>-</u>
Total Liabilities	<u>630,258</u>	<u>222,967</u>
Deferred Inflows of Resources		
Deferred inflows - pension	2,460	-
Deferred inflows - OPEB	<u>35,592</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>38,052</u>	<u>-</u>
Net Position		
Net investment in capital assets	342,191	-
Unrestricted	<u>782,198</u>	<u>153,472</u>
Total Net Position	<u>\$ 1,124,389</u>	<u>\$ 153,472</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, 2023

	<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	\$ 1,590,895	\$ -
Franchise fees	55,283	-
Penalties	53,695	-
Other services	-	1,745,239
Total Operating Revenues	<u>1,699,873</u>	<u>1,745,239</u>
Operating Expenses		
Cost of sales and services	1,372,644	2,306,133
Depreciation	<u>18,604</u>	<u>-</u>
Total Operating Expenses	<u>1,391,248</u>	<u>2,306,133</u>
Net Operating Income (Loss)	<u>308,625</u>	<u>(560,894)</u>
Non-Operating Revenues (Expenses)		
Interest income	<u>19,865</u>	<u>1,612</u>
Total Non-Operating Revenues (Expenses)	<u>19,865</u>	<u>1,612</u>
Transfer in (out)	<u>(57,559)</u>	<u>667,000</u>
Net Income	270,931	107,718
Net Position-Beginning Of Year	<u>853,458</u>	<u>45,754</u>
Net Position-End Of Year	<u>\$ 1,124,389</u>	<u>\$ 153,472</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, 2023

	<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	\$ 1,714,290	\$ 1,699,645
Cash paid for employee services and benefits	(212,808)	-
Cash paid to suppliers	<u>(1,049,388)</u>	<u>(2,333,621)</u>
Net cash provided (used) by operating activities	<u>452,094</u>	<u>(633,976)</u>
Cash flows from noncapital financing activities		
Transfer from (to) other funds	<u>(57,559)</u>	<u>667,000</u>
Net cash provided (used) by noncapital financing activities	<u>(57,559)</u>	<u>667,000</u>
Cash flows from capital and related financing activities		
Purchase of capital assets	<u>(330,228)</u>	<u>-</u>
Net cash (used) by capital and related financing activities	<u>(330,228)</u>	<u>-</u>
Cash flows from investing activities		
Interest income	<u>19,865</u>	<u>1,612</u>
Net cash provided by investing activities	<u>19,865</u>	<u>1,612</u>
Net increase in cash	84,172	34,636
Cash and cash equivalents at beginning of year	<u>1,111,993</u>	<u>118,407</u>
Cash and cash equivalents at end of year	<u>\$ 1,196,165</u>	<u>\$ 153,043</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 308,625	\$ (560,894)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	18,604	-
Change in net pension liability	20,931	-
Change in net OPEB liability	11,163	-
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	14,417	(45,594)
Increase (decrease) in accounts payable	87,173	(27,488)
Increase (decrease) in accrued liabilities	(5,586)	-
Increase (decrease) in accrued compensated absences	<u>(3,233)</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ 452,094</u>	<u>\$ (633,976)</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, 2023

		<u>Total Retirement Plans</u>
Assets		
Investments		
Cash balance in funds	\$ 63,632	
Corporate bonds	25,339	
Closed end funds	460,918	
Mutual funds	54,320	
Market backed securities	6,745	
Government securities	33,589	
Corporate stock	<u>176,050</u>	
Total investments		<u>820,593</u>
Total Assets		<u>820,593</u>
Net Position		
Restricted for pensions		<u>820,593</u>
Total Net Position		<u>\$ 820,593</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, 2023
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	Total Retirement Plans
Additions	
Contributions:	
Employer	\$ 120,000
Total contributions	120,000
Investment earnings:	
Interest and dividends	21,356
Net (depreciation) in the fair value of investments, including realized gains and losses	30,817
Total investment (losses)	52,173
Total Additions	172,173
Deductions	
Benefits	339,609
Administrative expense	24,269
Total Deductions	363,878
Change in Net Position	(191,705)
Net Position-Beginning Of Year	1,012,298
Net Position-End Of Year	\$ 820,593

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

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, 2023

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.

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 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.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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 community development projects, including state and federally funded programs. The TIF Fund is used to account for the revenues and expenditures related to the tax increment financing (TIF) districts established by the City.

The Capital Projects Fund is used to account for capital projects to be financed by grants and/or debt financing.

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 Fund Balance

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, 2023 are recorded at fair value based on quoted market prices.

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.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Allowance for Doubtful Accounts

Accounts receivable in the statement of net position are presented net of an allowance for doubtful accounts of \$219,466, as of June 30, 2023.

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, 2023, are recorded as prepaid items utilizing the purchases method for all governmental funds.

Capital and Leased Assets

General capital and leased 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 and leased 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. General capital and leased assets are long-lived assets of the City as a whole. When acquired, 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. Contributed capital assets are reported at estimated fair value. Leased assets are recorded at the amount of initial measurement of the lease liability plus any payments made at or before commencement of the lease.

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

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

All leased assets are amortized over the shorter of the lease term of the useful life of the asset.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Leases

The City follows Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

Subscription-based Information Technology Arrangements

Effective July 1, 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements*. GASB Statement No. 96 requires recognition of a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability for subscription-based information technology arrangements (SBITA) that were previously classified as operating expenses. It establishes uniform guidance for SBITA accounting based on the foundational principle that SBITA are financings of the right to use vendor-provided information technology assets. Government entities are required to recognize a subscription liability and an intangible right-to-use subscription asset. These changes had no effect on the beginning net position of the City.

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, 2023, compensated absences of \$104,294 have matured and are recorded as accrued liabilities in the General Fund, in addition, \$2,175,192 in compensated absences are recorded as long-term liabilities on the statement of net position. 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.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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.

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. The restricted fund balance in the General Fund represents \$381,523 of opioid settlement revenue that is restricted for certain uses by the settlement agreements, \$3,855,772, that has been used to establish reserve and debt sinking fund accounts, as required by the City's creditor, and \$95,118 that is restricted for other purposes. The restricted fund balance in the Capital Projects Fund of \$11,971,043 represents unspent bond proceeds that will be used to fund multiple public projects. The restricted fund balance of \$533,629 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 Commission. 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.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

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 February 7, 2024, 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.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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.

Excess of Expenditures over Appropriations – For the year ended June 30, 2023, expenditures exceed appropriations in the Capital Project fund by \$383,661. These over expenditures were funded from previous years fund balance.

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, 2023, 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, 2023, \$563,632 of deposits were insured by the FDIC and \$18,138,164 of collateral was pledged to the City by the custodial bank. In addition, the City had bank deposits of \$11,440,177 of cash equivalents invested in federal government obligations.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Investments – The City had custodial credit risk at June 30, 2023 of \$820,593. 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, 2023, the City’s pension funds had the following investments:

Investment Type	Investment Value	Weighted Average Maturity (Years)
Corporate bonds	\$ 25,339	3.49
Market backed securities	6,745	0.86
Government securities	33,589	4.28
Cash balance in funds	63,632	-
Mutual funds	54,320	-
Corporate stock	176,050	-
Closed end funds	460,918	-
Total investments	<u>\$ 820,593</u>	
Portfolio weighted average maturity		<u>0.29</u>

Credit Risk – Investments – As of June 30, 2023, the City’s pension fund investments in corporate bonds received the following ratings by Standard & Poor’s:

Investment	Rating
Corporate bonds – Fiduciary Funds	
Goldman Sachs	BBB

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, 2023:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Corporate bonds	\$ 25,339	\$ -	\$ 25,339	\$ -
Market backed securities	6,745	-	6,745	-
Government securities	33,589	-	33,589	-
Cash balance in funds	63,632	63,632	-	-
Mutual funds	54,320	54,320	-	-
Corporate stock	176,050	176,050	-	-
Closed end funds	460,918	460,918	-	-
Total	<u>\$ 820,593</u>	<u>\$ 754,920</u>	<u>\$ 65,673</u>	<u>\$ -</u>

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE D – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2023 is as follows:

	Balance June 30, 2022	Additions	Retirements/ Adjustments	Balance June 30, 2023
Governmental activities:				
Items not being depreciated:				
Construction in progress	\$ 1,382,594	\$ 171,481	\$ -	\$ 1,554,075
Land	<u>6,645,184</u>	<u>-</u>	<u>-</u>	<u>6,645,184</u>
Subtotal	<u>8,027,778</u>	<u>171,481</u>	<u>-</u>	<u>8,199,259</u>
Depreciable and amortizable capital assets:				
Land improvements	49,523,864	243,251	-	49,767,115
Buildings	8,522,420	102,438	-	8,624,858
Machinery and equipment	3,256,406	158,775	-	3,415,181
Licensed vehicles	5,970,877	688,628	(453,481)	6,206,024
Non-licensed vehicles	416,695	-	-	416,695
Leased equipment	77,952	-	-	77,952
SBITA	-	<u>162,543</u>	<u>-</u>	<u>162,543</u>
Subtotal	<u>67,768,214</u>	<u>1,355,635</u>	<u>(453,481)</u>	<u>68,670,368</u>
Accumulated depreciation:				
Land improvements	(30,539,682)	(1,191,552)	-	(31,731,234)
Buildings	(4,684,669)	(265,899)	-	(4,950,568)
Machinery and equipment	(2,902,314)	(124,031)	-	(3,026,345)
Licensed vehicles	(4,380,296)	(549,202)	450,971	(4,478,527)
Non-licensed vehicles	<u>(217,707)</u>	<u>(45,781)</u>	<u>-</u>	<u>(263,488)</u>
Subtotal	<u>(42,724,668)</u>	<u>(2,176,465)</u>	<u>450,971</u>	<u>(44,450,162)</u>
Accumulated amortization:	<u>(17,989)</u>	<u>(47,260)</u>	<u>-</u>	<u>(65,249)</u>
Net capital assets	<u>25,025,557</u>	<u>(868,090)</u>	<u>(2,510)</u>	<u>24,154,957</u>
Total capital assets, net	<u>\$ 33,053,335</u>	<u>\$ (696,609)</u>	<u>\$ (2,510)</u>	<u>\$ 32,354,216</u>

Depreciation and amortization were charged to functions as follows:

	<u>Depreciation</u>	<u>Amortization</u>
Governmental activities:		
General government	\$ 31,781	\$ 7,848
Police	229,130	25,201
Fire/EMS	359,232	1,226
Development services	54,054	12,876
Community services	1,283,562	-
Municipal complex	<u>218,706</u>	<u>109</u>
Total governmental activities depreciation expense	<u>\$ 2,176,465</u>	<u>\$ 47,260</u>

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

	Balance June 30, 2022	Additions	Retirements/ Adjustments	Balance June 30, 2023
Proprietary activities:				
Vehicles	\$ 319,250	\$ 330,228	\$ -	\$ 649,478
Subtotal	<u>319,250</u>	<u>330,228</u>	<u>-</u>	<u>649,478</u>
Accumulated depreciation				
Vehicles	(288,683)	(18,604)	-	(307,287)
Subtotal	<u>(288,683)</u>	<u>(18,604)</u>	<u>-</u>	<u>(307,287)</u>
Net capital assets	<u>\$ 30,567</u>	<u>\$ 311,624</u>	<u>\$ -</u>	<u>\$ 342,191</u>

Proprietary fund depreciation was charged to the Refuse Fund in the amounts of \$18,604.

NOTE E – LONG-TERM DEBT

Governmental Activities

Notes Payable

All direct issuance 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, 2023, was \$301,165. The following is a schedule of future debt service requirements to maturity as of June 30, 2023:

Year Ended June 30,	Note Payable KIA		
	Principal	Interest/ Fees	Total Debt Service
2024	\$ 149,532	\$ 4,223	\$ 153,755
2025	<u>151,630</u>	<u>1,822</u>	<u>153,452</u>
Total	<u>\$ 301,162</u>	<u>\$ 6,045</u>	<u>\$ 307,207</u>

Note Payable - Bank of Kentucky

The City entered into a note 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

CITY OF NEWPORT, KENTUCKY
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November with final maturity on November 1, 2022. The obligation bears interest at a rate of 2.90%. The entire balance was paid off as of June 30, 2023.

Other Debt - Bonds Payable

The following publicly issued 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, 2023 was \$4,500,000. The following is a schedule of future debt service requirements to maturity as of June 30, 2023:

June 30,	General Obligation Refunding Bonds, Series 2015		
	Principal	Interest	Total Debt Service
2024	\$ 440,000	\$ 168,113	\$ 608,113
2025	445,000	154,363	599,363
2026	465,000	139,900	604,900
2027	475,000	123,625	598,625
2028	490,000	107,000	597,000
2029-2032	<u>2,185,000</u>	<u>223,000</u>	<u>2,408,000</u>
Total	<u>\$ 4,500,000</u>	<u>\$ 916,001</u>	<u>\$ 5,416,001</u>

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, 2023 was \$4,965,000. The following is a schedule of future debt service requirements to maturity as of June 30, 2023:

June 30,	General Obligation Bonds, Series 2015B		
	Principal	Interest	Total Debt Service
2024	\$ 560,000	\$ 149,550	\$ 709,550
2025	590,000	132,300	722,300
2026	605,000	114,375	719,375
2027	625,000	95,925	720,925
2028	250,000	82,800	332,800
2029-2033	1,185,000	298,119	1,483,119
2034-2038	675,000	153,575	828,575
2039-2041	<u>475,000</u>	<u>27,281</u>	<u>502,281</u>
Total	<u>\$ 4,965,000</u>	<u>\$ 1,053,925</u>	<u>\$ 6,018,925</u>

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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, 2023 was \$1,220,000. The following is a schedule of future debt service requirements to maturity as of June 30, 2023:

Year Ended June 30,	General Obligation Bonds, Series 2016		
	Principal	Interest	Total Debt Service
2024	\$ 295,000	\$ 36,600	\$ 331,600
2025	300,000	27,750	327,750
2026	310,000	18,750	328,750
2027	315,000	9,450	324,450
Total	\$ 1,220,000	\$ 92,550	\$ 1,312,550

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, 2023, was \$319,770. The following is a schedule of future debt service requirements to maturity as of June 30, 2023:

Year Ended June 30,	General Obligation Bonds, Series 2019		
	Principal	Interest	Total Debt Service
2024	\$ 319,770	\$ 7,864	\$ 327,634
Total	\$ 319,770	\$ 7,864	\$ 327,634

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, 2023, was \$968,291. The following is a schedule of future debt service requirements to maturity as of June 30, 2023:

Year Ended June 30,	General Obligation Bonds, Series 2020		
	Principal	Interest	Total Debt Service
2024	\$ 479,302	\$ 17,066	\$ 496,368
2025	488,989	7,379	496,368
Total	\$ 968,291	\$ 24,445	\$ 992,736

General Obligation Bonds, Series 2021

In April 2021, the City issued \$11,275,000 of general obligation bonds. The bonds have an interest rate ranging between 2.00% - 2.125% and mature on February 1, 2042. Proceeds are to be used to fund Festival Park improvements, road projects, and other capital improvement items. The principal balance

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at June 30, 2023, was \$11,275,000. The following is a schedule of future debt service requirements to maturity as of June 30, 2023:

June 30,	General Obligation Bonds, Series 2021		
	Principal	Interest	Total Debt Service
2024	\$ 165,000	\$ 226,406	\$ 391,406
2025	440,000	223,106	663,106
2026	510,000	214,306	724,306
2027	535,000	204,106	739,106
2028	695,000	193,406	888,406
2029-2033	3,525,000	753,431	4,278,431
2034-2038	3,275,000	416,731	3,691,731
2039-2041	2,130,000	88,519	2,218,519
Total	\$ 11,275,000	\$ 2,320,011	\$ 13,595,011

Conduit Debt Obligations

The City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, state, nor any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2023, there was \$945 million outstanding in Industrial Revenue Bonds.

Changes in Long-Term Liabilities

During the year ended June 30, 2023 the following changes occurred in long-term liabilities in the governmental funds:

	June 30, <u>2022</u>	<u>Additions</u>	<u>Retirements</u>	June 30, <u>2023</u>	Due within <u>One Year</u>
Compensated absences	\$ 1,792,297	\$ 688,381	\$ (305,486)	\$ 2,175,192	\$ -
GO refunding bonds - 2015	4,920,000	-	(420,000)	4,500,000	440,000
Gen. obligation bonds - 2015B	4,985,000	-	(20,000)	4,965,000	560,000
Premium on bonds issued - 2015	155,892	-	(9,031)	146,861	9,031
Gen. obligation bonds - 2016	1,505,000	-	(285,000)	1,220,000	295,000
Premium on bonds issued - 2016	73,695	-	(14,739)	58,956	14,739
Direct notes payable - KIA	448,625	-	(147,463)	301,162	149,532
Direct notes payable - Bank of KY	1,007,488	-	(1,007,488)	-	-
Gen. obligation bonds - 2019	629,334	-	(309,564)	319,770	319,770
Gen. obligation bonds - 2020	1,438,102	-	(469,811)	968,291	479,302
Gen. obligation bonds - 2021	11,275,000	-	-	11,275,000	165,000
Premium on bonds issued - 2021	223,122	-	(11,900)	211,222	11,900
Net pension liability	33,434,750	5,188,290	-	38,623,040	-
Net OPEB liability	9,573,698	762,044	-	10,335,742	-
Lease liability	61,213	-	(17,464)	43,749	18,221
SBITA liability	-	155,543	(30,859)	124,684	33,094
Legal claims payable	1,500,000	-	(250,000)	1,250,000	250,000
Total	\$ 73,023,216	\$ 6,794,258	\$ (3,298,805)	\$ 76,518,669	\$ 2,745,589

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Proprietary Activities

Changes in Long-Term Liabilities

Long-term liability activity for business-type activities for the year ended June 30, 2023, was as follows:

	June 30, 2022	Additions	Retirements	June 30, 2023	Due within One Year
Net pension liability	\$ 358,192	\$ 63,381	\$ -	\$ 421,573	\$ -
Net OPEB liability	<u>102,305</u>	<u>9,312</u>	<u>-</u>	<u>111,617</u>	<u>-</u>
Total	<u>\$ 460,497</u>	<u>\$ 72,693</u>	<u>\$ -</u>	<u>\$ 533,190</u>	<u>\$ -</u>

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

NOTE F - LEASE LIABILITIES

Governmental Activities

On November 20, 2020, the City entered into a lease agreement for copiers which are utilized by various departments throughout the City. The lease calls for monthly payments of \$1,644 over a period of 60 months. Upon adoption of GASB 87, the City recognized both a lease liability and leased equipment related to the lease agreement totaling \$77,952. The City calculated the present value of future lease payments based on an incremental borrowing rate of 4.25%. The balance of the lease liability as of June 30, 2023 totaled \$43,749.

Annual requirements to maturity for all governmental long-term lease obligations are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 18,221	\$ 1,507	\$ 19,728
2025	19,011	717	19,728
2026	<u>6,517</u>	<u>58</u>	<u>6,575</u>
	<u>\$ 43,749</u>	<u>\$ 2,282</u>	<u>\$ 46,031</u>

NOTE G - SBITA LIABILITIES

Governmental Activities

On September 1, 2022, the City entered into a SBITA for a work order software which is utilized primarily by the Community Development department. The agreement calls for annual payments of \$11,000 over a period of 3 years. On September 30, 2022, the City entered into a SBITA for a body camera software which is utilized primarily by the Police department. The agreement calls for annual payments of \$31,134 over a period of 5 years. Upon adoption of GASB 96, the City recognized subscription liabilities and subscription assets related to the agreements totaling \$155,543 and \$162,543, respectively. The City calculated the present value of future payments based on an incremental borrowing rate of 7.25%. The balance of the SBITA liability as of June 30, 2023 totaled \$124,684.

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Annual requirements to maturity for all governmental long-term SBITA obligations are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 33,094	\$ 9,040	\$ 42,134
2025	35,494	6,640	42,134
2026	27,067	4,067	31,134
2027	<u>29,029</u>	<u>2,105</u>	<u>31,134</u>
	<u>\$ 124,684</u>	<u>\$ 21,852</u>	<u>\$ 146,536</u>

NOTE H – 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.

NOTE I – 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, 2023, 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, 2023:

	Policemen and Firefighters' Retirement Fund	Employees' Retirement Fund	Total
Assets			
Investments			
Cash balance in funds	\$ 62,698	\$ 934	\$ 63,632
Corporate bonds	25,339	-	25,339
Closed end funds	366,498	94,420	460,918
Mutual funds	54,320	-	54,320
Market backed securities	5,980	765	6,745
Government securities	32,483	1,106	33,589
Corporate stock	<u>124,900</u>	<u>51,150</u>	<u>176,050</u>
Total Assets	<u>672,218</u>	<u>148,375</u>	<u>820,593</u>
Net Position			
Restricted for pensions	<u>672,218</u>	<u>148,375</u>	<u>820,593</u>
Total Net Position	<u>\$ 672,218</u>	<u>\$ 148,375</u>	<u>\$ 820,593</u>

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The following table presents the combining statement of changes in fiduciary net position for the year ended of June 30, 2023:

	Policemen and Firefighters' Retirement Fund	Employees' Retirement Fund	Total
Additions			
Contributions:			
Employer	\$ 63,000	\$ 57,000	\$ 120,000
Investment earnings:			
Interest and dividends	19,739	1,617	21,356
Net (depreciation) in the fair value of Investments	<u>9,552</u>	<u>21,265</u>	<u>30,817</u>
Total investment (losses)	<u>29,291</u>	<u>22,882</u>	<u>52,173</u>
Total Additions	<u>92,291</u>	<u>79,882</u>	<u>172,173</u>
Deductions			
Benefits	210,710	128,899	339,609
Administrative expense	<u>15,635</u>	<u>8,634</u>	<u>24,269</u>
Total Deductions	<u>226,345</u>	<u>137,533</u>	<u>363,878</u>
Change in net position	(134,054)	(57,651)	(191,705)
Net position – beginning of year	<u>806,272</u>	<u>206,026</u>	<u>1,012,298</u>
Net position – end of year	<u>\$ 672,218</u>	<u>\$ 148,375</u>	<u>\$ 820,593</u>

NOTE J – 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 1 retired and 8 beneficiary members receiving benefits. The Policemen and Firefighters' Retirement fund has 3 disabled, and 12 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'

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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 \$57,000 was made during the year ended June 30, 2023, for the Employees' Retirement Fund. A contribution of \$63,000 was made during the year ended June 30, 2023 for the Policemen and Firefighters' Retirement Fund. At June 30, 2023, neither pension fund was overfunded based on the fiscal year 2023 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.

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	20%	(1.00)%
Equity funds	70%	7.00%
Cash	<u>10%</u>	<u>0.50%</u>
	100%	6.50%

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, 2023, are as follows:

Investment	Fair Value
Berkshire Hathaway Inc New	\$ 51,150
SPDF S&P 500 ETF TR	\$ 94,419

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Investments that represent 5% or more of the net position of the Policemen and Firefighters' Retirement Fund at June 30, 2023, are as follows:

<u>Investment</u>	<u>Fair Value</u>
INVESCO QQQ TRUST EFT	\$ 73,884
SPDR S&P 500 ETF TR	\$ 177,312
Amplify CWP Enhanced Divid	\$ 54,000
Bank of Amer Corp	\$ 58,984

Net Pension Liability – The components of the net pension liability at June 30, 2023, were as follows:

Employees' Retirement Fund:

Total pension liability	\$ 820,168
Less: Plan fiduciary net position	<u>148,375</u>
Net pension liability	<u>\$ 671,793</u>
Plan fiduciary net position as a percentage of total pension liability	18.09%

Policemen and Firefighters' Retirement Fund:

Total pension liability	\$ 1,451,222
Less: Plan fiduciary net position	<u>672,218</u>
Net pension liability	<u>\$ 778,124</u>
Plan fiduciary net position as a percentage of total pension liability	46.38%

Actuarial Assumptions – The total pension liability for both Plans was determined by an actuarial valuation as of June 30, 2023, using the following actuarial assumptions:

Employees' Retirement Fund:

Cost of Living	- %
Salary Adjustments	N/A
Investment Rate of Return	6.10 %

Policemen and Firefighters' Retirement Fund

Cost of Living	- %
Salary Adjustments	N/A
Investment Rate of Return	6.10 %

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-2021. 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-2021.

The actuarial assumptions used in the June 30, 2023, 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

CITY OF NEWPORT, KENTUCKY
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rates of return for each major asset class, included in the Plan’s target asset allocation at June 30, 2023, is as follows:

Employees’ Retirement Fund:

Asset Class	Long-Term Expected Real Rate of Return
Fixed income	(1.00) %
Equity funds	7.00 %
Alternative funds	0.50 %

Policemen and Firefighters’ Retirement Fund

Asset Class	Long-Term Expected Real Rate of Return
Fixed income	(1.00) %
Equity funds	7.00 %
Alternative funds	0.50 %

Discount Rate – The discount rate used to measure the total pension liability was 6.25% for the Policemen and Firefighters’ Retirement Fund and 6.25% 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.

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	5.25%	\$ 725,505
Current discount rate	6.25%	\$ 671,793
1% increase	7.25%	\$ 624,402

Policemen and Firefighter’s Retirement Fund:

	Discount Rate	Net Pension Liability (Asset)
1% decrease	5.25%	\$ 871,458
Current discount rate	6.25%	\$ 778,124
1% increase	7.25%	\$ 695,164

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At June 30, 2023, 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	-	3,577
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	-	-
Total	<u><u>\$ -</u></u>	<u><u>\$ 3,577</u></u>

At June 30, 2023, 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	19,696	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	-	-
Total	<u><u>\$ 19,696</u></u>	<u><u>\$ -</u></u>

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 Policemen and Firefighters' Retirement fund:

Year ending June 30,	Employees'	Policemen and Firefighters'
2024	\$ (3,671)	\$ (9,852)
2025	\$ (5,420)	\$ (4,964)
2026	\$ 7,952	\$ 29,953
2027	\$ (2,438)	\$ 4,559

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 Public Pensions Authority administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Public Pensions Authority website.

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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.

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, 2023, 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.

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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, 2023, participating employers contributed 26.79% 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 23.40% to the pension trust for non-hazardous job classifications. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

In accordance with House Bill 1, signed by the Governor on June 27, 2008, plan members who began participating on, or after, September 1, 2008, are required to contribute a total of 6% of their annual creditable compensation. Five percent of the contribution was deposited to the member's account while 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative regulation 102 KAR 1:420E). Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited. For plan members who began participating prior to September 1, 2008, their contributions remain at 5% of their annual creditable compensation.

In accordance with Senate Bill 2 signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, are required to participate to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Non-hazardous members contribute 5% of their annual creditable compensation and 1% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

Hazardous Contributions – For the year ended June 30, 2023, 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, 2023, participating employers contributed 49.59% 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 42.81% to the pension trust for hazardous job

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classifications. Administrative costs of the KRS are financed through employer contributions and investment earnings.

In accordance with House Bill 1, signed by the Governor on June 27, 2008, plan members who began participating on, or after, September 1, 2008, are required to contribute a total of 9% of their annual creditable compensation. Eight percent of the contribution was deposited to the member's account while 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative regulation 102 KAR 1:420E). Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited. For plan members who began participating prior to September 1, 2008, their contributions remain at 8% of their annual creditable compensation.

In accordance with Senate Bill 2 signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, are required to participate to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Hazardous members contribute 8% of their annual creditable compensation and 1% to the health insurance fund, which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 7.5% employer pay credit. The employer pay credit represents a portion of the employer contribution.

For the year ended June 30, 2023, the City contributed \$891,472, or 100% of the required contribution for non-hazardous job classifications, and \$3,415,478, or 100% of the required contribution for hazardous job classifications. The contributions were allocated \$778,665 and \$2,948,510, respectively, to the CERS pension fund and \$112,807 and \$466,968, 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, 2023, 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>\$ 37,594,696</u>	<u>\$ 7,570,801</u>	<u>\$ 30,023,895</u>

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, and 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, 2022, was as follows:

Non-hazardous	Hazardous
.1047%	.9839%

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The non-hazardous proportionate share at June 30, 2022, increased by .0067 from the share as of June 30, 2021. The hazardous proportionate share at June 30, 2022, increased by .0192 from the proportionate share as of June 30, 2021.

For the year ended June 30, 2023, the City recognized pension expense of \$3,761,411. At June 30, 2023, 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	\$ 868,932	\$ 67,421
Changes of assumptions	-	-
Net difference between projected and actual earnings on Plan investments	887,557	-
Changes in proportion and differences between City contributions and proportionate share of contributions	1,334,109	238,400
City contributions subsequent to the measurement date	<u>2,667,614</u>	<u>-</u>
Total	<u>\$ 5,758,212</u>	<u>\$ 305,821</u>

The \$2,667,614 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, 2024. 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,	
2024	\$ 982,068
2025	\$ 711,770
2026	\$ 102,993
2027	\$ 987,946

Actuarial Assumptions – The total pension liability reported in June 30, 2022, actuarial valuation 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 2020. 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.

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The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2021) to the plan's fiscal year ending June 30, 2022.

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
Equity	60.00%	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Liquidity	20.00%	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	-0.91%
Inflation Protected	20.00%	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Total	100.00%	4.28%
Long term inflation assumption		2.30%
Expected nominal return for portfolio		6.58%

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 30-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%	\$ 9,462,562	5.25%	\$ 37,399,679
Current discount rate	6.25%	\$ 7,570,801	6.25%	\$ 30,023,895
1% increase	7.25%	\$ 6,006,158	7.25%	\$ 24,016,781

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Payable to the Pension Plan – At June 30, 2023, the City reported a payable of \$560,152 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2023. 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, 2023, the employer’s contribution was 3.39% to the insurance trust for non-hazardous job classifications and 6.78% 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.

For the year ended June 30, 2023, the City contributed \$112,807, or 100% of the required contribution for non-hazardous job classifications, and \$466,968, 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	After December 31, 2013 15 years of service credit required

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Benefit 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, 2023, the City reported a liability for its proportionate share of the net OPEB liability as follows:

Total Net OPEB Liability	Non-hazardous	Hazardous
<u>\$ 10,447,359</u>	<u>\$ 2,066,443</u>	<u>\$ 8,380,916</u>

The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021 and rolled forward using generally accepted actuarial procedures. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2022 was .1047% for non-hazardous, which was an increase of .0067% from the prior year, and .9839% for hazardous, which was an increase of .0189%, respectively, compared to the proportionate share as of June 30, 2021.

For the year ended June 30, 2023, the City recognized OPEB expense of \$1,361,444. At June 30, 2023, 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	\$ 393,187	\$ 970,249
Changes of assumptions	1,725,842	1,711,355
Net difference between projected and actual earnings on Plan investments	389,769	-
Changes in proportion and differences between City contributions and proportionate share of contributions	378,296	161,853
City contributions subsequent to the measurement date	<u>699,760</u>	<u>-</u>
Total	<u>\$ 3,586,854</u>	<u>\$ 2,843,457</u>

The \$699,760 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, 2024. This includes adjustments of \$74,504 for the nonhazardous implicit subsidy and \$91,429 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,

2024	\$ 99,719
2025	\$ 95,262
2026	\$ (187,653)
2027	\$ 274,460
2028	\$ (238,151)

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

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

Hazardous

Inflation	2.30%
Salary increases	3.55% to 19.05%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare trend	

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

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, 2021, 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, 2021) to the plan's fiscal year ending June 30, 2022.

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.

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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
Equity	60.00%	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Liquidity	20.00%	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	-0.91%
Inflation Protected	20.00%	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Total	100.00%	4.28%
Long term inflation assumption		2.30%
Expected nominal return for portfolio		6.58%

Discount Rate – The discount rate used to measure the total net OPEB liability was 5.70% and 5.61% 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 2.45%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index” as of June 30, 2020. 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.

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	4.70%	\$ 2,762,509	4.61%	\$ 11,645,033
Current discount rate	5.70%	\$ 2,066,443	5.61%	\$ 8,380,916
1% increase	6.70%	\$ 1,491,034	6.61%	\$ 5,729,844

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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
	City's proportionate share of net OPEB liability	City's proportionate share of net OPEB liability
1% decrease	\$ 1,536,357	\$ 5,852,288
Current trend rate	\$ 2,066,443	\$ 8,380,916
1% increase	\$ 2,702,984	\$ 11,463,177

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

NOTE K – 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, 2023, contributions to the 457 and 401(k) deferred compensation plans totaled \$537,733 and \$101,256, respectively.

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

NOTE L – INTER-FUND TRANSACTIONS

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

Receivable Funds	Payable Funds	Amount
Capital Projects	General	\$ <u>104,507</u>
Internal Service	General	\$ <u>177,000</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.

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Inter-fund transfers at June 30, 2023 are as follows:

Transfer Out:	Transfer In:			
	General Fund	Capital Projects	Employee Benefits	Total
General Fund	\$ -	\$ 423,667	\$ 667,000	\$ 1,090,667
Refuse Fund	<u>57,559</u>	<u>-</u>	<u>-</u>	<u>57,559</u>
	<u>\$ 57,559</u>	<u>\$ 423,667</u>	<u>\$ 667,000</u>	<u>\$ 1,148,226</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 M – CONTINGENT LIABILITIES

The City is a defendant to numerous legal proceedings, many of which normally occur in governmental operations. The City has accrued a liability of \$1,250,000 as of June 30, 2023, for the payment of a claim that was settled during the year ended June 30, 2023. The City has agreed to make annual payments of \$250,000 for a period of 5 years. There is a possibility for partial insurance recovery; however, the amount of recovery is unknown at this time. Therefore, the entire outstanding amount less next year’s payment is reported as a noncurrent liability in the financial statements.

NOTE N – 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.

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 \$40,000 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, 2023, 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. As described in Note L, the City has accrued a \$1,250,000 long-term liability as of June 30, 2023, and the City will make an annual payment of \$250,000 for a period of 5 years.

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NOTE O – 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.

Taxes abated under this program during the year ended June 30, 2023, were as follows:

<u>Recipient</u>	<u>Program</u>	<u>Incentive Status</u>	<u>FY 2023 Amount Rebated</u>	<u>Date of KEDFA Action/City Approval</u>
Centennial Personnel, Inc.	JDIP	Active	\$ 8,704	1/28/2019
Comprehensive Medical Management, LLC	JDIP	Active	6,642	6/10/2019
David J Joseph Company	JDIP	Active	38,661	8/17/2015
Divisions, Inc.	KBI/JDIP	Final Approval	284,510	8/28/2014
Fedders Construction LLC	JDIP	Active	20,238	4/23/2018
Greater Comfort	JDIP	Active	16,271	4/22/2013
Healthpoint Family Care, Inc.	JDIP	Active	29,275	6/10/2019
Legion Logistics	JDIP	Active	14,445	4/19/2021

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New Riff Distilling, LLC	JDIP	Active	36,683	1/1/2022
Nexigen	KBI/JDIP	Active	34,539	1/28/2013
Nimblesoft	JDIP	Active	1,307	10/20/2014
P. L. Marketing	KBI/JDIP	Final Approval	342,837	9/26/2013
PCA Architecture	JDIP	Active	6,643	8/17/2020
Strategic Advisers	JDIP	Active	2,868	8/17/2020
Studio Vertu	JDIP	Active	7,131	10/20/2014
Western and Southern Life	JDIP	Active	<u>15,944</u>	8/20/2018
Total			<u>\$ 866,698</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.

Taxes abated under this program during the year ended June 30, 2023, were as follows:

<u>Address</u>	<u>Approval Order</u>	<u>FY 2023 Assessment</u>	<u>Amount Abated @</u>
		<u>Value Deferred</u>	<u>\$2.74/\$1,000</u>
1102 Brighton St	R-2018-024	\$ 10,000	\$ 27
501 E 6th St	R-2018-036	\$ 339,000	\$ 929
935 Monmouth St	R-2018-037	\$ 85,000	\$ 233
700 Monmouth St	R-2022-053	\$ 86,800	\$ 238
913 York St	R-2018-046	\$ 36,000	\$ 99
946 York St	R-2018-047	\$ 49,000	\$ 134
16 W 9th St	R-2020-032	\$ 192,000	\$ 526
915 York St	R-2020-031	\$ 189,900	\$ 520
402 Overton St	R-2018-071	\$ 200,000	\$ 548
301 Overton St	R-2017-053	\$ 186,035	\$ 510
842 Overton St	R-2018-065	\$ 361,000	\$ 989
845 Overton St	R-2018-050	\$ 30,000	\$ 82
806 Monroe St	R-2017-056	\$ 174,100	\$ 477
517 E 10th St	R-2019-081	\$ 94,800	\$ 260
214 E 10th St	R-2021-069	\$ 25,100	\$ 69
217 E 10th St	R-2021-055	\$ 50,000	\$ 137
224 W 10th St	R-2019-019	\$ 107,199	\$ 294
524 W 10th St	R-2021-061	\$ 9,000	\$ 25
532 W 10th St	R-2021-061	\$ 126,320	\$ 346
222 E 8th St	R-2019-014	\$ 264,900	\$ 726

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

<u>Address</u>	<u>Approval Order</u>	<u>FY 2023 Assessment</u>	<u>Amount Abated @</u>
		<u>Value Deferred</u>	<u>\$2.74/\$1,000</u>
133 E 7th St	R-2021-057	\$ 180,800	\$ 495
129 E 7th St	R-2021-058	\$ 344,000	\$ 943
530 W 9th St	R-2017-054	\$ 293,750	\$ 805
402 W 9th St	R-2018-053	\$ 164,000	\$ 449
234 W 9th St	R-2021-073	\$ 69,000	\$ 189
40 E 9th St	R-2017-052	\$ 115,000	\$ 315
402 E 9th St	R-2018-065	\$ 306,100	\$ 839
714 E 9th St	R-2019-050	\$ 294,800	\$ 808
601 E 9th St	R-2020-059	\$ 82,800	\$ 227
213 W 12th St	R-2021-056	\$ 82,000	\$ 225
42 E 18th St	R-2021-059	\$ 87,800	\$ 241
222 E 5th St	R-2021-093	\$ 17,500	\$ 48
11 21st St	R-2022-052	\$ 177,000	\$ 485
734 Washington Ave.	R-2018-064	\$ 270,800	\$ 742
918-820 Washington Ave.	R-2021-071	\$ 202,100	\$ 554
720 Roberts St	R-2019-082	\$ 161,000	\$ 441
725 Roberts St	R-2022-023	\$ 48,900	\$ 134
640 Roberts St	R-2021-094	\$ 64,600	\$ 177
730 Maple Ave.	R-2018-051	\$ 434,000	\$ 1,189
826 Maple Ave.	R-2021-070	\$ 115,000	\$ 315
740 Linden Ave.	R-2018-052	\$ 343,100	\$ 940
901 Monroe St	R-2018-049	\$ 370,00	\$ 1,014
829 Monroe St	R-2020-049	\$ 130,000	\$ 356
843 Monroe St	R-2019-060	\$ 315,000	\$ 863
923 Monroe St	R-2018-054	\$ 139,799	\$ 383
208 E 8th St	R-2018-055	\$ 30,500	\$ 84
808 Isabella	R-2018-048	\$ 52,600	\$ 144
833 Isabella	R-2019-059	\$ 146,845	\$ 402
1002 Isabella	R-2022-019	\$ 114,700	\$ 314
301 E 8th St	R-2017-055	\$ 55,400	\$ 152
917 Saratoga St	R-2019-011	\$ 64,500	\$ 177
715 Saratoga St	R-2019-020	\$ 130,000	\$ 356
1138 Columbia St	R-2019-070	\$ 174,000	\$ 477
934 Columbia St	R-2019-019	\$ 259,500	\$ 711
712 Columbia St	R-2019-019	\$ 76,900	\$ 211
910 Columbia St	R-2019-019	\$ 140,009	\$ 384
912 Columbia St	R-2021-016	\$ 93,499	\$ 256
1012 Central Ave	R-2019-059	\$ 165,700	\$ 454
846 York St	R-2022-054	\$ 251,300	\$ 689
518-522 York St	R-2020-058	\$ 747,200	\$ 2,047
738 York St	R-2021-068	\$ 152,950	\$ 419
340 Lindsay St	R-2021-063	\$ 95,800	\$ 262
209 W 13th St	R-2021-064	\$ 88,900	\$ 244
217 W 13th St	R-2021-066	\$ 127,200	\$ 349
711 Weingartner	R-2021-092	\$ 150,000	\$ 411
723 Weingartner	R-2020-020	\$ 171,800	\$ 471
940 Patterson St	R-2019-019	\$ 141,000	\$ 386
71 Parkview Ave	R-2019-020	\$ 133,000	\$ 364
1019 Lowell St	R-2021-061	\$ 111,775	\$ 306
169 Main St	R-2021-014	\$ 41,100	\$ 113
639 Dayton St	R-2021-054	\$ 81,100	\$ 222

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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.

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 2023</u> <u>Abatement</u> <u>Amount</u>
South Shore	\$ 209,647
Vue 180	59,869
Academy on 4 th	69,048
Aquarium	70,541
Newport Scholar House LP	9,590
Target	34,366
Pavilion	222,642
Monmouth Row	29,921
Aqua on the Levee/Aloft	77,875
Aloft: Airlot A4 -Hotel	30,678
Newport on the Levee	268,928
Hofbrauhaus	4,901
Outdoor Music Venue	9,590
Martin’s Gate	<u>5,568</u>
TOTAL:	<u>\$ 1,103,165</u>

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Tax Increment Financing District

The City has created the local Ovation Tax Increment Financing District north of 5th Street, in the downtown area. Taxes of approximately \$172,600 were abated under this program in the year ended June 30, 2023.

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, 2023.

REQUIRED SUPPLEMENTARY
INFORMATION

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Budgetary fund balance, July 1	\$ 9,122,838	\$10,730,497	\$ 10,730,496	\$ (1)
Resources (inflows):				
Taxes:				
Property	3,069,700	3,158,780	3,204,064	45,284
Tangible	273,500	295,270	297,267	1,997
Bank deposit	85,000	178,900	180,833	1,933
Licenses and permits:				
Payroll license fees	10,125,000	11,859,500	12,638,900	779,400
Insurance license fees	4,400,000	4,600,000	4,707,407	107,407
Other	1,636,100	1,897,800	2,022,038	124,238
Intergovernmental	3,156,930	2,697,110	2,735,193	38,083
Fines and forfeitures	246,300	277,290	307,275	29,985
Charges for services	1,284,650	1,324,790	1,767,672	442,882
Uses of property	1,163,210	1,211,380	1,246,741	35,361
Interest	5,000	5,000	156,737	151,737
Miscellaneous	117,700	28,660	38,337	9,677
Refunds and reimbursements	12,500	80,320	95,962	15,642
SBITA proceeds	-	-	155,543	155,543
Transfers in	<u>56,920</u>	<u>57,370</u>	<u>57,559</u>	<u>189</u>
Amounts available for appropriation	<u>34,755,348</u>	<u>38,402,667</u>	<u>40,342,024</u>	<u>1,939,357</u>
Charges to appropriations (outflows):				
General Government:				
Office of City Manager:				
Personnel	1,877,700	1,319,860	1,316,891	2,969
Contractual	582,330	658,550	604,148	54,402
Materials and supplies	6,500	12,500	10,333	2,167
Other-unclassified	<u>175,800</u>	<u>441,220</u>	<u>437,936</u>	<u>3,284</u>
Total Office of City Manager	<u>2,642,330</u>	<u>2,432,130</u>	<u>2,369,308</u>	<u>62,822</u>
Finance and Administration:				
Personnel	848,070	843,230	840,239	2,991
Contractual	222,140	238,090	233,809	4,281
Materials and supplies	5,910	6,920	5,380	1,540
Other-unclassified	<u>51,000</u>	<u>56,400</u>	<u>53,426</u>	<u>2,974</u>
Total Finance and Administration	<u>1,127,120</u>	<u>1,144,640</u>	<u>1,132,854</u>	<u>11,786</u>
Total General Government	<u>\$ 3,769,450</u>	<u>\$ 3,576,770</u>	<u>\$ 3,502,162</u>	<u>\$ 74,608</u>

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

	<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	\$ 802,830	\$ 814,140	\$ 807,750	\$ 6,390
Contractual	173,320	190,070	174,059	16,011
Materials and supplies	16,500	15,400	11,327	4,073
Other-unclassified	<u>12,030</u>	<u>14,730</u>	<u>12,311</u>	<u>2,419</u>
Total Chief's Office	<u>1,004,680</u>	<u>1,034,340</u>	<u>1,005,447</u>	<u>28,893</u>
Patrol:				
Personnel	4,052,130	3,950,710	3,939,586	11,124
Contractual	95,850	105,730	98,880	6,850
Materials and supplies	165,000	185,000	184,927	73
Other-unclassified	<u>46,100</u>	<u>86,550</u>	<u>9,083</u>	<u>77,467</u>
Total Patrol	<u>4,359,080</u>	<u>4,327,990</u>	<u>4,232,476</u>	<u>95,514</u>
Investigation:				
Personnel	823,950	805,510	800,606	4,904
Contractual	14,500	17,620	16,439	1,181
Materials and supplies	18,000	20,000	16,539	3,461
Other-unclassified	<u>7,500</u>	<u>13,950</u>	<u>8,979</u>	<u>4,971</u>
Total Investigation	<u>863,950</u>	<u>857,080</u>	<u>842,563</u>	<u>14,517</u>
Traffic:				
Personnel	703,370	758,710	756,696	2,014
Contractual	36,800	48,160	46,665	1,495
Materials and supplies	33,800	31,200	20,326	10,874
Other-unclassified	<u>6,100</u>	<u>15,000</u>	<u>12,877</u>	<u>2,123</u>
Total Traffic	<u>780,070</u>	<u>853,070</u>	<u>836,564</u>	<u>16,506</u>
Total Police	<u>7,007,780</u>	<u>7,072,480</u>	<u>6,917,050</u>	<u>155,430</u>
Fire/EMS				
Operations:				
Personnel	6,204,830	6,338,500	6,176,591	161,909
Contractual	246,140	261,460	213,135	48,325
Materials and supplies	136,000	135,500	103,071	32,429
Other-unclassified	<u>18,000</u>	<u>29,500</u>	<u>21,546</u>	<u>7,954</u>
Total Operations	<u>6,604,970</u>	<u>6,764,960</u>	<u>6,514,343</u>	<u>250,617</u>
South Newport:				
Contractual	13,960	12,340	9,300	3,040
Materials and supplies	1,000	1,000	14	986
Other-unclassified	<u>70</u>	<u>570</u>	<u>365</u>	<u>205</u>
Total South Newport	<u>15,030</u>	<u>13,910</u>	<u>9,679</u>	<u>4,231</u>
Total Fire/EMS	<u>\$ 6,620,000</u>	<u>\$ 6,778,870</u>	<u>\$ 6,524,022</u>	<u>\$ 254,848</u>

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative) (Continued)
	Original	Final		
Development Services:				
Code Enforcement:				
Personnel	\$ 480,050	\$ 998,380	\$ 961,552	\$ 36,828
Contractual	188,680	231,420	176,996	54,424
Materials and supplies	26,000	29,000	20,768	8,232
Other-unclassified	<u>40,250</u>	<u>42,460</u>	<u>27,482</u>	<u>14,978</u>
Total Code Enforcement	<u>734,980</u>	<u>1,301,260</u>	<u>1,186,798</u>	<u>114,462</u>
Total Development Services	<u>734,980</u>	<u>1,301,260</u>	<u>1,186,798</u>	<u>114,462</u>
Community Services:				
Pool:				
Personnel	57,700	61,660	59,274	2,386
Contractual	41,400	41,150	34,834	6,316
Materials and supplies	27,000	31,000	26,569	4,431
Other-unclassified	<u>5,790</u>	<u>31,040</u>	<u>8,213</u>	<u>22,827</u>
Total Pool	<u>131,890</u>	<u>164,850</u>	<u>128,890</u>	<u>35,960</u>
Public Works:				
Personnel	1,367,280	1,280,860	1,271,183	9,677
Contractual	506,420	530,990	496,668	34,322
Materials and supplies	217,000	232,000	200,691	31,309
Other-unclassified	<u>15,100</u>	<u>18,820</u>	<u>16,188</u>	<u>2,632</u>
Total Public Works	<u>2,105,800</u>	<u>2,062,670</u>	<u>1,984,730</u>	<u>77,940</u>
Parks and Recreation:				
Contractual	148,030	143,070	138,830	4,240
Materials and supplies	24,000	34,000	20,917	13,083
Other-unclassified	<u>11,000</u>	<u>11,000</u>	<u>125</u>	<u>10,875</u>
Total Parks and Recreation	<u>183,030</u>	<u>188,070</u>	<u>159,872</u>	<u>28,198</u>
Total Community Services	<u>\$ 2,420,720</u>	<u>\$ 2,415,590</u>	<u>\$ 2,273,492</u>	<u>\$ 142,098</u>

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative) (Continued)
	Original	Final		
Municipal Complex:				
Contractual	\$ 187,980	\$ 208,160	\$ 193,472	\$ 14,688
Materials and supplies	22,800	22,800	10,664	12,136
Other-unclassified	<u>23,010</u>	<u>27,510</u>	<u>21,112</u>	<u>6,398</u>
Total Municipal Complex	<u>233,790</u>	<u>258,470</u>	<u>225,248</u>	<u>33,222</u>
Capital Outlay:				
General government	7,500	27,000	26,075	925
Police	170,000	275,300	401,689	(126,389)
Fire/EMS	210,000	324,500	307,806	16,694
Development services	-	-	35,736	(35,736)
Community services	286,000	327,000	199,181	127,819
Municipal complex	<u>190,000</u>	<u>65,300</u>	<u>35,238</u>	<u>30,062</u>
Total Capital Outlay	<u>863,500</u>	<u>1,019,100</u>	<u>1,005,725</u>	<u>13,375</u>
Debt Service:				
Principal	2,644,340	2,676,810	2,707,647	(30,837)
Interest	676,350	678,620	689,883	(11,263)
Cost of debt issuance	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Debt Service	<u>3,335,690</u>	<u>3,355,430</u>	<u>3,397,530</u>	<u>(42,100)</u>
Transfers out	<u>646,000</u>	<u>964,000</u>	<u>1,090,667</u>	<u>(126,667)</u>
Total charges to appropriations	<u>25,631,910</u>	<u>26,741,970</u>	<u>26,122,694</u>	<u>619,276</u>
Budgetary fund balance, June 30	<u>\$ 9,123,438</u>	<u>\$ 11,660,697</u>	<u>\$ 14,219,330</u>	<u>\$ 2,558,633</u>

CITY OF NEWPORT, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT FUND
For the Year Ended June 30, 2023

	<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	\$ 42,579	\$ 50,276	\$ 50,276	\$ -
Resources (inflows):				
Intergovernmental	810,000	757,500	210,449	(547,051)
Interest	-	-	695	695
Miscellaneous	25,000	35,000	31,920	(3,080)
Transfers in	-	-	-	-
Amounts available for appropriation	<u>877,579</u>	<u>842,776</u>	<u>293,340</u>	<u>(549,436)</u>
Charges to appropriations (outflows):				
Hamlet Row	810,000	757,500	211,922	545,578
Emergency Business Assistance	-	-	-	-
Tree Fund	25,000	35,000	31,919	3,081
Façade Improvement	41,930	-	-	-
Total charges to appropriation	<u>876,930</u>	<u>792,500</u>	<u>243,841</u>	<u>548,659</u>
Budgetary fund balances, June 30	<u>\$ 649</u>	<u>\$ 50,276</u>	<u>\$ 49,499</u>	<u>\$ (777)</u>

CITY OF NEWPORT, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
TIF FUND
For the Year Ended June 30, 2023

	<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	\$ 403,378	\$ 357,466	\$ 357,467	\$ 1
Resources (inflows):				
Property tax	174,950	133,770	172,643	38,873
Interest	<u>150</u>	<u>4,000</u>	<u>4,136</u>	<u>136</u>
Amounts available for appropriation	<u>578,478</u>	<u>495,236</u>	<u>534,246</u>	<u>39,010</u>
Charges to appropriations (outflows):				
Other expenses	<u>578,470</u>	<u>491,230</u>	<u>617</u>	<u>490,613</u>
Total charges to appropriation	<u>578,470</u>	<u>491,230</u>	<u>617</u>	<u>490,613</u>
 Budgetary fund balances, June 30	 <u>\$ 8</u>	 <u>\$ 4,006</u>	 <u>\$ 533,629</u>	 <u>\$ 529,623</u>

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total pension liability										
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	96,307	94,516	81,914	40,195	53,487	51,105	36,933	52,778	50,256	58,989
Changes of benefit terms	73,370	44,114	-	-	61,745	23,933	-	-	142,078	-
Difference between expected and actual experience	(280,842)	(189,829)	(63,950)	(19,651)	(31,853)	(231,348)	57,813	6,369	53,002	(132,816)
Change in assumptions	310,707	195,572	261,386	(185,356)	(28,727)	32,430	(168,725)	(12,980)	(18,155)	(7,626)
Benefit payments	(243,758)	(226,777)	(201,430)	(186,744)	(184,420)	(155,218)	(138,402)	(132,663)	(135,193)	(128,907)
Net change in total pension liability	(44,216)	(82,404)	77,920	(351,556)	(129,768)	(279,098)	(212,381)	(86,496)	91,988	(210,360)
Total pension liability - beginning	2,046,539	2,002,323	1,919,919	1,997,839	1,646,283	1,516,515	1,237,417	1,025,036	938,540	1,030,528
Total pension liability - ending	2,002,323	1,919,919	1,997,839	1,646,283	1,516,515	1,237,417	1,025,036	938,540	1,030,528	820,168
Plan fiduciary net position										
Contributions:										
Employer	-	-	-	-	-	-	250,000	-	114,000	57,000
Employee	-	-	-	-	-	-	-	-	-	-
Net investment income	116,640	(18,699)	(28,637)	38,157	32,108	9,079	(108)	81,081	(37,109)	22,606
Benefit payments	(243,758)	(226,777)	(201,430)	(186,744)	(184,420)	(155,218)	(138,402)	(132,663)	(135,193)	(128,907)
Administrative expense	-	-	-	-	(3,600)	(7,200)	(3,700)	(7,700)	(4,000)	(8,350)
Refunds of contributions	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	(127,118)	(245,476)	(230,067)	(148,587)	(155,912)	(153,339)	107,790	(59,282)	(62,302)	(57,651)
Plan fiduciary net position - beginning	1,280,319	1,153,201	907,725	677,658	529,071	373,159	219,820	327,610	268,328	206,026
Plan fiduciary net position - ending	1,153,201	907,725	677,658	529,071	373,159	219,820	327,610	268,328	206,026	148,375
Net pension liability - ending	\$ 849,122	\$ 1,012,194	\$ 1,320,181	\$ 1,117,212	\$ 1,143,356	\$ 1,017,597	\$ 697,426	\$ 670,212	\$ 824,502	\$ 671,793
Plan fiduciary net position as a % of total pension liability	57.59%	47.28%	33.92%	32.14%	24.61%	17.76%	31.96%	28.59%	19.99%	18.09%
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	N/A	N/A	N/A

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially determined contribution	\$ 58,344	\$ 51,289	\$ 51,289	\$ 71,552	\$ 71,552	\$ 86,342	\$ 86,342	\$ 71,881	\$ 71,881	\$ 92,522
Contributions in relation to actuarially determined contribution	-	-	-	-	-	-	250,000	-	114,000	57,000
Contribution deficiency (excess)	\$ 58,344	\$ 51,289	\$ 51,289	\$ 71,552	\$ 71,552	\$ 86,342	\$ (163,658)	\$ 71,881	\$ (42,119)	\$ 35,522
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	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	5.765%
Retirement age	65 years old
Mortality	In the 2021 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the MP-2021 Mortality Tables.

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total pension liability										
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	205,401	193,347	167,421	91,182	106,638	96,279	80,333	100,158	96,850	106,214
Changes of benefit terms	62,846	56,156	-	-	91,129	44,613	-	-	248,011	-
Difference between expected and actual experience	(106,169)	(24,766)	17,761	15,759	(109,757)	(8,450)	(215,396)	37,424	(44,208)	(276,001)
Change in assumptions	55,493	432,511	477,015	(222,269)	(27,342)	84,863	(185,958)	(23,429)	(31,810)	(13,297)
Benefit payments	<u>(392,370)</u>	<u>(365,887)</u>	<u>(364,585)</u>	<u>(353,910)</u>	<u>(323,796)</u>	<u>(303,070)</u>	<u>(283,516)</u>	<u>(243,625)</u>	<u>(236,461)</u>	<u>(210,712)</u>
Net change in total pension liability	(174,799)	291,361	297,612	(469,238)	(263,128)	(85,765)	(604,537)	(129,472)	32,382	(393,796)
Total pension liability - beginning	<u>2,949,722</u>	<u>2,774,923</u>	<u>3,066,284</u>	<u>3,363,896</u>	<u>2,894,658</u>	<u>2,631,530</u>	<u>2,545,765</u>	<u>1,941,228</u>	<u>1,811,756</u>	<u>1,844,138</u>
Total pension liability - ending	2,774,923	3,066,284	3,363,896	2,894,658	2,631,530	2,545,765	1,941,228	1,811,756	1,844,138	1,450,342
Plan fiduciary net position										
Contributions:										
Employer	-	-	-	-	-	-	-	150,000	-	63,000
Employee	-	-	-	-	-	-	-	-	-	-
Net investment income	286,710	(70,036)	(35,616)	150,409	104,280	41,428	60,389	226,385	(70,187)	22,008
Benefit payments	(392,370)	(365,887)	(364,585)	(353,910)	(323,796)	(303,070)	(283,516)	(243,625)	(236,461)	(210,712)
Administrative expense	-	-	-	-	(3,600)	(7,200)	(3,700)	(7,700)	(4,000)	(8,350)
Refunds of contributions	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	(105,660)	(435,923)	(400,201)	(203,501)	(223,116)	(268,842)	(226,827)	125,060	(310,648)	(134,054)
Plan fiduciary net position - beginning	<u>2,855,930</u>	<u>2,750,270</u>	<u>2,314,347</u>	<u>1,914,146</u>	<u>1,710,645</u>	<u>1,487,529</u>	<u>1,218,687</u>	<u>991,860</u>	<u>1,116,920</u>	<u>806,272</u>
Plan fiduciary net position - ending	<u>2,750,270</u>	<u>2,314,347</u>	<u>1,914,146</u>	<u>1,710,645</u>	<u>1,487,529</u>	<u>1,218,687</u>	<u>991,860</u>	<u>1,116,920</u>	<u>806,272</u>	<u>672,218</u>
Net pension liability - ending	<u>\$ 24,653</u>	<u>\$ 751,937</u>	<u>\$ 1,449,750</u>	<u>\$ 1,184,013</u>	<u>\$ 1,144,001</u>	<u>\$ 1,327,078</u>	<u>\$ 949,368</u>	<u>\$ 694,836</u>	<u>\$ 1,037,866</u>	<u>\$ 778,124</u>
Plan fiduciary net position as a % of total pension liability	99.11%	75.48%	56.90%	59.10%	56.53%	47.87%	51.09%	61.65%	43.72%	46.35%
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	N/A	N/A	N/A

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Actuarially determined contribution	\$ 1,691	\$ 1,528	\$ 1,528	\$ 70,409	\$ 70,409	\$ 77,709	\$ 77,709	\$ 88,085	\$ 88,085	\$ 106,972
Contributions in relation to actuarially determined contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>-</u>	<u>63,000</u>
Contribution deficiency (excess)	<u>\$ 1,691</u>	<u>\$ 1,528</u>	<u>\$ 1,528</u>	<u>\$ 70,409</u>	<u>\$ 70,409</u>	<u>\$ 77,709</u>	<u>\$ 77,709</u>	<u>\$ (61,915)</u>	<u>\$ 88,085</u>	<u>\$ 43,972</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	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	5.765%
Retirement age	65 years old
Mortality	In the 2021 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the MP-2021 Mortality Tables.

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

Report Date (Measurement Date)	2015 (2014)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)
City's proportion of the net pension liability	0.075%	0.078%	0.0799%	0.0874%	0.0864%	0.0864%	0.0867%	0.0980%	0.1047%
City's proportionate share of the net pension liability (asset)	\$ 2,422,504	\$ 3,363,394	\$ 3,933,909	\$ 5,114,269	\$ 5,261,110	\$ 6,079,291	\$ 6,650,582	\$ 6,248,457	\$ 7,570,801
City's covered employee payroll	\$ 1,712,734	\$ 1,803,394	\$ 1,904,886	\$ 2,113,469	\$ 2,137,147	\$ 2,196,114	\$ 2,221,509	\$ 2,498,914	\$ 2,895,947
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	141.44%	186.50%	206.52%	241.98%	246.17%	276.82%	299.37%	250.05%	261.43%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	55.50%	53.32%	53.54%	50.45%	47.81%	57.33%	52.42%

Notes:

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

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually required employer contribution	\$ 235,329	\$ 229,933	\$ 237,299	\$ 296,868	\$ 312,505	\$ 356,209	\$ 433,027	\$ 486,946	\$ 650,079	\$ 778,665
Contributions relative to contractually required employer contribution	<u>235,329</u>	<u>229,933</u>	<u>237,299</u>	<u>296,868</u>	<u>312,505</u>	<u>356,209</u>	<u>433,027</u>	<u>486,946</u>	<u>650,079</u>	<u>778,665</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered employee payroll	\$ 1,712,734	\$ 1,803,394	\$ 1,904,886	\$ 2,113,469	\$ 2,137,147	\$ 2,196,114	\$ 2,221,509	\$ 2,498,914	\$ 2,895,847	\$ 3,061,692
Employer contributions as a percentage of covered-employee payroll	13.74%	12.75%	12.46%	14.05%	14.62%	16.22%	19.49%	19.49%	22.45%	25.43%

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

Report Date (Measurement Date)	2015 (2014)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)
City's proportion of the net pension liability	0.934%	0.944%	0.9487%	0.9690%	1.0160%	0.9860%	0.9520%	0.9647%	0.9839%
City's proportionate share of the net pension liability (asset)	\$ 11,230,216	\$ 14,493,582	\$ 16,279,790	\$ 21,679,786	\$ 24,570,432	\$ 27,236,426	\$ 28,703,432	\$ 25,682,117	\$ 30,023,895
City's covered employee payroll	\$ 4,775,916	\$ 4,817,366	\$ 4,929,315	\$ 5,316,819	\$ 5,654,339	\$ 5,600,682	\$ 5,542,227	\$ 5,770,573	\$ 6,374,018
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	235.14%	300.86%	330.26%	407.76%	434.54%	486.31%	517.90%	445.05%	471.04%
Plan fiduciary net position as a percentage of the total pension liability	63.46%	57.52%	53.95%	49.78%	49.26%	46.63%	44.11%	52.26%	47.11%

Notes:

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

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually required employer contribution	\$ 1,041,523	\$ 1,005,520	\$ 999,305	\$ 1,154,842	\$ 1,255,263	\$ 1,392,890	\$ 1,665,993	\$ 1,734,634	\$ 2,166,686	\$ 2,948,510
Contributions relative to contractually required employer contribution	<u>1,041,523</u>	<u>1,005,520</u>	<u>999,305</u>	<u>1,154,842</u>	<u>1,255,263</u>	<u>1,392,890</u>	<u>1,665,993</u>	<u>1,734,634</u>	<u>2,166,686</u>	<u>2,948,510</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 4,775,916	\$ 4,817,366	\$ 4,929,315	\$ 5,316,819	\$ 5,654,339	\$ 5,600,682	\$ 5,542,227	\$ 5,770,573	\$ 6,374,018	\$ 6,797,488
Employer contributions as a percentage of covered-employee payroll	21.81%	20.87%	20.27%	21.72%	22.20%	24.87%	30.06%	30.06%	33.99%	43.38%

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

Report Date (Measurement Date)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)
City's proportion of the net OPEB liability	0.0799%	0.0874%	0.0864%	0.0864%	0.0867%	0.0980%	0.1047%
City's proportionate share of the net OPEB liability (asset)	\$ 1,377,759	\$ 1,756,516	\$ 1,533,677	\$ 1,453,495	\$ 2,093,176	\$ 1,875,778	\$ 2,066,443
City's covered employee payroll	\$ 1,904,886	\$ 2,113,469	\$ 2,137,147	\$ 2,196,114	\$ 2,221,509	\$ 2,498,914	\$ 2,895,947
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	72.33%	83.11%	71.76%	66.18%	94.22%	75.06%	71.36%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%	60.44%	51.67%	62.91%	60.95%

Notes:

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

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually required employer contribution	\$ 88,206	\$ 88,727	\$ 88,653	\$ 100,658	\$ 101,434	\$ 115,516	\$ 106,798	\$ 120,096	\$ 177,490	\$ 112,807
Contributions relative to contractually required employer contribution	<u>88,206</u>	<u>88,727</u>	<u>88,653</u>	<u>100,658</u>	<u>101,434</u>	<u>115,516</u>	<u>106,798</u>	<u>120,096</u>	<u>177,490</u>	<u>112,807</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 1,712,734	\$ 1,803,394	\$ 1,904,886	\$ 2,113,469	\$ 2,137,147	\$ 2,196,114	\$ 2,221,509	\$ 2,498,914	\$ 2,895,947	3,061,692
Employer contributions as a percentage of covered-employee payroll	5.15%	4.92%	4.65%	4.76%	4.75%	5.26%	4.81%	4.81%	6.13%	3.68%

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

Report Date (Measurement Date)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)
City's proportion of the net OPEB liability	0.9487%	0.9690%	1.0160%	0.9860%	0.9520%	0.9647%	0.9839%
City's proportionate share of the net OPEB liability (asset)	\$ 4,786,659	\$ 8,010,654	\$ 7,243,754	\$ 7,293,625	\$ 8,794,814	\$ 7,800,225	\$ 8,380,916
City's covered employee payroll	\$ 4,929,315	\$ 5,316,819	\$ 5,654,339	\$ 5,600,682	\$ 5,542,227	\$ 5,770,573	\$ 6,374,018
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	97.11%	150.67%	128.11%	130.23%	158.69%	135.17%	131.49%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	58.99%	64.24%	64.44%	58.84%	66.81%	64.13%

Notes:

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

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually required employer contribution	\$ 666,441	\$ 658,706	\$ 625,922	\$ 497,364	\$ 528,681	\$ 586,391	\$ 527,620	\$ 549,359	\$ 669,971	\$ 466,968
Contributions relative to contractually required employer contribution	<u>666,441</u>	<u>658,706</u>	<u>625,922</u>	<u>497,364</u>	<u>528,681</u>	<u>586,391</u>	<u>527,620</u>	<u>549,359</u>	<u>669,971</u>	<u>466,968</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered employee payroll	\$ 4,775,916	\$ 4,817,366	\$ 4,929,315	\$ 5,316,819	\$ 5,654,339	\$ 5,600,682	\$ 5,542,227	\$ 5,770,573	\$ 6,374,018	\$ 6,797,488
Employer contributions as a percentage of covered employee payroll	13.95%	13.67%	12.70%	9.35%	9.35%	10.47%	9.52%	9.52%	10.51%	6.87%

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

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.

Expense

The City's pension expense for all plans for the year ended June 30, 2023, totaled \$358,171. The City's OPEB expense for all plans for the year ended June 30, 2023, totaled \$761,467.

2. CHANGES OF ASSUMPTIONS

June 30, 2022 – Pension and OPEB Hazardous and Nonhazardous

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

- The initial healthcare trend rate for pre-65 was changed from 6.30% to 6.40%.

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for pension.

June 30, 2021 – Pension and OPEB Hazardous and Nonhazardous

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

- The initial healthcare trend rate for pre-65 was changed from 6.40% to 6.30%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 13 years. The initial healthcare trend rate for post-65 was changed from 2.90% to 6.30%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 13 years.

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for pension.

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

2. CHANGES OF ASSUMPTIONS (CONTINUED)

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, 2020, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 7% to 6.40%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years. The initial healthcare trend rate for post-65 was changed from 5% to 2.90%, which increases to 6.30% in 2023 and then gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years.

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for pension.

June 30, 2019 – 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, 2018 – 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, 2017 – 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, 2017, for both pension and OPEB:

- 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, 2016 – 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, 2023

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2015 – 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, 2014 – 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, 2013 – 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
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
For the Year Ended June 30, 2023

	<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	\$ 11,692,215	\$ 11,782,788	\$ 11,782,786	\$ (2)
Resources (inflows):				
Intergovernmental	6,889,690	24,474	7,680	(16,794)
Refunds and reimbursements	3,000	24,360	14,136	(10,224)
Interest	500	343,000	379,895	36,895
Transfers in	<u>396,000</u>	<u>414,000</u>	<u>423,667</u>	<u>9,667</u>
Amounts available for appropriation	<u>18,981,405</u>	<u>12,588,622</u>	<u>12,608,164</u>	<u>19,542</u>
Charges to appropriations (outflows):				
Community services	-	-	115,730	(115,730)
Capital project expenditures:				
Street improvement program	9,599,130	229,010	410,441	(181,431)
Public service facility	800,000	4,700	-	4,700
Parks improvement program	935,000	19,750	110,950	(91,200)
Floodwall repairs and upgrades	<u>120,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total charges to appropriation	<u>11,454,130</u>	<u>253,460</u>	<u>637,121</u>	<u>(383,661)</u>
Budgetary fund balances, June 30	<u>\$ 7,527,275</u>	<u>\$ 12,335,162</u>	<u>\$ 11,971,043</u>	<u>\$ (364,119)</u>

CITY OF NEWPORT, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

Federal Agency	Federal Grantor/Program Title	Federal AL 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	20-047	\$ 190,577
HUD	Passed through Commonwealth of Kentucky Community Development Block Grant - Department for Local Government State-Administered Small Cities Program COVID Utilities Assistance	14.228	20C-037	19,872
DOT	Passed through Kentucky Transportation Cabinet Highway Planning and Construction Grant US 27 Streetscape	20.205	PO2-625-2000000138	9,601
DOT	Passed through Kentucky Transportation Cabinet Highway Planning and Construction Grant CLG KHC Grant	20.205	PO2-625-1600003827	3,000
DOT	Passed through Kentucky Transportation Cabinet Division of Highway Safety Programs Law Enforcement Overtime	20.600	SC-625-2000000370-1	16,110
TREAS	Passed through Kentucky Heritage Council SAFER: 2013 Fire Hiring Grant	97.083	EMW-2019-FF-01597	351,381
TREAS	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	KY0215	<u>1,250,000</u>
Total Federal Expenditures:				<u>\$ 1,840,541</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 City of Newport, Kentucky, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Newport, Kentucky's basic financial statements and have issued our report thereon dated February 7, 2024.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Newport, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

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
February 7, 2024



**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

Opinion on Each Major Federal Program

We have audited the City of Newport, Kentucky's compliance with the types of compliance requirements identified as subject to audit 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, 2023. The City of Newport, Kentucky's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Newport, Kentucky and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Newport, Kentucky's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Newport, Kentucky's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Newport, Kentucky's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Newport, Kentucky's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Newport, Kentucky's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Newport, Kentucky's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City of Newport, Kentucky's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
February 7, 2024

CITY OF NEWPORT, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2023

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified Yes No

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

Non-compliance material to financial statements noted Yes No

Federal Awards:

Internal control over major programs:

Material weaknesses identified Yes No

Significant deficiencies identified that are not considered to be material weaknesses Yes 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 No

Major Program:

Assistance Listing Numbers	Name of Federal Program or Cluster
-----------------------------------	---

21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
--------	--

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

\$ 750,000

Auditee qualified as a low-risk auditee?

Yes 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 NARRATIVE

The Statistical Section of the City of Newport's Annual Comprehensive Financial Report (ACFR) 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 101 – 105

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 107 – 110

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

Section 3: Debt Capacity:

Pages 111 – 115

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 116

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 117 – 119

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.

STATISTICAL SECTION

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental activities										
Net investment in capital assets	\$ 7,779,586	\$ 10,492,966	\$ 11,317,581	\$ 12,675,293	\$ 12,989,261	\$ 14,242,797	\$ 15,692,724	\$ 16,615,155	\$ 17,829,757	\$ 19,953,828
Restricted	35,464	81,193	4,141,909	3,293,973	1,631,794	2,782,359	2,582,966	2,917,519	3,493,810	6,486,253
Unrestricted	(12,272,560)	(12,858,460)	(17,217,833)	(22,336,744)	(24,393,369)	(30,148,591)	(32,638,130)	(35,662,463)	(36,533,113)	(35,713,946)
Total governmental activities net position	\$ (4,457,510)	\$ (2,284,301)	\$ (1,758,343)	\$ (6,367,478)	\$ (9,772,314)	\$ (13,123,435)	\$ (14,362,440)	\$ (16,129,789)	\$ (15,209,546)	\$ (9,273,865)
Business-type activities										
Net investment in capital assets	\$ 1,839,167	\$ 1,726,037	\$ 2,052,781	\$ 2,099,182	\$ 2,429,487	\$ 67,667	\$ 73,684	\$ 43,667	\$ 30,567	\$ 342,191
Restricted	4,865,770	4,517,219	4,283,578	4,390,759	4,272,209	-	-	-	-	-
Unrestricted	(48,063)	71,938	127,019	117,399	361,196	369,441	426,236	619,017	822,891	782,198
Total business-type activities net position	\$ 6,656,874	\$ 6,315,194	\$ 6,463,378	\$ 6,607,340	\$ 7,062,892	\$ 437,108	\$ 499,920	\$ 662,684	\$ 853,458	\$ 1,124,389
Primary government										
Net investment in capital assets	\$ 9,618,753	\$ 12,219,003	\$ 13,370,362	\$ 14,774,475	\$ 15,418,748	\$ 14,310,464	\$ 15,766,408	\$ 16,658,822	\$ 17,860,324	\$ 20,296,019
Restricted	4,901,234	4,598,412	8,425,487	7,684,732	5,904,003	2,782,359	2,582,966	2,917,519	3,493,810	6,486,253
Unrestricted	(12,320,623)	(12,786,522)	(17,090,814)	(22,219,345)	(24,032,173)	(29,779,150)	(32,311,894)	(35,043,446)	(35,710,222)	(34,931,748)
Total primary government net position	\$ 2,199,364	\$ 4,030,893	\$ 4,705,035	\$ 239,862	\$ (2,709,422)	\$ (12,686,327)	\$ (13,962,520)	\$ (15,467,105)	\$ (14,356,088)	\$ (8,149,476)

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expenses										
Governmental activities:										
General government	\$ 1,811,096	\$ 1,829,592	\$ 2,961,163	\$ 3,856,204	\$ 2,614,472	\$ 2,440,244	\$ 2,798,162	\$ 3,581,004	\$ 4,910,511	\$ 3,512,034
Police	4,864,165	4,973,609	5,438,311	5,541,681	7,356,908	8,084,358	8,295,344	8,028,651	7,259,731	8,036,938
Fire/EMS	4,325,418	4,451,947	5,272,373	5,253,734	6,571,753	7,407,263	7,682,292	7,904,568	6,987,152	7,427,947
Development services	1,712,783	708,249	809,960	1,542,152	1,672,674	998,908	1,581,271	1,178,253	1,360,929	1,719,174
Community services	3,124,678	2,987,731	3,233,087	3,164,224	3,805,036	3,461,304	3,585,638	3,902,583	4,132,649	3,924,274
Municipal complex	307,821	347,091	310,673	290,707	276,632	314,084	387,633	402,868	447,088	444,063
Interest on long-term debt	974,019	794,518	760,692	614,309	602,544	579,698	575,337	600,146	698,090	637,344
Total governmental activities expenses	17,119,980	16,092,737	18,786,259	20,263,011	22,900,019	23,285,859	24,905,677	25,598,073	25,796,150	25,701,774
Business-type activities:										
Refuse	1,112,668	1,124,065	1,216,349	1,234,511	1,258,339	1,368,960	1,351,929	1,320,602	1,377,023	1,391,248
Newport on the Levee	8,514,839	5,511,513	5,320,849	5,116,313	4,952,761	728,808	-	-	-	-
Total business-type activities expenses	9,627,507	6,635,578	6,537,198	6,350,824	6,211,100	2,097,768	1,351,929	1,320,602	1,377,023	1,391,248
Total primary government expenses	\$26,747,487	\$22,728,315	\$25,323,457	\$26,613,835	\$29,111,119	\$ 25,383,627	\$26,257,606	\$26,918,675	\$27,173,173	\$27,093,022
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 863,202	\$ 997,038	\$ 818,850	\$ 899,402	\$ 884,663	\$ 900,495	\$ 1,084,876	\$ 891,450	\$ 1,275,770	\$ 3,093,082
Police	242,472	279,813	342,751	297,510	391,197	340,209	289,121	193,876	368,328	362,405
Fire/EMS	477,499	534,085	496,695	475,917	409,710	439,248	410,481	531,664	690,538	723,324
Development services	15,055	25,732	28,754	43,988	80,101	140,791	155,665	177,082	314,436	188,229
Community services	50,139	79,111	48,430	88,383	103,242	38,759	36,854	124,335	12,137	190,256
Municipal complex	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	1,098,265	1,141,755	968,693	897,990	1,021,208	960,467	2,182,660	2,309,897	1,887,093	2,702,293
Capital grants and contributions	4,176,657	586,025	1,028,185	1,486,750	570,609	223,444	1,541,305	915,303	697,900	251,029
Total governmental activities program revenues	6,923,289	3,643,559	3,732,358	4,189,940	3,460,730	3,043,413	5,700,962	5,143,607	5,246,202	7,510,618
Business-type activities:										
Charges for services:										
Refuse	1,234,637	1,287,365	1,350,209	1,384,000	1,326,446	1,392,280	1,458,547	1,534,756	1,621,702	1,699,873
Newport on the Levee	4,525,184	4,746,981	5,077,473	4,921,279	5,073,657	2,530,242	-	-	-	-
Total business-type activities program revenues	5,759,821	6,034,346	6,427,682	6,305,279	6,400,103	3,922,522	1,458,547	1,534,756	1,621,702	1,699,873
Total primary government program revenues	\$12,683,110	\$ 9,677,905	\$10,160,040	\$10,495,219	\$ 9,860,833	\$ 6,965,935	\$ 7,159,509	\$ 6,678,363	\$ 6,867,904	\$ 9,210,491

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

(Continued)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net (Expense)/Revenue										
Governmental activities	\$ (10,196,691)	\$ (12,449,178)	\$ (15,053,901)	\$ (16,073,071)	\$ (19,439,289)	\$ (20,242,446)	\$ (19,204,715)	\$ (20,454,466)	\$ (20,549,948)	\$ (18,191,156)
Business-type activities	(3,867,686)	(601,232)	(109,516)	(45,545)	189,003	1,824,754	106,618	214,154	244,679	308,625
Total primary government net (expense)/revenue	\$ (14,064,377)	\$ (13,050,410)	\$ (15,163,417)	\$ (16,118,616)	\$ (19,250,286)	\$ (18,417,692)	\$ (19,098,097)	\$ (20,240,312)	\$ (20,305,269)	\$ (17,882,531)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes, levied for general purposes	\$ 3,727,354	\$ 2,590,894	\$ 2,038,779	\$ 2,133,032	\$ 2,252,282	\$ 2,315,224	\$ 2,593,543	\$ 2,889,133	\$ 3,078,073	\$ 3,359,170
Taxes, levied for bank deposits	61,721	61,426	64,964	67,447	67,447	79,838	88,237	87,380	81,664	180,833
Tangible	252,477	272,173	280,160	222,681	222,681	254,202	255,354	278,091	292,995	297,267
Payroll	5,276,794	5,724,313	6,201,961	6,623,813	6,720,680	6,950,028	7,072,492	7,381,641	8,551,876	10,468,173
Gross receipts franchise	1,671,196	1,885,917	2,026,947	1,771,847	1,992,322	2,290,004	2,339,973	2,170,727	2,170,727	2,170,727
Insurance premiums	2,981,708	2,943,775	2,861,193	3,122,632	3,364,978	3,523,253	3,701,414	3,853,948	4,994,124	4,707,407
Other permits based on gross receipts	-	-	-	-	-	-	628,607	692,339	909,309	927,481
Franchise fees	701,437	667,857	574,829	595,515	603,247	650,980	601,649	630,106	773,251	812,702
Other uses of property	517,532	483,249	1,413,721	2,368,475	428,606	681,811	368,318	469,887	374,125	434,039
Grants and contributions - non-program specific	-	-	-	-	-	-	-	-	-	-
Interest	2,559	3,937	4,191	8,560	25,313	62,727	57,064	5,419	17,375	543,075
Miscellaneous	13,385	3,785	35,757	85,596	52,644	54,486	182,832	80,089	149,569	93,046
Gain (loss) on sale of capital assets	(49,000)	-	(1,000)	15,853	259,582	(18,197)	26,917	96,278	22,219	75,358
Transfers	(16,788)	(14,939)	47,257	48,700	44,671	46,969	49,310	52,079	54,884	57,559
Transfers from (to) component unit	-	-	31,100	(45,000)	-	-	-	-	-	-
Prior period adjustment	-	-	-	-	-	-	-	-	-	-
Total governmental activities	15,140,375	14,622,387	15,579,859	17,019,151	16,034,453	16,891,325	17,965,710	18,687,117	21,470,191	24,126,837
Business-type activities:										
Interest	304,395	304,613	304,957	308,288	311,220	142,345	5,504	689	979	19,865
Gain (loss) on sale of capital assets	-	-	-	-	-	(2,311,069)	-	-	-	-
Transfer out to NOL developer	-	-	-	-	-	(6,234,845)	-	-	-	-
Transfers	(43,212)	(45,061)	(47,257)	(48,700)	(44,671)	(46,969)	(49,310)	(52,079)	(54,884)	(57,559)
Prior period adjustment	(514,117)	-	-	-	-	-	-	-	-	-
Total business-type activities	(252,934)	259,552	257,700	259,588	266,549	(8,450,538)	(43,806)	(51,390)	(53,905)	(37,694)
Total primary government	\$ 14,887,441	\$ 14,881,939	\$ 15,837,559	\$ 17,278,739	\$ 16,301,002	\$ 8,440,787	\$ 17,921,904	\$ 18,635,727	\$ 21,416,286	\$ 24,089,143
Change in net position										
Governmental activities	\$ 4,943,684	\$ 2,173,209	\$ 525,958	\$ 946,080	\$ (3,404,836)	\$ (3,351,121)	\$ (1,239,005)	\$ (1,767,349)	\$ 920,243	\$ 5,935,681
Business-type activities	(4,120,620)	(341,680)	148,184	214,043	455,552	(6,625,784)	62,812	162,764	190,774	270,931
Total change in net position	\$ 823,064	\$ 1,831,529	\$ 674,142	\$ 1,160,123	\$ (2,949,284)	\$ (9,976,905)	\$ (1,176,193)	\$ (1,604,585)	\$ 1,111,017	\$ 6,206,612

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General fund										
Unassigned	\$ 2,293,558	\$ 1,944,398	\$ 3,537,244	\$ 3,915,570	\$ 4,425,071	\$ 5,128,905	\$ 6,439,998	\$ 5,880,700	\$ 7,952,762	\$ 9,823,483
Nonspendable	5,009	13,521	37	706	12,271	20,645	73,839	63,612	60,300	63,434
Restricted	35,464	81,193	4,141,909	3,293,973	1,631,794	1,609,509	2,113,908	2,593,127	2,717,434	4,332,413
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Total general fund	\$ 2,334,031	\$ 2,039,112	\$ 7,679,190	\$ 7,210,249	\$ 6,069,136	\$ 6,759,059	\$ 8,627,745	\$ 8,537,439	\$ 10,730,496	\$ 14,219,330
All other governmental funds										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,172,850	\$ 469,058	\$ 12,087,434	\$ 12,140,253	\$ 12,504,672
Nonspendable	-	-	-	-	-	-	500	-	-	-
Assigned	428,478	462,520	602,171	690,425	400,050	283,429	86,679	59,650	50,276	49,499
Committed	-	-	-	-	-	-	-	-	-	-
Unassigned, reported in:	-	-	-	-	-	-	-	-	-	-
Revolving loan fund	-	-	-	-	-	-	-	-	-	-
Capital projects fund	-	(3,731)	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 428,478	\$ 458,789	\$ 602,171	\$ 690,425	\$ 400,050	\$ 1,456,279	\$ 556,237	\$ 12,147,084	\$ 12,190,529	\$ 12,554,171

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues										
Taxes	\$ 4,019,952	\$ 2,911,967	\$ 2,402,093	\$ 2,428,217	\$ 2,551,860	\$ 2,696,158	\$ 2,941,609	\$ 3,231,836	\$ 3,488,183	\$ 3,854,807
Licenses and permits	10,560,930	11,314,900	11,669,317	12,169,061	12,672,345	13,380,595	14,544,484	14,697,468	17,546,849	19,368,345
Intergovernmental	4,885,470	1,719,409	1,990,064	2,379,536	1,527,036	1,150,050	3,711,027	3,245,586	2,605,838	2,953,322
Fines and forfeitures	102,172	114,879	100,013	90,053	217,512	201,112	224,422	197,369	465,047	307,275
Charges for services	983,802	1,029,657	1,091,226	1,044,991	1,002,239	1,059,111	966,443	1,035,615	1,333,688	1,767,672
Uses of property	1,328,814	1,204,981	2,042,425	3,027,944	1,345,308	1,595,049	969,967	1,099,993	1,147,376	1,246,741
Interest	2,382	3,839	4,035	8,450	25,147	62,131	56,402	5,305	17,253	541,463
Miscellaneous	288,491	3,785	35,757	153,654	52,644	58,385	242,260	162,322	200,069	180,355
Total revenues	22,172,013	18,303,417	19,334,930	21,301,906	19,394,091	20,202,591	23,656,614	23,675,494	26,804,303	30,219,980
Expenditures										
General government	1,628,804	1,686,759	2,166,545	3,719,893	2,053,361	2,129,726	2,671,453	2,767,830	3,052,640	3,502,162
Police	4,600,633	4,620,901	4,499,178	4,919,023	5,284,024	5,519,158	5,880,503	5,884,649	6,509,167	6,917,050
Fire/EMS	4,012,694	4,089,724	4,372,694	4,516,539	4,567,830	4,864,685	5,104,211	5,526,774	6,116,771	6,524,022
Development services	1,632,634	652,217	716,881	1,428,255	1,560,933	842,364	1,406,051	1,001,434	1,156,740	1,431,256
Community services	2,228,436	2,029,004	2,104,366	2,149,250	2,518,623	2,196,108	2,204,342	2,476,445	2,847,611	2,389,222
Municipal complex	176,882	216,689	180,448	191,080	183,699	193,556	229,296	189,822	229,225	225,248
Capital outlay	3,169,052	2,378,130	1,999,322	1,967,606	1,765,292	1,467,804	4,687,298	2,044,157	1,204,454	1,527,116
Debt service										
Principal	1,661,771	1,662,655	1,642,417	1,703,425	1,662,966	1,696,544	2,014,828	2,531,032	2,614,951	2,707,647
Interest	918,237	806,257	760,875	658,032	632,524	587,406	594,398	585,908	710,126	689,883
Debt issuance costs	(55,612)	-	(366,586)	(74,189)	(1,000)	(6,057)	(9,900)	231,979	-	-
Total expenditures	19,973,531	18,142,336	18,076,140	21,178,914	20,228,252	19,491,294	24,782,480	23,240,030	24,441,685	25,913,606
Excess (deficiency) of revenues over (under) expenditures	161,587	2,142,870	161,081	892,204	48,803	(835,161)	(1,125,866)	435,464	2,362,618	4,306,374
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	11,512,998	-	155,543
Refunding of long-term debt	(7,987,155)	-	(6,734,623)	(3,221,130)	-	-	-	-	-	-
Transfers in	1,047,607	642,609	745,832	1,771,588	2,005,923	1,676,755	384,867	1,150,529	504,686	481,226
Transfers out	(1,164,395)	(1,068,298)	(967,475)	(2,202,888)	(2,601,250)	(2,129,786)	(620,557)	(1,598,450)	(630,802)	(1,090,667)
Total other financing sources (uses)	(75,585)	(116,788)	(425,689)	4,891,256	(429,490)	1,046,969	2,114,310	11,065,077	(126,116)	(453,898)
Special items										
Pension contributions from bond issue	-	-	-	-	-	-	-	-	-	-
Total special items	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	\$ 86,002	\$ 2,026,082	\$ (264,608)	\$ 5,783,460	\$ (380,687)	\$ 1,758,266	\$ 988,444	\$ 11,500,541	\$ 2,236,502	\$ 3,852,476
Debt service as a percentage of non capital expenditures	17.26%	15.30%	15.66%	14.62%	12.24%	12.67%	12.98%	14.71%	14.31%	13.93%

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					
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%
2021	566,538,154	1,016,724,090	8,258,552	67,975,065	24,753,789	752,054,014	932,195,636	2.65	1,684,249,650	55.35%
2022	585,880,022	1,045,069,012	9,674,005	80,942,162	26,892,317	790,217,867	958,239,651	2.74	1,748,457,518	54.80%
2023	617,516,860	1,067,934,339	4,689,344	80,224,927	26,068,190	794,514,643	1,001,919,017	2.74	1,796,433,660	55.77%

**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			
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	
2021	2.650	1.780	1.220	1.255	10.170	17.075	
2022	2.740	1.770	1.190	1.210	10.170	17.080	
2023	2.740	1.710	1.150	1.190	10.120	16.910	

(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	2023			2014		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation
Wood Newport Shopping Center	18,200,000	1	1.82%			
Wood Newport Plaza LLC	16,160,000	2	1.61%			
Riverfront Place Ltd.	14,668,572	3	1.46%	16,400,000	1	2.24%
Riverchase SPE LLC	10,200,000	4	1.02%	6,869,834	3	0.94%
Newport Racing and Gaming (Tang.)	9,675,910	5	0.97%			
CPX Ovation West Parking LLC	9,472,700	6	0.95%	11,150,000	2	1.52%
NKY Hospitality LLC	9,150,000	7	0.91%			
Kroger Limited Partenership (Tang.)	7,260,429	8	0.72%	6,336,203	5	0.87%
Bellevue RE LLC	6,966,200	9	0.70%			
Joslin Enterprises	6,422,000	10	0.64%	3,800,000	10	0.52%
American Diversified Devp. Inc.				6,447,503	4	0.88%
KY Properties Company				5,950,000	6	0.81%
Louis Trauth Dairy LLC				5,703,437	7	0.78%
Target DBA Target Store # 2483 (Tang.)				5,336,135	8	0.73%
Newport Hotel Associates LLC				5,040,000	9	0.69%
TOTAL	\$ 108,175,811		10.80%	\$ 73,033,112		9.98%

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

Taxpayer	2023		2014	
	Rank	Percentage of Total City Payroll Taxes	Rank	Percentage of Total City Payroll Taxes
P L Marketing Inc	1	5.28%		
Divisions	2	4.65%	10	1.33%
Newport Board of Education	3	4.42%	1	6.20%
Kroger #423	4	4.29%	3	3.59%
Commonwealth of Kentucky	5	2.71%	2	5.51%
City of Newport	6	2.13%	4	3.33%
Newport Aquarium LLC	7	1.78%	7	2.14%
Campbell County Fiscal Court	8	1.73%	6	2.58%
St. Elizabeth Physicians	9	1.36%		
Ethos Holding Corp.	10	1.34%		
Baptist Covalescent Center			5	3.02%
I-Wireless LLC			8	1.65%
Brighton Center Inc.			9	1.61%
		<u>29.70%</u>		<u>30.97%</u>

**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		Collections in Subsequent years	Total Collections to Date	
		Fiscal year of the Levy Amount	Percent of Levy		Amount	Percentage of Levy
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%
2021	2,503,424	2,388,337	95.4%	74,445	2,462,782	98.4%
2022	2,617,215	2,505,754	95.7%	123,267	2,629,021	100.5%
2023	2,744,854	2,685,410	97.8%	84,201	2,769,611	100.9%

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Debt limit	73.18	73.77	76.49	75.28	82.26	79.12	82.49	93.22	95.82	100.19
Total debt applicable to limit	(11.23)	(10.40)	(15.68)	(15.12)	(14.46)	(15.28)	(16.66)	(26.71)	(25.21)	(23.67)
Legal debt margin	61.96	63.37	60.82	60.16	67.81	63.84	65.83	66.51	70.62	76.53
Total debt applicable to the limit as a percentage of debt limit	15.34%	14.10%	20.49%	20.09%	17.57%	19.31%	20.19%	28.65%	26.30%	23.62%

Legal Debt Margin Calculation for Fiscal Year

Total taxable assessed value	\$ 731,773	\$ 737,708	\$ 764,885	\$ 752,787	\$ 822,601	\$ 791,199	\$ 824,948	\$ 932,196	\$ 958,240	\$ 1,001,919
Debt limit (10% of total taxable assessed value)	\$ 73,177	\$ 73,771	\$ 76,489	\$ 75,279	\$ 82,260	\$ 79,120	\$ 79,120	\$ 93,220	\$ 95,824	\$ 100,192
Less Debt applicable to limit:	(11,225)	(10,400)	(15,675)	(15,123)	(14,455)	(15,276)	(16,656)	(26,711)	(25,205)	(23,665)
Legal debt margin	<u>\$ 61,952</u>	<u>\$ 63,371</u>	<u>\$ 60,814</u>	<u>\$ 60,156</u>	<u>\$ 67,805</u>	<u>\$ 63,844</u>	<u>\$ 62,464</u>	<u>\$ 66,509</u>	<u>\$ 70,619</u>	<u>\$ 76,527</u>

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

Note: Prior year data has been restated to correct errors identified by the City.

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

Fiscal Year	Governmental Activities			Business-type Activities		Total Primary Government	Restricted Repayment of Principal	Net Bonded Debt	Percentage to Personal Income	Per Capita
	General Obligation Bonds	Notes Payable	Capital Leases	Revenue Bonds	Notes Payable					
2014	11,225,000	9,599,858	5,768	26,660,000	-	47,490,626	-	47,490,626	3.88%	3,092
2015	10,400,000	8,767,971	-	25,195,000	-	44,362,971	-	44,362,971	3.57%	2,893
2016	15,675,077	7,800,555	-	23,605,000	-	47,080,632	-	47,080,632	3.96%	2,762
2017	15,123,436	6,812,130	-	21,885,000	-	43,820,566	-	43,820,566	4.14%	2,875
2018	14,454,666	5,794,164	-	20,020,000	-	40,268,830	-	40,268,830	4.04%	2,679
2019	15,275,896	4,752,620	-	-	-	20,028,516	280,861	19,747,655	3.89%	1,298
2020	16,656,265	3,683,653	-	-	-	20,339,918	741,510	19,598,408	3.68%	1,293
2021	26,711,008	2,584,131	-	-	-	29,295,139	760,192	28,534,947	5.04%	1,887
2022	25,205,145	1,456,113	-	-	-	26,661,258	779,377	25,881,881	3.90%	1,720
2023	23,665,097	301,165	-	-	-	23,966,262	799,073	23,167,189	3.65%	1,611

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

<u>Governmental Activities</u>				
Fiscal Year	General Obligation Bonds	Net Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
2014	11,225,000	11,225,000	0.96%	731
2015	10,400,000	10,400,000	0.84%	678
2016	15,675,077	15,675,077	1.23%	919
2017	15,123,436	15,123,436	1.17%	992
2018	14,454,666	14,454,666	1.07%	962
2019	15,275,896	14,995,035	1.09%	985
2020	16,656,265	15,914,755	1.13%	1,050
2021	26,711,008	25,950,816	1.54%	1,716
2022	25,205,145	24,425,768	1.40%	1,624
2023	23,665,097	22,866,024	1.27%	1,590

Note: Prior year data has been restated to correct errors identified by the City.

CITY OF NEWPORT, KENTUCKY DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT June 30, 2023
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Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (3)	Estimated Share of Overlapping Debt
Debt repaid with property taxes: School	(1) \$ 23,129,795	99.372% *	\$ 22,984,638
Debt repaid with property taxes: County	(2) \$ 12,260,250	11.401%	1,397,808
Subtotal overlapping debt			24,382,446
City of Newport direct debt			23,966,262
Total direct and overlapping			\$ 48,348,708

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
PLEDGED REVENUE COVERAGE
Last Ten Fiscal Years**

**Newport on the Levee
Revenue Bonds**

Fiscal Year	Gross Revenues⁽¹⁾	Operating Expenses⁽²⁾	Net Revenue		Debt Service		Coverage
			Available for Debt Service		Principal	Interest	
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							-
2021							-
2022							-
2023							-

(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)
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%
2021	15,123	566,129,505	37,435	37.1	1,309	3.2%
2022	15,045	663,409,275	44,095	37.7	1,364	3.4%
2023	14,378	633,997,910	44,095	38.4	1,416	3.6%

(1) Census Bureau updated estimate and State Data Center

(2) U.S. Census Bureau and/or datausa

(3) U.S. Census Bureau

(4) Newport Independent School District

(5) Kentucky Center for Statistics (Campbell County)

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									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Function/Program										
General Government										
Office of the City Manager	6	6	4	6	6	5	5	7	6	10
Finance & Administration	5	5	6	5	5	6	6	6	7	7
Public Safety										
Police										
Sworn	42	42	42	41	41	41	41	44	43	44
Civilian	7	7	8	8	8	3	3	3	4	4
Fire										
Firefighters & Officers	37	37	37	37	37	37	34	37	38	38
Civilian	1	1	1	1	1	1	-	-	-	-
Development Services										
Administration	2	2	2	2	2	-	-	-	-	3
Code Enforcement	2	2	2	3	3	5	5	7	6	5
Community Services										
Administration	2	2	2	2	2	2	2	2	1	-
Code Enforcement	-	-	-	-	-	-	-	-	-	-
Maintenance	9	9	9	12	13	14	14	12	13	15
Parks and Recreation	-	-	-	-	-	-	-	-	-	-
Total	<u>113</u>	<u>113</u>	<u>113</u>	<u>117</u>	<u>118</u>	<u>114</u>	<u>110</u>	<u>118</u>	<u>118</u>	<u>126</u>

Source: Finance & Administration Department (Budget Documents)

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

Function	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Police										
Physical arrests	4,102	8,060	6,116	2,835	2,051	1,468	1,204	1,428	1,447	1,791
Parking violations	5,377	4,946	5,430	10,628	5,014	5,271	4,498	3,001	6,040	7,359
Traffic violations	3,977	5,915	2,811	1,434	1,591	1,663	1,822	2,211	3,021	3,199
Fire										
Number of calls answered:										
Fire	1,637	1,642	1,643	1,720	1,820	668	685	554	607	684
Emergency Medical Services	3,435	3,702	3,592	3,512	3,272	4,146	3,943	3,478	4,143	4,070
Inspections	744	673	678	475	675	631	400	342	660	688
Highways and streets										
Street resurfacing (miles)	1.2	- *	1.6 *	1.4 *	1.5 *	3.7 *	4.3 *	1.4 *	0.2 *	0.7 *
Potholes repaired	4,269	4,464 *	3,897 *	1,640 *	1,060 *	879 *	967 *	619 *	425 *	612 *
Asphalt usage - tons	-	-	390	164	106	88	97	41	32	137
Culture and recreation										
Athletic field permits issued	77	82	87	742	462	408	186	471	482	544
Pool admissions	8,557	8,166	9,151	6,740	6,127	7,744	-	6,687	7,756	7,863
Pool passes	327	352	60	371	278	187	-	328	-	56
Facilities and services not included in this reporting entity:										
Education:										
Number of elementary school instructors	79	79	70	72	91	92	83	106	72	68
Number of secondary school instructors	85	84	79	80	63	64	63	64	48	45
Water										
Number of service connections	6,104	6,104	5,701	5,716	5,719	5,718	5,732	5,748	5,803	5,776
Average daily consumption (thousands of gallons)	2,300	2,300	4,100	4,100	4,226	4,250	4,315	3,773	4,226	3,859
Sanitation										
Average daily sewage treatment (thousands of gallons)	35,800	29,500	36,600	36,600	36,600	36,600	36,600	36,600	36,600	37,300 *

* - 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									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	40	38	30	32	35	41	41	41	46	56
Fire stations										
Apparatus	2	2	2	2	2	2	2	2	2	2
Highways and streets	6	6	6	6	6	6	7	7	7	11
Street (miles)										
Streetlights	35	35	35	35	35	35	35	35	35	35
Culture and recreation	1,100	1,100	1,100	1,300	1,300	1,300	1,325	1,333	1,342	1,353
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	1	1	1	1	1
Number of secondary schools	2	2	2	2	2	2	2	2	2	2
Water										
Water mains (miles)	53.50	53.50	58.90	59.27	59.30	59.30	59.50	59.10	59.30	59
Fire hydrants	460	473	485	420	429	431	433	436	438	439
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)	1,966	1,971	1,990	2,071	2,100	2,100	2,100	2,100	2,100	2,247
Number of treatment plants	7	7	7	7	7	7	7	7	7	9
Maximum daily treatment capacity (thousands of gallons)	70,500	70,500	70,500	70,500	70,500	70,500	70,500	70,500	70,500	70,500

APPENDIX D

**CITY OF NEWPORT, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2024A**

STATEMENT OF INDEBTEDNESS

STATEMENT OF INDEBTEDNESS

KY CONST. §§ 157 and 158 KRS § 66.041

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF CAMPBELL)

The undersigned Finance Director of the City of Newport, Kentucky (the “City”), does hereby certify that the following statements concerning the financial condition of the City are all true and correct, as they appear from the records of the City:

1. The assessed valuation of all of the taxable property in the City, as estimated on the last certified assessment is	\$1,387,880,027
2. The current population of the City is	13,812
3. The total of all bonds, notes, and other obligations issued and outstanding, including the present Bonds of \$18,130,000*	\$39,027,345*
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 that 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 established 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	\$151,630
(e) Obligations issued to pay the 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 Sections 65.940 to 65.956 after July 15, 1996 which are not tax-supported leases	\$0
(g) Bonds issued in the case of any emergency, when the public health or safety should so require	\$0
(h) Bonds issued to fund a floating indebtedness	<u>\$0</u>
TOTAL EXEMPT OBLIGATIONS	<u>\$151,630</u>
5. The total of bonds, notes, and other obligations subject to the debt limitation set forth in KRS Section 66.041 (Line 3 minus Line 4) is	\$38,875,715*

* Preliminary, subject to change.

6. The total of all bonds, notes, and other obligations subject to the debt limitation set forth in KRS Section 66.041, as computed in Line 5, does not exceed 5% of the assessed valuation of all of the taxable property in the City.**
7. The current tax rates of the City, for other than school purposes, upon the value of its taxable property is \$0.260 per \$100.00 of assessed valuation for real property and \$0.274 per \$100.00 of assessed valuation for tangible property, which rates do not exceed the maximum permissible tax rates for the City set forth in Section 157 of the Kentucky Constitution.***
8. The issuance of the bonds, bond anticipation notes, or other obligations set forth in Line 3 hereof will not cause the tax rate set forth in Paragraph 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 October 15, 2024.

CITY OF NEWPORT, KENTUCKY

By: _____
Finance Director

** In accordance with KRS Section 66.041, a city, county, urban-county, consolidated local government, charter county, or taxing district shall not incur net indebtedness in an amount exceeding the following maximum percentages on the value of taxable property within the city, county, urban-county, consolidated local government, charter county, or taxing district, as estimated by the last certified assessment before the incurring of the indebtedness:

- (a) Cities, urban-counties, consolidated local governments, and charter counties having a population of 15,000 or more, 10%;
- (b) Cities, urban-counties, and charter counties having a population of less than 15,000 but not less than 3,000, 5%;
- (c) Cities, urban-counties, and charter counties having a population of less than 3,000, 3%; and
- (d) Counties and taxing districts, 2%.

*** In accordance with Section 157 of the Kentucky Constitution, the tax rates of cities, counties, and taxing districts, for other than school purposes, shall not, at any time, exceed the following rates upon the value of the taxable property therein:

- (a) Cities having a population of 15,000 or more, \$1.50 per \$100.00 of assessed valuation;
- (b) Cities having a population of less than 15,000 but not less than 10,000, \$1.00 per \$100.00 of assessed valuation;
- (c) Cities having a population of less than 10,000, \$0.75 per \$100.00 of assessed valuation; and
- (d) Counties and taxing districts, \$0.50 per \$100.00 of assessed valuation.

APPENDIX E

**CITY OF NEWPORT, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2024A**

FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL

The form of the legal approving opinion of Dinsmore & Shohl LLP, Bond Counsel for the Bonds, is set forth below. The actual opinion will be delivered on the date of delivery of the Bonds and may vary from the form set forth below in order 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 its approving legal opinion subsequent to the date of such opinion.

[Date of Delivery]

Ladies and Gentlemen:

We have examined the transcript of proceedings relating to the issue of \$18,130,000* General Obligation Bonds, Series 2024A (the “Bonds”) of the City of Newport, Kentucky (the “City”), dated October 15, 2024, numbered R-1 upward, respectively, and of denominations 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 City in accordance with their terms, which, unless paid from other sources, are payable from taxes to be levied by the City 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 under the Internal Revenue Code of 1986, as amended (the “Code”). Further, interest on the Bonds will not be treated as a specific item of tax preference in computing the federal alternative minimum tax imposed on individuals. In rendering the opinions set forth 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.

4. The Bonds are not subject to ad valorem taxation by the Commonwealth of Kentucky or by any political subdivision thereof.

The City has not 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 City 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,

* Preliminary; subject to change.

APPENDIX F

**CITY OF NEWPORT, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2024A**

BOOK-ENTRY ONLY SYSTEM

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, 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 the City 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 The City 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 The City, 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 the City 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 the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City 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 the City believes to be reliable, but The City takes no responsibility for the accuracy thereof.

APPENDIX G

**CITY OF NEWPORT, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2024A**

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

\$18,130,000*

**CITY OF NEWPORT, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2024A**

Notice is hereby given that electronic bids will be received by the City of Newport, Kentucky (the “City”), until 11:00 a.m., E.S.T. on October 1, 2024 (or at such later time and date announced at least 48 hours in advance via the BiDCOMP™/PARITY™ system) for the purchase of \$18,130,000* aggregate principal amount of the City’s General Obligation Bonds, Series 2024A (the “Bonds”). Alternatively, written and sealed or facsimile bids for the Bonds submitted by the designated time will be received by the Finance Director of the City at 998 Monmouth Street, Newport, Kentucky 41071 (FAX: (859) 292-3669). Electronic bids for the Bonds must be submitted through the BiDCOMP™/PARITY™ system, as described herein. No other provider of electronic bidding services will be accepted. Bids will be opened and acted upon on October 1, 2024.

STATUTORY AUTHORITY, PURPOSE OF ISSUE, AND SECURITY

The Bonds are authorized by Sections 66.011 to 66.191, inclusive, of the Kentucky Revised Statutes and are being issued under and in accordance with a Bond Ordinance adopted by the Board of Commissioners of the City on January 22, 2024 (the “Bond Ordinance”). The Bonds are general obligation bonds and constitute a direct indebtedness of the City. The Bonds are secured by the City’s ability to levy, and its pledge to levy, an ad valorem tax on all property within the City in a sufficient amount to pay the principal of and interest on the Bonds when due.

The Bonds are being issued for the purposes (i) financing the costs of the acquisition, construction, installation, and equipping of a new parking garage in downtown Newport; (ii) paying capitalized interest for the Bonds; (iii) paying the costs of credit enhancement for the Bonds, if any; and (iv) paying the costs of issuance of the Bonds.

BOND MATURITIES, PRIOR REDEMPTION PROVISIONS, AND PAYING AGENT

The Bonds shall be dated their date of initial issuance and delivery and shall bear interest at the rates set forth on the cover page hereof, payable semiannually on April 1 and October 1 of each year, commencing April 1, 2025.

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

<u>MATURITY</u>	<u>AMOUNT*</u>	<u>MATURITY</u>	<u>AMOUNT*</u>
October 1, 2026	\$70,000	October 1, 2036	\$1,140,000
October 1, 2027	\$505,000	October 1, 2037	\$1,210,000
October 1, 2028	\$635,000	October 1, 2038	\$1,205,000
October 1, 2029	\$755,000	October 1, 2039	\$960,000
October 1, 2030	\$805,000	October 1, 2040	\$1,015,000
October 1, 2031	\$855,000	October 1, 2041	\$1,145,000
October 1, 2032	\$910,000	October 1, 2042	\$1,210,000
October 1, 2033	\$970,000	October 1, 2043	\$1,280,000
October 1, 2034	\$1,025,000	October 1, 2044	\$1,355,000
October 1, 2035	\$1,080,000		

The Bonds maturing on and after October 1, 2033 are subject to optional redemption before maturity on and after October 1, 2032, in whole or in part, in such order of maturity as shall be designated in writing by the City and by lot within a maturity, at the election of the City upon thirty-five days’ prior written notice to U.S. Bank Trust Company, National Association, Louisville, Kentucky, as Paying Agent and Bond Registrar for the Bonds (the “Paying Agent and Bond Registrar”) at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest on such principal amount to the date of redemption.

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

* Preliminary, subject to change.

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.

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 A NOTIFICATION PUBLISHED NO LATER THAN 10:00 A.M. E.S.T. ON OCTOBER 1, 2024. If 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 PRINCIPAL AMOUNTS, IF ANY. Prospective bidders may request notification by facsimile transmission or email of any revisions in the Preliminary Amounts, together with receipt of a revised Official Bid Form, by so advising and providing their telecopier number(s) or providing their email information to RSA Advisors, LLC, Lexington, Kentucky, the Municipal Advisor to the City, at (800) 255-0795, by 10:00 a.m. E.S.T., on October 1, 2024.

(B) Electronic bids for the Bonds must be submitted through BiDCOMP™/PARITY™ system. No other provider of electronic bidding services will be accepted. A 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 bidder to subscribe. For purposes of the bidding process, the time 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 of BiDCOMP™/PARITY™ conflict with the terms of these Official Terms and Conditions of Bond Sale, these Official Terms and Conditions of Bond Sale shall prevail. All 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 for the Bonds may be submitted via facsimile or by hand delivery utilizing the Official Bid Form. Written bids (in a sealed envelope marked “Official Bid for Series 2024A Bonds” or facsimile bids for the Bonds by the designated time will be received by the Finance Director of the City at 998 Monmouth Street, Newport, Kentucky 41071 (FAX: (859) 292-3669).

(C) Bidders are required to bid for the entire issue of Bonds at a minimum price of not less than \$17,767,400 (98.00% of par), PAYABLE IN IMMEDIATELY AVAILABLE FUNDS.

(D) Interest rates for the Bonds must be in multiples of 0.125% and/or 0.05%. The rate on the Bonds in any maturity may be less than the rate on the Bonds for any preceding maturity. All Bonds of the same maturity shall bear the same and a single interest rate from the date thereof to maturity.

(E) The determination of the best bid for the purchase of the Bonds shall be made on the basis of all bids submitted for exactly \$18,130,000 aggregate principal amount of Bonds offered for sale hereunder; provided that the City may adjust the principal amount of Bonds awarded to the best bidder downward by any amount, in increments of \$5,000 (the “Permitted Adjustment”). The price at 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. If the principal amount of any maturity of the Bonds is revised after the award, the interest rate and reoffering price for each maturity and the Underwriter’s Discount on the Bonds, as submitted by the successful bidder, shall be held constant. The Underwriter’s Discount shall be defined as the difference between the purchase price of the Bonds submitted by the bidder and the price at which the Bonds will be issued to the public, calculated from information provided by the bidder, divided by the par amount of 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 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, even if the issue size of the Bonds does not change from \$1. 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 5:00 p.m. E.S.T., on October 1, 2024 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) The successful bidder will be required to pay the cost for obtaining CUSIP identification numbers for the Bonds. CUSIP 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 the successful bidder with a Final Official Statement, in accordance with SEC Rule 15c2-12. The Final Official Statement will be provided in electronic form to the successful bidder, in sufficient time to meet the delivery requirements of the SEC and the Municipal Securities Rulemaking Board. The successful bidder 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. This good faith amount shall be forfeited as liquidated damages in the event of any failure of the successful bidder to take delivery of the Bonds when ready. The good faith amount will be applied (without interest) to the purchase price of the Bonds upon the 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 the securities depository for the Bonds. The Bonds will be issued as fully-registered securities, registered in the name of Cede & Co. (as DTC's partnership nominee). One fully-registered Bond certificate will be issued for each maturity of the Bonds, 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 the Direct Participants or of securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant (the "Indirect Participants"). The Beneficial Owners of the Bonds will not receive written confirmation from DTC of their purchase, but 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 such transaction. Any transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of the 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 Municipal Advisor within 24 hours of the award that standard bond certificates be issued. If 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 before the sale date given through the BiDCOMP™/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 of and interest on 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 the delivery thereof to the successful bidder, all in accordance with the final approving legal opinion with respect to the Bonds provided by Dinsmore & Shohl LLP, Covington, Kentucky, which opinion will be qualified in accordance with the section hereof entitled TAX TREATMENT.

(L) Bidders are hereby advised that RSA Advisors, LLC has been employed as an independent registered municipal 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 regarding certain of their activities concerning any reoffering to the public of the Bonds, including any reoffering prices, which information shall also be made available to the Municipal 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 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 applicable series of Bonds (compounded semiannually from the date of the applicable series of Bonds), produces an amount equal to the purchase price of the applicable series of Bonds. 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. If two or more bidders offer to purchase Bonds at the same lowest true interest cost, then the Finance Director or the City Manager, upon the advice of the Municipal Advisor, shall determine (in his sole discretion) which of the bidders shall be awarded such Bonds.

(O) Additional information regarding the Bonds, including the Preliminary Official Statement, the Official Terms and Conditions of Bond Sale, and the Official Bid Form for the Bonds, may be obtained from the City's Municipal Advisor, RSA Advisors, LLC at 147 East Third Street, Lexington, Kentucky 40508, Telephone: (800) 255-0795. Further information regarding BiDCOMP™/PARITY™ may be obtained from BiDCOMP™/PARITY™, 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone: (800) 850-7422.

(P) At the election and cost of the purchaser of the Bonds, one or more maturities of any of the 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 S&P Global Ratings.

(Q) The winning bidder for the Bonds shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City, on or before the closing date, an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public or sale prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A-1 or Exhibit A-2, as applicable, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City, and Bond Counsel. All actions to be taken by the City under these Official Terms and Conditions of Bond Sale to establish the issue price of the Bonds may be taken on behalf of the City by the City's Municipal Advisor identified herein and any notice or report to be provided to the City shall be provided to the City's Municipal Advisor.

The City intends that the provisions of Treasury Regulation § 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Series Bonds) will apply to the initial sale of each of the Bonds (the "competitive sale requirements") because:

- (1) the City shall disseminate these Official Terms and Conditions of Bond Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the Bonds to the bidder who submits a firm offer to purchase the Bonds at the lowest true interest cost, as set forth in these Official Terms and Conditions of Bond Sale.

Any bid submitted in accordance with these Official Terms and Conditions of Bond Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

(R) If the competitive sale requirements are not satisfied, the City shall so advise the applicable winning bidder. The City will treat the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the "hold-the-offering-price rule"), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). Bids will not be subject to cancellation in the event that the City determines to apply the hold-the-offering-price rule to any maturity of

the Bonds. Bidders should prepare their bids on the assumption that some or all of the maturities of the Bonds will be subject to the hold-the-offering-price rule in order to establish the issue price of the Bonds.

If the competitive sale requirements are not satisfied, the winning bidder for the Bonds shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at Closing an “issue price” or similar certificate setting forth the hold-the-offering-price rule as the issue price of that maturity, in each case applied on a maturity-by-maturity basis (and if different interest rates apply within any maturity, to each separate CUSIP number within that maturity), substantially in the form attached hereto as Exhibit A-2, with any such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City, and Bond Counsel.

(S) The City acknowledges that, in making the representations set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires; (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires; and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

(T) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement, and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires; and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

CONTINUING DISCLOSURE

In accordance with Securities and Exchange Commission Rule 15c2-12, as amended (the “Rule”) the City will agree, pursuant to a Continuing Disclosure Undertaking to be dated as of the date of issuance and delivery of the Bonds (the “Disclosure Undertaking”), to cause the following information to be provided:

(i) to the Municipal Securities Rulemaking Board (the “MSRB”), or to any successor thereto for the 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 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 and Appendix C to the Official Statement (the “Annual Financial Information”). The Annual Financial Information shall be provided within 270 days after the end of the fiscal year ending on the preceding June 30, commencing with the fiscal year ending June 30, 2024; provided that the audited financial statements may not be available by such date, but will be made available immediately upon the delivery thereof by the auditors for the City;

(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 any property securing repayment of the securities, if material;
- (k) Rating changes;
- (l) Bankruptcy, insolvency, receivership, or similar event of the City (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 the City 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 City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the City in possession of the assets and business of the City, but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming any 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 City);
- (m) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, 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;
- (n) Appointment of any successor or additional trustee or the change of name of any trustee, if material.
- (o) Incurrence of a material financial obligation by the City, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any financial obligation of the City, any of which affect security holders, if material; and
- (p) Default, event of acceleration, termination event, modification of terms, or any other similar events under the terms of any financial obligation of the City, any of which reflect financial difficulties.

(iii) to the MSRB, through EMMA, in a timely manner, notice of any failure (of which the City has knowledge) of the City to provide the required Annual Financial Information on or before the date specified in the Disclosure Undertaking.

The Disclosure Undertaking provides bondholders, including the beneficial owners of the Bonds, with certain enforcement rights in the event of a failure by the City to comply with the terms thereof; however, a default under the Disclosure Undertaking does not constitute an event of default under the Bond Ordinance. The Disclosure Undertaking may 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 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 repayment of the Bonds.

The City has previously entered into continuing disclosure undertakings under and in accordance with the Rule (the "Prior Disclosure Undertakings"). During the past five years, the City has fully complied with all of its continuing disclosure obligations under its Prior Disclosure Undertakings and the Rule.

The City intends to file all future Annual Financial Information within the time requirements specified in the Prior Disclosure Undertakings and in the Disclosure Undertaking with respect to the Bonds, and has adopted policies and procedures to ensure the timely filing thereof, which policies and procedures are available to public upon request.

TAX TREATMENT

In the opinion of Bond Counsel, 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 under the Internal Revenue Code of 1986, as amended (the “Code”). Bond Counsel is also of the opinion that the interest on the Bonds will not be a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In addition, Bond Counsel is also of the opinion that interest on the Bonds is exempt from Kentucky income taxation and that the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

The City has not designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265 of the Code.

A copy of the opinion of Bond Counsel for the Bonds is set forth in Appendix E to the Official Statement.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion of interest on obligations such as the Bonds from gross income for federal income tax purposes. The City has covenanted to comply with certain restrictions designed to ensure that interest on the 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 issue date 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 issue date 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 any 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 is of the opinion that interest on the Bonds will be excludible from gross income for federal income tax purposes and 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 regarding 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, (i) increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, (ii) increasing the federal tax liability of certain insurance companies under Section 832 of the Code, (iii) increasing the federal tax liability and affecting the status of certain S Corporations subject to Sections 1362 and 1375 of the Code, (iv) increasing the federal tax liability of certain individual recipients of Social Security or Railroad Retirement benefits under Section 86 of the Code, and (v) 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 under Section 265 of the Code. Finally, residence of the holder of the Bonds in a state other than Kentucky or the holder of the Bonds 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.

/s/ Tom Guidugli Jr.

Mayor,
City of Newport, Kentucky

EXHIBIT A-1

FORM OF ISSUE PRICE CERTIFICATE

[In case of receipt of at least three qualified bids for the Bonds]

ISSUE PRICE CERTIFICATE

Dated October 15, 2024

Re: \$[Final Par] City of Newport, Kentucky General Obligation Bonds, Series 2024A, dated
October 15, 2024

The undersigned, on behalf of [Underwriter Name] (the “Underwriter”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned bonds (the “Bonds”).

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Underwriter are the prices listed in Schedule I attached hereto (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Underwriter in formulating its bid to purchase the Bonds. A true and correct copy of the bid provided by the Underwriter to purchase the Bonds is attached hereto as Schedule II.

(b) The Underwriter was not given the opportunity to review any other bids prior to submitting its bid.

(c) The bid submitted by the Underwriter constituted a firm offer to purchase the Bonds.

2. Yield on the Bonds. It computed the yield on the Bonds, [Yield]%, as that yield (determined on the basis of semiannual compounding) which, when used in computing the present worth of all payments of principal and interest to be made with respect to particular obligations, produces an amount equal to their purchase price, which, in the case of the Bonds, is the Expected Offering Prices, determined without taking into account issuance expenses and Underwriter’s discount.

3. Weighted Average Maturity. The weighted average maturity of the Bonds has been calculated to be [WAM] years. The weighted average maturity is the sum of the products of the respective Expected Offering Price of each Maturity and the number of years to maturity (determined separately for each Maturity and by taking into account mandatory redemptions), divided by the aggregate Expected Offering Prices of the Bonds as of the date hereof.

4. Defined Terms.

(a) *Issuer* means the City of Newport, Kentucky.

(b) *Maturity* means any Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) *Public* means any person (including an individual, a trust, an estate, a partnership, a company, an association, or a corporation) other than an Underwriter or a related party to an Underwriter. The term “related party,” for the purposes of this certificate, generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is October 1, 2024.

(e) *Underwriter* means (i) any person that agrees, under a written contract with the Issuer (or the lead underwriter to form an underwriting syndicate), to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees, under a written contract, directly or indirectly, with a person described in clause (i) of this paragraph,

to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing contained in this certificate represents the Underwriter's interpretation of any laws, including, specifically, Section 103 and Section 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations issued thereunder. The Underwriter understands that the information set forth in this certificate will be relied upon (i) by the Issuer with respect to certain representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and (ii) by Dinsmore & Shohl LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and any other federal income tax advice that it may give to the Issuer from time to time in connection with the Bonds.

[UNDERWRITER NAME]

By: _____

Name: _____

Title: _____

SCHEDULE I
TO
ISSUE PRICE CERTIFICATE
EXPECTED OFFERING PRICES

(See attachment)

SCHEDULE II
TO
ISSUE PRICE CERTIFICATE

COPY OF BID

(See attachment)

EXHIBIT A-2

FORM OF ISSUE PRICE CERTIFICATE

[In case of receipt of less than three qualified bids for the Bonds]

ISSUE PRICE CERTIFICATE

Dated October 15, 2024

Re: \$[Final Par] City of Newport, Kentucky General Obligation Bonds, Series 2024A, dated
October 15, 2024

The undersigned, [Underwriter Name] (the “Transaction Underwriter”), hereby certifies as set forth below with respect to the sale of the above-captioned bonds (the “Bonds”).

1. Issue Price.

(a) As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule I attached hereto (the “Sale Price,” as applicable to each Maturity of the General Rule Maturities).

(b) The Transaction Underwriter offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule I attached hereto (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule II.

(c) As set forth in the Official Terms and Conditions of Bond Sale, the Transaction Underwriter has agreed in writing that (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party distribution agreement, to comply with the hold-the-offering-price rule. Under the Official Terms and Conditions of Bond Sale or any selling group agreement or any third-party distribution agreement, no Underwriter (as defined herein) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

(d) The aggregate of the Sale Prices of the General Rule Maturities and the Initial Offering Prices of the Hold-the-Offering-Price Maturities is \$[Issue Price] (the “Issue Price”).

2. Yield on the Bonds. It computed the yield on the Bonds, [Yield]%, as that yield (determined on the basis of semiannual compounding) which, when used in computing the present worth of all payments of principal and interest to be made with respect to particular obligations, produces an amount equal to their purchase price, which, in the case of the Bonds, is the Issue Price, determined without taking into account issuance expenses and Underwriter’s discount.

3. Weighted Average Maturity. The weighted average maturity of the Bonds has been calculated to be [WAM] years. The weighted average maturity is the sum of the products of the respective Sale Price of each Maturity and the number of years to maturity (determined separately for each Maturity and by taking into account mandatory redemptions), divided by the aggregate Sale Price of the Bonds as of the date hereof.

4. Defined Terms.

(a) *General Rule Maturities* means those Maturities of the Bonds listed as the “General Rule Maturities” in Schedule I attached hereto.

(b) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed as the “Hold-the-Offering Price Maturities” in Schedule I attached hereto.

(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day following the Sale Date (October 1, 2024), or (ii) the date on which the Transaction Underwriter has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) *Issuer* means the City of Newport, Kentucky.

(e) *Maturity* means any Bonds with the same credit and payment terms. Any Bonds with different maturity dates, or any Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(f) *Official Terms and Conditions of Bond Sale* means the Official Terms and Conditions of Bond Sale prepared for distribution to potential bidders prior to the Sale Date of the Bonds.

(g) *Public* means any person (including an individual, a trust, an estate, a partnership, a company, an association, or a corporation) other than an Underwriter or a related party to an Underwriter. The term “related party,” for the purposes of this certificate, generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(h) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is October 1, 2024.

(i) *Underwriter* means (i) any person that agrees, under a written contract with the Issuer (or the lead underwriter to form an underwriting syndicate), to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees, under a written contract, directly or indirectly, with a person described in clause (i) of this paragraph, to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing contained in this certificate represents the Transaction Underwriter’s interpretation of any laws, including, specifically, Section 103 and Section 148 of the Internal Revenue Code of 1986, as amended, and the applicable Treasury Regulations issued thereunder. The Transaction Underwriter understands that the foregoing information will be relied upon (i) by the Issuer with respect to certain representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and (ii) by Dinsmore & Shohl LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and any other federal income tax advice that it may give to the Issuer from time to time in connection with the Bonds. Except as expressly set forth above, the certifications set forth herein may not be relied upon or used by any third party or for any other purpose.

[TRANSACTION UNDERWRITER NAME]

By: _____

Name: _____

Title: _____

SCHEDULE I
TO
ISSUE PRICE CERTIFICATE

SALE PRICES OF THE GENERAL RULE MATURITIES AND
INITIAL OFFERING PRICES OF THE BONDS

General Rule Maturities

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	Actual Sale Price of <u>First 10%</u>	<u>Issue Price</u>	<u>CUSIP</u>
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Hold-the-Offering-Price Maturities

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	Initial <u>Offering Price</u>	<u>Issue Price</u>	<u>CUSIP</u>
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APPENDIX H
CITY OF NEWPORT, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2024A

OFFICIAL BID FORM

OFFICIAL BID FORM

**CITY OF NEWPORT, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2024A**

Subject to the terms and conditions set forth in the Official Terms and Conditions of Bond Sale for \$18,130,000* aggregate principal amount of General Obligation Bonds, Series 2024A (the “Bonds”), dated their date of initial issuance and delivery, offered for sale by the City of Newport, Kentucky (the “City”) in accordance with the Preliminary Official Statement for the Bonds dated September 24, 2024 and the Notice of Bond Sale, to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase the Bonds.

We hereby bid for the \$18,130,000* principal amount of the Bonds, the total sum of \$_____ (not less than \$17,767,400) at the following annual rate(s), payable semiannually (rates of any maturity may be less than any preceding maturity, number of interest rates unlimited):

MATURITY	AMOUNT*	INTEREST RATE	MATURITY	AMOUNT*	INTEREST RATE
October 1, 2026	\$70,000	_____ %	October 1, 2036	\$1,140,000	_____ %
October 1, 2027	\$505,000	_____ %	October 1, 2037	\$1,210,000	_____ %
October 1, 2028	\$635,000	_____ %	October 1, 2038	\$1,205,000	_____ %
October 1, 2029	\$755,000	_____ %	October 1, 2039	\$960,000	_____ %
October 1, 2030	\$805,000	_____ %	October 1, 2040	\$1,015,000	_____ %
October 1, 2031	\$855,000	_____ %	October 1, 2041	\$1,145,000	_____ %
October 1, 2032	\$910,000	_____ %	October 1, 2042	\$1,210,000	_____ %
October 1, 2033	\$970,000	_____ %	October 1, 2043	\$1,280,000	_____ %
October 1, 2034	\$1,025,000	_____ %	October 1, 2044	\$1,355,000	_____ %
October 1, 2035	\$1,080,000	_____ %			

The Bonds maturing in the following years: _____ are sinking fund redemption amounts for term bonds due _____. The Bonds maturing in the following years: _____ are sinking fund redemption amounts for term bonds due _____.

Bids may be submitted electronically via the BiDCOMP™/PARITY™ system in accordance with the Official Terms and Conditions of Bond Sale for the Bonds, until the appointed date and time, but no bids will be received after such time. Notwithstanding the foregoing, completed bid forms for the Bonds may be submitted until the appointed date and time (i) in a sealed envelope marked “Official Bid for Series 2024A Bonds,” or (ii) by facsimile transmission, and, in either case, delivered to the office of the Finance Director of the City at 998 Monmouth Street, Newport, Kentucky 41071 (FAX: (859) 292-3669). Neither the City nor RSA Advisors, LLC, as the independent registered municipal advisor for the Bonds, assumes any responsibility whatsoever with regard to the receipt of bids, or that adequate personnel and/or equipment will be available to accept all facsimile transfers of bids before the appointed date and time of sale. Bidders have the sole responsibility of assuring that their bids have been received via facsimile or have been delivered before the appointed date and time of sale. Any bids in progress by facsimile at the appointed time will be considered as received by the appointed time. No bids will be received via telephone.

We understand this bid may be accepted with variations in maturing amounts at the same price per \$1,000 of Bonds, with the variation in such amount occurring in any maturity of all maturities, such variations to be determined by the City at the time of acceptance of the best bid.

It is understood that the City will furnish the final, approving legal opinion of Dinsmore & Shohl LLP, Bond Counsel, Covington, Kentucky, concurrently with the delivery of the Bonds.

No certified or bank cashier’s check will be required to accompany the bid, but the successful bidder shall be required to wire transfer an amount equal to 2% of the principal amount of Bonds awarded by the close of business on the day following the award. The good faith amount will be applied (without interest) to the purchase price when the Bonds are tendered for delivery.

* Preliminary, subject to change.

If we are the successful bidder, we agree to accept and make payment for the Bonds in federal funds within forty five days from the date of sale in accordance with the terms of the sale.

Respectfully submitted,

Bidder

Address

By: _____
Signature

Total interest cost: Date of Delivery (estimated to be October 15, 2024) to Final Maturity \$ _____
 (Less Premium) or Plus Discount, if any \$ _____
 Aggregate interest cost \$ _____
 True interest cost (i.e., TIC) _____%

The above computation of true interest cost is submitted for informational purposes only and is not a part of this Bid.

Accepted by the Finance Director of the City of Newport, Kentucky for \$ _____ principal amount of Bonds at the price of \$ _____, as follows:

MATURITY	AMOUNT	INTEREST RATE	MATURITY	AMOUNT	INTEREST RATE
October 1, 2026	\$ _____	_____ %	October 1, 2036	\$ _____	_____ %
October 1, 2027	\$ _____	_____ %	October 1, 2037	\$ _____	_____ %
October 1, 2028	\$ _____	_____ %	October 1, 2038	\$ _____	_____ %
October 1, 2029	\$ _____	_____ %	October 1, 2039	\$ _____	_____ %
October 1, 2030	\$ _____	_____ %	October 1, 2040	\$ _____	_____ %
October 1, 2031	\$ _____	_____ %	October 1, 2041	\$ _____	_____ %
October 1, 2032	\$ _____	_____ %	October 1, 2042	\$ _____	_____ %
October 1, 2033	\$ _____	_____ %	October 1, 2043	\$ _____	_____ %
October 1, 2034	\$ _____	_____ %	October 1, 2044	\$ _____	_____ %
October 1, 2035	\$ _____	_____ %			

Finance Director,
City of Newport, Kentucky

Dated: October __, 2024