

City of Newport, Kentucky

Comprehensive Annual Financial Report
Year Ended June 30, 2018



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

For the Year Ended June 30, 2018

Prepared by:

**Finance Department
City of Newport**

CITY OF NEWPORT, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2018

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INTRODUCTORY SECTION



NEWPORT

KENTUCKY

January 17, 2019

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

We are pleased to present the Comprehensive Annual Financial Report of The City of Newport, Kentucky (the City or Newport) for the fiscal year ended June 30, 2018 (FY 18).

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 18 financial statements, issued an unmodified (clean) opinion on the financial statements for the fiscal year ended June 30, 2018, 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 not required. Expenditures related to grant awards from AFG, CDBG and KYTC/FHWA did not exceed the \$750,000 threshold of Federal grant funds.

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, Statements of Revenue, Expense and Changes in Net Position, and Statements of Cash Flows. Notes to the Financial Statements are an integral part of the financial statements and should be read to better understand the reports presented.

City of Newport Overview

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

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

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

Council (or Commission)-Manager has been Newport's form of government since 1932 and under such the voters elect only the City Commission, which appoints a City Manager to administer municipal affairs under its supervision. The Commission acts only collectively, and its individual members, including the Mayor, have no administrative functions. The Board of Commissioners is elected on a non-partisan basis for a two year term, while the Mayor serves a four year term. The election for the Offices of City Commissioner and Office of the Mayor was held in November 2016 and a general election for Commissioners was held November 2018.

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

and efficient government service. Every City employee ultimately answers to the City Manager, so the Manager has the right to recommend or hire and fire staff as appropriate and allowable by law.

Departments over which the City Manager supervises are as follows:

- Police – An accredited, forty-five member department with divisions of administration, patrol, traffic, and investigation.
- Fire – Thirty-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.
- Development Services – under which new or rehabilitation development plan review, building permit, and code enforcement services are conducted. The department is comprised of four full time and three part time employees.
- Finance and Administration – five full time and one part time personnel perform accounts payable, accounts receivable, management analyzation 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 - 69. The City has been a participant in the City and County Employees Retirement System (CERS) through the Commonwealth of Kentucky since August, 1988¹.

The Newport Foundation is a non-profit company established for the main purpose of facilitating the many festivals and community special events, recreation and improvement of quality of life. This organization provides citizens and corporate sponsors an avenue to make tax -free charitable donations. In FY 2017 Plans were made to remove the Foundation’s finances and oversight from the responsibility of the City. In FY 2018 this was accomplished, and therefore they are no longer represented in this document.

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, 2017 to be a total of .0874% for non-hazardous and .99690 for hazardous, equating to \$26,794,055. This amount is shown mainly on pages 24 and 29.

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

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

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

Like every other major metropolitan area in the United States, metropolitan-Northern Kentucky was initially adversely impacted by the global economic recession. But many local and national economists have stated that metropolitan-Northern Kentucky and Cincinnati remain attractive places to live, work and invest because the fundamentals are quite strong, the weather typically moderate, the overall workforce is educated, a concentration of excellent colleges and universities can be found, and all major U.S. cities are accessible from the Cincinnati-Northern Kentucky International Airport. As such economists have stated that, given these fundamentals, the region's economic recovery and overall outlook remain better than that of the nation.

Our region has seen an uptick in new building starts in the last year. Here in Newport we also see several new developments on the horizon: office, residential, mixed use, large and small scale development, in locations throughout the city. The New Route 9 will soon be completely open and development along this corridor is being discussed. Ovation and other Riverfront Development are expected to continue. The departure of the Baptist Home, while creating a short-term loss of payroll, have brought forward another opportunity for attracting new residents into the City in a way they will benefit the surrounding neighborhood. Many of these projects were begun in FY 17 and progress continued in FY 18.

Our goals continue to further redevelopment residential and commercial; working on quality of life issues such as 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

In 2018 the City experienced a net gain of 40 businesses, adding 124 new jobs. Since 2006, the City has experienced \$300 million in new developments, making this period one of the most successful in the 223 year history of the City.

Ovation: Early in CY 2018 the Ovation site, located at the confluence of the Licking and Ohio Rivers, turned up as a contender for the FC Cincinnati MLS Stadium search. While this option did not come to fruition, much of 2018 was spent working with the developer, the Corps of Engineers and the State Economic Development Cabinet on updated design and funding through the Signature TIF. Ground breaking is expected on Phase I of the development in March of 2019.

Newport on the Levee: In FY 2018 discussions began for the sale of Newport on the Levee. An aggressive schedule resulted in the transfer of the property to North American Properties, a Cincinnati / Atlanta based company, in Q4 CY 2018. Changes to the development plan at the Levee are expected to be vetted in 2019. 2018 saw the expansion of office spaces of major tenants in the mezzanine section of the development.

Newport Shopping Center and Plaza: In January 2018, Albanese Cormier Holdings purchased the Newport Shopping Center and Plaza and has since been extremely aggressive with leasing. In August they announced leases with A.C. Moore Arts and Crafts, Crunch Fitness, Newport Tires, and Urban Nails salon, the construction of Smoothie King and the expansion of one of the City's highest payroll businesses, Defender Direct.

Newport Plaza II: Also, late in 2018, Gator Investments announced that long vacant space in the Plaza would be leased by retail giants Burlington and Ross.

The Academy at 4th Street: This \$31 Million residential development, located at the old 4th Street School site broke ground on June 21, 2018 and will continue construction into 2019. The new multifamily development will bring another infusion of residents to the City.

Peace Bell Mixed Use Development: Preliminary design plans continue 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.

Baptist Convalescent Center Redevelopment: The Baptist Home on Main Street in Newport is planned for a rehabilitation project including approximately 45 units of for sale condominium product.

New Riff Distilling Whiskey Campus: The construction and rehabilitation of the rickhouse buildings was completed in August 2018. This facility stores thousands of barrels of New Riff's Bourbon and rye whiskey and will serve as New Riff's offices, shipping and receiving.

Aqua on the Levee: This \$80 million was completed in 2017 and boasts 239 new apartments and a high quality hotel.

IPSCO Tubulars Site: Significant developer interest continues and is expected to increase at the opening of the New Route 9.

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

Riverfront Commons: Phase III of the Riverfront Commons project has been kicked off with design of two new connector bridges to the Taylor Southgate Bridge. This compliments the previous improvements, and is partially being paid for by federal funding.

New State Route 9 Connector: Phase III of the New State Route 9 was underway early in CY 2018, and was completed and opened in October 2018. It has already seen an increase in use and has reduced vehicular traffic through the neighborhood.

The Skywheel: Following several iterations of plan design, this project located in Newport Festival Park, is in the final stages of the review process with the Army Corps of Engineers. The estimated completion date is late 2019.

Carothers Road: Phase II design is underway.

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:

- Begin process for updating the 2015 Comprehensive Plan.
- Evaluate 4th and 5th Street two-way conversion.
- Facilitate redevelopment underway: 4th Street Academy, Peace Bell Site, Skywheel, Ovation, Newport on the Levee, Baptist Home, 13th Street, and along Monmouth Street and New Route 9.
- Implement new Bernadette Watkins Park improvements.
- Continue business retention / outreach.
- Continue Façade Program Implementation.
- Install three new Red Bike Stations
- 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, for the year.
- 9th Street Storm Sewer Improvements
- Install 20 handicap ramps and replace 2000 feet of curbing
- Replace two public works trucks with salt spreaders and plows
- Resurface Veterans Park drive and Parking lot.
- Mussman Park Improvements (fencing, courts, fountain)
- Phase II Carothers Construction
- Grant Implementation: Riverfront Commons III – Bridges Project, Red Bike, South Monmouth/ Underpass
- 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 Annual Report, Fire and Police Data. Automate data uploads for more timely reports.
- Continue to investigate ways to incorporate technology into city government functions.
- Update Website, continue promotions of events, grow Facebook "Friends".
- Issue a Bond for capital improvements which would include South Monmouth / Underpass.
- Investigate and assess Springbrook 'Extended Budgeting' module.
- Continue refinement of the rental license process; improve payments, recovery and enforcement.
- Create a Special Events Permit for movie and film production.
- Setup 'WRAPS' portal for City & CCCDB to submit KY income Tax electronically.
- Continue to implement credit card usage for payments to City.
- Work with Department heads to monitor City Budget
- Establish and set 2019 Property Tax Rate

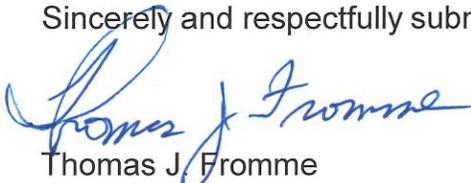
The City is in dynamic times, mending outdated financial policies and procedures, prioritizing delayed repairs and maintenance, creating five year plans for streets, equipment, and the municipal complex, while enticing entrepreneurs, expanding businesses, and artisans to create a unique community wherein 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, Finance Officer, for his continued devotion to the City's financial standing and reporting.

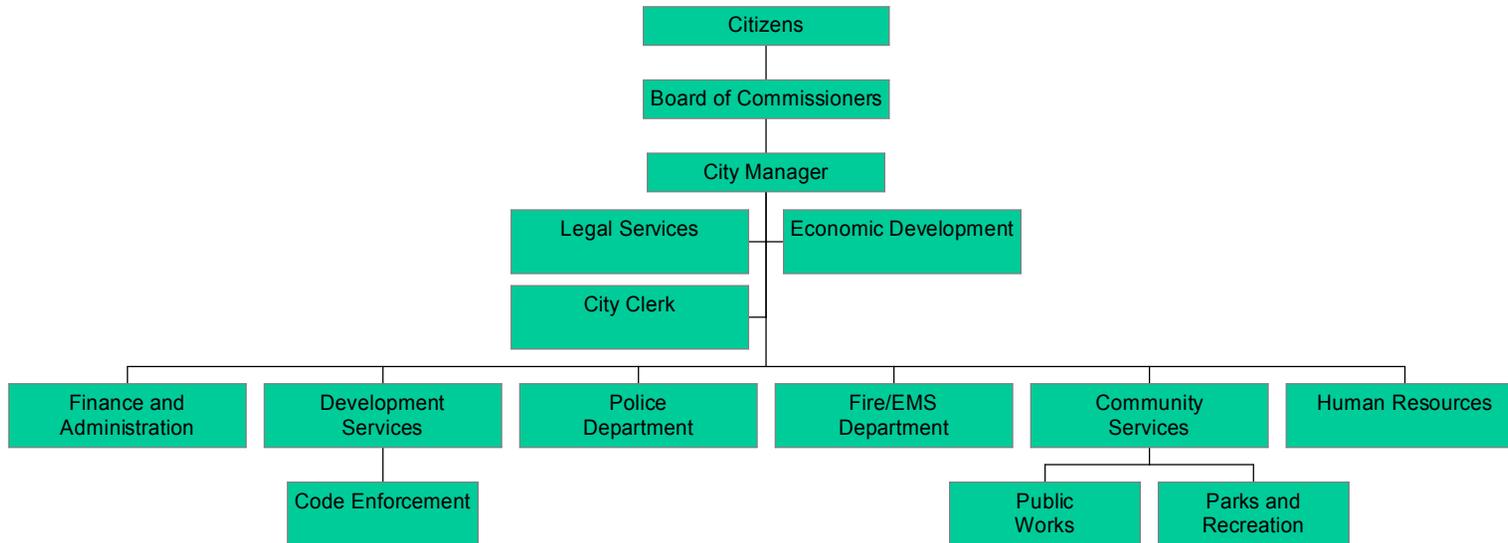
We wish to thank all of the City's departments and staff for their assistance in providing the data necessary to prepare this report. Tribute also is due to the Mayor, the Commission, and the City Manager for their unfailing support in maintaining the highest standards of professionalism in the management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

Sincerely and respectfully submitted,



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, 2018

Mayor

Jerry Peluso

Commissioners

Thomas L. Guidugli, Jr.

Frank T. Peluso, Sr.

Elisabeth Fennell

Kenneth Rehtin

City Manager

Thomas J. Fromme

Department Heads

Fire/EMS Chief - William Darin

Chief of Police - Thomas Collins

Development Services - Greg Tulley

Community Services - Doug Roell

Finance Officer - Leonard Kuntz

Office of City Manager

City Attorney - Daniel R. Braun

City Clerk - Amy B. Able

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newport, Kentucky, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newport, Kentucky, as of June 30, 2018, 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.

Emphasis of a Matter – Implementation of New GASB Accounting Standard

As discussed in Note N to the financial statements, effective July 1, 2017, the City adopted Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and OPEB schedules on pages 13-23 and 70-87 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Newport, Kentucky's basic financial statements. The introductory section, combining fiduciary fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fiduciary fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fiduciary fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2019, 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 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 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
January 17, 2019



NEWPORT

KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of City of Newport, Kentucky's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the City's basic financial statements, which begin on page 24.

USING THIS ANNUAL REPORT

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

GASB 68

Passed in June 2012, the new standards are intended to: enhance usefulness of employer-level pension information in financial reports, improve transparency —Kentucky Retirement Systems – County Employee Retirement System's liability is shared by all participants (employers) in the plan, and make it easier to compare public pension plans by standardizing financial reporting requirements. GASB 68 requires the annual *government-wide* financial statements to include the proportionate share of **net pension liability**, the proportionate share of **pension expense**, additional pension-related note disclosures (**Notes to Financial Statement, page 54**), and additional pension-related **Required Supplemental Information**. The City's calculated share for FY 18 is \$29,081,412.

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 pension-related note disclosures (**Notes to Financial Statement, page 59**), and additional OPEB-related **Required Supplemental Information**. The City's calculated share for FY 18 is \$9,767,170.

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 \$(2,709,422) with the addition of the unfunded pension and OPEB liabilities of \$29,081,412 and \$9,767,170, respectively. This is the City's net position. For the statement of net position, refer to page 24.
- The City's total net position declined this year by **\$2,949,284** over last year. Net position of governmental activities decreased by **\$3,404,836** and net position of business-type activities increased by **\$455,552**. As of June 30, 2018, the City's governmental funds reported a combined ending fund balance of **\$6,469,186**, a decrease of \$1,431,488 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was **\$4,425,071**, an increase of **\$509,501** over fiscal year 2017. An increase in unrestricted cash due to higher revenues and reduction in amount spent for capital outlay.
- The City's total debt decreased by **\$3,551,736** due to the retirement of the G.O. Series 2003 (City/Fire Building) and regularly scheduled principal payments.
 - Newport's debt total, including general obligation and revenue bonds and lease financed, is \$40,268,830. Of that, \$20,020,000 is related to Newport on the Levee garage, leaving \$20,248,830 related to general fund obligations.

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

- The governmental assets outpaced liabilities by \$17,083,609
- Total net position (including business [refuse and NOL] activity) improved by \$1,040,452, governmental activities by \$540,723, business activities increased by \$499,729.
- Fund and debt figures are unchanged.

The Statement of Net Position and the Statement of Activities

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

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

time, *increases or decreases* in the City's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base, franchise fee base, and the condition of the City's capital assets (roads, buildings, equipment and sidewalks) to assess the *overall health* of the City.

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analyses of the City's major funds begin on page 26 and provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law. However, the Board of Commissioners establishes many other funds to help it control and manage money for particular purposes (i.e. Community Development Fund and Capital Projects 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 and capital projects*). 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, these are the Refuse (solid waste) and Newport on the Levee Garage funds.***

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, 2018, net position changed as follows:

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 8,377,142	\$ 9,974,851	\$ 6,248,649	\$ 6,250,002	\$ 14,625,791	\$ 16,224,853
Capital assets	31,120,389	30,792,662	22,449,487	23,984,182	53,569,876	54,776,844
Total assets	\$ 39,497,531	\$ 40,767,513	\$ 28,698,136	\$ 30,234,184	\$ 68,195,667	\$ 71,001,697
Deferred outflows of resources	\$ 12,819,278	\$ 5,987,835	\$ 115,363	\$ 60,967	\$ 12,934,641	\$ 6,048,802
	\$ 12,819,278	\$ 5,987,835	\$ 115,363	\$ 60,967	\$ 12,934,641	\$ 6,048,802
Long-term liabilities	\$ 60,089,370	\$ 51,613,133	\$ 20,411,665	\$ 22,190,367	\$ 80,501,035	\$ 73,803,500
Other liabilities	1,267,377	1,509,693	1,326,666	1,497,444	2,594,043	3,007,137
Total liabilities	\$ 61,356,747	\$ 53,122,826	\$ 21,738,331	\$ 23,687,811	\$ 83,095,078	\$ 76,810,637
Deferred inflows of resources	\$ 732,376	\$ -	\$ 12,276	\$ -	\$ 744,652	\$ -
	\$ 732,376	\$ -	\$ 12,276	\$ -	\$ 744,652	\$ -
Net position:						
Net Investment in capital assets	\$ 12,989,261	\$ 12,675,293	\$ 2,429,487	\$ 2,099,182	\$ 15,418,748	\$ 14,774,475
Restricted	1,631,794	3,293,973	4,272,209	4,390,759	5,904,003	7,684,732
Unrestricted	(24,393,369)	(22,336,744)	361,196	117,399	(24,032,173)	(22,219,345)
Total net position	\$ (9,772,314)	\$ (6,367,478)	\$ 7,062,892	\$ 6,607,340	\$ (2,709,422)	\$ 239,862
(without pension/OPEB liability)	\$ 17,083,609	\$ 16,542,886				

There was a decrease of **\$3,404,836** in net position for governmental activities. Assets were down \$1,300,000 due to the spending down of GO Bond 2015B proceeds on capital improvements. Deferred Outflows were up between Pension (\$3,470,000) and OPEB (\$3,900,000). The largest difference was the increase in liabilities, specifically, Net Pension Liability (GASB 68) increased \$6,566,488 and OPEB liability (GASB 75) increased \$3,602,752. There was an increase in net position of **\$455,552** for business-type activities resulting primarily from principal payments on the Series-A bonds, even though parking revenues declined by \$162,000.

Governmental Activities

Governmental activities decreased the net position of the City of Newport by **\$3,404,836** during FY 2018 as summarized on the following chart:

	Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 1,257,396	\$ 1,154,431	\$ 6,400,103	\$ 6,305,279	\$ 7,657,499	\$ 7,459,710
Operating grants and contributions	1,021,208	897,990	-	-	1,021,208	897,990
Capital grants and contributions	570,609	1,486,750	-	-	570,609	1,486,750
General revenues:						
Property taxes	2,227,953	2,133,032	-	-	2,227,953	2,133,032
Other taxes	314,457	290,128	-	-	314,457	290,128
Payroll license fees	6,720,680	6,623,813	-	-	6,720,680	6,623,813
Gross receipts license fees	1,992,322	1,771,847	-	-	1,992,322	1,771,847
Insurance premium license fees	3,364,978	3,122,632	-	-	3,364,978	3,122,632
Other licenses and permits	611,517	650,769	-	-	611,517	650,769
Franchise fees	603,247	595,515	-	-	603,247	595,515
Other uses of property	428,606	2,368,475	-	-	428,606	2,368,475
Grants - non-program specific	-	-	-	-	-	-
Other	77,957	94,156	311,220	308,288	389,177	402,444
Total revenues	\$ 19,190,930	\$ 21,189,538	\$ 6,711,323	\$ 6,613,567	\$ 25,902,253	\$ 27,803,105
Expenses:						
General government	\$ 2,614,472	\$ 3,856,204	\$ -	\$ -	\$ 2,614,472	\$ 3,856,204
Police	7,356,908	5,541,681	-	-	7,356,908	5,541,681
Fire	6,571,753	5,253,734	-	-	6,571,753	5,253,734
Development services	1,672,674	1,542,152	-	-	1,672,674	1,542,152
Community services	3,805,036	3,164,224	-	-	3,805,036	3,164,224
Municipal complex	276,632	290,707	-	-	276,632	290,707
Interest on long-term debt	602,544	614,309	-	-	602,544	614,309
Solid waste collection	-	-	1,258,339	1,234,511	1,258,339	1,234,511
Parking facility operation	-	-	4,952,761	5,116,313	4,952,761	5,116,313
Total expenses	\$ 22,900,019	\$ 20,263,011	\$ 6,211,100	\$ 6,350,824	\$ 29,111,119	\$ 26,613,835
Increase in net position before transfers	(3,709,089)	926,527	500,223	262,743	(3,208,866)	1,189,270
Gain (loss) on disposal of assets	259,582	15,853	-	-	259,582	15,853
Transfers	44,671	3,700	(44,671)	(48,700)	-	(45,000)
Increase (decrease) in net position	\$ (3,404,836)	\$ 946,080	\$ 455,552	\$ 214,043	\$ (2,949,284)	\$ 1,160,123
Net position - Beginning of year	(6,367,478)	(1,758,343)	6,607,340	6,463,378	239,862	4,705,035
Prior period adjustment (GASB 75)	-	(5,555,215)	-	(70,081)	-	(5,625,296)
Net position - End of year	\$ (9,772,314)	\$ (6,367,478)	\$ 7,062,892	\$ 6,607,340	\$ (2,709,422)	\$ 239,862

- Total revenues for the City's governmental activities totaled **\$19,190,930** compared to **\$21,189,538** last year.
- Payroll license fees totaled **\$6,720,680** or **35%** of the total revenues. This was an increase of **\$96,867** from last year.
- Insurance premium license fees represented **\$3,364,978** or **17.5%** of total revenues. There was an increase of \$242,346 from the prior year's fees.
- The third largest category of governmental revenues was property tax collection, which includes payments in lieu of property taxes, with a total of **\$2,227,953**, or **11.6%** of total revenues, a slight increase of **\$94,921**.
- Gross receipts license fees totaled **\$1,992,322** and accounted for 10.4% of total revenues. This amount represents an increase of **\$220,475** from the previous year. This relates to the collection on delinquent accounts. There were a total of \$344,234.04 in collections from bill series 2017.
- There was a decrease in Other Uses of Property from \$2,368,475 down to \$428,606. This is directly related to the sale of the Ford Lot property.
- This year total expenses for the City's governmental activities were **\$22,900,019** compared to **\$20,263,011** last year. Further explanation can be found below in ***Financial Analysis of the Government's Funds***.

Business-type Activities

- Revenues for business-type activities totaled **\$6,711,323**, compared to last fiscal year's total of **\$6,613,567**. Of this total, **\$6,400,103** or **95.4%** was from charges from services. Total revenue showed an increase of \$97,756, which stems from the growing guaranty payment made into the Newport on the Levee Fund related to the Series 2001A bonds. Parking revenues from the Newport on the Levee garage continued to decline and refuse fees were down slightly due to a reduction in the rates
- Expenses for business-type activities totaled **\$6,211,100** versus **\$6,350,824** last fiscal year. Total expenses decreased \$139,724 largely due to the scheduled interest payment on the Series 2001A bonds.

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, 2018**, the City's governmental funds reported combined ending fund balance of **\$6,469,186**, a decrease of **\$1,431,488** from the prior year. Of the total fund balance, the unassigned portion of the balance is **\$4,425,071**.

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 **\$6,069,136**. This represents a decrease of **\$1,141,113** over the prior year. The main reason for this was an increase in 'Transfers Out to Other Funds', specifically the pass through of GO Series 2015B Bonds to the Capital Projects Fund due to investment in infrastructure.

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

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

The Community Development Fund's fund balance decreased **\$419,529**. At the end of the fiscal year, the total fund balance in the Community Development Fund was **\$100,825**. By June of 2018, the City had completed the 'Monmouth Street improvement Project' at a cost of around \$387,000. The remaining balance is earmarked for the Business Corridor Facade program.

The Capital Project Fund's fund balance increased **\$129,154**. At the end of the fiscal year, the total fund balance in the Capital Projects Fund was **\$299,225**. As IPT increases, so does its required 9% contribution from the General Fund for infrastructure programs. Some of these monies received in this fiscal year are dedicated to projects which were not beginning work until after July 1st. In addition, funds from Capital Projects are being used to make significant infrastructure improvements in the City through the use of grants and for street repaving. Many grants are matching in nature and require the City to meet at least 20% of the total grant. The City is usually responsible for any and all overruns. The matches must be included in the budgeted figures to accurately anticipate balanced funds.

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 revise 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 **\$334,910** higher than the original budget amount. The most significant changes were as follows:

- **\$332,000** increase in Payroll Taxes, including growth in the JDIP/KBI rebates. There was strong growth amongst business participating in these programs.
- **\$115,000** increase in Insurance Premium Tax.

The revised General Fund expense budget (including transfers) was approximately **\$358,390** lower than the original appropriation.

• General Government	\$ 35,730
• Police Department	\$ 31,370
• Fire Department	\$ 60,920
• Development Services	(\$ 55,390)
• Community Services	\$ 135,300
• Municipal Complex	\$ 7,570
• Capital Outlay	\$ 126,940
• Debt service	(\$ 11,450)
• Transfers out	(\$ 690,380)
• Other Financing Uses	\$ 1,000
Total:	(\$ 358,390)

Actual General Fund revenues (including transfers in) were **\$294,698** higher than the amended budget numbers. There were several variances, both high and low, but the majority increase was from licenses and permits, which increased by around \$157,790.

The actual expenses for the General Fund were **\$39,319** lower than the amended budget. Comprising this total were departmental results as listed:

General Government (City Manager's Office and Finance Dept.)	\$ 76,370
Police Department	\$ 34,790
Fire Department	\$ 66,510

Development Services (Building, Zoning, Code Enforcement)	\$ 29,130
Community Services (Admin., Pool, Public Works, Parks & Recreation)	\$ 159,560
Municipal Complex	\$ 21,520
Capital Outlay*	\$ 52,310
Debt Service	(\$ 14,100)
Transfers out	(\$ 386,770)
<u>Other Financing</u>	<u>\$ -</u>
TOTAL:	\$ 39,320

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

DEBT AND CAPITAL ASSET ADMINISTRATION

Debt

At year-end, the City had **\$41,327,787** in total outstanding payables, notes, capital leases, compensated absences and bonds compared to **\$44,692,377** last year.

Compensated absences rose \$163,376. The City's total *long-term* debt for governmental activities and business type activities decreased due to the payoff of scheduled debt.

DEBT PRINCIPAL

	Governmental		Business-type		Totals	
	Activities	Activities	Activities	Activities		
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Bonds payable						
(backed by City revenues)	\$ 14,130,000	\$ 14,775,000	\$ -	\$ -	\$ 14,130,000	\$ 14,775,000
Bonds payable						
(backed by fee revenues)	-	-	20,020,000	21,885,000	20,020,000	21,885,000
Compensated absences	1,383,623	1,220,247	-	-	1,383,623	1,220,247
Notes payable						
(backed by City revenues)	5,794,164	6,812,130	-	-	5,794,164	6,812,130
Totals	<u>\$ 21,307,787</u>	<u>\$ 22,807,377</u>	<u>\$ 20,020,000</u>	<u>\$ 21,885,000</u>	<u>\$ 41,327,787</u>	<u>\$ 44,692,377</u>

For additional information concerning the City's debt, please refer to Notes E and F, to the financial statements, as well as Note G, 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, 2018, capital assets, before accumulated depreciation, amounted to **\$117,654,916** including equipment, vehicles, buildings, park facilities, streets and sidewalks. This represents a net increase of **\$1,503,806** or 1.3 percent, over last year.

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

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	\$ 6,645,184	\$ 6,645,184	\$ 9,196,274	\$ 9,196,274	\$ 15,841,458	\$ 15,841,458
Land improvements	44,879,579	43,575,736	26,281	26,281	44,905,860	43,602,017
Buildings and systems	7,183,416	7,139,971	40,551,538	40,363,607	47,734,954	47,503,578
Parking garage	-	-	-	-	-	-
Machinery and equipment	2,795,749	2,656,805	-	-	2,795,749	2,656,805
Licensed vehicles	5,235,991	5,376,915	253,750	253,750	5,489,741	5,630,665
Non licensed vehicles	318,210	253,494	-	-	318,210	253,494
Construction in progress	568,944	663,093	-	-	568,944	663,093
Subtotals	\$ 67,627,073	\$ 66,311,198	\$ 50,027,843	\$ 49,839,912	\$ 117,654,916	\$ 116,151,110
Accumulated depreciation	36,506,684	35,518,536	27,578,356	25,855,730	64,085,040	61,374,266
Net Assets	\$ 31,120,389	\$ 30,792,662	\$ 22,449,487	\$ 23,984,182	\$ 53,569,876	\$ 54,776,844

This year's major additions included:

-Accela (Springbrook) Software	\$ 116,900
-Riverfront Commons III	\$ 32,500
-Grandview Slide Repair III	\$ 315,800
-Street resurfacing (various)	\$ 255,500
-Police Units (7) New/Used	\$ 190,500
-Carothers Road – Phase II	\$ 18,700
	<u>\$ 929,900</u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

As previously mentioned in the letter of transmittal on pages 4 and 5, overall economic outlook for the City continues to be positive. Several large- and small-scale projects are in varying stages of development, and interest in development opportunities along the New State Route 9 on the City's west side continues to grow. It is noteworthy to also mention two tax increment financing districts have been adopted and are now being utilized, meaning that those particular areas will be eligible to receive tax funding from Campbell

County and the Commonwealth of Kentucky in addition to funding from the City for use specifically in those areas. Ovation (a Signature TIF), a mixed-use development at the confluence of the Licking and Ohio Rivers, is on schedule to break ground in the spring of 2019.

The City has struggled long and hard to improve City finances and operations over the past ten years. Despite several obstacles, the City has strengthened finances as well as attracted many new developments and businesses. The City's cash balance is nearly \$3 million, and significant investments have been made to repair infrastructure. This has been accomplished through efficient use of our resources and maintaining a very lean staff. There are presently many exciting projects progressing such as the Newport on the Levee sale, the Academy on 4th, the Skywheel, and Ovation. These promise to make the City's future even brighter.

NEWPORT FOUNDATION: 501(c)3

The Newport Foundation was separated from the City and became a stand-alone entity beginning July 1st 2017.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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

BASIC FINANCIAL STATEMENTS

CITY OF NEWPORT, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,843,274	\$ 787,388	\$ 3,630,662
Receivables:			
Property taxes	188,793	-	188,793
Loans	231,445	-	231,445
Accounts, net	3,380,240	195,097	3,575,337
Intergovernmental	79,484	-	79,484
Accrued interest	-	152,946	152,946
Prepaid expenses	12,271	-	12,271
Noncurrent assets:			
Restricted cash	1,631,794	700,054	2,331,848
Restricted investments	-	4,423,005	4,423,005
Internal balances	9,841	(9,841)	-
Capital assets:			
Land and construction in progress	7,214,128	9,196,274	16,410,402
Depreciable capital assets, net	<u>23,906,261</u>	<u>13,253,213</u>	<u>37,159,474</u>
Total Assets	<u>39,497,531</u>	<u>28,698,136</u>	<u>68,195,667</u>
Deferred Outflows of Resources			
Deferred outflows - defeasance on refunding	485,908	-	485,908
Deferred outflows - pension	8,400,235	87,405	8,487,640
Deferred outflows - OPEB	<u>3,933,135</u>	<u>27,958</u>	<u>3,961,093</u>
Total Deferred Outflows of Resources	<u>12,819,278</u>	<u>115,363</u>	<u>12,934,641</u>
Liabilities			
Accounts payable	557,515	212,736	770,251
Accrued liabilities	597,621	5,182	602,803
Accrued interest payable	112,241	850,850	963,091
Unearned revenue	-	257,898	257,898
Noncurrent liabilities:			
Compensated absences	1,383,623	-	1,383,623
Net pension liability	28,786,972	294,440	29,081,412
Net OPEB liability	9,669,945	97,225	9,767,170
Other noncurrent liabilities:			
Due within one year	1,720,314	2,020,000	3,740,314
Due after one year	<u>18,528,516</u>	<u>18,000,000</u>	<u>36,528,516</u>
Total Liabilities	<u>61,356,747</u>	<u>21,738,331</u>	<u>83,095,078</u>
Deferred Inflows of Resources			
Deferred inflows - pension	122,636	7,186	129,822
Deferred inflows - OPEB	<u>609,740</u>	<u>5,090</u>	<u>614,830</u>
Total Deferred Inflows of Resources	<u>732,376</u>	<u>12,276</u>	<u>744,652</u>
Net Position			
Net investment in capital assets	12,989,261	2,429,487	15,418,748
Restricted for:			
Debt service	-	4,272,209	4,272,209
Other	1,631,794	-	1,631,794
Unrestricted	<u>(24,393,369)</u>	<u>361,196</u>	<u>(24,032,173)</u>
Total Net Position	<u>\$ (9,772,314)</u>	<u>\$ 7,062,892</u>	<u>\$ (2,709,422)</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, 2018

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	\$ 2,614,472	\$ 273,146	\$ 78,750	\$ -	\$ (2,262,576)	\$ -	\$ (2,262,576)
Police	7,356,908	391,197	429,848	-	(6,535,863)	-	(6,535,863)
Fire/EMS	6,571,753	409,710	33,989	40,471	(6,087,583)	-	(6,087,583)
Development services	1,672,674	80,101	-	469,499	(1,123,074)	-	(1,123,074)
Community services	3,805,036	103,242	478,621	60,639	(3,162,534)	-	(3,162,534)
Municipal complex	276,632	-	-	-	(276,632)	-	(276,632)
Interest on long-term debt	602,544	-	-	-	(602,544)	-	(602,544)
Total governmental activities	<u>22,900,019</u>	<u>1,257,396</u>	<u>1,021,208</u>	<u>570,609</u>	<u>(20,050,806)</u>	<u>-</u>	<u>(20,050,806)</u>
Business-type activities:							
Refuse	1,258,339	1,326,446	-	-	-	68,107	68,107
Newport on the Levee	4,952,761	5,073,657	-	-	-	120,896	120,896
Total business-type activities	<u>6,211,100</u>	<u>6,400,103</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>189,003</u>	<u>189,003</u>
Total primary government	<u>\$ 29,111,119</u>	<u>\$ 7,657,499</u>	<u>\$ 1,021,208</u>	<u>\$ 570,609</u>	<u>(20,050,806)</u>	<u>189,003</u>	<u>(19,861,803)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					2,542,410	-	2,542,410
License fees:							
Payroll/Occupational licenses					8,713,002	-	8,713,002
Insurance premiums					3,364,978	-	3,364,978
Other permits and licenses					611,517	-	611,517
Franchise fees					603,247	-	603,247
Other uses of property					428,606	-	428,606
Interest					25,313	311,220	336,533
Miscellaneous					52,644	-	52,644
Total general revenues					<u>16,341,717</u>	<u>311,220</u>	<u>16,652,937</u>
Gain (loss) on disposal of assets					259,582	-	259,582
Transfers in (out)					44,671	(44,671)	-
Change in net position					<u>(3,404,836)</u>	<u>455,552</u>	<u>(2,949,284)</u>
Net position - beginning, as restated					<u>(6,367,478)</u>	<u>6,607,340</u>	<u>239,862</u>
Net position - ending					<u>\$ (9,772,314)</u>	<u>\$ 7,062,892</u>	<u>\$ (2,709,422)</u>

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

CITY OF NEWPORT, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General	Community Development	Capital Projects	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 2,543,012	\$ 103,035	\$ 24,101	\$ 2,670,148
Receivables:				
Property taxes	188,793	-	-	188,793
Loans	-	231,445	-	231,445
Accounts	3,530,855	-	-	3,530,855
Intergovernmental			79,484	79,484
Prepays and other assets	12,271	-	-	12,271
Due from other funds	9,841	994	361,758	372,593
Restricted assets:				
Cash and cash equivalents	<u>1,631,794</u>	<u>-</u>	<u>-</u>	<u>1,631,794</u>
Total Assets	<u>\$ 7,916,566</u>	<u>\$ 335,474</u>	<u>\$ 465,343</u>	<u>\$ 8,717,383</u>
Liabilities:				
Accounts payable	\$ 329,266	\$ 3,205	\$ 104,875	\$ 437,346
Accrued liabilities	597,621	-	-	597,621
Due to other funds	<u>362,752</u>	<u>-</u>	<u>-</u>	<u>362,752</u>
Total Liabilities	<u>1,289,639</u>	<u>3,205</u>	<u>104,875</u>	<u>1,397,719</u>
Deferred Inflows of Resources				
Unavailable revenue	<u>557,791</u>	<u>231,444</u>	<u>61,243</u>	<u>850,478</u>
Fund Balances:				
Unspendable	12,271	-	-	12,271
Restricted	1,631,794	-	-	1,631,794
Committed	-	-	-	-
Assigned	-	100,825	299,225	400,050
Unassigned	<u>4,425,071</u>	<u>-</u>	<u>-</u>	<u>4,425,071</u>
Total Fund Balances	<u>6,069,136</u>	<u>100,825</u>	<u>299,225</u>	<u>6,469,186</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,916,566</u>	<u>\$ 335,474</u>	<u>\$ 465,343</u>	<u>\$ 8,717,383</u>
Total governmental fund balances				\$ 6,469,186
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation				31,120,389
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds				17,152
Net position of internal service fund				60,840
Accrued interest payable on long-term debt				(112,241)
Allowance for uncollectible accounts receivable				(175,650)
Deferred outflows - defeasance on bond refunding				485,908
Deferred inflows - unavailable revenue				850,478
Long-term liabilities and related pension and OPEB deferred inflows/outflows, are not due and payable in the current period and therefore are not reported in the funds				<u>(48,488,376)</u>
Net position of governmental activities				<u>\$ (9,772,314)</u>

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

CITY OF NEWPORT, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	<u>General</u>	<u>Community Development</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 2,551,860	\$ -	\$ -	\$ 2,551,860
Licenses and permits	12,672,345	-	-	12,672,345
Intergovernmental	1,078,229	388,168	60,639	1,527,036
Fines and forfeitures	217,512	-	-	217,512
Charges for services	1,002,239	-	-	1,002,239
Uses of property	1,291,433	53,875	-	1,345,308
Interest	24,440	416	291	25,147
Refunds and reimbursements	27,851	-	17,951	45,802
Miscellaneous	3,848	2,994	-	6,842
Total Revenues	<u>18,869,757</u>	<u>445,453</u>	<u>78,881</u>	<u>19,394,091</u>
Expenditures				
Current:				
General government	2,053,361	-	-	2,053,361
Police	5,284,024	-	-	5,284,024
Fire/EMS	4,567,830	-	-	4,567,830
Development services	646,981	913,952	-	1,560,933
Community services	1,957,378	-	561,245	2,518,623
Municipal complex	183,699	-	-	183,699
Capital outlay	464,528	-	1,300,764	1,765,292
Debt service:				
Principal	1,662,966	-	-	1,662,966
Interest	632,524	-	-	632,524
Total Expenditures	<u>17,453,291</u>	<u>913,952</u>	<u>1,862,009</u>	<u>20,229,252</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,416,466</u>	<u>(468,499)</u>	<u>(1,783,128)</u>	<u>(835,161)</u>
Other Financing Sources (Uses)				
Cost of debt issuance	(1,000)	-	-	(1,000)
Transfers in	44,671	48,970	1,912,282	2,005,923
Transfers out	<u>(2,601,250)</u>	-	-	<u>(2,601,250)</u>
Total Other Financing Sources (Uses)	<u>(2,557,579)</u>	<u>48,970</u>	<u>1,912,282</u>	<u>(596,327)</u>
Net Change in Fund Balances	(1,141,113)	(419,529)	129,154	(1,431,488)
Fund Balances - Beginning	<u>7,210,249</u>	<u>520,354</u>	<u>170,071</u>	<u>7,900,674</u>
Fund Balances - Ending	<u>\$ 6,069,136</u>	<u>\$ 100,825</u>	<u>\$ 299,225</u>	<u>\$ 6,469,186</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, 2018

Net change in fund balances - total governmental funds	\$(1,431,488)
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	1,765,292
Depreciation expense	(1,418,062)
Revenues in the statement of activities that do not provide current financial resources are fully deferred in the funds.	56,252
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.	1,662,966
Gain on disposal of fixed assets that are only recorded on government-wide financial statements.	259,582
Proceeds from the sale of capital assets are only reported in the governmental funds.	(259,582)
Prior year non-current retainage payable is recorded as an expense on the fund financial statements.	63,841
Premiums on bond issuances are amortized through expense in the government-wide financial statements.	23,770
Defeasance on bond issuances are amortized through expense in the government-wide financial statements.	(38,316)
Change in the net pension liability.	(3,154,225)
Change in the net OPEB liability.	(791,334)
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.	6,210
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.	13,634
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>(163,376)</u>
Change in net position of governmental activities	<u>\$(3,404,836)</u>

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

CITY OF NEWPORT, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

	Business-type Activities			Internal
	Refuse	Newport on the Levee	Total	Service Funds Health and Dental
Assets				
Current assets:				
Cash and cash equivalents	\$ 543,017	\$ 244,371	\$ 787,388	\$ 173,126
Accounts receivable (net of allowance)	195,097	-	195,097	7,883
Accrued interest receivable	-	152,946	152,946	-
Total current assets	<u>738,114</u>	<u>397,317</u>	<u>1,135,431</u>	<u>181,009</u>
Restricted assets:				
Restricted cash	-	700,054	700,054	-
Restricted investments	-	4,423,005	4,423,005	-
Total restricted assets	<u>-</u>	<u>5,123,059</u>	<u>5,123,059</u>	<u>-</u>
Noncurrent assets:				
Capital assets (net of depreciation):				
Land	-	9,196,274	9,196,274	-
Vehicles	118,417	-	118,417	-
Building	-	13,134,796	13,134,796	-
Total noncurrent assets	<u>118,417</u>	<u>22,331,070</u>	<u>22,449,487</u>	<u>-</u>
Total Assets	<u>856,531</u>	<u>27,851,446</u>	<u>28,707,977</u>	<u>181,009</u>
Deferred Outflows of Resources				
Deferred outflows - pension	87,405	-	87,405	-
Deferred outflows - OPEB	27,958	-	27,958	-
Total Deferred Outflows of Resources	<u>115,363</u>	<u>-</u>	<u>115,363</u>	<u>-</u>
Liabilities				
Current liabilities:				
Accounts payable	97,452	115,284	212,736	120,169
Accrued liabilities	5,182	-	5,182	-
Accrued interest payable	-	850,850	850,850	-
Unearned revenue	-	257,898	257,898	-
Bonds payable, current	-	2,020,000	2,020,000	-
Due to other funds	9,841	-	9,841	-
Total current liabilities	<u>112,475</u>	<u>3,244,032</u>	<u>3,356,507</u>	<u>120,169</u>
Noncurrent liabilities:				
Bonds payable	-	18,000,000	18,000,000	-
Net pension liability	294,440	-	294,440	-
Net OPEB liability	97,225	-	97,225	-
Total noncurrent liabilities	<u>391,665</u>	<u>18,000,000</u>	<u>18,391,665</u>	<u>-</u>
Total Liabilities	<u>504,140</u>	<u>21,244,032</u>	<u>21,748,172</u>	<u>120,169</u>
Deferred Inflows of Resources				
Deferred inflows - pension	7,186	-	7,186	-
Deferred inflows - OPEB	5,090	-	5,090	-
Total Deferred Inflows of Resources	<u>12,276</u>	<u>-</u>	<u>12,276</u>	<u>-</u>
Net Position				
Net investment in capital assets	118,417	2,311,070	2,429,487	-
Restricted	-	4,272,209	4,272,209	-
Unrestricted	337,061	24,135	361,196	60,840
Total Net Position	<u>\$ 455,478</u>	<u>\$ 6,607,414</u>	<u>\$ 7,062,892</u>	<u>\$ 60,840</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, 2018

	Business-type Activities			Internal Service Funds
	Refuse	Newport on the Levee	Total	Health and Dental
Operating Revenues				
Charges for sales and services:				
Refuse fees	\$ 1,234,461	\$ -	\$ 1,234,461	\$ -
Parking fees	-	2,313,684	2,313,684	-
PILOT fees	-	875,000	875,000	-
Aquarium and IMAX rent assignment	-	725,723	725,723	-
Developer guaranty payment	-	1,159,250	1,159,250	-
Franchise fees	50,123	-	50,123	-
Penalties	41,862	-	41,862	-
Other services	-	-	-	1,271,150
Total Operating Revenues	<u>1,326,446</u>	<u>5,073,657</u>	<u>6,400,103</u>	<u>1,271,150</u>
Operating Expenses				
Cost of sales and services	1,207,589	1,501,087	2,708,676	1,897,681
Depreciation	50,750	1,671,877	1,722,627	-
Total Operating Expenses	<u>1,258,339</u>	<u>3,172,964</u>	<u>4,431,303</u>	<u>1,897,681</u>
Net Operating Income (Loss)	<u>68,107</u>	<u>1,900,693</u>	<u>1,968,800</u>	<u>(626,531)</u>
Non-Operating Revenues (Expenses)				
Interest income	1,173	310,047	311,220	165
Interest expense	-	(1,779,797)	(1,779,797)	-
Total Non-Operating Revenues (Expenses)	<u>1,173</u>	<u>(1,469,750)</u>	<u>(1,468,577)</u>	<u>165</u>
Transfer in (out)	<u>(44,671)</u>	<u>-</u>	<u>(44,671)</u>	<u>640,000</u>
Net Income (loss)	24,609	430,943	455,552	13,634
Net Position-Beginning Of Year, As Restated	<u>430,869</u>	<u>6,176,471</u>	<u>6,607,340</u>	<u>47,206</u>
Net Position-End Of Year	<u>\$ 455,478</u>	<u>\$ 6,607,414</u>	<u>\$ 7,062,892</u>	<u>\$ 60,840</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, 2018

	Business-Type Activities			Internal Service Funds
	Newport on the			Health and Dental
	Refuse	Levee	Total	Dental
Cash flows from operating activities				
Cash received from customers	\$ 1,324,770	\$ 4,959,019	\$ 6,283,789	\$ 1,299,349
Cash paid for employee services and benefits	(164,421)	-	(164,421)	-
Cash paid to suppliers	(982,238)	(1,495,883)	(2,478,121)	(1,892,216)
Net cash provided (used) by operating activities	<u>178,111</u>	<u>3,463,136</u>	<u>3,641,247</u>	<u>(592,867)</u>
Cash flows from noncapital financing activities:				
Transfer from (to) other funds	(105,580)	-	(105,580)	640,000
Net cash provided (used) by noncapital financing activities	<u>(105,580)</u>	<u>-</u>	<u>(105,580)</u>	<u>640,000</u>
Cash flows from capital and related financing activities				
Capital assets purchased	-	(187,933)	(187,933)	-
Interest paid on debt	-	(1,857,894)	(1,857,894)	-
Principal paid on debt	-	(1,865,000)	(1,865,000)	-
Net cash (used by) financing activities	<u>-</u>	<u>(3,910,827)</u>	<u>(3,910,827)</u>	<u>-</u>
Cash flows from investing activities				
Interest income	1,173	309,293	310,466	165
Net cash provided by investing activities	<u>1,173</u>	<u>309,293</u>	<u>310,466</u>	<u>165</u>
Net increase (decrease) in cash	73,704	(138,398)	(64,694)	47,298
Cash at beginning of year	<u>469,313</u>	<u>1,082,823</u>	<u>1,552,136</u>	<u>125,828</u>
Cash at end of year	<u>\$ 543,017</u>	<u>\$ 944,425</u>	<u>\$ 1,487,442</u>	<u>\$ 173,126</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 68,107	\$ 1,900,693	\$ 1,968,800	\$ (626,531)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	50,750	1,671,877	1,722,627	-
Change in net pension liability	39,901	-	39,901	-
Change in net OPEB liability	4,276	-	4,276	-
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable	(1,676)	-	(1,676)	28,199
Increase (decrease) in accounts payable	16,306	5,204	21,510	5,465
Increase (decrease) in accrued liabilities	447	-	447	-
Increase (decrease) in unearned revenue	-	(114,638)	(114,638)	-
Net cash provided (used) by operating activities	<u>\$ 178,111</u>	<u>\$ 3,463,136</u>	<u>\$ 3,641,247</u>	<u>\$ (592,867)</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, 2018

		<u>Total Retirement Plans</u>
Assets		
Investments		
Cash balance in funds	\$ 165,938	
Bonds	138,748	
Closed end funds	475,571	
Mutual funds	559,248	
Market backed securities	126,679	
Corporate stock	<u>392,068</u>	
Total investments		<u>1,858,252</u>
Total Assets		<u>1,858,252</u>
Net Position		
Held in trust for pension benefits		<u>1,858,252</u>
Total Net Position		<u>\$ 1,858,252</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, 2018

	<u>Total Retirement Plans</u>
Additions	
Contributions:	
Employer	\$ -
Total contributions	<u>-</u>
Investment earnings:	
Interest and dividends	71,417
Net appreciation in the fair value of investments, including realized gains and losses	<u>86,025</u>
Total investment earnings	<u>157,442</u>
Total Additions	<u>157,442</u>
Deductions	
Benefits	508,216
Administrative expense	<u>28,109</u>
Total Deductions	<u>536,325</u>
Change in Net Position	(378,883)
Net Position-Beginning Of Year	<u>2,237,135</u>
Net Position-End Of Year	<u>\$ 1,858,252</u>

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

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, 2018

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

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

Government-wide Financial Statements

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

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

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

Measurement focus, basis of accounting and financial statement presentation

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

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

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

The government reports the following funds of the financial reporting entity:

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

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

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 reports on the following proprietary funds:

The Refuse Fund accounts for trash collection services provided to the residential and business owners within City limits.

The Newport on the Levee Fund is responsible for operating the garage structure at the Newport on the Levee project and collecting other miscellaneous payments pursuant to a development agreement between the City and the project developer.

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

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

Assets, Liabilities, and Net Position or Equity

Cash and Cash Equivalents

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

The City is authorized by state statute to invest in:

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

Investments

In accordance with Governmental Accounting Standards Board Statement No. 31, investments held at June 30, 2018 are recorded at fair value based on quoted market prices, except as otherwise noted.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

The guaranteed investment contract held by the City is a nonparticipating, interest earning contract and is therefore valued on a cost basis.

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.

Short-Term Inter-fund Receivables/Payables

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

Inventory

Inventory is valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The cost of governmental fund-type inventory is recorded as an expenditure when consumed rather than when purchased.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018 are recorded as prepaid items utilizing the purchases method for all governmental funds.

Capital Assets

General capital assets are those assets not specifically related to activities in the proprietary fund. These assets are reported in the governmental activities column of the government-wide statement of net position. Capital assets used by the proprietary fund are reported in the business-type activities column of the government-wide statement of net position. The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as an expenditure in the governmental funds and capitalized (recorded and accounted for) in the government-wide financial statements. Infrastructure such as streets, parks, and bridges are capitalized. Capital assets are defined by the City as assets with an initial, individual cost of at least \$2,500 and an estimated useful life of two or more years. The valuation basis for capital assets are either historical costs or, where historical costs are not available, estimated historical cost based on replacement cost. Prior to July 1, 2001, governmental funds infrastructure assets had not previously been capitalized. These assets have been valued at estimated historical cost at July 1, 2003 due to the City electing to phase in the reporting of its infrastructure over three years.

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

CITY OF NEWPORT, KENTUCKY
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June 30, 2018

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

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

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation pay. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. 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 principle and interest as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

Net Position and Fund Balance

Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets.

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.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Restricted fund balances are amounts that can only be used pursuant to constraints imposed by external sources; such as bond covenant requirements, state government restrictions or the funds restricted by the will of the City's voters. These include the balances of restricted cash in the City's General Fund. The restricted cash in the General Fund represents unspent bond proceeds that will be used to fund multiple public projects.

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

Assigned fund balances consists of funds that are set aside with the intent to be used for a specific purpose by the City's highest level of decision making authority or a body or official that has been given the authority to assign funds. These include residual balances from the Community Development and Capital Projects Funds.

Unassigned fund balances consist of all residual funds not included in nonspendable, restricted, committed, or assigned fund balances.

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

Revenues, Expenditures and Expenses

Operating Revenues and Expenses

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

Expenditures/Expenses

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

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

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

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 January 17, 2019 the date on which the financial statements were available for issue.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

- A. In accordance with City ordinance, prior to June 30, the City Manager submits to the Board of Commissioners, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- B. Prior to June 30, the budget is legally enacted through passage of an ordinance.
- C. The City Manager is required by Kentucky Revised Statutes to present a quarterly report to the Board of Commissioners explaining any variance from the approved budget.
- D. Appropriations continue in effect until a new budget is adopted.
- E. The Board of Commissioners may authorize supplemental appropriations during the year.

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

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE C – DEPOSITS AND INVESTMENTS

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, 2018, 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, 2018, \$510,953 of deposits were insured by the FDIC and \$6,047,439 of collateral was pledged to the City by the custodial bank. In addition, the City had bank deposits of \$2,188,469 of cash equivalents invested in federal government obligations.

Investments – The City had custodial credit risk at June 30, 2018 of \$6,281,257. 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, 2018, the City had the following investments:

Investment Type	Investment Value	Weighted Average Maturity (Years)
Corporate bonds	\$ 138,748	9.99
Government securities	126,679	24.26
Cash balance in funds	165,938	-
Mutual funds	559,248	-
Common stock	392,068	-
Closed end funds	475,571	-
Guaranteed investment contracts	<u>4,423,005</u>	<u>8.38</u>
Total investments	<u>\$ 6,281,257</u>	
Portfolio weighted average maturity		<u>6.61</u>

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

The City's investments are held in the following funds:

Investments held in:	Amount Invested
Newport on the Levee Fund	\$ 4,423,005
Fiduciary Funds	<u>1,858,252</u>
Total	<u>\$ 6,281,257</u>

Credit Risk – Investments – As of June 30, 2018, the City's investments in guaranteed investment contracts and corporate bonds received the following ratings by Standard & Poor's:

Investment	Rating
Guaranteed investment contracts – Newport on the Levee	
Unicredit Bank AG 01/01/2027	BBB+
Corporate bonds – Fiduciary Funds	
American Express	A-
Bank of America	A-
United Mexican States	BBB+
General Electric Capital Corp.	A
Goldman Sachs	BBB-
JP Morgan Chase Global	A-
Prudential Financial Inc.	A
Verizon Communications	BBB+
Wells Fargo & Company	A-

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

For those investments measured at fair value, the investments' fair value measurements are as follows at June 30, 2018:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Corporate income	\$ 138,748	\$ -	\$ 138,748	\$ -
Government securities	126,679	-	126,679	-
Cash balance in funds	165,938	165,938	-	-
Mutual funds	559,248	559,248	-	-
Common stock	392,068	392,068	-	-
Closed end funds	<u>475,571</u>	<u>475,571</u>	-	-
Total	<u>\$ 1,858,252</u>	<u>\$ 1,592,825</u>	<u>\$ 265,427</u>	<u>\$ -</u>

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE D – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2018 is as follows:

	Balance June 30, 2017	Additions	Retirements/ Adjustments	Balance June 30, 2018
Governmental activities:				
Items not being depreciated:				
Construction in progress	\$ 663,093	\$ 240,661	\$ (334,810)	\$ 568,944
Land	<u>6,645,184</u>	<u>-</u>	<u>-</u>	<u>6,645,184</u>
Subtotal	<u>7,308,277</u>	<u>240,661</u>	<u>(334,810)</u>	<u>7,214,128</u>
Capital assets being depreciated:				
Land improvements	43,575,736	1,303,843	-	44,879,579
Buildings	7,139,971	43,445	-	7,183,416
Machinery and equipment	2,656,805	138,944	-	2,795,749
Licensed vehicles	5,376,915	288,990	(429,914)	5,235,991
Non-licensed vehicles	<u>253,494</u>	<u>64,716</u>	<u>-</u>	<u>318,210</u>
Subtotal	<u>59,002,921</u>	<u>1,839,938</u>	<u>(429,914)</u>	<u>60,412,945</u>
Accumulated depreciation:				
Land improvements	(25,554,192)	(856,491)	-	(26,410,683)
Buildings	(3,515,113)	(193,929)	-	(3,709,042)
Machinery and equipment	(2,363,494)	(78,618)	-	(2,442,112)
Licensed vehicles	(3,890,877)	(246,084)	429,914	(3,707,047)
Non-licensed vehicles	<u>(194,860)</u>	<u>(42,940)</u>	<u>-</u>	<u>(237,800)</u>
Subtotal	<u>(35,518,536)</u>	<u>(1,418,062)</u>	<u>429,914</u>	<u>(36,506,684)</u>
Net depreciable capital assets	<u>23,484,385</u>	<u>421,876</u>	<u>-</u>	<u>23,906,261</u>
Total capital assets, net	<u>\$ 30,792,662</u>	<u>\$ 662,537</u>	<u>\$ (334,810)</u>	<u>\$ 31,120,389</u>

Depreciation was charged to functions as follows:

Governmental activities:	
General government	\$ 11,694
Police	96,603
Fire/EMS	241,645
Development services	55,709
Community services	919,478
Municipal complex	<u>92,933</u>
Total governmental activities depreciation expense	<u>\$ 1,418,062</u>

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

	Balance June 30, 2017	Additions	Retirements/ Adjustments	Balance June 30, 2018
Proprietary activities:				
Land	\$ 9,196,274	\$ -	\$ -	\$ 9,196,274
Land improvements	26,281	-	-	26,281
Vehicles	253,750	-	-	253,750
Buildings	<u>40,363,607</u>	<u>187,932</u>	-	<u>40,551,539</u>
Subtotal	<u>49,839,912</u>	<u>187,932</u>	-	<u>50,027,844</u>
Accumulated depreciation				
Land improvements	(26,281)	-	-	(26,281)
Vehicles	(84,583)	(50,750)	-	(135,333)
Buildings	<u>(25,744,866)</u>	<u>(1,671,877)</u>	-	<u>(27,416,743)</u>
Subtotal	<u>(25,855,730)</u>	<u>(1,722,627)</u>	-	<u>(27,578,357)</u>
Net capital assets	<u>\$ 23,984,182</u>	<u>\$ (1,534,695)</u>	<u>\$ -</u>	<u>\$ 22,449,487</u>

Proprietary fund depreciation was charged to the Newport on the Levee and Refuse Funds in the amounts of \$1,671,877 and \$50,750, respectively.

NOTE E – SHORT-TERM DEBT OBLIGATIONS

Note Payable – Tax Anticipation Note

On July 3, 2017, the City issued \$350,000 of tax anticipation notes for the purpose of meeting current expenses. The notes bore interest at a rate of 1.94% and were paid off on June 21, 2018.

Changes in Short-Term Debt Obligations

During the year ended June 30, 2018, the following changes occurred in short-term debt obligations in the governmental funds:

	June 30, 2017	Additions	Retirements	June 30, 2018
Tax anticipation notes	<u>\$ -</u>	<u>\$ 350,000</u>	<u>\$ (350,000)</u>	<u>\$ -</u>

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE F – LONG-TERM DEBT

Governmental Activities

Notes Payable

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

Note Payable – Kentucky Infrastructure Authority

The City entered into a loan agreement with the Kentucky Infrastructure Authority on September 16, 1994 to fund the development of the Channel Crossing Project in the amount of \$2,331,899 with an annual interest rate of 5.25%. The repayment of the loan is on a thirty-year amortization schedule with a balloon payment due in year twenty. This note was refinanced with the Kentucky Infrastructure authority on December 1, 2006, with a new repayment amortization schedule of twenty years and a new interest rate of 1.40%. The balance at June 30, 2018 is \$1,018,319. The following is a schedule of future debt service requirements to maturity as of June 30, 2018:

Year Ended June 30,	Note Payable KIA		
	Principal	Interest/ Fees	Total Debt Service
2019	\$ 139,457	\$ 15,737	\$ 155,194
2020	141,416	13,498	154,914
2021	143,403	11,228	154,631
2022	145,418	8,925	154,343
2023	147,460	6,590	154,050
2024-2025	301,165	6,045	307,210
Total	\$ 1,018,319	\$ 62,023	\$ 1,080,342

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note Payable - Bank of Kentucky

The City entered into a lease agreement for \$8,042,767 with Bank of Kentucky on December 27, 2013 to currently refund the outstanding General Obligation Public Project Bonds, Series 2002. The obligation constitutes a general obligation of the City and is payable semi-annually in May and November with final maturity on November 1, 2022. The obligation bears interest at a rate of 2.90%. The balance of the note at June 30, 2018 is \$4,755,845. The following is a schedule of future debt service requirements to maturity as of June 30, 2018:

Year Ended June 30,	Bank of Kentucky Note Payable		
	Principal	Interest	Total Debt Service
2019	\$ 902,087	\$ 125,419	\$ 1,027,506
2020	927,551	98,889	1,026,440
2021	956,118	71,576	1,027,694
2022	982,601	43,465	1,026,066
2023	1,007,488	14,609	1,022,097
Total	\$ 4,775,845	\$ 353,958	\$ 5,129,803

Bonds Payable

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

General Obligation Refunding Bonds, Series 2015

On September 24, 2015, the City issued \$6,910,000 of refunding bonds. The bonds have an interest rate ranging between 2% and 4% and mature on May 1, 2030. 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, 2018 is \$6,480,000. The following is a schedule of future debt service requirements to maturity as of June 30, 2018:

June 30,	General Obligation Refunding Bonds, Series 2015		
	Principal	Interest	Total Debt Service
2019	\$ 370,000	\$ 224,275	\$ 594,275
2020	380,000	216,413	596,413
2021	395,000	205,013	600,013
2022	415,000	193,162	608,162
2023	420,000	180,712	600,712
2024-2028	2,315,000	693,000	3,008,000
2029-2031	2,185,000	223,000	2,408,000
Total	\$ 6,480,000	\$ 1,935,575	\$ 8,415,575

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, 2018 is \$5,055,000. The following is a schedule of future debt service requirements to maturity as of June 30, 2018:

June 30,	General Obligation Bonds, Series 2015B		
	Principal	Interest	Total Debt Service
2019	\$ 15,000	\$ 160,425	\$ 175,425
2020	15,000	159,975	174,975
2021	20,000	159,450	179,450
2022	20,000	158,850	178,850
2023	20,000	158,250	178,250
2024-2028	2,630,000	574,950	3,204,950
2029-2033	1,185,000	298,119	1,483,119
2034-2038	675,000	153,575	828,575
2039-2041	475,000	27,281	502,281
Total	\$ 5,055,000	\$ 1,850,875	\$ 6,905,875

General Obligation Bonds, Series 2016

In July 2016, the City issued \$3,135,000 of general obligation bonds. The bonds have a variable interest rate between 1% and 3% and mature on May 1, 2027. The bonds were issued with a premium of approximately \$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, 2018 is \$2,595,000. The following is a schedule of future debt service requirements to maturity as of June 30, 2018:

Year Ended June 30,	General Obligation Bonds, Series 2007A		
	Principal	Interest	Total Debt Service
2019	\$ 270,000	\$ 61,550	\$ 331,550
2020	270,000	58,850	328,850
2021	275,000	56,150	331,150
2022	275,000	53,400	328,400
2023	285,000	45,150	330,150
2024-2027	1,220,000	92,550	1,312,550
Total	\$ 2,595,000	\$ 367,650	\$ 2,962,650

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Changes in Long-Term Liabilities

During the year ended June 30, 2018 the following changes occurred in long-term liabilities in the governmental funds:

	June 30, <u>2017</u>	<u>Additions</u>	<u>Retirements</u>	June 30, <u>2018</u>	Due within <u>One Year</u>
Compensated absences	\$ 1,220,247	\$ 163,376	\$ -	\$ 1,383,623	\$ -
GO refunding bonds - 2015	6,845,000	-	(365,000)	6,480,000	370,000
Gen. obligation bonds - 2015B	5,070,000	-	(15,000)	5,055,000	15,000
Premium on bonds issued - 2015	201,046	-	(9,031)	192,015	9,031
Gen. obligation bonds - 2016	2,860,000	-	(265,000)	2,595,000	270,000
Premium on bonds issued - 2016	147,390	-	(14,739)	132,651	14,739
Notes payable - KIA	1,155,844	-	(137,525)	1,018,319	139,457
Notes Payable - Bank of Kentucky	5,656,286	-	(880,441)	4,775,845	902,087
Retainage payable	83,345	-	(83,345)	-	-
Net pension liability	22,285,817	6,501,155	-	28,786,972	-
Net OPEB liability	<u>6,088,158</u>	<u>3,581,787</u>	<u>-</u>	<u>9,669,945</u>	<u>-</u>
Total	<u>\$ 51,613,133</u>	<u>\$ 10,246,318</u>	<u>\$ (1,770,081)</u>	<u>\$ 60,089,370</u>	<u>\$ 1,720,314</u>

Proprietary Activities

2000A&B Revenue Bonds

On April 1, 2000, the City issued First Mortgage Revenue Bonds in the amount of \$55,780,000, consisting of \$11,550,000 in taxable 2000 Series B bonds at an 11% coupon rate maturing in January 2009 and \$44,230,000 in tax-exempt 2000 Series A bonds at an 8.75% coupon rate maturing in January 2027, to finance and acquire real property, a public parking garage facility, a public plaza area, land, and a surface parking lot at Newport on the Levee. The issue calls for semi-annual interest payments on January 1 and July 1 and annual principal payments on January 1. Revenues from the Newport on the Levee fund are pledged to the retirement of this debt, and the Newport on the Levee property is collateral for this debt. The 2000 Series B bonds were paid in full in fiscal year 2009. The balance remaining at June 30, 2018 of \$20,020,000 consists of only 2000 Series A tax-exempt bonds.

The following is a schedule of future debt service requirements to maturity as of June 30, 2018:

June 30,	<u>2000A Revenue Bonds Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2019	\$ 2,020,000	\$ 1,701,700	\$ 3,721,700
2020	1,730,000	1,571,225	3,301,225
2021	1,865,000	1,424,175	3,289,175
2022	2,005,000	1,265,650	3,270,650
2023	2,175,000	1,095,225	3,270,225
2024-2027	<u>10,225,000</u>	<u>2,474,080</u>	<u>12,699,080</u>
Total	<u>\$ 20,020,000</u>	<u>\$ 9,532,055</u>	<u>\$ 29,552,055</u>

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Changes in Long-Term Liabilities

Long-term liability activity for business-type activities for the year ended June 30, 2018 was as follows:

	June 30, 2017	Additions	Retirements	June 30, 2018	Due within One Year
Newport on the Levee	\$ 21,885,000	\$ -	\$ (1,865,000)	\$ 20,020,000	\$ 2,020,000
Net pension liability	229,107	65,333	-	294,440	-
Net OPEB liability	<u>76,260</u>	<u>20,965</u>	<u>-</u>	<u>97,225</u>	<u>-</u>
Total	<u>\$ 22,190,367</u>	<u>\$ 86,298</u>	<u>\$ (1,865,000)</u>	<u>\$ 20,411,665</u>	<u>\$ 2,020,000</u>

NOTE G – 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 H – DEFINED BENEFIT PENSION PLANS

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

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

Plan Description – The plans are presented as fiduciary funds in the City's financial statements. The Employees' Retirement Fund covers substantially all non-public safety employees hired prior to April 1, 1977. The Policemen and Firefighters' Pension Plan 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 4 retired and 12 beneficiary members receiving benefits. The Policemen and Firefighters' Retirement fund has 5 retired, 5 disabled, and 15 beneficiary members receiving benefits.

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

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Contributions – The City must provide annual contributions sufficient to satisfy the actuarially determined contribution requirements as mandated by state statutes. No contributions were made for the year ending June 30, 2018, for either fund; however, contributions were made in fiscal year 2007 in excess of the annual required contribution. At June 30, 2018, neither pension fund was overfunded based on the fiscal year 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	30%	-
Equity funds	60%	-
Cash	10%	-
	<u>100%</u>	<u>5.5%</u>

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, 2018 are as follows:

Investment	Fair Value
SPDR S&P 500 ETF TR	\$ 108,512
Invesco QQQ Trust ETF	\$ 42,913

Investments that represent 5% or more of the net position of the Policemen and Firefighters’ Retirement Fund at June 30, 2018 are as follows:

Investment	Fair Value
American Century Heritage Fund	\$ 114,283

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Net Pension Liability – The components of the net pension liability at June 30, 2018, were as follows:

Employees' Retirement Fund:

Total pension liability	\$ 1,516,515
Less: Plan fiduciary net position	<u>373,159</u>
Net pension liability	<u>\$ 1,143,356</u>
Plan fiduciary net pension as a percentage of total pension liability	24.61%

Policemen and Firefighters' Retirement Fund:

Total pension liability	\$ 2,631,530
Less: Plan fiduciary net position	<u>1,487,529</u>
Net pension liability	<u>\$ 1,144,001</u>
Plan fiduciary net pension as a percentage of total pension liability	56.53%

Actuarial Assumptions – The total pension liability for both Plans was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions:

Employees' Retirement Fund:

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

Policemen and Firefighters' Pension Fund

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

Mortality rates for healthy individuals were based on RP 2014 Total Mortality Table for males and females, as appropriate, with adjustments for mortality improvements based on Scale MP-2017. Mortality rates for disabled individuals were based on RP 2014 Disabled Mortality Table for males and females, as appropriate, with adjustments for mortality improvements based on Scale MP-2014.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study from 2006 – 2014.

CITY OF NEWPORT, KENTUCKY
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The long-term expected rate of return on Plan investments was determined using 10 year return expectations based on historical data in different yield environments. Best estimates of the geometric rates of return for each major asset class, included in the Plan's target asset allocation at June 30, 2018, is as follows:

Employees' Retirement Fund:

Asset Class	Long-Term Expected Real Rate of Return
Fixed income	3.20 %
Equity funds	6.10 %
Alternative funds	7.32 %

Policemen and Firefighters' Retirement Fund

Asset Class	Long-Term Expected Real Rate of Return
Fixed income	3.20 %
Equity funds	6.10 %
Alternative funds	7.32 %

Discount Rate – The discount rate used to measure the total pension liability was 3.88% for the Policemen and Firefighters' Retirement Fund and 3.55% for the Employees' Retirement Fund. The discount rate was determined by blending the expected rate of return of 5.50% until the fund is depleted and then a 3.50% twenty year tax-exempt municipal bond rate, which is the rate that current municipal bonds are available to similar cities. The Employees' Retirement Fund is expected to be depleted by year three following the measurement date and the Policemen and Firefighters' Retirement Fund is expected to be depleted by year seven following the measurement date.

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	2.55%	\$ 1,263,927
Current discount rate	3.55%	\$ 1,143,356
1% increase	4.55%	\$ 1,039,202

Policemen and Firefighter's Retirement Fund:

	Discount Rate	Net Pension Liability (Asset)
1% decrease	2.88%	\$ 1,336,990
Current discount rate	3.88%	\$ 1,144,001
1% increase	4.88%	\$ 975,219

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At June 30, 2018, 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	16,185	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	-	-
Total	<u>\$ 16,185</u>	<u>\$ -</u>

At June 30, 2018, 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	20,811	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	-	-
Total	<u>\$ 20,811</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 Police and Firefighters' Retirement fund:

Year ending June 30,

2019	\$ 79,315
2020	\$ 7,380
2021	\$ (37,500)
2022	\$ (12,199)

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County Employees Retirement System (CERS) Pension Plan

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

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each 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 27 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.

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For hazardous members who began contributing to CERS on or after September 1, 2008, any member age 60 or older with 60 months or 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, 2018, plan members were required to contribute 5% of their annual creditable compensation. Employees hired after September 1, 2008 were required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate.

Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. Plan members contributed 14.48% to the pension trust for non-hazardous job classifications. Administrative costs of the Kentucky Retirement System are financed through employer contributions and investment earnings.

Hazardous Contributions – For the year ended June 30, 2018, 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, 2018, participating employers contributed 31.55% 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 22.20% to the pension trust for hazardous job classifications. Administrative costs of the KRS are financed through employer contributions and investment earnings.

For the year ended June 30, 2018, the City contributed \$413,939, or 100% of the required contribution for non-hazardous job classifications, and \$1,783,944, for the year ended June 30, 2018, or 100% of the required contribution for hazardous job classifications. The contributions were allocated \$312,505 and \$1,255,263, respectively, to the CERS pension fund and \$101,434 and \$528,681, 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, 2018, 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>\$ 26,794,055</u>	<u>\$ 5,114,269</u>	<u>\$ 21,679,786</u>

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The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2017 was as follows:

Non-hazardous	Hazardous
.0874%	.9690%

The non-hazardous proportionate share at June 30, 2017 increased by .0075% from the proportionate share as of June 30, 2016. The hazardous proportionate share at June 30, 2017 increased by .0203% from the proportionate share as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of \$4,619,459. At June 30, 2018, 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	\$ 801,537	\$ 129,822
Changes of assumptions	5,268,344	-
Net difference between projected and actual earnings on Plan investments	252,708	-
Changes in proportion and differences between City contributions and proportionate share of contributions	576,168	-
City contributions subsequent to the measurement date	1,551,887	-
Total	<u>\$ 8,450,644</u>	<u>\$ 129,822</u>

The \$1,551,887 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, 2019. 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,	
2019	\$ 2,860,456
2020	\$ 3,045,121
2021	\$ 1,165,585
2022	\$ (302,227)

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Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	2.30%
Salary increases	3.05%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

Hazardous

Inflation	2.30%
Salary increases	3.05%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

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 actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. Several factors are considered in evaluating the long-term rate of return assumptions including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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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 Nominal Real Rate of Return
U.S. Equity	26.5%	11.27%
Non-U.S. Equity	26.5%	2.83%
Fixed Income	12.0%	7.69%
Real Return	8.0%	4.00%
Real Estate	5.0%	5.95%
Absolute Return	10.0%	3.96%
Private Equity	10.0%	10.95%
Cash Equivalent	<u>2.0%</u>	3.65%
Total	100%	

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 26 year amortization period of the unfunded actuarial accrued liability. The actuarial 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%	\$ 6,450,210	5.25%	\$ 27,258,385
Current discount rate	6.25%	\$ 5,114,269	6.25%	\$ 21,679,786
1% increase	7.25%	\$ 3,996,781	7.25%	\$ 17,072,652

Payable to the Pension Plan – At June 30, 2018, the City reported a payable of \$206,968 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018. The payable includes both the pension and insurance contribution allocation.

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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, 2018, the employer's contribution was 4.70% to the insurance trust for non-hazardous job classifications and 9.35% 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, 2018, the City contributed \$101,434, or 100% of the required contribution for non-hazardous job classifications, and \$528,681, or 100% of the required contribution for hazardous job classifications.

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

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

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

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OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2018, the City reported a liability for its proportionate share of the net OPEB liability as follows:

Total Net OPEB Liability	Non-hazardous	Hazardous
<u>\$ 9,767,170</u>	<u>\$ 1,756,516</u>	<u>\$ 8,010,654</u>

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2017 was .0874% for non-hazardous and .9690% for hazardous.

For the year ended June 30, 2018, the City recognized OPEB expense of \$1,419,704. At June 30, 2018, 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	\$ -	\$ 23,545
Changes of assumptions	3,337,000	-
Net difference between projected and actual earnings on Plan investments	-	585,615
Changes in proportion and differences between City contributions and proportionate share of contributions	-	5,670
City contributions subsequent to the measurement date	<u>624,093</u>	<u>-</u>
Total	<u>\$ 3,961,093</u>	<u>\$ 614,830</u>

The \$624,093 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, 2019. This includes adjustments of \$21,468 for the nonhazardous implicit subsidy and (\$27,490) 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,

2019	\$	753,253
2020	\$	753,253
2021	\$	753,253
2022	\$	371,927
2023	\$	70,692
2024	\$	19,792

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Actuarial Assumptions – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous and Hazardous

Inflation	2.30%
Salary increases	3.05%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare trend	
	Pre – 65: Initial trend starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
	Post – 65: Initial trend starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

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 actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013. The total OPEB liability was rolled-forward from the valuation date (June 30, 2016) to the plan's fiscal year ending June 30, 2017. Subsequent to the actuarial valuation date (June 30, 2016) but prior to the measurement date, and before the required 2019 experience study, the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review the Board updated actuarial assumptions, which were used in performing the actuarial valuation as of June 30, 2017.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. Several factors are considered in evaluating the long-term rate of return assumptions including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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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 Nominal Real Rate of Return
U.S Equity	26.5%	9.56%
Non-U.S. Equity	26.5%	2.84%
Fixed Income	12.0%	6.53%
Real Return	8.0%	3.68%
Real Estate	5.0%	8.99%
Absolute Return	10.0%	3.89%
Private Equity	10.0%	9.74%
Cash Equivalent	<u>2.0%</u>	2.69%
Total	100%	

Discount Rate – The discount rate used to measure the total net OPEB liability was 5.84% and 5.96% 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 26 year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.56%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index” as of June 30, 2017. 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	4.84%	\$ 2,235,061	4.96%	\$ 10,735,366
Current discount rate	5.84%	\$ 1,756,516	5.96%	\$ 8,010,654
1% increase	6.84%	\$ 1,358,280	6.96%	\$ 5,781,381

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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	\$ 1,347,338	\$ 5,670,619
Current trend rate	\$ 1,756,516	\$ 8,010,654
1% increase	\$ 2,288,423	\$ 10,906,803

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

NOTE I – DEFERRED COMPENSATION PLAN

Employees of the City may participate in the deferred compensation plan adopted under the provision of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments). Employees may also participate in a Section 401(k) adopted under the provisions of the Internal Revenue Code. The deferred compensation plan is available to all employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable financial emergency. During the year ended June 30, 2018, contributions to the 457 and 401(k) deferred compensation plans totaled \$190,604 and \$139,518, respectively.

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

NOTE J – INTER-FUND TRANSACTIONS

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

Receivable Funds	Payable Funds	Amount
General	Refuse	<u>\$ 9,841</u>
Capital Projects	General	<u>\$ 361,758</u>
Community Development	General	<u>\$ 994</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.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Inter-fund transfers at June 30, 2018 are as follows:

Transfer Out:	Transfer In:				Total
	General Fund	Community Development	Capital Projects	Employee Benefits	
General Fund	\$ -	\$ 48,970	\$ 1,912,282	\$ 640,000	\$ 2,601,252
Refuse Fund	<u>44,671</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,671</u>
	<u>\$ 44,671</u>	<u>\$ 48,970</u>	<u>\$ 1,912,282</u>	<u>\$ 640,000</u>	<u>\$ 2,645,923</u>

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

NOTE K – CONTINGENT LIABILITIES

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

NOTE L – RISK MANAGEMENT

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

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

The City has established a Health and Dental Self-Insurance Fund. Employees participate in the program and certain other medical insurance programs offered by the City. Under this program, the first \$30,000 of a participant's medical claim are payable by the Health and Dental Self-Insurance Fund. The City purchases insurance for claims in excess of coverage provided by the fund. The General Fund participates in the program and makes payments to the Health and Dental Fund based on estimates of the amount needed to pay current year claims. A liability for incurred but not reported claims as of June 30, 2018 has not been estimated based on the nature of the claims process. This is in accordance with the requirements of GASB Statement No. 10 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements unless such an estimate cannot be made.

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

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE M – TAX ABATEMENTS

Job Development/KBI Incentive Programs

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

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

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

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

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Taxes abated under this program during the year ended June 30, 2018 were as follows:

<u>Recipient</u>	<u>Program</u>	<u>Incentive Status</u>	<u>FY 2018 Amount Rebated</u>	<u>Date of KEDFA Action/City Approval</u>
Defenders, Inc., aka Defender Security Company	KBI	Final Approval	\$ 11,550	8/30/2012
Divisions, Inc.	KBI/JDIP	Final Approval	70,934	8/28/2014
Ethos Holding Corp.	KBI	Final Approval	-	12/10/2015
New Riff Distilling, LLC	KEIA	Final Approval	-	6/30/2016
New Riff Distilling, LLC	KBI	Final Approval	-	4/27/2017
P. L. Marketing, Inc.	KBI	Final Approval	153,663	9/26/2013
Arcron Systems, Inc.	KBI	Inactive	-	5/26/2011
Ethos Holding Corp.	KEIA	Inactive	-	1/31/2013
Meaningful Use Technologies LLC	KBI	Inactive	-	5/26/2011
XPO Logistics, Inc.	KBI	Inactive	-	9/26/2013
Greater Comfort	JDIP	Active	8,172	4/22/2013
Harlow - HRK	JDIP	Active	71,759	9/10/2012
Nexigen	JDIP / KBI	Active	22,410	1/28/2013
Baynum Painting, Inc.	JDIP	Active	-	4/22/2013
BPI Painting Company (Inc.)	JDIP	Active	4,343	4/22/2013
Nimblesoft	JDIP	Active	4,232	10/20/2014
Studio Vertu	JDIP	Active	5,451	10/20/2014
David J Joseph Company	JDIP	Active	22,507	8/17/2015
Total			<u>\$ 375,021</u>	

Property Assessment Moratorium

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

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

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Taxes abated under this program during the year ended June 30, 2018 were as follows:

Address	Approval Order	FY 2018 Assessment Value Deferred	Amount Abated @ \$2.87/\$1000
806 Park Ave	R-2012-053	\$ 255,000	\$ 732
808 Park Ave	R-2012-093	\$ 340,000	\$ 976
815 Park Ave	R-2012-057	\$ 242,500	\$ 696
624 Park Ave	R-2013-076	\$ 56,000	\$ 161
718 Monroe St	R-2013-077	\$ 185,645	\$ 533
568 E 4th St	R-2013-078	\$ 104,000	\$ 298
111 E 10th St	R-2013-079	\$ 50,000	\$ 144
561 E 4th St	R-2014-006	\$ 79,000	\$ 227
730 Park Ave	R-2015-016	\$ 273,000	\$ 784
732 Park Ave	R-2015-015	\$ 353,000	\$1,013
728 Park Ave	R-2015-064	\$ 212,000	\$ 608
629 York St	R-2017-028	\$ 94,400	\$ 271
819 Overton St	R-2017-029	N/A	N/A
823 Overton St	R-2017-030	\$ 216,000	\$ 620
404 Overton St	R-2017-064	\$ 121,000	\$ 347
406 Overton St	R-2017-065	\$129,950	\$ 373

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.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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:

Project	FY 2018 Abatement Amount
South Shore	\$ 134,211
Vue 180	62,710
Aquarium	73,888
Newport Holdings (IB Goodman)	6,779
Target	10,906
Pavilion	216,465
Monmouth Row	28,700
Aqua on the Levee/Aloft	78,377
Aloft: Airlot A4 -Hotel	32,134
Newport on the Levee	256,503
Hofbrauhaus	<u>4,126</u>
TOTAL:	<u>\$ 904,799</u>

Tax Increment Financing District

The City has created the local City Center Tax Increment Financing District north of 5th Street, in the downtown area. No taxes were abated under this program in the year ended June 30, 2018.

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, 2018.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE N – RESTATEMENT OF NET POSITION

Implementation of new accounting standard GASB Statement No. 75

During 2018, the City implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which addresses financial reporting for state and local government employers whose employees are provided with other postemployment benefits (OPEB) through defined benefit plans that are covered under Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.

The guidance contained in Statement 75 changed how governments calculate and report the costs and obligations associated with OPEB. Under the new standards, GASB requires that cost-sharing governments report a net OPEB liability, OPEB expense, and OPEB related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all the governments in the plan. In addition, GASB requires Statement 75 to be applied retroactively, which has resulted in a restatement of beginning net position as follows:

Governmental activities

Net position, at beginning of year	\$ (812,263)
Beginning net OPEB liability	<u>(5,555,215)</u>
Net position, at beginning of year, as restated	<u>\$ (6,367,478)</u>

Business-type activities

Refuse	
Net position, at beginning of year	\$ 500,950
Beginning net OPEB liability	<u>(70,081)</u>
Net position, at beginning of year, as restated	<u>\$ 430,869</u>
Total Business-type activities	
Net position, at beginning of year	\$ 6,677,421
Beginning net OPEB liability	<u>(70,081)</u>
Net position, at beginning of year, as restated	<u>\$ 6,607,340</u>

NOTE O – SUBSEQUENT EVENTS

In December 2018, the City approved the issuance of Industrial Revenue Bonds, Series 2018. The proceeds from the Industrial Revenue Bonds, Series 2018 were used to redeem the remainder of the 2000 Series A tax-exempt bonds reported in the Newport on the Levee Fund. The 2000 Series A tax-exempt bonds were issued to finance and acquire real property, a public parking garage facility, a public plaza area, land and a surface parking lot at Newport on the Levee. Along with the issuance of the Industrial Revenue Bonds, Series 2018, the City waived all rights to the Newport on the Levee property as described above and is no longer obligated for any debt associated with Newport on the Levee. Consequently, in fiscal year 2019 the Newport on the Levee Fund will be removed from the City's financial statements.

REQUIRED SUPPLEMENTARY
INFORMATION

CITY OF NEWPORT, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance, July 1	\$ 6,068,038	\$ 7,210,249	\$ 7,210,249	\$ -
Resources (inflows):				
Taxes:				
Property	2,255,000	2,218,570	2,237,403	18,833
Tangible	258,980	238,690	239,078	388
Bank deposit	67,500	75,380	75,379	(1)
Licenses and permits:				
Payroll license fees	8,422,500	8,782,000	8,713,002	(68,998)
Insurance license fees	3,060,000	3,175,000	3,347,826	172,826
Other	605,730	557,560	611,517	53,957
Intergovernmental	999,750	1,071,230	1,078,229	6,999
Fines and forfeitures	168,110	184,080	217,512	33,432
Charges for services	1,104,550	997,910	1,002,239	4,329
Uses of property	1,284,650	1,226,380	1,291,433	65,053
Interest	4,000	20,000	24,440	4,440
Miscellaneous	1,000	1,500	3,848	2,348
Refunds and reimbursements	2,300	26,800	27,851	1,051
Transfers in	<u>50,750</u>	<u>44,630</u>	<u>44,671</u>	<u>41</u>
Amounts available for appropriation	<u>24,352,858</u>	<u>25,829,979</u>	<u>26,124,677</u>	<u>294,698</u>
Charges to appropriations (outflows):				
General Government:				
Office of City Manager:				
Personnel	833,000	865,700	859,057	6,643
Contractual	484,560	496,600	471,418	25,182
Materials and supplies	5,350	5,350	2,923	2,427
Other-unclassified	<u>41,090</u>	<u>54,940</u>	<u>51,654</u>	<u>3,286</u>
Total Office of City Manager	<u>1,364,000</u>	<u>1,422,590</u>	<u>1,385,052</u>	<u>37,538</u>
Finance and Administration:				
Personnel	518,890	448,430	441,143	7,287
Contractual	152,100	141,920	124,108	17,812
Materials and supplies	6,900	7,300	2,816	4,484
Other-unclassified	<u>52,110</u>	<u>109,490</u>	<u>100,242</u>	<u>9,248</u>
Total Finance and Administration	<u>730,000</u>	<u>707,140</u>	<u>668,309</u>	<u>38,831</u>
Total General Government	<u>\$ 2,094,000</u>	<u>\$ 2,129,730</u>	<u>\$ 2,053,361</u>	<u>\$ 76,369</u>

CITY OF NEWPORT, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative) (Continued)
	Original	Final		
Police:				
Chief's Office:				
Personnel	\$ 383,180	\$ 388,150	\$ 387,094	\$ 1,056
Contractual	110,510	134,830	133,862	968
Materials and supplies	6,000	7,000	6,170	830
Other-unclassified	<u>5,880</u>	<u>12,180</u>	<u>9,491</u>	<u>2,689</u>
Total Chief's Office	<u>505,570</u>	<u>542,160</u>	<u>536,617</u>	<u>5,543</u>
Patrol:				
Personnel	3,626,620	3,666,710	3,661,085	5,625
Contractual	86,230	121,000	114,949	6,051
Materials and supplies	133,000	135,000	142,062	(7,062)
Other-unclassified	<u>24,950</u>	<u>24,950</u>	<u>17,575</u>	<u>7,375</u>
Total Patrol	<u>3,870,800</u>	<u>3,947,660</u>	<u>3,935,671</u>	<u>11,989</u>
Investigation:				
Personnel	532,510	529,880	526,508	3,372
Contractual	13,560	10,810	7,888	2,922
Materials and supplies	13,000	18,000	14,590	3,410
Other-unclassified	<u>5,820</u>	<u>5,820</u>	<u>4,605</u>	<u>1,215</u>
Total Investigation	<u>564,890</u>	<u>564,510</u>	<u>553,591</u>	<u>10,919</u>
Traffic:				
Personnel	293,350	208,600	206,286	2,314
Contractual	15,580	18,630	18,280	350
Materials and supplies	16,500	16,500	12,829	3,671
Other-unclassified	<u>20,750</u>	<u>20,750</u>	<u>20,750</u>	<u>-</u>
Total Traffic	<u>346,180</u>	<u>264,480</u>	<u>258,145</u>	<u>6,335</u>
Total Police	<u>5,287,440</u>	<u>5,318,810</u>	<u>5,284,024</u>	<u>34,786</u>
Fire/EMS				
Operations:				
Personnel	4,249,440	4,291,010	4,255,588	35,422
Contractual	179,450	208,280	195,338	12,942
Materials and supplies	104,870	101,080	88,403	12,677
Other-unclassified	<u>25,410</u>	<u>22,070</u>	<u>17,582</u>	<u>4,488</u>
Total Operations	<u>4,559,170</u>	<u>4,622,440</u>	<u>4,556,911</u>	<u>65,529</u>
South Newport:				
Personnel	-	-	-	-
Contractual	13,400	10,170	9,634	536
Materials and supplies	850	850	513	337
Other-unclassified	<u>-</u>	<u>880</u>	<u>772</u>	<u>108</u>
Total South Newport:	<u>14,250</u>	<u>11,900</u>	<u>10,919</u>	<u>981</u>
Total Fire/EMS	<u>\$ 4,573,420</u>	<u>\$ 4,634,340</u>	<u>\$ 4,567,830</u>	<u>\$ 66,510</u>

CITY OF NEWPORT, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	Variance with Final Budget -
	<u>Original</u>	<u>Final</u>		Positive (Negative) (Continued)
Development Services:				
Administration:				
Personnel	\$ 185,990	\$ 159,730	\$ 158,073	\$ 1,657
Contractual	73,300	89,780	86,986	2,794
Materials and supplies	1,000	2,200	2,016	184
Other-unclassified	<u>13,290</u>	<u>16,540</u>	<u>16,935</u>	<u>(395)</u>
Total Administration	<u>273,580</u>	<u>268,250</u>	<u>264,010</u>	<u>4,240</u>
Code Enforcement:				
Personnel	341,090	294,000	283,519	10,481
Contractual	93,620	91,350	85,914	5,436
Materials and supplies	14,700	14,400	7,708	6,692
Other-unclassified	<u>8,510</u>	<u>8,110</u>	<u>5,830</u>	<u>2,280</u>
Total Code Enforcement	<u>457,920</u>	<u>407,860</u>	<u>382,971</u>	<u>24,889</u>
Total Development Services	<u>731,500</u>	<u>676,110</u>	<u>646,981</u>	<u>29,129</u>
Community Services:				
Administration:				
Personnel	183,850	180,440	177,275	3,165
Contractual	7,840	6,250	5,723	527
Materials and supplies	2,500	2,300	1,329	971
Other-unclassified	<u>700</u>	<u>1,300</u>	<u>881</u>	<u>419</u>
Total Administration	<u>194,890</u>	<u>190,290</u>	<u>185,208</u>	<u>5,082</u>
Pool:				
Personnel	52,960	50,800	57,068	(6,268)
Contractual	38,100	43,880	30,068	13,812
Materials and supplies	24,000	24,000	18,143	5,857
Other-unclassified	<u>7,620</u>	<u>7,680</u>	<u>719</u>	<u>6,961</u>
Total Pool	<u>122,680</u>	<u>126,360</u>	<u>105,998</u>	<u>20,362</u>
Public Works:				
Personnel	910,570	880,890	876,982	3,908
Contractual	392,130	540,290	455,789	84,501
Materials and supplies	237,500	232,050	209,575	22,475
Other-unclassified	<u>8,700</u>	<u>9,200</u>	<u>3,548</u>	<u>5,652</u>
Total Public Works	<u>\$ 1,548,900</u>	<u>\$ 1,662,430</u>	<u>\$ 1,545,894</u>	<u>\$ 116,536</u>

CITY OF NEWPORT, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
				(Continued)
Parks and Recreation:				
Personnel	\$ -	\$ -	\$ -	\$ -
Contractual	91,470	109,060	104,573	4,487
Materials and supplies	6,700	12,700	9,921	2,779
Other-unclassified	<u>17,000</u>	<u>16,100</u>	<u>5,784</u>	<u>10,316</u>
Total Parks and Recreation	<u>115,170</u>	<u>137,860</u>	<u>120,278</u>	<u>17,582</u>
Total Community Services	<u>1,981,640</u>	<u>2,116,940</u>	<u>1,957,378</u>	<u>159,562</u>
Municipal Complex:				
Contractual	175,080	178,210	160,608	17,602
Materials and supplies	11,500	13,500	9,075	4,425
Other-unclassified	<u>11,070</u>	<u>13,510</u>	<u>14,016</u>	<u>(506)</u>
Total Municipal Complex	<u>197,650</u>	<u>205,220</u>	<u>183,699</u>	<u>21,521</u>
Capital Outlay:				
General government	25,000	41,000	36,042	4,958
Police	75,000	232,000	197,322	34,678
Fire/EMS	118,600	72,670	63,758	8,912
Development Services	-	7,100	5,583	1,517
Community services	105,000	164,070	161,823	2,247
Municipal complex	<u>66,300</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Outlay	<u>389,900</u>	<u>516,840</u>	<u>464,528</u>	<u>52,312</u>
Debt Service:				
Principal	1,662,970	1,662,970	1,662,966	4
Interest	<u>629,870</u>	<u>618,420</u>	<u>632,524</u>	<u>(14,104)</u>
Total Debt Service	<u>2,292,840</u>	<u>2,281,390</u>	<u>2,295,490</u>	<u>(14,100)</u>
Transfers out	<u>2,904,860</u>	<u>2,214,480</u>	<u>2,601,250</u>	<u>(386,770)</u>
Total charges to appropriations	<u>20,453,250</u>	<u>20,093,860</u>	<u>20,054,541</u>	<u>39,319</u>
Other financing sources (uses):				
Other financing use - bond refunding	-	-	-	-
Other financing use - cost of debt issuance	-	(1,000)	(1,000)	-
Other financing source - bond proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Budgetary fund balance, June 30	<u>\$ 3,899,608</u>	<u>\$ 5,735,119</u>	<u>\$ 6,069,136</u>	<u>\$ 334,017</u>

CITY OF NEWPORT, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT FUND
For the Year Ended June 30, 2018

	<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	\$ 477,361	\$ 520,357	\$ 520,354	\$ (3)
Resources (inflows):				
Bank interest	350	300	416	116
Hamlet Row	467,500	388,169	388,168	(1)
Watertower	45,010	45,010	45,008	(2)
St. Vincent	8,870	8,870	8,867	(3)
Tree Fund	-	2,500	2,994	494
Transfers in	<u>32,550</u>	<u>35,000</u>	<u>48,970</u>	<u>13,970</u>
Amounts available for appropriation	<u>1,031,641</u>	<u>1,000,206</u>	<u>1,014,777</u>	<u>14,571</u>
Charges to appropriations (outflows):				
Hamlet Row	467,500	388,170	388,169	1
Southbank	42,620	42,620	42,620	-
Tree Fund	-	2,500	3,202	(702)
Façade Improvement	<u>445,940</u>	<u>483,930</u>	<u>479,961</u>	<u>3,969</u>
Total charges to appropriation	<u>956,060</u>	<u>917,220</u>	<u>913,952</u>	<u>3,268</u>
Budgetary fund balances, June 30	<u>\$ 75,581</u>	<u>\$ 82,986</u>	<u>\$ 100,825</u>	<u>\$ 17,839</u>

CITY OF NEWPORT, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
For the Year Ended June 30, 2018

	<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	\$ 150,811	\$ 170,071	\$ 170,071	\$ -
Resources (inflows):				
Intergovernmental	2,191,050	50,960	60,639	9,679
Refunds and reimbursements	-	17,950	17,951	1
Interest	250	250	291	41
Transfers in	<u>2,422,360</u>	<u>1,539,490</u>	<u>1,912,282</u>	<u>372,792</u>
Amounts available for appropriation	<u>4,764,471</u>	<u>1,778,721</u>	<u>2,161,234</u>	<u>382,513</u>
Charges to appropriations (outflows):				
Community services	449,950	-	561,245	(561,245)
Capital project expenditures:				
Street improvement program	1,749,240	682,129	696,755	(14,626)
Public service facility	634,300	928,260	504,963	423,297
Parks improvement program	1,717,970	84,050	77,346	6,704
Floodwall repairs and upgrades	206,340	19,690	21,700	(2,010)
Transfers to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total charges to appropriation	<u>4,757,800</u>	<u>1,714,129</u>	<u>1,862,009</u>	<u>(147,880)</u>
Other financing sources:				
Other financing source - bond proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Budgetary fund balances, June 30	<u>\$ 6,671</u>	<u>\$ 64,592</u>	<u>\$ 299,225</u>	<u>\$ 234,633</u>

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

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

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

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

Notes

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

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

Actuarial cost method	Entry age normal
Amortization method	Level, closed
Remaining amortization period	20 years
Asset valuation method	Market value
Cost of Living increase	0.00%
Salary increases	N/A
Investment rate of return	5.50%
Retirement age	65 years old
Mortality	In the 2018 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the RP-2017 Mortality Tables.

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total pension liability					
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	205,401	193,347	167,421	91,182	106,638
Changes of benefit terms	62,846	56,156	-	-	91,129
Difference between expected and actual experience	(106,169)	(24,766)	17,761	15,759	(109,757)
Change in assumptions	55,493	432,511	477,015	(222,269)	(27,342)
Benefit payments	<u>(392,370)</u>	<u>(365,887)</u>	<u>(364,585)</u>	<u>(353,910)</u>	<u>(323,796)</u>
Net change in total pension liability	(174,799)	291,361	297,612	(469,238)	(263,128)
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>
Total pension liability - ending	2,774,923	3,066,284	3,363,896	2,894,658	2,631,530
Plan fiduciary net position					
Contributions:					
Employer	-	-	-	-	-
Employee	-	-	-	-	-
Net investment income	286,710	(70,036)	(35,616)	150,409	104,280
Benefit payments	(392,370)	(365,887)	(364,585)	(353,910)	(323,796)
Administrative expense	-	-	-	-	(3,600)
Refunds of contributions	-	-	-	-	-
Other	-	-	-	-	-
Net change in plan fiduciary net position	(105,660)	(435,923)	(400,201)	(203,501)	(223,116)
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>
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>
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>
Plan fiduciary net position as a % of total pension liability	99.11%	75.48%	56.90%	59.10%	56.53%
Covered employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability as a % of covered-employee payroll	N/A	N/A	N/A	N/A	N/A

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

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

Notes

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

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

Actuarial cost method	Entry age normal
Amortization method	Level, closed
Remaining amortization period	20 years
Asset valuation method	Market value
Cost of Living increase	0.00%
Salary increases	N/A
Investment rate of return	5.50%
Retirement age	65 years old
Mortality	In the 2018 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the RP-2017 Mortality Tables.

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
City's proportion of the net pension liability	0.075%	0.078%	0.0799%	0.0874%
City's proportionate share of the net pension liability (asset)	\$ 2,422,504	\$ 3,363,394	\$ 3,933,909	\$ 5,114,269
City's covered employee payroll	\$ 1,712,734	\$ 1,803,394	\$ 1,904,886	\$ 2,113,469
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%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	55.50%	53.32%

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2017 valuation:

The assumed investment rate of return was decreased from 7.5% to 6.25%.

The assumed rate of inflation was reduced from 3.5% to 2.3%.

Payroll growth assumption was reduced from 4% to 2%.

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

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

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 FIVE FISCAL YEARS

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

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2017 valuation:

The assumed investment rate of return was decreased from 7.5% to 6.25%.

The assumed rate of inflation was reduced from 3.5% to 2.3%.

Payroll growth assumption was reduced from 4% to 2%.

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

The City's covered payroll reported above is payroll for the City's corresponding fiscal year and differs from the covered payroll reported on the schedule of proportionate share of the net pension liability.

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

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
City's proportion of the net pension liability	0.934%	0.944%	0.9487%	0.9690%
City's proportionate share of the net pension liability (asset)	\$ 11,230,216	\$ 14,493,582	\$ 16,279,790	\$ 21,679,786
City's covered employee payroll	\$ 4,775,916	\$ 4,817,366	\$ 4,929,315	\$ 5,316,819
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%
Plan fiduciary net position as a percentage of the total pension liability	63.46%	57.52%	53.95%	49.78%

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2017 valuation:

The assumed investment rate of return was decreased from 7.5% to 6.25%.

The assumed rate of inflation was reduced from 3.5% to 2.3%.

Payroll growth assumption was reduced from 4% to 2%.

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

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

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 FIVE FISCAL YEARS

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

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2017 valuation:

The assumed investment rate of return was decreased from 7.5% to 6.25%.

The assumed rate of inflation was reduced from 3.5% to 2.3%.

Payroll growth assumption was reduced from 4% to 2%.

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

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

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

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

	2017	2018
City's proportion of the net OPEB liability	0.0799%	0.0874%
City's proportionate share of the net OPEB liability (asset)	\$ 1,377,759	\$ 1,756,516
City's covered employee payroll	\$ 1,904,886	\$ 2,113,469
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	72.33%	83.11%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2017 valuation:

The assumed investment rate of return was decreased from 7.5% to 6.25%.

The assumed rate of inflation was reduced from 3.5% to 2.3%.

Payroll growth assumption was reduced from 4% to 2%.

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

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

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 FIVE FISCAL YEARS

	2014	2015	2016	2017	2018
Contractually required employer contribution	\$ 88,206	\$ 88,727	\$ 88,653	\$ 100,658	\$ 101,434
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>
Contribution deficiency (excess)	<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
Employer contributions as a percentage of covered-employee payroll	5.15%	4.92%	4.65%	4.76%	4.75%

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2017 valuation:

The assumed investment rate of return was decreased from 7.5% to 6.25%.

The assumed rate of inflation was reduced from 3.5% to 2.3%.

Payroll growth assumption was reduced from 4% to 2%.

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

The City's covered payroll reported above is payroll for the City's corresponding fiscal year and differs from the covered payroll reported on the schedule of proportionate share of the net OPEB liability.

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

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

	2017	2018
City's proportion of the net OPEB liability	0.9487%	0.9690%
City's proportionate share of the net OPEB liability (asset)	\$ 4,786,659	\$ 8,010,654
City's covered employee payroll	\$ 4,929,315	\$ 5,316,819
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	97.11%	150.67%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	58.99%

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2017 valuation:

The assumed investment rate of return was decreased from 7.5% to 6.25%.

The assumed rate of inflation was reduced from 3.5% to 2.3%.

Payroll growth assumption was reduced from 4% to 2%.

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

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

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 FIVE FISCAL YEARS**

	2014	2015	2016	2017	2018
Contractually required employer contribution	\$ 666,441	\$ 658,706	\$ 625,922	\$ 497,364	\$ 528,681
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>
Contribution deficiency (excess)	<u>\$ -</u>				
City's covered employee payroll	\$ 4,775,916	\$ 4,817,366	\$ 4,929,315	\$ 5,316,819	\$ 5,654,339
Employer contributions as a percentage of covered-employee payroll	13.95%	13.67%	12.70%	9.35%	9.35%

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2017 valuation:

The assumed investment rate of return was decreased from 7.5% to 6.25%.

The assumed rate of inflation was reduced from 3.5% to 2.3%.

Payroll growth assumption was reduced from 4% to 2%.

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

The City's covered payroll reported above is payroll for the City's corresponding fiscal year and differs from the covered payroll reported on the schedule of proportionate share of the net OPEB liability.

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

SUPPLEMENTARY INFORMATION

CITY OF NEWPORT, KENTUCKY
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2018

	<u>Policemen and Firefighters' Retirement Fund</u>	<u>Employees' Retirement Fund</u>	<u>Total</u>
Assets			
Investments			
Cash balance in funds	\$ 97,078	\$ 68,860	\$ 165,938
Bonds	119,233	19,515	138,748
Closed end funds	311,518	164,053	475,571
Mutual funds	456,506	102,742	559,248
Market backed securities	109,081	17,598	126,679
Corporate Stock	392,068	-	392,068
Total Assets	<u>1,485,484</u>	<u>372,768</u>	<u>1,858,252</u>
Liabilities			
Due to (from) Fiduciary Fund	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net Position			
Held in trust for pension benefits	<u>1,485,484</u>	<u>372,768</u>	<u>1,858,252</u>
Total Net Position	<u>\$ 1,485,484</u>	<u>\$ 372,768</u>	<u>\$ 1,858,252</u>

CITY OF NEWPORT, KENTUCKY
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2018

	<u>Policemen and Firefighters' Retirement Fund</u>	<u>Employees' Retirement Fund</u>	<u>Total</u>
Additions			
Employer contributions	\$ -	\$ -	\$ -
Investment earnings			
Interest and dividends	58,373	13,044	71,417
Net appreciation in the fair value of investments including realized gains and losses	<u>62,435</u>	<u>23,590</u>	<u>86,025</u>
Total investment earnings	<u>120,808</u>	<u>36,634</u>	<u>157,442</u>
Total Additions	<u>120,808</u>	<u>36,634</u>	<u>157,442</u>
Deductions			
Benefits	323,796	184,420	508,216
Administrative expense	<u>20,082</u>	<u>8,027</u>	<u>28,109</u>
Total Deductions	<u>343,878</u>	<u>192,447</u>	<u>536,325</u>
Change in Net Position	(223,070)	(155,813)	(378,883)
Net Position-Beginning Of Year	<u>1,708,554</u>	<u>528,581</u>	<u>2,237,135</u>
Net Position-End Of Year	<u>\$ 1,485,484</u>	<u>\$ 372,768</u>	<u>\$ 1,858,252</u>



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newport, Kentucky, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Newport, Kentucky's basic financial statements, and have issued our report thereon dated January 17, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Newport, Kentucky's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Newport, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Newport, Kentucky's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RFH

RFH, PLLC
Lexington, Kentucky
January 17, 2019

STATISTICAL SECTION

STATISTICAL SECTION NARRATIVE

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

Section 1: Financial Trend Data:

Pages 93 – 97

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 98 – 102

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

Section 3: Debt Capacity:

Pages 103 – 107

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 108

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 109 – 111

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

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ (2,513,836)	\$ (1,764,812)	\$ 171,645	\$ 2,033,413	\$ 4,268,083	\$ 7,779,586	\$ 10,492,966	\$ 11,317,581	\$ 12,675,293	\$ 12,989,261
Restricted	4,191,255	3,810,281	464,478	2,126,793	1,351,158	35,464	81,193	4,141,909	3,293,973	1,631,794
Unrestricted	1,670,995	381,435	966,916	821,010	673,121	(12,272,560)	(12,858,460)	(17,217,833)	(22,336,744)	(24,393,369)
Total governmental activities net position	\$ 3,348,414	\$ 2,426,904	\$ 1,603,039	\$ 4,981,216	\$ 6,292,362	\$ (4,457,510)	\$ (2,284,301)	\$ (1,758,343)	\$ (6,367,478)	\$ (9,772,314)
Business-type activities										
Net investment in capital assets	\$ (3,310,768)	\$ (1,782,001)	\$ 436,766	\$ 1,855,533	\$ 1,524,302	\$ 1,839,167	\$ 1,726,037	\$ 2,052,781	\$ 2,099,182	\$ 2,429,487
Restricted	5,824,505	5,916,071	5,675,216	6,183,375	8,056,299	4,865,770	4,517,219	4,283,578	4,390,759	4,272,209
Unrestricted	944,617	1,066,343	831,923	782,140	319,735	(48,063)	71,938	127,019	117,399	361,196
Total business-type activities net position	\$ 3,458,354	\$ 5,200,413	\$ 6,943,905	\$ 8,821,048	\$ 9,900,336	\$ 6,656,874	\$ 6,315,194	\$ 6,463,378	\$ 6,607,340	\$ 7,062,892
Primary government										
Net investment in capital assets	\$ (5,824,604)	\$ (3,546,813)	\$ 608,411	\$ 3,888,946	\$ 5,792,385	\$ 9,618,753	\$ 12,219,003	\$ 13,370,362	\$ 14,774,475	\$ 15,418,748
Restricted	10,015,760	9,726,352	6,139,694	8,310,168	9,407,457	4,901,234	4,598,412	8,425,487	7,684,732	5,904,003
Unrestricted	2,615,612	1,447,778	1,798,839	1,603,150	992,856	(12,320,623)	(12,786,522)	(17,090,814)	(22,219,345)	(24,032,173)
Total primary government net position	\$ 6,806,768	\$ 7,627,317	\$ 8,546,944	\$ 13,802,264	\$ 16,192,698	\$ 2,199,364	\$ 4,030,893	\$ 4,705,035	\$ 239,862	\$ (2,709,422)

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
General government	\$ 1,922,031	\$ 1,868,549	\$ 1,778,054	\$ 1,499,391	\$ 1,747,163	\$ 1,811,096	\$ 1,829,592	\$ 2,961,163	\$ 3,856,204	\$ 2,614,472
Police	5,554,307	5,555,965	5,794,501	4,411,540	4,958,910	4,864,165	4,973,609	5,438,311	5,541,681	7,356,908
Fire/EMS	4,576,717	4,404,278	4,524,310	3,928,970	4,287,637	4,325,418	4,451,947	5,272,373	5,253,734	6,571,753
Development services	588,128	515,562	1,762,281	806,179	699,017	1,712,783	708,249	809,960	1,542,152	1,672,674
Community services	4,802,442	2,769,201	2,574,489	2,208,272	2,587,440	3,124,678	2,987,731	3,233,087	3,164,224	3,805,036
Municipal complex	331,945	311,207	313,053	348,160	346,430	307,821	347,091	310,673	290,707	276,632
Interest on long-term debt	1,236,834	1,194,156	1,195,131	1,131,534	1,059,359	974,019	794,518	760,692	614,309	602,544
Total governmental activities expenses	19,012,404	16,618,918	17,941,819	14,334,046	15,685,956	17,119,980	16,092,737	18,786,259	20,263,011	22,900,019
Business-type activities:										
Refuse	889,466	932,132	1,018,014	1,078,905	1,084,372	1,112,668	1,124,065	1,216,349	1,234,511	1,258,339
Newport on the Levee	7,142,808	6,067,222	6,117,063	5,779,336	5,996,105	8,514,839	5,511,513	5,320,849	5,116,313	4,952,761
Total business-type activities expenses	8,032,274	6,999,354	7,135,077	6,858,241	7,080,477	9,627,507	6,635,578	6,537,198	6,350,824	6,211,100
Total primary government expenses	\$ 27,044,678	\$ 23,618,272	\$ 25,076,896	\$ 21,192,287	\$ 22,766,433	\$ 26,747,487	\$ 22,728,315	\$ 25,323,457	\$ 26,613,835	\$ 29,111,119
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 186,793	\$ 329,815	\$ 213,501	\$ 391,529	\$ 261,166	\$ 231,970	\$ 236,143	\$ 239,634	\$ 248,633	\$ 273,146
Police	820,623	736,728	292,558	806,560	338,300	242,472	279,813	342,751	297,510	391,197
Fire/EMS	825,536	767,974	499,237	934,907	457,831	477,499	534,085	496,695	475,917	409,710
Development services	41,801	43,300	-	62,337	12,885	15,055	25,732	28,754	43,988	80,101
Community services	251,152	256,671	157,893	219,322	121,603	50,139	79,111	48,430	88,383	103,242
Municipal complex	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	1,158,384	529,478	657,100	673,362	1,158,359	1,098,265	1,141,755	968,693	897,990	1,021,208
Capital grants and contributions	443,365	541,336	2,159,270	1,896,717	1,813,415	4,176,657	586,025	1,028,185	1,486,750	570,609
Total governmental activities program revenues	3,727,654	3,205,302	3,979,559	4,984,734	4,163,559	6,292,057	2,882,664	3,153,142	3,539,171	2,849,213
Business-type activities:										
Charges for services:										
Refuse	882,699	1,054,874	1,103,387	1,149,023	1,211,843	1,234,637	1,287,365	1,350,209	1,384,000	1,326,446
Newport on the Levee	6,859,790	7,405,629	7,509,365	7,321,280	7,507,103	4,525,184	4,746,981	5,077,473	4,921,279	5,073,657
Capital grants and contributions	571,759	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	8,314,248	8,460,503	8,612,752	8,470,303	8,718,946	5,759,821	6,034,346	6,427,682	6,305,279	6,400,103
Total primary government program revenues	\$ 12,041,902	\$ 11,665,805	\$ 12,592,311	\$ 13,455,037	\$ 12,882,505	\$ 12,051,878	\$ 8,917,010	\$ 9,580,824	\$ 9,844,450	\$ 9,249,316

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

(Continued)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net (Expense)/Revenue										
Governmental activities	\$ (15,284,750)	\$ (13,413,616)	\$ (13,962,260)	\$ (9,349,312)	\$ (11,522,397)	\$ (10,827,923)	\$ (13,210,073)	\$ (15,633,117)	\$ (16,723,840)	\$ (20,050,806)
Business-type activities	281,974	1,461,149	1,477,675	1,612,062	1,638,469	(3,867,686)	(601,232)	(109,516)	(45,545)	189,003
Total primary government net (expense)/revenue	\$ (15,002,776)	\$ (11,952,467)	\$ (12,484,585)	\$ (7,737,250)	\$ (9,883,928)	\$ (14,695,609)	\$ (13,811,305)	\$ (15,742,633)	\$ (16,769,385)	\$ (19,861,803)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes, levied for general purposes	\$ 1,533,702	\$ 1,615,235	\$ 1,721,021	\$ 1,980,029	\$ 1,953,820	\$ 3,727,354	\$ 2,590,894	\$ 2,038,779	\$ 2,133,032	\$ 2,252,282
Taxes, levied for bank deposits	47,354	46,019	58,323	49,251	50,839	61,721	61,426	64,964	67,447	67,447
Tangible	224,687	194,245	213,579	229,851	254,259	252,477	272,173	280,160	222,681	222,681
Payroll	5,144,845	4,939,656	5,055,781	4,960,332	4,887,904	5,276,794	5,724,313	6,201,961	6,623,813	6,720,680
Gross receipts franchise	1,447,271	1,417,593	1,412,842	1,435,960	1,590,134	1,671,196	1,885,917	2,026,947	1,771,847	1,992,322
Insurance premiums	2,571,317	2,432,879	2,515,644	2,268,680	2,763,745	2,981,708	2,943,775	2,861,193	3,122,632	3,364,978
Other permits	484,804	507,129	539,701	580,911	621,522	631,232	760,895	579,216	650,769	611,517
Franchise fees	708,161	696,490	722,659	698,698	651,868	701,437	667,857	574,829	595,515	603,247
Other uses of property	263,543	547,917	845,530	490,683	445,329	517,532	483,249	1,413,721	2,368,475	428,606
Grants and contributions - non-program specific	20,594	16,168	67,939	38,192	15,645	-	-	-	-	-
Interest	52,645	2,515	1,633	2,216	2,124	2,559	3,937	4,191	8,560	25,313
Miscellaneous	39,534	39,339	25,124	12,470	13,814	13,385	3,785	35,757	85,596	52,644
Gain (loss) on sale of capital assets	-	-	-	-	-	(49,000)	-	(1,000)	15,853	259,582
Transfers	30,894	36,921	(41,381)	(19,784)	(17,585)	(16,788)	(14,939)	47,257	48,700	44,671
Transfers from (to) component unit	-	-	-	-	-	-	-	31,100	(45,000)	-
Prior period adjustment	-	-	-	-	(399,875)	-	-	-	-	-
Total governmental activities	12,569,351	12,492,106	13,138,395	12,727,489	12,833,543	15,771,607	15,383,282	16,159,075	17,669,920	16,645,970
Business-type activities:										
Grants and contributions - non-program specific	-	-	-	-	-	-	-	-	-	-
Interest	351,959	317,831	304,436	305,297	303,561	304,395	304,613	304,957	308,288	311,220
Gain (loss) on sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers	(30,894)	(36,921)	(38,619)	(40,216)	(42,415)	(43,212)	(45,061)	(47,257)	(48,700)	(44,671)
Prior period adjustment	-	-	-	-	(820,327)	(514,117)	-	-	-	-
Total business-type activities	321,065	280,910	265,817	265,081	(559,181)	(252,934)	259,552	257,700	259,588	266,549
Total primary government	\$ 12,890,416	\$ 12,773,016	\$ 13,404,212	\$ 12,992,570	\$ 12,274,362	\$ 15,518,673	\$ 15,642,834	\$ 16,416,775	\$ 17,929,508	\$ 16,912,519
Change in net position										
Governmental activities	\$ (2,715,399)	\$ (921,510)	\$ (823,865)	\$ 3,378,177	\$ 1,311,146	\$ 4,943,684	\$ 2,173,209	\$ 525,958	\$ 946,080	\$ (3,404,836)
Business-type activities	603,039	1,742,059	1,743,492	1,877,143	1,079,288	(4,120,620)	(341,680)	148,184	214,043	455,552
Total change in net position	\$ (2,112,360)	\$ 820,549	\$ 919,627	\$ 5,255,320	\$ 2,390,434	\$ 823,064	\$ 1,831,529	\$ 674,142	\$ 1,160,123	\$ (2,949,284)

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General fund										
Restricted, Committed, etc.	\$ 2,739	\$ (1,856)	\$ 233,037	\$ 102,597	\$ 99,797	\$ 40,473	\$ 94,714	\$ 4,141,946	\$ 3,294,679	\$ 1,644,065
Unassigned	88,543	(695,953)	(546,959)	(51,588)	178,062	2,293,558	1,944,398	3,537,244	3,915,570	4,425,071
Total general fund	\$ 91,282	\$ (697,809)	\$ (313,922)	\$ 51,009	\$ 277,859	\$ 2,334,031	\$ 2,039,112	\$ 7,679,190	\$ 7,210,249	\$ 6,069,136
All other governmental funds										
Restricted, Committed, etc.	\$ 500,434	\$ 501,062	\$ 920,584	\$ 599,416	\$ 487,967	\$ 428,478	\$ 462,520	\$ 602,171	\$ 690,425	\$ 400,050
Unassigned, reported in:										
Revolving loan fund	-	-	-	-	(29,399)	-	-	-	-	-
Special revenue funds	337,993	342,182	-	-	-	-	-	-	-	-
Capital projects funds	83	85	-	-	-	-	(3,731)	-	-	-
Total all other governmental funds	\$ 838,510	\$ 843,329	\$ 920,584	\$ 599,416	\$ 458,568	\$ 428,478	\$ 458,789	\$ 602,171	\$ 690,425	\$ 400,050

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes	\$ 1,805,743	\$ 1,855,499	\$ 1,992,923	\$ 2,259,131	\$ 2,258,918	\$ 4,019,952	\$ 2,911,967	\$ 2,402,093	\$ 2,428,217	\$ 2,551,860
Licenses and permits	9,648,237	9,297,983	9,523,968	9,245,882	9,863,305	10,560,930	11,314,900	11,669,317	12,169,061	12,672,345
Intergovernmental	1,651,302	989,821	2,770,299	1,759,750	2,408,022	4,885,470	1,719,409	1,990,064	2,379,536	1,527,036
Fines and forfeitures	195,432	144,105	160,459	177,586	159,381	102,172	114,879	100,013	90,053	217,512
Charges for services	938,792	906,455	1,002,730	1,039,922	995,904	983,802	1,029,657	1,091,226	1,044,991	1,002,239
Uses of property	1,522,057	1,260,958	1,568,188	1,166,992	1,712,093	1,328,814	1,204,981	2,042,425	3,027,944	1,345,308
Interest	52,156	2,228	1,357	1,980	1,907	2,382	3,839	4,035	8,450	25,147
Miscellaneous	525,020	403,302	363,137	1,039,320	93,739	288,491	3,785	35,757	153,654	52,644
Total revenues	16,338,739	14,860,351	17,383,061	16,690,563	17,493,269	22,172,013	18,303,417	19,334,930	21,301,906	19,394,091
Expenditures										
General government	1,679,417	1,611,293	1,549,703	1,521,333	1,606,362	1,628,804	1,686,759	2,166,545	3,719,893	2,053,361
Police	4,857,106	4,803,983	4,413,309	4,495,014	4,699,789	4,600,633	4,620,901	4,499,178	4,919,023	5,284,024
Fire/EMS	3,984,505	3,777,219	3,827,032	4,006,267	4,002,085	4,012,694	4,089,724	4,372,694	4,516,539	4,567,830
Development services	494,205	443,266	1,758,876	775,560	651,684	1,632,634	652,217	716,881	1,428,255	1,560,933
Community services	3,602,396	1,714,048	1,373,411	1,435,138	1,695,088	2,228,436	2,029,004	2,104,366	2,149,250	2,518,623
Municipal complex	180,328	174,420	179,111	215,057	216,736	176,882	216,689	180,448	191,080	183,699
Capital outlay	1,812,623	326,675	919,631	1,475,024	1,775,298	3,169,052	2,378,130	1,999,322	1,967,606	1,765,292
Debt service										
Principal	1,701,049	1,704,423	1,653,815	1,561,530	1,614,116	1,661,771	1,662,655	1,642,417	1,703,425	1,662,966
Interest	1,244,573	1,202,585	1,205,650	1,142,095	1,070,524	918,237	806,257	760,875	658,032	632,524
Debt issuance cost	-	-	-	-	-	-	-	-	-	-
Total expenditures	19,556,202	15,757,912	16,880,538	16,627,018	17,331,682	20,029,143	18,142,336	18,442,726	21,253,103	20,229,252
Excess (deficiency) of revenues over (under) expenditures	(3,217,463)	(897,561)	502,523	63,545	161,587	2,142,870	161,081	892,204	48,803	(835,161)
Other financing sources (uses)										
Proceeds from long-term debt, including premium	437,535	76,369	-	-	-	8,042,767	-	12,214,108	3,297,129	-
Refunding of long-term debt	-	-	-	-	-	(7,987,155)	-	(6,734,623)	(3,221,130)	-
Bond issue costs on refunded debt	-	-	-	-	-	(55,612)	-	(366,586)	(74,189)	(1,000)
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Discount on debt issued	-	-	-	-	-	-	-	-	-	-
Transfers in	1,235,358	446,129	220,231	163,659	809,425	1,047,607	642,609	745,832	1,771,588	2,005,923
Transfers out	(1,204,464)	(409,208)	(261,612)	(183,443)	(885,010)	(1,164,395)	(1,068,298)	(967,475)	(2,202,888)	(2,601,250)
Total other financing sources (uses)	468,429	113,290	(41,381)	(19,784)	(75,585)	(116,788)	(425,689)	4,891,256	(429,490)	(596,327)
Special items										
Pension contributions from bond issue	-	-	-	-	-	-	-	-	-	-
Total special items	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	\$ (2,749,034)	\$ (784,271)	\$ 461,142	\$ 43,761	\$ 86,002	\$ 2,026,082	\$ (264,608)	\$ 5,783,460	\$ (380,687)	\$ (1,431,488)
Debt service as a percentage of non capital expenditures	16.60%	18.84%	17.92%	17.84%	17.26%	15.30%	15.66%	14.62%	12.24%	12.43%

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					
2009	497,836,401	479,060,956	11,880,455	47,009,088	13,800,301	287,734,430	761,852,771	2.11	1,049,587,201	72.59%
2010	494,347,123	622,782,299	11,761,300	50,828,905	14,466,985	430,936,055	763,250,557	2.25	1,194,186,612	63.91%
2011	490,644,819	601,321,953	13,649,405	55,475,343	15,095,951	412,209,452	763,978,019	2.39	1,176,187,471	64.95%
2012	484,611,603	602,987,017	14,079,362	59,036,972	15,374,007	414,985,234	761,103,727	2.52	1,176,088,961	64.71%
2013	468,149,876	617,232,472	15,360,965	58,715,730	16,518,663	431,805,365	744,172,341	2.58	1,175,977,706	63.28%
2014	463,665,282	611,205,897	16,567,680	57,345,597	18,064,234	435,075,846	731,772,844	2.64	1,166,848,690	62.71%
2015	462,715,480	677,179,540	17,001,308	64,344,787	17,945,030	501,477,996	737,708,149	2.75	1,239,186,145	59.53%
2016	464,915,199	701,736,079	17,616,304	68,076,836	19,639,293	507,099,108	764,884,603	2.74	1,271,983,711	60.13%
2017	470,805,842	717,031,027	17,648,717	70,757,341	21,430,390	544,886,076	752,787,241	2.81	1,297,673,317	58.01%
2018	475,979,474	760,134,911	16,811,557	72,162,113	22,217,820	524,704,765	822,601,110	2.87	1,347,305,875	61.06%

**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			
2009	2.110	1.160	1.220	1.118	8.200	13.808	
2010	2.250	1.240	1.220	1.158	8.610	14.478	
2011	2.390	1.280	1.220	1.198	8.860	14.948	
2012	2.520	1.360	1.220	1.238	9.270	15.608	
2013	2.580	1.430	1.220	1.318	9.510	16.058	
2014	2.640	1.500	1.220	1.308	9.770	16.438	
2015	2.750	1.540	1.220	1.338	9.770	16.618	
2016	2.740	1.620	1.220	1.348	9.750	16.678	
2017	2.810	1.670	1.220	1.308	10.060	17.068	
2018	2.870	1.710	1.220	1.318	10.860	17.978	

(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	2018			2009		
	Taxable Assessed	Rank	Percentage of Total Taxable Assessed	Taxable Assessed	Rank	Percentage of Total Taxable Assessed
	Valuation		Valuation	Valuation		Valuation
Riverfront Place Ltd.	\$ 13,737,000	1	1.82%	\$ 16,400,000	1	2.39%
CPX Newport Commercial Devp LLC	10,375,000	2	1.38%	11,150,000	3	1.62%
NKY Hospitality LLC	8,100,000	3	1.08%	-		
Riverchase Properties LLC	6,779,134	4	0.90%	6,869,834	5	
Kroger Limited Partenership (Tang)	6,514,051	5	0.87%	-		0.00%
Newport Hotel Associates LLC	6,175,000	6	0.82%	5,040,000	7	0.73%
KY Properties Company	5,950,000	7	0.79%	5,300,000	6	0.77%
New Riff Distilling LLC (Tang)	5,097,356	8	0.68%	-		
Newport Company LLC	5,000,000	9	0.66%	7,014,871	4	1.02%
Gator Newport Partners LTD	4,843,325	10	0.64%	4,634,100	8	0.68%
Louis Trauth Dairy LLC (Real & Tang)	-			12,109,597	2	1.76%
Joslin Enterprises	-			3,800,000	9	0.55%
Newport on the Levee				3,678,000	10	0.54%
TOTAL	\$ 72,570,866		9.64%	\$ 75,996,402		10.07%

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

Taxpayer	2018		2009	
	Rank	Percentage of Total City Payroll Taxes	Rank	Percentage of Total City Payroll Taxes
Newport Board of Education	1	4.92%	1	7.40%
Commonwealth of Kentucky	2	4.92%	2	4.98%
Defender Direct	3	3.69%	-	-
Kroger #423	4	3.62%	-	-
P L Marketing Inc	5	3.43%	-	-
City of Newport	6	2.99%	5	3.64%
Campbell County Fiscal Court	7	2.32%	6	2.70%
Baptist Convalescent Court	8	2.29%	7	2.56%
Newport Aquarium LLC	9	2.21%	8	1.76%
Divisions	10	2.16%		
Trauth Dairy			3	4.97%
Xanodyne			4	3.66%
Brighton Center Inc.			9	1.51%
Humana			10	1.49%
		32.56%		34.67%

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
2009	1,664,161	1,613,350	96.9%	89,965	1,703,315	102.4%
2010	1,767,539	1,692,413	95.7%	46,585	1,738,999	98.4%
2011	1,874,485	1,777,769	94.8%	66,668	1,844,437	98.4%
2012	1,971,360	1,908,201	96.8%	76,526	1,984,727	100.7%
2013	1,944,338	1,862,730	95.8%	108,596	1,971,325	101.4%
2014	1,973,958	1,870,998	94.8%	76,343	1,947,341	98.7%
2015	2,042,622	1,957,349	95.8%	95,212	2,052,561	100.5%
2016	2,124,304	1,972,673	92.9%	100,704	2,073,377	97.6%
2017	2,114,952	2,030,191	96.0%	71,397	2,101,589	99.4%
2018	2,191,635	2,128,362	97.1%	85,696	2,214,058	101.0%

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	76.19	76.33	76.40	76.11	74.42	73.18	73.77	76.49	75.28	82.26
Total debt applicable to limit	(26.25)	(24.91)	(23.54)	(22.12)	(20.65)	(19.27)	(17.74)	(22.18)	(20.78)	(18.91)
Legal debt margin	102.44	101.24	99.94	98.23	95.06	92.45	91.51	98.67	96.06	101.17
Total debt applicable to the limit as a percentage of debt limit	-34.46%	-32.64%	-30.81%	-29.06%	-27.74%	-26.33%	-24.05%	-29.00%	-27.60%	-22.98%

Legal Debt Margin Calculation for Fiscal Year

Total taxable assessed value	<u>\$ 761,104</u>	<u>\$ 744,172</u>	<u>\$ 731,773</u>	<u>\$ 737,708</u>	<u>\$ 764,885</u>	<u>\$ 752,787</u>	<u>\$ 822,601</u>
Debt limit (10% of total taxable assessed value)	\$ 76,110	\$ 74,417	\$ 73,177	\$ 73,771	\$ 76,488	\$ 75,279	\$ 82,260
Less Debt applicable to limit:	<u>(22,115)</u>	<u>(20,645)</u>	<u>(19,268)</u>	<u>(17,743)</u>	<u>(22,184)</u>	<u>(20,780)</u>	<u>(18,906)</u>
Legal debt margin	<u><u>\$ 53,995</u></u>	<u><u>\$ 53,772</u></u>	<u><u>\$ 53,910</u></u>	<u><u>\$ 56,028</u></u>	<u><u>\$ 54,304</u></u>	<u><u>\$ 54,499</u></u>	<u><u>\$ 63,354</u></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.

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

Fiscal Year	Governmental Activities			Business-type Activities		Total Primary Government	Percentage to Personal Income	Per Capita
	General Obligation Bonds	Notes Payable	Capital Leases	Revenue Bonds	Notes Payable			
2009	26,250,000	2,189,622	372,113	39,155,000	-	67,966,735	4.66%	3,987
2010	24,910,000	2,066,621	207,471	36,050,000	-	63,234,092	4.43%	3,709
2011	23,535,000	1,941,892	53,385	32,740,000	-	58,270,277	4.39%	3,764
2012	22,115,000	1,815,410	38,337	29,260,000	-	53,228,747	4.15%	3,460
2013	20,645,000	1,687,152	22,479	28,015,000	-	50,369,631	4.20%	3,283
2014	19,267,767	1,557,091	5,768	26,660,000	-	47,490,626	3.88%	3,092
2015	17,742,767	1,425,204	-	25,195,000	-	44,362,971	3.57%	2,893
2016	22,184,169	1,291,463	-	23,605,000	-	47,080,632	3.96%	2,762
2017	20,779,722	1,155,844	-	21,885,000	-	43,820,566	4.14%	2,875
2018	18,905,845	1,018,319	-	20,020,000	-	39,944,164	3.97%	2,657

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

Governmental Activities

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
2009	26,250,000	2.50%	1,540
2010	24,910,000	2.09%	1,461
2011	23,535,000	2.00%	1,520
2012	22,115,000	1.88%	1,437
2013	20,645,000	1.76%	1,346
2014	19,267,767	1.65%	1,255
2015	17,742,767	1.43%	1,157
2016	22,184,169	1.74%	1,301
2017	20,779,722	1.60%	1,363
2018	18,905,845	1.40%	1,258

CITY OF NEWPORT, KENTUCKY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2018

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (3)	Estimated Share of Overlapping Debt
Debt repaid with property taxes: School	(1) \$ 16,426,259	100.00%	\$ 16,426,082
Debt repaid with property taxes: County	(2) \$ 19,675,000	12.83%	2,525,231
Subtotal overlapping debt			18,951,313
City of Newport direct debt			18,905,845
Total direct and overlapping			\$ 37,857,158

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	
2009	7,782,283	2,011,613	5,770,670		3,030,000	3,454,263	0.89
2010	7,723,152	1,253,834	6,469,318		3,105,000	3,181,541	1.03
2011	7,509,365	1,593,848	5,915,517		3,310,000	2,891,367	0.95
2012	7,321,280	1,546,521	5,774,759		2,995,000	2,600,966	1.03
2013	7,810,664	1,996,457	5,814,207		1,245,000	2,423,415	1.58
2014	4,829,081	1,686,164	3,142,917		1,355,000	2,314,541	0.86
2015	5,050,844	1,736,930	3,313,914		1,465,000	2,196,453	0.91
2016	5,381,766	1,769,150	3,612,615		1,590,000	2,068,525	0.99
2017	5,228,813	1,563,546	3,665,267		1,720,000	1,929,919	1.00
2018	5,383,704	1,501,088	3,882,617		1,865,000	1,779,797	1.07

(1) Total Revenues (including interest)

(2) Total operating expenses exclusive of depreciation

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)
2009	17,048	617,734,280	36,235	35.4	1,780	10.1%
2010	17,048	613,165,416	35,967	35.4	1,955	10.4%
2011	15,483	581,092,473	37,531	34.0	1,786	10.0%
2012	15,385	577,414,435	37,531	34.0	1,691	7.7%
2013	15,342	531,907,140	34,670	35.9	1,824	7.5%
2014	15,357	537,495,000	35,000	36.0	1,979	8.1%
2015	15,335	537,353,735	35,041	35.4	1,949	4.4%
2016	17,048	592,145,232	34,734	31.9	1,949	3.2%
2017	15,241	529,380,894	34,734	35.7	1,572	3.9%
2018	15,033	501,545,979	33,363	35.7	1,582	3.2%

(1) Census Bureau updated estimate and State Data Center

(2) U.S. Census Bureau

(3) U.S. Census Bureau

(4) Newport Independent School District

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

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

	Full-Time Equivalent Employees as of June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Function/Program										
General Government										
Office of the City Manager	6	6	6	7	6	6	6	4	6	6
Finance & Administration	7	7	6	6	5	5	5	6	5	5
Public Safety										
Police										
Sworn	47	42	45	43	42	42	42	42	41	41
Civilian	4	4	4	6	5	7	7	8	8	8
Fire										
Firefighters & Officers	37	35	37	37	37	37	37	37	37	37
Civilian	1	1	1	1	1	1	1	1	1	1
Development Services										
Administration	3	2	2	2	2	2	2	2	2	2
Code Enforcement	4	4	2	4	2	2	2	2	3	3
Community Services										
Administration	2	2	2	2	2	2	2	2	2	2
Code Enforcement	-	-	-	-	-	-	-	-	-	-
Maintenance	13	12	7	7	9	9	9	9	12	13
Parks and Recreation	-	-	-	-	-	-	-	-	-	-
Total	124	115	112	115	111	113	113	113	117	118

Source: Finance & Administration Department (Budget Documents)

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

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Physical arrests	3,408	3,626	5,364	5,177	3,025	4,102	8,060	6,116	2,835	2,051
Parking violations	10,827	8,336	9,196	7,607	7,604	5,377	4,946	5,430	10,628	5,014
Traffic violations	1,063	1,126	1,979	1,075	2,627	3,977	5,915	2,811	1,434	1,591
Fire										
Number of calls answered:										
Fire	1,581	1,493	1,493	1,571	1,629	1,637	1,642	1,643	1,720	1,820
Emergency Medical Services	3,400	3,311	3,313	3,555	3,336	3,435	3,702	3,592	3,512	3,272
Inspections	1,509	1,198	943	875	904	744	673	678	475	675
Highways and streets										
Street resurfacing (miles)	-	-	-	-	0.5 *	1.2	- *	1.6 *	1.4 *	1.5
Potholes repaired	5,016	N/A	N/A	N/A	4,321 *	4,269	4,464 *	3,897 *	1,640 *	1,060
Culture and recreation										
Athletic field permits issued	-	-	-	-	-	-	-	390	164	106
Pool admissions	280	302	338	258	80	77	82	87	742	462
Pool passes	3,793	3,479	6,474	12,223	9,998	8,557	8,166	9,151	6,740	6,127
	9	24	31	45	230	327	352	60	371	278
Facilities and services not included in this reporting entity:										
Education:										
Number of elementary school instructors										
Number of secondary school instructors	84	82	84	74	76	79	79	70	72	91
Water										
Number of service connections	72	72	79	76	81	85	84	79	80	63
Average daily consumption	5,750	5,093	6,286	6,192	6,108	6,104	6,104	5,701	5,716	5,719
(thousands of gallons)	2,500	2,400	2,300	2,300	2,300	2,300	2,300	4,100	4,100	4,226
Sanitation										
Average daily sewage treatment										
(thousands of gallons)	34,600	35,880	36,970	40,850	35,700	35,800	29,500	36,600	36,600	36,600

* - estimate number

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

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

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	41	34	34	32	41	40	38	30	32	35
Fire stations										
Apparatus	2	2	2	2	2	2	2	2	2	2
Highways and streets										
Street (miles)	6	6	6	6	6	6	6	6	6	6
Streetlights	35	35	35	35	35	35	35	35	35	35
Culture and recreation	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,300	1,300
Parks acreage										
Parks	52	52	52	52	52	52	52	52	52	52
Swimming pools	13	13	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	3	3	2	2	2	2	2	2	2	2
Number of secondary schools	2	2	2	2	2	2	2	2	2	2
Water										
Water mains (miles)	51.60	51.30	51.30	53.42	53.50	53.50	53.50	58.90	59.27	59.30
Fire hydrants	530	455	440	464	434	460	473	485	420	429
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)	1,600	1,775	1,921	1,931	1,962	1,966	1,971	1,990	2,071	2,100
Number of treatment plants	6	6	6	6	7	7	7	7	7	7
Maximum daily treatment capacity (thousands of gallons)	50,500	50,500	51,500	70,500	70,500	70,500	70,500	70,500	70,500	70,500