ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2022

THE CITY OF NEWCASTLE, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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HBC
CPAs & Advisors

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Newcastle, Oklahoma

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and aggregate remaining fund information of City of Newcastle, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Newcastle, Oklahoma, as of June 30, 2022, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.B.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1.B.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Basis of Accounting

We draw attention to Note 1.B. of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Newcastle, Oklahoma's basic financial statements. The management's discussion and analysis (pages 7-15), Schedule of Expenditures of Federal and State Awards (page 52) and the budgetary comparison information (pages 48-49), which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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 it.

The combining and individual nonmajor fund financial statements—modified cash basis (page 50-51) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements—modified cash basis 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 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 and individual nonmajor fund financial statements—modified cash basis are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2023, on our consideration of the City of Newcastle, Oklahoma'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 City of Newcastle, Oklahoma's internal control over financial reporting and compliance.

HBC CPAs + Advisors

Oklahoma City, Oklahoma
August 8, 2023

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The management of the City of Newcastle is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 2022. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

FINANCIAL HIGHLIGHTS

- As reported on a modified cash basis, the City's total net position increased by $5,374,776, and the assets of the City exceed its liabilities at June 30, 2022, by $40,168,901 (net position). Of this amount, $12,944,854 (unrestricted net position) is available to meet the government's ongoing needs.

- At June 30, 2022, the City's governmental funds reported combined ending fund balances on a modified cash basis of $9,698,129.

- At the end of fiscal year 2022, unassigned fund balance on a modified cash basis for the General Fund was $3,559,103 or 34.6% of General Fund revenues.

ABOUT THE CITY

The City of Newcastle is an incorporated municipality with a population of approximately 12,204 located in McClain County in central Oklahoma. The City is a Council-Manager form of government that provides for three branches of government:

- Legislative – the City Council is a five-member governing body elected by the citizens
- Executive – the Mayor is the Chief Executive Officer and is elected by the citizens
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Council

The City provides typical municipal services such as public safety, cemetery, streets and alley maintenance, parks and recreation, community development and certain utility services including water, wastewater and sanitation.

The City's Financial Reporting Entity

This annual report includes all activities for which the City Council is financially accountable. These activities, defined as the City's financial reporting entity, are operated within separate legal entities.

The City's financial reporting entity includes the following separate legal entities.

- **The City of Newcastle** – that operates the public safety, cemetery, streets and public works, health and welfare, culture and recreation, and administrative activities

- **The Newcastle Public Works Authority (NPWA)** – that operates the water, wastewater, and sanitation services of the City – blended as proprietary type enterprise fund – *considered part of the primary government presentation for reporting purposes*

- **The Newcastle Educational Facilities Authority (NEFA)** – public trust to provide financing to and the promotion of educational facilities within the City – entity only involves conduit debt.

- **The Newcastle Economic Development Authority (NEDA)** – public trust providing financing to businesses for the purpose of acquiring facilities for industrial or manufacturing, in or near the City, with the trustees appointed by the City Council – *reported as a discretely presented component unit*

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements of the primary government presented herein include all of the activities of the City of Newcastle (the "City") and the Newcastle Public Works Authority (the "Authority"). Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type, in addition to a separate presentation for the discretely presented component unit. NEFA is included in this report as a note only due to a conduit debt disclosure.

The government-wide financial statements present the complete financial picture of the City as applicable to the modified cash basis of accounting. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt), resulting from modified cash basis transactions. They present governmental and business-type activities separately and combined. 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 significant funds.

Reporting the City as a Whole

The Statement of Net Position and Statement of Activities
One of the most important questions to ask about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady 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. You will need to consider other non-financial factors, however, such as changes in the City's sales tax base, the condition of the City's roads, and quality of service to assess the overall health of the City. You will also need to keep in mind that these government-wide statements are prepared in accordance with the modified cash basis of accounting and include only those assets and liabilities resulting from cash transactions with selected modifications.

In the Statement of Net Position and the Statement of Activities, we divide the City's primary government into two kinds of activities: *Governmental activities* - Most of the City's basic services are reported here, including the police, fire, administration, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; and *Business-type activities* – Activities where the City charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The City's water, sewer, and sanitation utilities are reported as business-type activities.

Reporting the City's Most Significant Funds - Fund Financial Statements

Fund Financial Statements

The fund financial statements provide detailed information about the City's most significant (major) funds -- not the City as a whole. Some funds are required to be established by State law and by debt covenants. However, the City Council may also establish certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds – *governmental and proprietary* - use different accounting approaches.

Governmental funds - All 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. Governmental funds report their activities on a modified cash basis of accounting that is different from other funds. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary funds - When the City, through the Public Works Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported on the modified cash basis of accounting and an economic resources measurement focus. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. The City's major proprietary type enterprise fund is the Newcastle Public Works Authority operations fund that accounts for the operation of the water, sewer, and sanitation activities. In addition, a Sewer Impact Enterprise Fund accounts for fees restricted for sewer infrastructure, and a Water Impact Enterprise Fund that accounts for fees restricted for water infrastructure.

Notes to the Financial Statements

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 29-48 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents Budgetary Comparison Schedules for the City of Newcastle's governmental activities, federal and state award schedules and combining non-major fund financial statements.

THE CITY AS A WHOLE

For the year ended June 30, 2022, net position on a modified cash basis for the governmental and business-type activities increased $5,374,776.

Net Position (Modified Cash Basis)
June 30, 2022

Following is a summary of net position reported on a modified cash basis for the City of Newcastle.

TABLE 1
NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2022	2021		2022	2021		2022	2021	
Current assets	$ 9,706	$ 7,363	32%	$ 8,950	$ 6,974	28%	$ 18,656	$ 14,337	30%
Capital assets, net	13,991	13,097	7%	11,636	11,550	1%	25,627	24,647	4%
Total assets	23,697	20,460	16%	20,586	18,524	11%	44,283	38,984	14%
Current liabilities	8	3	167%	-	-	-	8	3	167%
Non-current liabilities	1,954	1,884	4%	2,152	2,303	-7%	4,106	4,187	-2%
Total liabilities	1,962	1,887	4%	2,152	2,303	-7%	4,114	4,190	-2%
Net position									
Net investment in capital assets	12,037	11,213	7%	9,752	9,498	3%	21,789	20,711	5%
Restricted	2,191	2,132	3%	3,244	2,239	45%	5,435	4,371	24%
Unrestricted	7,507	5,228	44%	5,438	4,484	21%	12,945	9,712	33%
Total net position	$ 21,735	$ 18,573	17%	$ 18,434	$ 16,221	14%	$ 40,169	$ 34,794	15%

The largest portion of the City's net position reflects its net investment in capital assets. This year the net investment in capital assets amounted to $21,788,410.

Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position, $5,435,637, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, $12,944,854, may be used to meet the government's ongoing needs.

Changes in Net Position (Modified Cash Basis)
Year Ended June 30, 2022

TABLE 2
CHANGES IN NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2022	2021		2022	2021		2022	2021	
Revenues									
Charges for service	$ 1,050	$ 930	13%	$ 6,200	$ 6,506	-5%	$ 7,250	$ 7,436	-3%
Operating grants and contributions	841	1,073	-22%	-	-	-	841	1,073	-22%
Capital grants and contributions	187	214	-13%	223	-	100%	410	214	92%
Taxes	10,014	8,882	13%	-	-	-	10,014	8,882	13%
Intergovernmental revenue	137	128	7%	930	-	100%	1,067	128	734%
Investment income	10	13	-23%	18	14	29%	28	27	4%
Miscellaneous	655	209	213%	103	37	178%	758	246	208%
Total revenues	12,894	11,449	13%	7,474	6,557	14%	20,368	18,006	13%
Expenses									
General government	2,206	2,519	-12%	-	-	-	2,206	2,519	-12%
Public safety	4,417	4,001	10%	-	-	-	4,417	4,001	10%
Streets	2,556	1,883	36%	-	-	-	2,556	1,883	36%
Culture, parks and recreation	438	183	139%	-	-	-	438	183	139%
Cemetery	23	5	360%	-	-	-	23	5	360%
Interest on long-term debt	59	68	-13%	-	-	-	59	68	-13%
Water	-	-	-	4,021	3,841	5%	4,021	3,841	5%
Wastewater	-	-	-	494	409	21%	494	409	21%
Sanitation	-	-	-	779	684	14%	779	684	14%
Total expenses	9,699	8,659	12%	5,294	4,934	7%	14,993	13,593	10%
Excess (deficiency) before transfers	3,195	2,790	15%	2,180	1,623	34%	5,375	4,413	22%
Transfers	(33)	23	243%	33	(23)	243%	-	-	-
Change in net position	3,162	2,813	12%	2,213	1,600	38%	5,375	4,413	22%
Beginning net position	18,573	15,760	18%	16,221	14,621	11%	34,794	30,381	15%
Ending net position	$ 21,735	$ 18,573	17%	$ 18,434	$ 16,221	14%	$ 40,169	$ 34,794	15%

Governmental Activities

The City's governmental activities had an increase in net position of $3,161,837. The increase in miscellaneous revenue of 213% is primarily due to an insurance claim received in the amount of $364,000 related to the 2017 Fire Engine. The increase in culture, parks and creation expenditures of 139% is primarily due an increase in park salaries from the creation of a new position.

Business-type Activities

The business-type activities had an increase in net position of $2,212,939. The increase in capital grants and contributions is related the $223,071 received from the Oklahoma Development Finance Authority as an incentive for the new wastewater treatment plant. The increase in intergovernmental revenue is related to the American Rescue Plan Act grant (ARPA) in the amount of $930,476.

TABLE 3
Net Revenue (Expense) of Governmental Activities
(In Thousands)

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services	
	2022	2021		2022	2021
General government	$ 2,206	$ 2,519	-12%	($1,077)	($1,062)
Public safety	4,417	4,001	10%	(3,994)	(3,634)
Streets	2,556	1,883	36%	(2,294)	(1,796)
Culture, parks and recreation	438	183	139%	(182)	119
Cemetery	23	5	360%	(15)	-
Interest on long-term debt	59	68	-13%	(59)	(68)
Total	9,699	8,659	12%	(7,621)	(6,441)

TABLE 4
Net Revenue (Expense) of Business-Type Activities
(In Thousands)

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services	
	2022	2021		2022	2021
Water	$ 4,021	$ 3,841	5%	$ 350	$ 704
Wastewater	494	409	21%	608	701
Sanitation	779	684	14%	171	167
Total	$ 5,294	$ 4,934	7%	$1,129	$1,572

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2022 fiscal year, the governmental funds reported a combined fund balance of $9,698,129. For the year ended June 30, 2022, the General Fund's total fund balance increased by $580,734 due mainly to loan proceeds of $502,510.

Budgetary Highlights

For the year ended June 30, 2022, the City of Newcastle reported actual budgetary basis revenues over final estimates by $1,267,503 or a 4.64% positive variance. Actual expenditures were under final appropriations by $1,719,283 or an 8.33% positive variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2022, the City had approximately $25.6 million invested in capital assets (net of accumulated depreciation), as reported on a modified cash basis, including land, buildings, machinery and equipment, and infrastructure. This represents a net increase of $979,733 from the prior year.

Below are details regarding the change in the City's capital assets for the year ended June 30, 2022.[1]

TABLE 5
Capital Assets
(In Thousands)
(Net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	$ 2,530	$ 2,530	$ 602	$ 602	$ 3,132	$ 3,132
Buildings	2,097	2,181	3,391	3,588	5,488	5,769
Imp. other than buildings	1,091	819	447	4	1,538	823
Machinery, furniture and equipment	2,147	1,215	408	421	2,555	1,636
Infrastructure	5,781	6,018	-	-	5,781	6,018
Utility property	-	-	6,277	6,391	6,277	6,391
Construction in progress	345	334	511	544	856	878
Totals	$ 13,991	$ 13,097	$ 11,636	$ 11,550	$ 25,627	$ 24,647

This year's more significant capital asset additions include the following:

- Pierce Custom Pumper $713,906
- Five 2022 Ford Police Interceptors $324,187
- WTP Clarifier Replacement Project $308,516
- Phase I Walking Trail $291,468

[1] For more detailed information on capital asset activity please refer to pages 37-38, Note 3. Capital Assets and Depreciation

- WTP Media Replacement Project $148,600
- Two 2021 Ford Police Interceptors $135,110
- Avtec Dispatch Console $122,985

Debt Administration

At year-end, the City had $3,838,225 in long-term debt outstanding, reported on a modified cash basis, which represents a $97,639 decrease from the prior year resulting from normal debt retirements.

TABLE 6
Long-Term Debt
(In Thousands)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2022	2021	2022	2021	2022	2021	
Notes payable	$ 1,954	$ 1,884	$ 1,884	$ 2,052	$ 3,838	$ 3,936	-2.5%
Totals	$ 1,954	$ 1,884	$ 1,884	$ 2,052	$ 3,838	$ 3,936	-2.5%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The following information outlines significant known factors that will affect subsequent year finances:

- Sales and use tax increased in fiscal year 2022 due to continued City growth and business development. However, the City has maintained a conservative approach for budgeting purposes in 2022.
- Construction on Fire Station #1 at 555 S. Main began in March 2023. The City obtained an 18 month construction loan with FNBT of Chickasha for $9.8M with a maturity date of September 2024. The Fire Station is being built on the north section 2.08 acres of the 12.76 acres purchased in May 2020. The City paid $146,000 to get a partial release of the FNB mortgage on the 2.08 acres to begin construction.
- The City is considering repurpose of the original Fire Station #1 as a parks department building.
- The City will close a construction loan with FNBT of Chickasha for the $3.5M Animal Shelter on 4/28/23.
- The City has hired Guernsey to prepare a Comprehensive Plan for Planning and Development.
- The City purchased 22.3571 acres for expansion of the Newcastle Sports Complex on 10/12/22 for $950,000, financed by FNBT of Chickasha. This will expand the existing sports complex. The City is applying for grants to help fund this project and a grant has been received for improvements to the original sports complex.
- The City plans to begin construction on a new wastewater treatment plant. This $40M project is projected to begin in July 2023.
- The Southeast 40th Street bridge construction at a cost of $247,500 was completed in October 2022.
- A joint project between The City and Home Creations will upsize waterlines from 12" to 18" on South Portland Avenue and will include serving Brush Creek Section 1 Subdivision. This project will cost approximately $358K for the City's share and is scheduled to begin in May 2023.

- The City finished a water plant project in April 2023. This project included clarifier rehab, filter media replacement, ground storage rehab at the water plant, and a water storage facility rehabilitation. This project cost approximately $420K.
- ODOT Widening of SH-76 is continuing with easement acquisition and utility line relocation.

Contacting the City's Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's office at PO Box 179, Newcastle, Oklahoma 73065-0179 or telephone at 405-387-4427.

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

Statement of Net Position (Modified Cash Basis) – June 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Newcastle Economic Development Authority
ASSETS				
Cash and cash equivalents	$ 9,706,057	$ 8,950,471	$ 18,656,528	$ 38,430
Capital Assets:				
Land and construction in progress	2,874,824	1,112,181	3,987,005	-
Other capital assets, net of depreciation	11,116,025	10,523,606	21,639,631	-
Total Assets	23,696,906	20,586,258	44,283,164	38,430
LIABILITIES				
Due to other governments	7,928	-	7,928	-
Long-term liabilities:				
Due within one year	239,386	225,791	465,177	-
Due in more than one year	1,714,823	1,926,335	3,641,158	-
Total liabilities	1,962,137	2,152,126	4,114,263	-
NET POSITION				
Net investment in capital assets	12,036,639	9,751,771	21,788,410	-
Restricted for:				
Capital projects	1,858,331	2,314,123	4,172,454	-
Transportation system	155,091	-	155,091	
Cemetery	64,559	-	64,559	-
Technology	113,057	-	113,057	-
Specific governmental services	-	930,476	930,476	-
Unrestricted	7,507,092	5,437,762	12,944,854	38,430
Total net position	$ 21,734,769	$ 18,434,132	$ 40,168,901	$ 38,430

See accompanying notes to the basic financial statements.

Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2022

		Program Revenue			Net (Expense) Revenue and Changes in Net Position			Component Unit
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Newcastle Economic Development Authority
Primary government								
Governmental Activities								
General Government	$ 2,206,074	$ 548,815	$ 580,844	$ -	$ (1,076,415)	$ -	$ (1,076,415)	$ -
Public Safety	4,416,918	273,291	149,508	-	(3,994,119)	-	(3,994,119)	-
Streets	2,555,406	155,091	106,524	-	(2,293,791)	-	(2,293,791)	-
Culture and Recreation	438,389	64,800	4,200	187,280	(182,109)	-	(182,109)	-
Cemetery	22,961	7,734	-	-	(15,227)	-	(15,227)	-
Interest on Long-term debt	59,359	-	-	-	(59,359)	-	(59,359)	-
Total governmental activities	9,699,107	1,049,731	841,076	187,280	(7,621,020)	-	(7,621,020)	-
Business-type activities:								
Water	4,021,178	4,370,940	-	-	-	349,762	349,762	-
Wastewater	493,745	878,770	-	223,071	-	608,096	608,096	-
Sanitation	779,401	950,013	-	-	-	170,612	170,612	-
Total business-type activities	5,294,323	6,199,723	-	223,071	-	1,128,471	1,128,471	-
Total primary government	$ 14,993,430	$ 7,249,454	$ 841,076	$ 410,351	$ (7,621,020)	$ 1,128,471	$ (6,492,549)	$ -
Component Unit:								
Newcastle Economic Development	$ -	$ 7,800	$ -	$ -	$ -	$ -	$ -	$ 7,800
General revenues:								
Taxes:								
Sales and use taxes					$ 9,484,462	$ -	$ 9,484,462	$ -
Franchise taxes and public service taxes					418,012	-	418,012	-
Hotel/motel taxes					111,786	-	111,786	-
Intergovernmental revenue not restricted to specific programs					136,767	930,476	1,067,243	-
Investment income					10,275	17,636	27,911	76
Miscellaneous					654,833	103,078	757,911	-
Transfers					(33,278)	33,278	-	-
Total general revenues and transfers					10,782,857	1,084,468	11,867,325	7,876
Change in net position					3,161,837	2,212,939	5,374,776	7,876
Net position - beginning					18,572,932	16,221,193	34,794,125	30,554
Net position - ending					$ 21,734,769	$ 18,434,132	$ 40,168,901	$ 38,430

See accompanying notes to the basic financial statements.

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2022

	General Fund	Capital Improvement Tax Fund	Newcastle Fire Station Fund	Grant Cost Share Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 3,660,431	$ 1,858,331	$ 1,857,568	$ 1,915,000	$ 414,727	$ 9,706,057
Total assets	3,660,431	1,858,331	1,857,568	1,915,000	414,727	9,706,057
LIABILITIES AND FUND BALANCES						
Liabilities:						
Payable to other governments	7,928	-	-	-	-	7,928
Total liabilities	7,928	-	-	-	-	7,928
Fund balances:						
Restricted	-	1,858,331	-	-	332,707	2,191,038
Committed	-	-	1,857,568	-	82,020	1,939,588
Assigned	93,400	-	-	1,915,000	-	2,008,400
Unassigned	3,559,103	-	-	-	-	3,559,103
Total fund balances	3,652,503	1,858,331	1,857,568	1,915,000	414,727	9,698,129
Total liabilities and fund balances	$ 3,660,431	$ 1,858,331	$ 1,857,568	$ 1,915,000	$ 414,727	$ 9,706,057

See accompanying notes to the basic financial statements.

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance (Modified Cash Basis) – Year Ended June 30, 2022

	General Fund	Capital Improvement Tax Fund	Newcastle Fire Station Fund	Grant Cost Share Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	$ 7,679,501	$ 1,185,558	$ -	$ -	$ 1,185,558	$ 10,050,617
Intergovernmental	1,156,913	-	-	-	-	1,156,913
Charges for services	255,406	-	-	-	7,734	263,140
Fines and forfeitures	165,030	-	-	-	56,418	221,448
Licenses and permits	377,843	-	-	-	155,091	532,934
Investment income	7,664	2,555	-	-	56	10,275
Miscellaneous	654,407	-	-	-	-	654,407
Total revenues	10,296,764	1,188,113	-	-	1,404,857	12,889,734
EXPENDITURES						
Current:						
General government	1,247,695	-	-	-	-	1,247,695
Police	2,115,214	-	-	-	-	2,115,214
Fire	1,727,337	-	-	-	-	1,727,337
Streets	938,389	-	-	-	-	938,389
Municipal court	73,735	-	-	-	-	73,735
Cemetery	22,961	-	-	-	-	22,961
Animal control	52,225	-	-	-	-	52,225
Parks and receation	231,130	25,596	-	-	9,204	265,930
Planning and engineering	665,181	-	-	-	-	665,181
Vehicle maintenance	199,013	-	-	-	-	199,013
Sr. Citizens	-	30,000	-	-	-	30,000
Capital Outlay	1,680,467	1,256,932	256,640	-	31,062	3,225,101
Debt Service:				-		
Principal	413,021	19,227	-	-	-	432,248
Interest and other charges	42,930	16,429	-	-	-	59,359
Total Expenditures	9,409,298	1,348,184	256,640	-	40,266	11,054,388
Excess (deficiency) of revenues over expenditures	887,466	(160,071)	(256,640)	-	1,364,591	1,835,346
OTHER FINANCING SOURCES (USES)						
Loan proceeds	502,510	-	-	-	-	502,510
Transfers in	5,927,789	-	790,000	1,140,000	64,800	7,922,589
Transfers out	(6,737,031)	-	-	-	(1,185,558)	(7,922,589)
Total other financing sources and uses	(306,732)	-	790,000	1,140,000	(1,120,758)	502,510
Net change in fund balances	580,734	(160,071)	533,360	1,140,000	243,833	2,337,856
Fund balances - beginning	3,071,769	2,018,402	1,324,208	775,000	170,894	7,360,273
Fund balances - ending	$ 3,652,503	$ 1,858,331	$ 1,857,568	$ 1,915,000	$ 414,727	$ 9,698,129

See accompanying notes to the basic financial statements.

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Position Reconciliation:

Total fund balance, governmental funds	$	9,698,129
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		13,990,849
Some liabilities, (such as Notes Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.		(1,954,209)
Net Position of Governmental Activities in the Statement of Net Position	$	21,734,769

Changes in Fund Balances – Changes in Net Position Reconciliation:

Net change in fund balances - total governmental funds:	$	2,337,856
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period:		
Capital asset purchases capitalized		1,850,865
Depreciation expense		(956,620)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:		
Capital lease principal payments		292,673
Note payable principal payment		139,573
Proceeds of long-term debt		(502,510)
Change in net position of governmental activities	$	3,161,837

See accompanying notes to the basic financial statements.

BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

Proprietary Fund Statement of Net Position (Modified Cash Basis) – June 30, 2022

	NPWA Operations Enterprise Fund	Wastewater Plant Fund	Other Enterprise Funds	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 2,776,965	$ -	$ 26,594	$ 2,803,559
Restricted:				
Cash and cash equivalents	305,836	3,553,547	2,287,529	6,146,912
Total current assets	3,082,801	3,553,547	2,314,123	8,950,471
Non-current assets:				
Capital Assets:				
Land and construction in progress	1,112,181	-	-	1,112,181
Other capital assets, net of accumulated depreciation	10,523,606	-	-	10,523,606
Total non-current assets	11,635,787	-	-	11,635,787
Total assets	14,718,588	3,553,547	2,314,123	20,586,258
LIABILITIES				
Current Liabilities:				
Deposits subject to refund	268,111	-	-	268,111
Notes payable	172,169	-	-	172,169
Total current liabilities	440,280	-	-	440,280
Non-current liabilities:				
Notes payable	1,711,846	-	-	1,711,846
Total non-current liabilities	1,711,846	-	-	1,711,846
Total liabilities	2,152,126	-	-	2,152,126
NET POSITION				
Net investment in capital assets	9,751,771	-	-	9,751,771
Restricted for capital projects	-	-	2,314,123	2,314,123
Restricted for specific governmental services	-	930,476	-	930,476
Unrestricted	2,814,691	2,623,071	-	5,437,762
Total net position	$ 12,566,462	$ 3,553,547	$ 2,314,123	$ 18,434,132

See accompanying notes to the basic financial statements.

Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2022

	NPWA Operations Enterprise Fund	Wastewater Plant Fund	Other Enterprise Funds	Total
REVENUES				
Water	$ 3,773,199	$ -	$ -	$ 3,773,199
Wastewater	466,504	-	-	466,504
Sanitation	950,013	-	-	950,013
Fees, taps, and penalties	390,607	-	619,400	1,010,007
Total operating revenues	5,580,323	-	619,400	6,199,723
OPERATING EXPENSES				
Administration	167,241	-	-	167,241
Water	3,341,579	-	8,657	3,350,236
Wastewater	441,561	-	-	441,561
Sanitation	743,082	-	-	743,082
Depreciation	538,398	-	-	538,398
Total operating expenses	5,231,860	-	8,657	5,240,517
Operating income	348,463	-	610,743	959,206
NON-OPERATING REVENUES (EXPENSES)				
Investment income	15,209	-	2,427	17,636
Miscellaneous revenue	95,177	-	-	95,177
Gain on disposal of capital assets	7,901	-	-	7,901
Capital grants and contributions	-	1,153,547	-	1,153,547
Interest expense	(53,806)	-	-	(53,806)
Total non-operating revenue (expenses)	64,481	1,153,547	2,427	1,220,455
Income before transfers	412,944	1,153,547	613,170	2,179,661
Transfers in	5,313,507	600,000	-	5,913,507
Transfers out	(5,342,231)	-	(537,998)	(5,880,229)
Change in net position	384,220	1,753,547	75,172	2,212,939
Total net position - beginning	12,182,242	1,800,000	2,238,951	16,221,193
Total net position - ending	$ 12,566,462	$ 3,553,547	$ 2,314,123	$ 18,434,132

See accompanying notes to the basic financial statements.

Proprietary Fund Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2022

	NPWA Operations Enterprise Fund	Wastewater Plant Fund	Other Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 5,675,500	$ -	$ 619,400	$ 6,294,900
Payments to suppliers	(3,388,760)	-	(8,657)	(3,397,417)
Payments to employees	(1,304,703)	-	-	(1,304,703)
Receipts of customer meter deposits	77,500	-	-	77,500
Refunds of customer meter deposits	(60,545)	-	-	(60,545)
Change in due to/from	1,325	-	-	1,325
Net cash provided by operating activities	1,000,317	-	610,743	1,611,060
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	5,313,507	600,000	-	5,913,507
Transfers to other funds	(5,342,230)	-	(537,998)	(5,880,228)
Net cash provided by (used in) noncapital financing activities	(28,723)	600,000	(537,998)	33,279
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(623,887)	-	-	(623,887)
Principal paid on debt	(167,903)	-	-	(167,903)
Proceeds from sale of capital assets	7,901	-	-	7,901
Capital grants and contributions	-	1,153,547	-	1,153,547
Interest and fiscal agent fees paid on debt	(53,806)	-	-	(53,806)
Net cash provided by (used in) capital and related financing activities	(837,695)	1,153,547	-	315,852
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends	15,209	-	2,427	17,636
Net cash provided by investing activities	15,209	-	2,427	17,636
Net increase in cash and cash equivalents	149,108	1,753,547	75,172	1,977,827
Balances - beginning of year	2,933,693	1,800,000	2,238,951	6,972,644
Balances - end of year	$ 3,082,801	$ 3,553,547	$ 2,314,123	$ 8,950,471
Reconciliation to Statement of Net Positoin:				
Cash and cash equivalents	$ 2,776,965	$ -	$ 26,594	$ 2,803,559
Restricted cash and cash equivalents - current	305,836	3,553,547	2,287,529	6,146,912
Total cash and cash equivalents, end of year	$ 3,082,801	$ 3,553,547	$ 2,314,123	$ 8,950,471
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	$ 348,463	$ -	$ 610,743	$ 959,206
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	538,398	-	-	538,398
Miscellaneous revenue	95,177	-	-	95,177
Change in assets and liabilities:				
Due to other funds	1,325	-	-	1,325
Deposits subject to refund	16,954	-	-	16,954
Net cash provided by operating activities	$ 1,000,317	$ -	$ 610,743	$ 1,611,060

See accompanying notes to the basic financial statements.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City's financial reporting entity includes the primary government and a discretely-presented component unit as follows:

- **The City of Newcastle** – that operates the public safety, cemetery, streets and public works, health and welfare, culture and recreation, and administrative activities, governed by the City Council

- **The Newcastle Public Works Authority (NPWA)** – that operates the water, wastewater, sanitation services of the City governed by the City Council members as trustees– blended as a proprietary type enterprise fund – *considered part of the primary government presentation for reporting purposes*

- **The Newcastle Educational Facilities Authority (NEFA)** – public trust to provide financing to and the promotion of educational facilities within the City – entity only involves conduit debt.

- **The Newcastle Economic Development Authority (NEDA)** – provides financing to businesses for the purpose of acquiring facilities and industrial or manufacturing, in or near the City, with the trustees appointed by the City Council – *reported as a discretely presented component unit*

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Council Statement No. 14, "*The Financial Reporting Entity"* and Statement No. 61, *"The Financial Reporting Entity: Omnibus"* and includes all component units for which the City of financially accountable.

The component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. In addition, the City has leased certain existing assets at the creation for the Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when the Public Trusts is dissolved.

The component units (Authorities) have the City Council as their governing body (trustees) and/or the City is able to impose its will on the Authorities through required approval of all debt obligations issued by these entities.

As required by state law, all debt obligations incurred by the above trusts must be approved by two-thirds vote of the City Council. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trusts within the City's financial reporting entity. The public trusts do not issue separate annual financial statements with the NPWA treated as blended component unit, and the NEDA treated as a discretely presented component unit. NEFA is presented as a note disclosure only due to a conduit debt issue.

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statements of net position and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

- capital assets and the depreciation of those assets, where applicable
- long-term debt
- cash-based interfund receivables and payables
- other cash-based receivables/payables
- investments
- utility deposit liabilities

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Program revenues within the statement of activities are derived directly from each activity or from parties outside the City's taxpayers. The City has the following program revenues in each activity:

- General government: Inspection fees, licenses and permits and operating grants
- Public Safety: Animal impound fees, animal licenses, traffic fines and fees, fire run fees, and operating and capital grants
- Streets: Gas excise tax, commercial vehicle tax, transportation impact fees, operating and capital grants
- Culture and recreation: Assessment fees and capital grants
- Cemetery: Lot sales and internment

Governmental Funds:

The City's governmental funds are comprised of the following:

Major Funds:

- General Fund - accounts for all activities not accounted for in other special-purpose funds
- Capital Improvement Restricted Sales Tax Fund – accounts for the restricted sales tax levied for capital improvement purposes
- Fire Station Fund – accounts for the designation of monies transferred from the General Fund and/or NPWA for the construction of Fire Station No. 1 including equipment, furniture, fixtures and other city emergencies
- Grant Cost Share Fund – accounts for City match portion of future grants

Non-Major Funds (Reported as Other Governmental Funds):

- Cemetery Care Fund – accounts for the State statute required 12.5 percent of cemetery revenues for cemetery capital improvements
- Linkage Fund – accounts for fees related to building permit applications on new residential, commercial and industrial construction for parks and recreation purposes
- Technology Fund – accounts for administrative and technological fees levied for the purchase or replacement of police dispatch and court technology
- Fire Restricted Sales Tax Fund – accounts for the restricted sales tax levied for fire purposes
- Transportation Impact Fees Fund – accounts for fees on new commercial, industrial or residential developments for the purpose of capital improvements to the transportation system

The governmental funds are reported on a modified cash basis of accounting and a related current financial resources measurement focus. Only current financial assets and liabilities resulting from cash transactions are included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period. The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of a modified economic resources measurement focus at the government-wide level.

Proprietary Funds:

The City's proprietary funds are comprised of the following:

Enterprise Fund:

Major Fund:

- Newcastle Public Works Authority Operations Fund – accounts for the operation of the water, wastewater, and sanitation activities
- NPWA Wastewater Plant Fund – accounts for the designation of monthly transfer from the NPWA for the construction of the new wastewater treatment plant

Non-Major Funds (Reported as Other Enterprise Funds):

- NPWA Sewer Impact Fund – accounts for sewer connection fees collected for the purpose of wastewater improvements
- NPWA Water Impact Fund – accounts for water connection fees collected for the purpose of water improvements

The proprietary funds are reported on a modified cash basis, as defined above, and a related economic resources measurement focus. For purposes of the statement of revenues, expenses and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

C. Cash, Cash Equivalents, and Investments

Cash and cash equivalents include all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three months or less, and money market accounts. Investments consist of long-term certificates of deposits and are reported at cost.

D. Capital Assets and Depreciation

Reported capital assets are limited to these acquired with cash and cash equivalents consistent with the modified cash basis of accounting. The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund type or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. In the government-wide and proprietary fund financial statements, property, plant and equipment are accounted for as capital assets, net of accumulated depreciation where applicable. In the governmental fund financial statements, capital assets acquired are accounted for as capital outlay expenditures and not reported as capital assets.

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. A capitalization threshold of $2,000 is used to report capital assets. Capital assets are reported at actual or estimated historical cost. Capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 2003. Prior to July 1, 2003, governmental funds' infrastructure assets, such as streets, bridges, drainage systems, and traffic signal systems were not capitalized. Infrastructure assets acquired with cash since July 1, 2003 are recorded at cost.

Depreciable capital assets are depreciated on a straight-line basis over their estimated useful lives. The range of estimated useful lives by type of asset is as follows:

- Buildings 10-25 years
- Improvements other than buildings 3-20 years
- Machinery, furniture and equipment 3-25 years
- Utility property and improvements 5-75 years
- Infrastructure 10-40 years

E. Long-Term Debt

Reported long-term debt is limited to debt arising from cash transactions consistent with the modified cash basis of accounting. Accounting treatment of long-term debt varies depending upon whether source of repayment is from governmental fund types or proprietary fund type resources and whether they are reported in the government-wide or fund financial statements. All long-term debt resulting from cash transactions to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

F. Compensated Absences

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is reported as a commitment in Note 11.

G. Fund Balances and Net Position

Fund Balances:

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
c. Committed – included amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city's highest level of decision-making authority. The City's highest level of decision-making authority is made by ordinance.
d. Assigned – includes amounts that are constrained by the city's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process.
e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

It is the City's policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net Position:

Net position is displayed in three components:

a. *Net investment in capital assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
b. *Restricted net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
c. *Unrestricted net position* - All other net position that does not meet the definition of "restricted" or "*net investment in capital assets*."

It is the City's policy to first use restricted net position prior to the use of unrestricted net positions when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

H. Internal and Interfund Balances and Transfers

The City's policy is to eliminate interfund transfers and balances in the statement of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

I. Use of Estimates

Certain estimates are made in the preparation of the financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management's best judgments and may vary from actual results.

2. Deposits and Investments

For the year ended June 30, 2022, the City recognized $27,911 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City's deposits are in demand and short-term time deposits.

At June 30, 2022, the primary government held the following deposits and investments:

Type	Maturities	Credit Rating	Carrying Value
Deposits:			
Demand deposits			$ 16,558,682
Time deposit - certificates of deposit			2,093,259
			18,651,941
Investments:			
NPWA - Federated Gov't Obligations Tax Managed Fund	N/A	AAAm	22,736
NPWA - Goldman Sachs FS Treasury Oblig Adm Money Market Fund	N/A	AAAm	20,281
Total deposits and investments			$ 18,694,958
Reconciliation to Statement of Net Position:			
Cash and cash equivalents			$ 18,656,528
Component Unit:			
Cash and cash equivalents			38,430
Total deposits and investments			$ 18,694,958

Custody Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The City is governed by the State Public Deposit Act which requires that the City obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by either a counterparty or a counterparty's trust, department or agent, but not in the government's name.

The City was undercollateralized by $600,742 at June 30, 2022.

Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has no investment policy that limits investments based on maturity. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments, where applicable.

At June 30, 2022, the City's investments were limited to time deposits and government obligations that were not exposed to interest rate risk.

Investment Credit Risk

The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trusts.

As of June 30, 2022, the City had no investments subject to credit risk.

Concentration of Investment Credit Risk

Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City has no investment policy regarding concentration of credit risk.

At June 30, 2022, the City had no concentration of credit risk as defined above.

Restricted cash and Investments – The amounts reported as restricted assets on the proprietary fund statement of net position are comprised of amounts held by the Public Works Authority for utility deposits (refunded upon termination of service or applied to final bill), NPWA trustee account and water and wastewater connections fees restricted for water and wastewater improvements.

	Current Cash and cash equivalents
Utility deposits	$ 268,111
Trustee account - 2009 OWRB D/S	20,281
Trustee account - 2013 OWRB D/S	17,444
Water impact fees	1,101,286
Sewer impact fees	1,186,243
Wastewater Plant	3,553,547
Total	$ 6,146,912

3. Capital Assets and Depreciation

For the year ended June 30, 2022, capital assets balances changed as follows:

	Balance at July 1, 2021	Additions	Disposals	Balance at June 30, 2022
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 2,530,102	$ -	$ -	$ 2,530,102
Construction in progress	333,522	351,455	340,255	344,722
Total capital assets not being depreciated	2,863,624	351,455	340,255	2,874,824
Other capital assets:				
Buildings	3,483,845	-	-	3,483,845
Machinery, furniture and equipment	6,130,246	1,499,410	201,736	7,427,920
Improvements	920,082	340,255	-	1,260,337
Infrastructure	9,369,321	-	-	9,369,321
Total other capital assets at historical cost	19,903,494	1,839,665	201,736	21,541,423
Less accumulated depreciation for:				
Buildings	1,302,467	84,478	-	1,386,945
Machinery, furniture and equipment	4,915,451	567,221	201,736	5,280,936
Improvements	101,005	68,170	-	169,175
Infrastructure	3,351,590	236,752	-	3,588,342
Total accumulated depreciation	9,670,513	956,621	201,736	10,425,398
Other capital assets, net	10,232,981	883,044	-	11,116,025
Governmental activities capital assets, net	$ 13,096,605	$ 1,234,499	$ 340,255	$ 13,990,849

	Balance at July 1, 2021	Additions	Disposals	Balance at June 30, 2022
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 601,544	$ -	$ -	$ 601,544
Construction in progress	543,538	511,463	544,364	510,637
Total capital assets not being depreciated	1,145,082	511,463	544,364	1,112,181
Other capital assets:				
Buildings	8,450,190	-	-	8,450,190
Machinery, furniture and equipment	2,321,430	112,424	35,838	2,398,016
Improvements	8,089	457,116	-	465,205
Utility property	7,842,000	87,248	-	7,929,248
Total other capital assets at historical cost	18,621,709	656,788	35,838	19,242,659
Less accumulated depreciation for:				
Buildings	4,862,642	196,265	-	5,058,907
Machinery, furniture and equipment	1,900,257	125,651	35,838	1,990,070
Improvements	3,911	14,363	-	18,274
Utility Property Improvements	1,449,683	202,119	-	1,651,802
Total accumulated depreciation	8,216,493	538,398	35,838	8,719,053
Other capital assets, net	10,405,216	118,390	-	10,523,606
Business-type activities capital assets, net	$ 11,550,298	$ 629,853	$ 544,364	$ 11,635,787

Depreciation of capital assets is included in total expenses and is charged or allocated to the activities primarily benefiting from the use of the specific asset. Depreciation expense has been allocated as follows:

Governmental Activities:		Business-Type Activities:	
General government	$ 79,814	Water	$ 472,888
Public safety	429,095	Wastewater	34,350
Highways and streets	360,085	Administration	31,160
Parks and recreation	87,627		$ 538,398
	$ 956,621		

4. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2022, the reporting entity's long-term debt changed as follows:

Type of Debt	Balance July 01, 2021	Additions	Deductions	Balance June 30, 2022	Due Within One Year
Governmental Activities:					
Notes payable - direct borrowings/placements	$ 1,883,946	$ 502,510	$ 432,247	$ 1,954,209	$ 239,386
Total Governmental Activities	$ 1,883,946	$ 502,510	$ 432,247	$ 1,954,209	$ 239,386
Business-Type Activities:					
Notes Payable - direct borrowings/placements	$ 2,051,918	$ -	$ 167,903	$ 1,884,015	$ 172,169
Deposits, subject to refund	251,156	77,650	60,695	268,111	53,622
Total Business-Type Activities	2,303,074	77,650	228,598	2,152,126	225,791
Total Long-Term Debt	$ 4,187,020	$ 580,160	$ 660,845	$ 4,106,335	$ 465,177

Governmental activities long-term debt payable from taxes and direct borrowing at June 30, 2022 include the following:

Notes payable (direct borrowing/placement):

$980,000 note payable to First National Bank, payable in monthly installments of $5,944, including principal and interest at 3.95%, with final payment due June 2037. This loan is secured by 70 acres of property. In event of default, the lender may: 1) accelerate payment to make the entire amount of the loan immediately due; 2) set-off any amount due and payable against other deposits or shared accounts; or 3) pay all costs and expenses incurred in connection with the enforcement of the terms.		799,104
$502,510 note payable to First National Bank, payable in monthly installments of $14,331, including principal and interest at 1.69% with final payment due March 2025. This loan is secured by the 2021 Pierce Pumper Fire Truck. In the event of default, the lender may : 1) accelerate payment to make the entire amount of the loan immediately due; 2) require all or any portion of the collateral and any and all certificates of title to be delivered; 3) sell, lease, transfer or otherwise dispose of the collateral; 4) appoint a receiver to collect the payments, rents, income and revenues from the collateral; 5) may obtain a judgement for any deficiency remaining on the indebtedness.		447,933
$800,000 note payable to First National Bank, payable in yearly installments of $62,898, including principal and interest of 2.10%, final payment due June 5, 2035. The amount of the yearly payment may change on June 5, 2025 and every 5 years thereafter. This loan is secured by 12.76 acres of property. In the event of default, the lendor may: 1) accelerate payment to make the entire amount of the loan immediately due; 2) cause the property to be sold at public auction to pay the entire indebtedness and all fees associated with the sale; 3) appoint a receiver, and be entitled all earnings, income, issue and profits of it, with the powers as the court making appointments confers.		707,172
Total Notes Payable	$	1,954,209
Current portion	$	239,386
Noncurrent portion		1,714,823
Total Notes Payable	$	1,954,209

Business-type activities long-term debt payable from direct borrowing include the following:

Notes payable (direct borrowing/placement):

$379,692 note payable to Liberty National Bank, payable in monthly installments of $2,211, including principal and interest at 3.5%, final payment due June 2038. This loan is collateralized by the mortgage of the property. In the event of default, the lender may: 1) accelerate the payment to make the entire amount of the loan immediately due; 2) raise interest rate to 21% from date of default until date of payment; 3) make a claim for any and all insurance benefits or refunds that may be available; 4) set-off any amount due and payable against other deposits or shared accounts; or 5) pay all expenses of collection including attorneys' fees, court costs, and other legal expenses.	$	323,105
$2,463,227 note payable to OWRB, payable in interest only installments currently until finished drawing on note, principal and interest at 2.55%, with final payment due September 2030. This loan is secured by sales tax revenues. In the event of default, the lender may: 1) file suit for specific performance of covenants; 2) appoint temporary trustees to take over, operate and maintain the System; 3) accelerate the payment of principal and interest accrued on all notes; 4) file suit to enforce or enjoin action or inaction of parties under provisions of the note or sales tax agreement; or 5) raise interest rate to 14% from date of default until date of payment.		557,133
$1,389,455 note payable to OWRB, payable in interest only installments currently until finished drawing on note, principal and interest at 2.43%, with final payment due March 2034. This loan is secured by sales tax revenues. In the event of default, the lender may: 1) file suit for specific performance of covenants; 2) appoint temporary trustees to take over, operate and maintain the System; 3) accelerate the payment of principal and interest accrued on all notes; 4) file suit to enforce or enjoin action or inaction of parties under provisions of the note or sales tax agreement;or 5) raise interest rate to 14% from date of default until date of payment.		717,156
$575,000 note payable to First National Bank, interest at 2.95%, final payment due March 2029, payable in monthly installments of $3,958. This loan is secured by leases/rents assignments and the mortgage of property. In the event of default, the lender may: 1) accelerate payment to make the entire amount of the loan immediately due; 2) set-off any amount due and payable against other deposits or shared accounts; 3) make a claim for any and all insurance benefits or refunds that may be available; or 4) use any and all remedies available under state or federal law.		286,621
Total Notes Payable	$	1,884,015
Current portion	$	172,169
Noncurrent portion		1,711,846
Total Notes Payable	$	1,884,015

Customer Deposits:

Customer deposits reported as a liability within the Statement of Net Position are comprised of utility customer deposits payable.	$	268,111
Total Customer Deposits	$	268,111

Current portion	$	53,622
Noncurrent portion		214,489
Total Customer Deposits	$	268,111

Long-term debt service requirements to maturity are as follows:

	Governmental Activities	
Year Ending June 30,	Notes Payable -direct borrowings/placements	
	Principal	Interest
2023	239,386	53,118
2024	258,440	47,746
2025	221,133	42,045
2026	95,907	38,302
2027	98,826	35,383
2028-2032	541,310	129,734
2033-2037	499,207	44,395
Totals	$ 1,954,209	$ 390,723

	Business Type Activities	
Year Ending June 30,	Notes Payable - direct borrowings/placements	
	Principal	Interest
2023	172,169	45,951
2024	174,365	48,337
2025	179,780	43,180
2026	185,245	37,971
2027	190,894	32,585
2028-2032	691,311	96,230
2033-2037	260,735	31,634
2038	29,516	1,366
Totals	1,884,015	$ 337,254

NEFA Conduit Debt:

In April 2010, the NEFA authorized the issuance of indebtedness of $3,865,000, $155,000, $30,575,000, and $165,000 for the purpose of providing funds for the I-1 school district, McClain County, Oklahoma ("Newcastle Public Schools"). The financing was used to construct, equip, repair and remodel school buildings, acquire school furniture, fixtures and equipment and acquiring and improving school sites. The terms of the revenue bonds agreement, dated on or about April 14, 2010, includes interest ranging from 4.224% to 5.895%. The bonds are secured by a lease on the subject property. These bonds do not constitute an indebtedness, general or special, or obligation, legal or moral, of the City of Newcastle or the State of Oklahoma, or any subdivision or agency thereof nor a personal obligation of the Trustees of the Authority nor a general obligation of the Authority, but is a limited and special obligation of the Authority payable solely from the revenues and receipts derived by the Authority with respect to the Ground Lease Agreement. As a result of the non-commitment determination, the Authority's indebtedness and related receivables from the occupants are not recorded in the financial statements.

	Balance June 30, 2022
$3,865,000 revenue bonds payable to Bancfirst, payable in semi-annual installments of $17,936, with final payment due September 2022	$540,000
$30,575,000 revenue bonds payable to Bancfirst, payable in annual installments of $120,000 to $4,920,000 due September 2022.	$4,920,000

Pledge of Future Revenues

Sales Tax and Water and Sewer Utilities' Net Revenues Pledge - The City has pledged two cents (or 50%) of future sales tax revenues and net revenues of the water and sewer utility systems to repay the OWRB series 2009 and 2013 note payables of $1,946,368 and $1,389,455. Proceeds from the note were for financing utility capital improvements. The note is payable from pledged sales tax revenues and pledged water and sewer utility revenues of the NPWA and are payable through 2030 and 2034, respectively. The total principal and interest payable for the remainder of the life of these notes is $1,414,661. Pledged sales taxes received in the current year were $4,054,101 and pledged water and sewer utility net revenues for the current year were $289,322. Debt service payments of $140,787 for the current fiscal year were 3.2% of pledged sales taxes and water and sewer utility revenues of $4,343,423.

5. Sales Tax Revenue

Sales tax revenue represents a four (4) cent local tax on each dollar of taxable sales within the City, of which two (2) cents is voter-restricted for debt service on NPWA debt, ½ cent is voter-restricted for fire improvements, and ½ cent is voter-restricted for capital improvements in accordance with a City ordinance. Three cents of the sales tax is received and recorded in the General Fund, ½ cent is recorded in the Fire Department Tax Fund, and ½ cent is recorded in the Capital Improvement Sales Tax Fund. Two cents is transferred from the General Fund to the NPWA for debt service. The unused sales tax is then transferred back to the General Fund.

6. Property Tax Levy

The City presently levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the City.

7. Internal and Interfund Balances and Transfers

Balances:

There were no interfund balances at June 30, 2022.

Transfers:

Internal transfers between funds and activities for the year ended June 30, 2022, were as follows:

Transfer From	Transfer To	Amount	Purpose of Transfer
General Fund	NPWA	$ 4,742,231	Sales and use tax transfer
General Fund	Linkage Fee Fund	64,800	Linkage fees
General Fund	Fire Station Fund	790,000	Operating transfer
General Fund	Fire Dept. Tax Fund	1,185,558	Sales and use tax transfer
General Fund	Grant Cost Share Fund	1,140,000	Operating transfer
NPWA	General Fund	57,326	debt activity
NPWA	General Fund	4,684,904	Operating transfer (return of sales/use tax)
NPWA	Wastewater Plant Fund	600,000	Operating transfer
NPWA Water Impact Fee	NPWA	238,767	Capital asset activity
NPWA Sewer Impact Fee	NPWA	299,231	Debt and capital asset activity
Total		$ 13,802,817	

Reconciliation to Fund Financial Statements:

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	$ 7,922,589	$ (7,922,589)	$ -
Proprietary Funds	5,913,507	(5,880,229)	33,278
	$ 13,836,096	$ (13,802,818)	$ 33,278

Reconciliation to Statement of Activities:

Net transfers-proprietary activities	$ 33,278
Transfer of assets from governmental to business type	(33,278)
Transfers - internal activity	$ -

8. Fund Equity

Fund balance classifications:

Governmental Funds:	General Fund	Capital Improvement Tax Fund	Newcastle Fire Station Fund	Grant Cost Share Fund	Other Governmental Fund	Total
Fund Balance:						
Restricted for:						
Capital projects	$ -	$ 1,858,331	$ -	$ -	$ -	$ 1,858,331
Technology	-	-	-	-	113,057	113,057
Transportation system	-	-	-	-	155,091	155,091
Cemetery capital	-	-	-	-	64,559	64,559
Total Restricted	-	1,858,331	-	-	332,707	2,191,038
Committed for:						
Fire	-	-	1,857,568	-	-	1,857,568
Parks and recreation	-	-	-	-	82,020	82,020
Total committed	-	-	1,857,568	-	82,020	1,939,588
Assigned to:						
City match portion of future grants	-	-	-	1,915,000	-	1,915,000
Future year's budget	93,400	-	-	-	-	93,400
	93,400	-	-	1,915,000	-	2,008,400
Unassigned	3,559,103	-	-	-	-	3,559,103
Total Fund Balance	$ 3,652,503	$ 1,858,331	$ 1,857,568	$ 1,915,000	$ 414,727	$ 9,698,129

Enterprise Funds:

Retricted for Capital Projects	$ 2,314,123
Restricted for Specific Governmental Services	930,476
Total Enterprise Fund Restrictions	$ 3,244,599

9. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss by securing commercial insurance for all risks, except for participation in the Oklahoma Municipal Assurance Group risk entity pool for certain coverage. The City's risk is transferred to the risk entity pool except for claim deductible amounts. The risk pool maintains deposits for claims reserves and other purposes for the benefit of the City. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

10. Pension Plan Participation

The City of Newcastle participates in four pension or retirement plans:

1. Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
2. Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
3. City of Newcastle Retirement Savings Plan (the "City Plan") – a defined contribution benefit plan
4. City of Newcastle Deferred Compensation Plan (457)(the "Plan") – a deferred compensation plan

OFPRS:

Plan Summary Information. The City of Newcastle, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter's Pension and Retirement System (OFPRS). The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ full-time or volunteer firefighters. The City has no responsibility or authority for the operation or administration of the pension program nor has it any related liability, except for the current contribution requirements.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OFPRS, 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414.

Funding Policy. The City is required by state law to contribute 14% of covered payroll per year for each fulltime firefighter. Employees contribute 9% of covered payroll. For volunteer firefighters, the City is required to contribute $60 per year per volunteer, while there is no required contribution by the volunteer. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The OFPRS contributions are as follows:

Fiscal Year	Required Contribution	Amount Contributed
2020	$ 140,310	$ 140,310
2021	$ 144,474	$ 144,474
2022	$ 148,999	$ 148,999

OPPRS:

Plan Summary Information. The City of Newcastle, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Police Pension and Retirement System (OPPRS). The OPPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ a certain number of fulltime police officers. The City has no responsibility or authority for the operation or administration of the pension program nor has it any related liability, except for the current contribution requirements.

The OPPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

OPPRS
1001 N.W. 63rd St., Suite 305
Oklahoma City, OK 73116-7335

Funding Policy. The City is required by state law to contribute 13% of covered payroll per year for each police officer. Employees contribute 8% of covered payroll. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The OPPRS contributions are as follows:

Fiscal Year	Employee Contribution	Amount Contributed
2020	$ 138,490	$ 138,490
2021	$ 134,762	$ 134,762
2022	$ 131,847	$ 131,847

The City Plan:

The City of Newcastle maintains a defined contribution retirement savings plan (the "City Plan") which covers all employees not covered by other retirement plans. The City Plan is an elective 401K plan with participants vesting in the City's contributions as follows:

Years of Service	Vested Percentage
Less than 1 Year	0%
1 year but less than 2 years	20%
2 years but less than 3 years	40%
3 years but less than 4 years	60%
4 years but less than 5 years	80%
5 years or more	100%

The City contributes 5% of annual covered payroll, for all employees, if the employee contributes at least 3% of their compensation. The plan is administered by the City and the plan assets are supervised by Mass Mutual. The contribution requirements of the City are established and may be amended by the City Council. For fiscal year 2022, the City and NPWA contributions are as follows:

Fiscal Year	Employer Contribution	Employee Contribution
2020	$ 92,965	$ 128,263
2021	$ 89,856	$ 118,835
2022	$ 109,502	$ 127,830

The City contributes 10% of the City Manager's gross salary. The City's contributions are as follows:

Fiscal Year	Required Contribution	Amount Contributed
2020	$ 10,700	$ 10,700
2021	$ 10,700	$ 10,700
2022	$ 11,500	$ 11,500

City of Newcastle Deferred Compensation Plan (457)

The City has provided effective July 1, 2010 a deferred compensation plan known as the City of Newcastle Deferred Compensation Plan (457) (the "Plan"). The Plan is administered by the City and the plan assets are supervised by Nationwide Retirement Solutions. The deferred compensation plan is available to all employees. The City does not contribute to this plan, only participating employees can make contributions. The only exception to this rule is that in fiscal year 2022, a police officer opted to contribute to this plan instead of the Police Pension Plan. The City agreed to match 5% for this employee in lieu of contributing the 13% match to the Police Pension Plan. The authority to establish and amend the provisions of the Plan rests with the City Council.

Contribution Information

Fiscal Year	Employee Contribution
2020	$ 4,030
2021	$ 4,030
2022	$ 7,682

Fiscal Year	Employer Contribution (Police)	Employee Contribution (Police)
2020	n/a	n/a
2021	n/a	n/a
2022	$ 4,685	$ 10,866

11. Commitments and Contingencies

Compensated Absences:

As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and compensatory leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2022, is summarized as follows:

- General Fund – accrued compensated absences $256,961
- NPWA – accrued compensated absences $104,294

Litigation:

The City is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City "Sinking Fund" for the payment of any court assessed judgment rendered against the City. These statutory provisions do not apply to the City's public trust Authorities. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

Federal and State Award Programs:

The City of Newcastle participates in various federal or state grant/loan programs from year to year. In 2022, the City's involvement in federal and state award programs was not significant. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.

Subsequent Events:

- Construction on Fire Station #1 at 555 S. Main began in March 2023. The City obtained an 18 month construction loan with FNBT of Chickasha for $9.8M with a maturity date of September 2024. The Fire Station is being built on the north section 2.08 acres of the 12.76 acres purchased in May 2020. The City paid $146,000 to get a partial release of the FNB mortgage on the 2.08 acres to begin construction.
- The City will close a construction loan with FNBT of Chickasha for the $3.5M Animal Shelter on 4/28/23.
- The City purchased 22.3571 acres for expansion of the Newcastle Sports Complex on 10/12/22 for $950,000, financed by FNBT of Chickasha. This will expand the existing sports complex. The City is applying for grants to help fund this project and a grant has been received for improvements to the original sports complex.
- The Southeast 40th Street bridge construction at a cost of $247,500 was completed in October 2022.
- A joint project between The City and Home Creations will upsize waterlines from 12" to 18" on South Portland Avenue and will include serving Brush Creek Section 1 Subdivision. This project will cost approximately $358K for the City's share and is scheduled to begin in May 2023.
- The City finished a water plant project in April 2023. This project included clarifier rehab, filter media replacement, ground storage rehab at the water plant, and a water storage facility rehabilitation. This project cost approximately $420K.
- ODOT Widening of SH-76 is continuing with easement acquisition and utility line relocation.

SUPPLEMENTARY AND OTHER INFORMATION

Budgetary Comparison Schedule (Purpose Based) – Year Ended June 30, 2022

SOURCES OF INCOME AND REVENUE	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	BUDGET and ACTUAL VARIANCE
Program revenue	$ 984,500	$ 1,059,300	$ 1,070,032	$ 10,732
Restricted general revenue	6,170,743	7,986,444	8,683,190	696,746
Unrestricted general revenue	2,999,505	3,421,349	3,133,198	(288,151)
Debt proceeds	-	500,000	500,000	-
Transfers in	6,015,000	7,017,086	7,865,262	848,176
Beginning Fund Balance	7,360,273	7,360,273	7,360,273	-
TOTALS - ALL SOURCES	23,530,021	27,344,452	28,611,955	1,267,503
USES OF INCOME AND REVENUE				
Streets	972,652	939,948	934,977	4,971
Vehicle maintenance	219,194	199,858	199,012	846
General government	1,222,793	1,331,536	1,259,391	72,145
Police	1,687,080	1,824,005	1,701,459	122,546
Fire	1,699,326	2,113,524	1,983,977	129,547
Planning and engineering	879,931	917,731	705,326	212,405
Animal control	56,215	54,880	52,225	2,655
Parks and recreation	509,205	530,505	324,792	205,713
Municipal court	72,657	76,557	73,735	2,822
Communications	408,387	427,067	416,535	10,532
Capital outlay	2,259,900	3,870,388	2,917,109	953,279
Debt service	211,776	434,280	434,280	-
Other financing sources - transfer out	6,015,000	7,924,411	7,922,589	1,822
TOTALS - CURRENT YEAR USES	16,214,116	20,644,690	18,925,407	1,719,283
Ending Fund Balance	$ 7,315,905	$ 6,699,762	$ 9,686,548	$ 2,986,786

Reconciliation of Budgetary Comparison Schedule (Purpose Based) to the Governmental Fund Financial Statements – Year Ended June 30, 2022

	Per Statement of Revenues, Expenditures, and Changes in Fund Balance	To Adjust Loan Proceeds	To Clear Payroll Clearing and Account Payable Accounts	To Adjust CLEET Payable	To Reclassify Capital Outlay	To Adjust Debt Service	Per Budgetary Comparison Schedule
Resources (Inflows):							
Total Revenues	$ 12,889,734	$ -	$ -	$ (3,314)	$ -	$ -	$ 12,886,420
Loan Proceeds	502,510	(2,510)	-	-	-	-	500,000
Transfers In	7,922,588	-	-	-	-	(57,326)	7,865,262
Proceeds from sale of capital assets	-	-	-	-	-	-	-
Beginning Fund Balance	7,360,273	-	-	-	-	-	7,360,273
Total Revenues and Other Financing Sources	28,675,105	(2,510)	-	(3,314)	-	(57,326)	28,611,955
Charges to Appropriations (Outflows):							
Total Expenditures	7,337,680	-	8,267	-	305,482	-	7,651,429
Capital outlay	3,225,101	(2,510)	-	-	(305,482)	-	2,917,109
Debt service	491,606	-	-	-	-	(57,326)	434,280
Transfers Out	7,922,589	-	-	-	-	-	7,922,589
Total Expenditures and Other Financing Uses	18,976,976	(2,510)	8,267	-	-	(57,326)	18,925,407
Ending Fund Balance	$ 9,698,129	$ -	$ (8,267)	$ (3,314)	$ -	$ -	$ 9,686,548

Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedule is reported on the same modified cash basis as governmental funds within the basic financial statements, and the format is purposed based budgeting. For budgetary comparison purposes, the City considers all encumbrances to lapse at year-end; therefore encumbrances are not considered expenditures for budgetary comparison purposes. However, the City will re-appropriate the lapsed encumbrances in the subsequent year budget. The difference of results between the governmental fund financial statements to the purpose based budget is explained in the reconciliation following the budgetary comparison schedule.

2. The legal level of appropriation control is at the purpose level within the City budget. Transfers of appropriation within a fund require Mayor's approval, while supplemental appropriations require City Council's approval.

Combining Balance Sheet – Non-Major Governmental Funds (Modified Cash Basis) – June 30, 2022

	Cemetery Care Fund	Linkage Fee Fund	Technology Fund	Newcastle Fire Dept. Tax Fund	Transportation Impact Fee Fund	Total - Other Governmental Funds
ASSETS						
Cash and cash equivalents	$ 64,559	$ 82,020	$ 113,057	$ -	$ 155,091	$ 414,727
Total assets	64,559	82,020	113,057	-	155,091	414,727
LIABILITIES AND FUND BALANCES						
Liabilities:						
Total liabilities	-	-	-	-	-	-
Fund balances:						
Restricted	64,559	-	113,057	-	155,091	332,707
Committed	-	82,020	-	-		82,020
Total fund balances	64,559	82,020	113,057	-	155,091	414,727
Total liabilities and fund balances	$ 64,559	$ 82,020	$ 113,057	$ -	$ 155,091	$ 414,727

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non-Major Governmental Funds (Modified Cash Basis) – Year Ended June 30, 2022

	Cemetery Care Fund	Linkage Fee Fund	Technology Fund	Newcastle Fire Dept. Tax Fund	Transportation Impact Fee Fund	Total-Other Governmental Funds
REVENUES						
Taxes	$ -	$ -	$ -	$ 1,185,558	$ -	$ 1,185,558
Licenses and permits	-	-	-	-	155,091	155,091
Charges for services	7,734	-	-	-	-	7,734
Investment earnings	56	-	-	-	-	56
Fines and forfeitures	-	-	56,418	-	-	56,418
Total revenues	7,790	-	56,418	1,185,558	155,091	1,404,857
EXPENDITURES						
Current:						
Culture and recreation	-	9,204	-	-	-	9,204
Capital Outlay	-	31,062	-	-	-	31,062
Total Expenditures	-	40,266	-	-	-	40,266
Excess (deficiency) of revenues over expenditures	7,790	(40,266)	56,418	1,185,558	155,091	1,364,591
OTHER FINANCING SOURCES (USES)						
Transfers in	-	64,800	-	-	-	64,800
Transfers out	-	-	-	(1,185,558)	-	(1,185,558)
Total other financing sources and uses	-	64,800	-	(1,185,558)	-	(1,120,758)
Net change in fund balances	7,790	24,534	56,418	-	155,091	243,833
Fund balances - beginning	56,769	57,486	56,639	-	-	170,894
Fund balances - ending	$ 64,559	$ 82,020	$ 113,057	$ -	$ 155,091	$ 414,727

Combining Statement of Net Position – Non-Major Enterprise Funds (Modified Cash Basis) – June 30, 2022

	NPWA Sewer Impact Fees	NPWA Water Impact Fees	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ -	$ 26,594	$ 26,594
Restricted:			
Cash and cash equivalents	1,186,243	1,101,286	2,287,529
Total assets	1,186,243	1,127,880	2,314,123
LIABILITIES			
Current Liabilities:			
Total liabilities	-	-	-
NET POSITION			
Restricted for capital projects	1,186,243	1,127,880	2,314,123
Total net position	$ 1,186,243	$ 1,127,880	$ 2,314,123

Combining Statement of Revenues, Expenses and Changes in Net Position – Non-Major Enterprise Funds (Modified Cash Basis) – Year Ended June 30, 2022

	NPWA Sewer Impact Fees	NPWA Water Impact Fees	Total
REVENUES			
Charges for services:			
Pledged as security:			
Fees, taps and penalties	$ 297,450	$ 321,950	$ 619,400
Total operating revenues	297,450	321,950	619,400
OPERATING EXPENSES			
Water	-	8,657	8,657
Total Operating Expenses	-	8,657	8,657
Operating income	297,450	313,293	610,743
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	1,165	1,262	2,427
Total non-operating revenue (expenses)	1,165	1,262	2,427
Income before transfers	298,615	314,555	613,170
Transfers out	(299,231)	(238,767)	(537,998)
Change in net position	(616)	75,788	75,172
Total net position - beginning	1,186,859	1,052,092	2,238,951
Total net position - ending	$ 1,186,243	$ 1,127,880	$ 2,314,123

Schedule of Expenditures of Federal Awards – Year Ended June 30, 2022

Federal/State Grantor/Pass Through Agency Grantor/Program Title	AL#	or Award Number	Award Amount	Awards Expended
FEDERAL AWARDS:				
FEDERAL HIGHWAY ADMINISTRATION:				
Passed through Oklahoma Department of Transportation:				
Trails Phase II	20.219	RT 20(104)	$ 207,840	$ 16,945
Total Federal Highway Administration			$ 207,840	$ 16,945
DEPARTMENT OF HOMELAND SECURITY:				
Federal Emergency Management Agency:				
Passed through Oklahoma Department of Emergency Management:				
Emergency Management Performance Grant	97.042	FY 2021 EMPG	$ 10,000	$ 7,500
Severe Winter Storm - Management Costs	97.036	FEMA-4575-DR-OK PW 105	38,746	1,849
Total Oklahoma Department of Emergency Management			$ 48,746	$ 9,349
Total Homeland Security			$ 48,746	$ 9,349
TOTAL FEDERAL AWARDS			$ 256,586	$ 26,294

Schedule of Expenditures of State Awards – Year Ended June 30, 2022

STATE AWARDS:				
THE OFFICE OF ATTORNEY GENERAL:				
Safe Oklahoma Grant	N/A	2022 Safe Oklahoma Grant	$ 35,735	$ 35,735
OKLAHOMA DEPARTMENT OF AGRICULTURE:				
Rural Fire Grant	N/A	N/A	4,763	4,763
TOTAL STATE AWARDS			$ 40,498	$ 40,498

INTERNAL CONTROL AND COMPLIANCE INFORMATION

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

To the City Council
City of Newcastle, Oklahoma

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 modified cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Newcastle, Oklahoma, as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the City of Newcastle, Oklahoma's basic modified cash basis financial statements, and have issued our report thereon dated August 8, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the modified cash basis financial statements, we considered the City of Newcastle, Oklahoma's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the modified cash basis financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Newcastle, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Newcastle, Oklahoma'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.

Report on Compliance and Other Matters

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

9905 N. May Avenue, Oklahoma City, Oklahoma 73120
Phone (405) 848-7797 Fax (405) 848-7840 Web address www.hbc-cpas.com

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.

HBC CPAs + Advisors

Oklahoma City, Oklahoma
August 8, 2023

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