



**ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS**

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023**

**THE CITY OF NEWCASTLE,
OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORTS**

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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CITY OF NEWCASTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

TABLE OF CONTENTS

	Page
Independent Auditor's Report on Financial Statements.....	5-7
Management's Discussion and Analysis – Other Information	9-16
The Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position (Modified Cash Basis).....	18
Statement of Activities (Modified Cash Basis).....	19
Governmental Funds Financial Statements:	
Balance Sheet (Modified Cash Basis).....	21
Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis).....	22
Reconciliation of Governmental Fund and Government-Wide Financial Statements.....	23
Proprietary Funds Financial Statements:	
Statement of Net Position (Modified Cash Basis)	25
Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis).....	26
Statement of Cash Flows (Modified Cash Basis).....	27
Footnotes to the Basic Financial Statements	28-46
Supplementary and Other Information:	
Budgetary Comparison Information	
Budgetary Comparison Schedule (Purpose Based).....	48
Reconciliation of Budgetary Comparison Schedule (Purpose Based) to the Governmental Fund Financial Statements.....	49
Footnotes to Budgetary Comparison Schedules.....	49
Combining Non-Major Governmental Fund Statements	
Combining Balance Sheet (Modified Cash Basis).....	50
Combining Statement of Revenues, Expenditures and Changes in Fund Balance (Modified Cash Basis).....	50
Combining Non-Major Enterprise Fund Statements	
Combining Statement of Net Position (Modified Cash Basis).....	51
Combining Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis).....	51

CITY OF NEWCASTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

TABLE OF CONTENTS, Continued

Single Audit and Internal Control and Compliance over Financial Reporting:

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit in Accordance with Government Auditing Standards.....	53-54
Independent Auditor's Report on Compliance and Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	55-56
Schedule of Expenditures of Federal Awards.....	57
Schedule of Findings and Questioned Costs.....	58
Summary Schedule of Prior Audit Findings.....	59



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, 2023, 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, 2023, 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 9-16), Schedule of Expenditures of Federal and State Awards (page 57) 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 July 2, 2024, 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.

A handwritten signature in black ink that reads "HBC CPAs & Advisors". The signature is written in a cursive, flowing style.

Oklahoma City, Oklahoma
July 2, 2024

CITY OF NEWCASTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

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CITY OF NEWCASTLE, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2023

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, 2023. 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 \$8,479,932, and the assets of the City exceed its liabilities at June 30, 2023, by \$48,648,833 (net position). Of this amount, \$16,391,458 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2023, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$11,089,300.
- At the end of fiscal year 2023, unassigned fund balance on a modified cash basis for the General Fund was \$2,517,403 or 24.3% 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 28-46 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, a federal award schedule, and combining non-major fund financial statements.

CITY OF NEWCASTLE, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2023

THE CITY AS A WHOLE

For the year ended June 30, 2023, net position on a modified cash basis for the governmental and business-type activities increased \$8,479,932.

Net Position (Modified Cash Basis)
June 30, 2023

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.)
	<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>	
Current assets	\$ 11,097	\$ 9,706	14%	\$ 11,765	\$ 8,950	31%	\$ 22,862	\$ 18,656	23%
Capital assets, net	18,542	13,991	33%	13,276	11,636	14%	31,818	25,627	24%
Total assets	<u>29,639</u>	<u>23,697</u>	25%	<u>25,041</u>	<u>20,586</u>	22%	<u>54,680</u>	<u>44,283</u>	23%
Current liabilities	8	8	-	-	-	-	8	8	-
Non-current liabilities	4,341	1,954	122%	1,682	2,152	-22%	6,023	4,106	47%
Total liabilities	<u>4,349</u>	<u>1,962</u>	122%	<u>1,682</u>	<u>2,152</u>	-22%	<u>6,031</u>	<u>4,114</u>	47%
Net position									
Net investment in									
capital assets	14,201	12,037	18%	11,872	9,752	22%	26,073	21,789	20%
Restricted	3,128	2,191	43%	3,057	3,244	-6%	6,185	5,435	14%
Unrestricted	7,961	7,507	6%	8,430	5,438	55%	16,391	12,945	27%
Total net position	<u>\$ 25,290</u>	<u>\$ 21,735</u>	16%	<u>\$ 23,359</u>	<u>\$ 18,434</u>	27%	<u>\$ 48,649</u>	<u>\$ 40,169</u>	21%

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 \$26,073,116.

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, \$6,184,259, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$16,391,458, may be used to meet the government's ongoing needs.

CITY OF NEWCASTLE, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2023

Changes in Net Position (Modified Cash Basis)
Year Ended June 30, 2023

TABLE 2
CHANGES IN NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>	
Revenues									
Charges for service	\$ 1,261	\$ 1,050	20%	\$ 6,819	\$ 6,200	10%	\$ 8,080	\$ 7,250	11%
Operating grants and contributions	400	841	-52%	1,749	-	100%	2,149	841	156%
Capital grants and contributions	741	187	296%	1,873	223	740%	2,614	410	538%
Taxes	10,718	10,014	7%	-	-	-	10,718	10,014	7%
Intergovernmental revenue	135	137	-1%	939	930	1%	1,074	1,067	1%
Investment income	11	10	10%	65	18	261%	76	28	171%
Miscellaneous	159	655	-76%	46	103	-55%	205	758	-73%
Total revenues	13,425	12,894	4%	11,491	7,474	54%	24,916	20,368	22%
Expenses									
General government	2,649	2,206	20%	-	-	-	2,649	2,206	20%
Public safety	5,033	4,417	14%	-	-	-	5,033	4,417	14%
Streets	1,814	2,556	-29%	-	-	-	1,814	2,556	-29%
Culture, parks and recreation	653	438	49%	-	-	-	653	438	49%
Cemetery	5	23	-78%	-	-	-	5	23	-78%
Interest on long-term debt	78	59	32%	-	-	-	78	59	32%
Water	-	-	-	4,805	4,021	19%	4,805	4,021	19%
Wastewater	-	-	-	527	494	7%	527	494	7%
Sanitation	-	-	-	872	779	12%	872	779	12%
Total expenses	10,232	9,699	5%	6,204	5,294	17%	16,436	14,993	10%
Excess (deficiency) before transfers	3,193	3,195	-	5,287	2,180	143%	8,480	5,375	58%
Transfers	362	(33)	1,197%	(362)	33	1,197%	-	-	-
Change in net position	3,555	3,162	12%	4,925	2,213	123%	8,480	5,375	58%
Beginning net position	21,735	18,573	17%	18,434	16,221	14%	40,169	34,794	15%
Ending net position	\$ 25,290	\$ 21,735	16%	\$ 23,359	\$ 18,434	27%	\$ 48,649	\$ 40,169	21%

Governmental Activities

The City's governmental activities had an increase in net position of \$3,555,360. The increase in capital grants and contributions of 296% is primarily due to ODOT grants of \$520,000 for roadway improvements.

Business-type Activities

The business-type activities had an increase in net position of \$4,924,572. The increase in capital grants and contributions of 740% is related to \$1,873,000 received from the Chickasaw Nation for wastewater system improvements.

CITY OF NEWCASTLE, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2023

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services	
	<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>
General government	\$ 2,649	\$ 2,206	20%	(\$1,943)	(\$1,077)
Public safety	5,033	4,417	14%	(4,392)	(3,994)
Streets	1,814	2,556	-29%	(1,033)	(2,294)
Culture, parks and recreation	653	438	49%	(383)	(182)
Cemetery	5	23	-78%	(1)	(15)
Interest on long-term debt	78	59	32%	(78)	(59)
Total	<u>10,232</u>	<u>9,699</u>	5%	<u>(7,830)</u>	<u>(7,621)</u>

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

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services	
	<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>
Water	\$ 4,805	\$ 4,021	19%	\$ 56	\$ 350
Wastewater	527	494	7%	4,018	608
Sanitation	872	779	12%	163	171
Total	<u>\$ 6,204</u>	<u>\$ 5,294</u>	17%	<u>\$4,237</u>	<u>\$ 1,129</u>

CITY OF NEWCASTLE, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2023

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2023 fiscal year, the governmental funds reported a combined fund balance of \$11,089,300. For the year ended June 30, 2023, the General Fund's total fund balance decreased by \$1,135,100 due mainly to additional capital outlay for construction of the new fire station.

Budgetary Highlights

For the year ended June 30, 2023, the City of Newcastle reported actual budgetary basis revenues over final estimates by \$2,539,793 or a 7.9% positive variance. Actual expenditures were under final appropriations by \$1,964,753 or an 8.2% positive variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2023, the City had approximately \$31.8 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 \$6,190,825 from the prior year.

Below are details regarding the change in the City's capital assets for the year ended June 30, 2023.¹

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

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 3,480	\$ 2,530	\$ 602	\$ 602	\$ 4,082	\$ 3,132
Buildings	2,060	2,097	3,196	3,391	5,256	5,488
Imp. other than buildings	1,396	1,091	842	447	2,238	1,538
Machinery, furniture and equipment	2,512	2,147	360	408	2,872	2,555
Infrastructure	6,343	5,781	-	-	6,343	5,781
Utility property	-	-	6,075	6,277	6,075	6,277
Construction in progress	2,750	345	2,201	511	4,951	856
Totals	\$ 18,541	\$ 13,991	\$ 13,276	\$ 11,636	\$ 31,817	\$ 25,627

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

- 2020 Gradall Excavator \$278,184
- John Deere 6110M Cab Tractor \$170,497
- Phase II Walking Trail \$393,941
- Bridge located on SE 40th St \$253,950

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

CITY OF NEWCASTLE, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2023

- County Line, HWY 37 Roadway Improvements \$274,300
- County Line & I-44 Roadway Improvements \$276,700
- Lakeview Standpipe Repainting, Clarifier Painting, Clearwell Painting \$445,132
- Sports Complex Land \$950,000

Debt Administration

At year-end, the City had \$5,744,345 in long-term debt outstanding, reported on a modified cash basis, which represents a \$1,906,120 increase from the prior year resulting from the net effect of normal debt retirements with the addition of three notes payable to First National Bank during FY23.

TABLE 6
Long-Term Debt
(In Thousands)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	
Notes payable	\$ 4,340	\$ 1,954	\$ 1,404	\$ 1,884	\$ 5,744	\$ 3,838	49.7%
Totals	<u>\$ 4,340</u>	<u>\$ 1,954</u>	<u>\$ 1,404</u>	<u>\$ 1,884</u>	<u>\$ 5,744</u>	<u>\$ 3,838</u>	49.7%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

- During fiscal year 2024, the City expects to complete multiple projects, including the construction of the new animal shelter and fire station. The City also plans to begin construction of the new wastewater treatment facility at an estimated cost of \$52 million. Other projects continuing throughout fiscal year 2024 include the construction of the new sports complex, and the SH76 water line relocation.
- A water/wastewater study was completed during fiscal year 2024, with new rates going into effect October 1, 2023.

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.

CITY OF NEWCASTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

CITY OF NEWCASTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Statement of Net Position (Modified Cash Basis) – June 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Newcastle Economic Development Authority
ASSETS				
Cash and cash equivalents	\$ 11,097,399	\$ 11,764,898	\$ 22,862,297	\$ 37,803
Capital Assets:				
Land and construction in progress	6,229,766	2,802,222	9,031,988	-
Other capital assets, net of depreciation	12,311,475	10,473,998	22,785,473	-
Total Assets	<u>29,638,640</u>	<u>25,041,118</u>	<u>54,679,758</u>	<u>37,803</u>
LIABILITIES				
Due to other governments	8,099	-	8,099	-
Long-term liabilities:				
Due within one year	293,790	216,846	510,636	-
Due in more than one year	4,046,622	1,465,568	5,512,190	-
Total liabilities	<u>4,348,511</u>	<u>1,682,414</u>	<u>6,030,925</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	14,200,829	11,872,287	26,073,116	-
Restricted for:				
Capital projects	2,563,042	2,017,227	4,580,269	-
Transportation system	307,480	-	307,480	-
Cemetery	69,655	-	69,655	-
Technology	187,551	-	187,551	-
Specific governmental services	-	1,039,304	1,039,304	-
Unrestricted	7,961,572	8,429,886	16,391,458	37,803
Total net position	<u>\$ 25,290,129</u>	<u>\$ 23,358,704</u>	<u>\$ 48,648,833</u>	<u>\$ 37,803</u>

See accompanying notes to the basic financial statements.

CITY OF NEWCASTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2023

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position			Component Unit Newcastle Economic Development Authority
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental Activities								
General Government	\$ 2,648,691	\$ 587,985	\$ 117,691	\$ -	\$ (1,943,015)	\$ -	\$ (1,943,015)	\$ -
Public Safety	5,033,108	468,785	163,077	9,731	(4,391,515)	-	(4,391,515)	-
Streets	1,813,378	152,389	107,723	520,000	(1,033,266)	-	(1,033,266)	-
Culture and Recreation	652,500	47,200	10,925	211,531	(382,844)	-	(382,844)	-
Cemetery	5,227	4,781	-	-	(446)	-	(446)	-
Interest on Long-term debt	78,495	-	-	-	(78,495)	-	(78,495)	-
Total governmental activities	10,231,399	1,261,140	399,416	741,262	(7,829,581)	-	(7,829,581)	-
Business-type activities:								
Water	4,805,127	4,861,167	-	-	-	56,040	56,040	-
Wastewater	526,530	922,410	1,749,081	1,873,000	-	4,017,961	4,017,961	-
Sanitation	872,495	1,035,749	-	-	-	163,254	163,254	-
Total business-type activities	6,204,152	6,819,326	1,749,081	1,873,000	-	4,237,255	4,237,255	-
Total primary government	\$ 16,435,551	\$ 8,080,466	\$ 2,148,497	\$ 2,614,262	\$ (7,829,581)	\$ 4,237,255	\$ (3,592,326)	\$ -
Component Unit:								
Newcastle Economic Development Authority	\$ 873	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (873)
General revenues:								
Taxes:								
Sales and use taxes					\$ 10,132,092	\$ -	\$ 10,132,092	\$ -
Franchise taxes and public service taxes					496,236	-	496,236	-
Hotel/motel taxes					89,717	-	89,717	-
Intergovernmental revenue not restricted to specific programs					134,407	939,297	1,073,704	-
Investment income					11,120	64,540	75,660	246
Miscellaneous					159,345	45,504	204,849	-
Transfers					362,024	(362,024)	-	-
Total general revenues and transfers					11,384,941	687,317	12,072,258	(627)
Change in net position					3,555,360	4,924,572	8,479,932	(627)
Net position - beginning					21,734,769	18,434,132	40,168,901	38,430
Net position - ending					\$ 25,290,129	\$ 23,358,704	\$ 48,648,833	\$ 37,803

See accompanying notes to the basic financial statements.

CITY OF NEWCASTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

CITY OF NEWCASTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2023

	<u>General Fund</u>	<u>Capital Improvement Tax Fund</u>	<u>Newcastle Fire Station Fund</u>	<u>Grant Cost Share Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 2,525,502	\$ 2,563,042	\$ 2,764,393	\$ 2,550,556	\$ 693,906	\$ 11,097,399
Total assets	<u>2,525,502</u>	<u>2,563,042</u>	<u>2,764,393</u>	<u>2,550,556</u>	<u>693,906</u>	<u>11,097,399</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Payable to other governments	8,099	-	-	-	-	8,099
Total liabilities	<u>8,099</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,099</u>
Fund balances:						
Restricted	-	2,563,042	-	-	564,686	3,127,728
Committed	-	-	2,764,393	-	129,220	2,893,613
Assigned	-	-	-	2,550,556	-	2,550,556
Unassigned	2,517,403	-	-	-	-	2,517,403
Total fund balances	<u>2,517,403</u>	<u>2,563,042</u>	<u>2,764,393</u>	<u>2,550,556</u>	<u>693,906</u>	<u>11,089,300</u>
Total liabilities and fund balances	<u>\$ 2,525,502</u>	<u>\$ 2,563,042</u>	<u>\$ 2,764,393</u>	<u>\$ 2,550,556</u>	<u>\$ 693,906</u>	<u>\$ 11,097,399</u>

See accompanying notes to the basic financial statements.

CITY OF NEWCASTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance
(Modified Cash Basis) – Year Ended June 30, 2023

	<u>General Fund</u>	<u>Capital Improvement Tax Fund</u>	<u>Newcastle Fire Station Fund</u>	<u>Grant Cost Share Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Taxes	\$ 8,224,409	\$ 1,266,511	\$ -	\$ -	\$ 1,266,512	\$ 10,757,432
Intergovernmental	1,032,032	-	-	207,128	-	1,239,160
Charges for services	300,709	-	-	-	51,981	352,690
Fines and forfeitures	270,723	-	-	-	98,589	369,312
Licenses and permits	347,362	-	-	-	152,389	499,751
Investment income	8,102	2,703	-	-	315	11,120
Miscellaneous	195,270	-	-	-	-	195,270
Total revenues	<u>10,378,607</u>	<u>1,269,214</u>	<u>-</u>	<u>207,128</u>	<u>1,569,786</u>	<u>13,424,735</u>
EXPENDITURES						
Current:						
General government	1,341,109	-	-	-	-	1,341,109
Police	2,441,665	-	-	-	-	2,441,665
Fire	1,893,295	-	337	-	-	1,893,632
Streets	1,127,771	-	-	-	-	1,127,771
Municipal court	81,974	-	-	-	-	81,974
Cemetery	5,227	-	-	-	-	5,227
Animal control	81,461	-	-	-	-	81,461
Parks and recreation	424,861	25,596	-	-	-	450,457
Planning and engineering	939,360	-	-	-	-	939,360
Vehicle maintenance	242,896	-	-	-	-	242,896
Sr. Citizens	-	36,000	-	-	-	36,000
Capital Outlay	4,450,120	467,251	101,606	71,572	24,095	5,114,644
Debt Service:						
Principal	401,520	20,018	5,121	-	-	426,659
Interest and other charges	57,746	15,638	5,111	-	-	78,495
Total Expenditures	<u>13,489,005</u>	<u>564,503</u>	<u>112,175</u>	<u>71,572</u>	<u>24,095</u>	<u>14,261,350</u>
Excess (deficiency) of revenues over expenditures	(3,110,398)	704,711	(112,175)	135,556	1,545,691	(836,615)
OTHER FINANCING SOURCES (USES)						
Loan proceeds	2,812,862	-	-	-	-	2,812,862
Transfers in	6,843,482	-	1,165,000	500,000	-	8,508,482
Transfers out	(7,681,046)	-	(146,000)	-	(1,266,512)	(9,093,558)
Total other financing sources and uses	<u>1,975,298</u>	<u>-</u>	<u>1,019,000</u>	<u>500,000</u>	<u>(1,266,512)</u>	<u>2,227,786</u>
Net change in fund balances	(1,135,100)	704,711	906,825	635,556	279,179	1,391,171
Fund balances - beginning	3,652,503	1,858,331	1,857,568	1,915,000	414,727	9,698,129
Fund balances - ending	<u>\$ 2,517,403</u>	<u>\$ 2,563,042</u>	<u>\$ 2,764,393</u>	<u>\$ 2,550,556</u>	<u>\$ 693,906</u>	<u>\$ 11,089,300</u>

See accompanying notes to the basic financial statements.

CITY OF NEWCASTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Position Reconciliation:

Total fund balance, governmental funds	\$ 11,089,300
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.	
	18,541,241
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.	
	(4,340,412)
Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 25,290,129</u>

Changes in Fund Balances – Changes in Net Position Reconciliation:

Net change in fund balances - total governmental funds:	\$ 1,391,171
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	5,748,295
Depreciation expense	(1,197,903)
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:	
Note payable principal payment	426,659
Proceeds of long-term debt	(2,812,862)
Change in net position of governmental activities	<u>\$ 3,555,360</u>

See accompanying notes to the basic financial statements.

CITY OF NEWCASTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

CITY OF NEWCASTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Proprietary Fund Statement of Net Position (Modified Cash Basis) – June 30, 2023

	NPWA Operations Enterprise Fund	Wastewater Plant Fund	Other Enterprise Funds	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,140,601	\$ -	\$ 26,594	\$ 3,167,195
Restricted:				
Cash and cash equivalents	317,154	6,289,916	1,990,633	8,597,703
Total current assets	<u>3,457,755</u>	<u>6,289,916</u>	<u>2,017,227</u>	<u>11,764,898</u>
Non-current assets:				
Capital Assets:				
Land and construction in progress	2,802,222	-	-	2,802,222
Other capital assets, net of accumulated depreciation	10,473,998	-	-	10,473,998
Total non-current assets	<u>13,276,220</u>	<u>-</u>	<u>-</u>	<u>13,276,220</u>
Total assets	<u>16,733,975</u>	<u>6,289,916</u>	<u>2,017,227</u>	<u>25,041,118</u>
LIABILITIES				
Current Liabilities:				
Deposits subject to refund	278,481	-	-	278,481
Notes payable	161,150	-	-	161,150
Total current liabilities	<u>439,631</u>	<u>-</u>	<u>-</u>	<u>439,631</u>
Non-current liabilities:				
Notes payable	1,242,783	-	-	1,242,783
Total non-current liabilities	<u>1,242,783</u>	<u>-</u>	<u>-</u>	<u>1,242,783</u>
Total liabilities	<u>1,682,414</u>	<u>-</u>	<u>-</u>	<u>1,682,414</u>
NET POSITION				
Net investment in capital assets	11,872,287	-	-	11,872,287
Restricted for capital projects	-	-	2,017,227	2,017,227
Restricted for specific governmental services	-	1,039,304	-	1,039,304
Unrestricted	3,179,274	5,250,612	-	8,429,886
Total net position	<u>\$ 15,051,561</u>	<u>\$ 6,289,916</u>	<u>\$ 2,017,227</u>	<u>\$ 23,358,704</u>

See accompanying notes to the basic financial statements.

CITY OF NEWCASTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2023

	NPWA Operations Enterprise Fund	Wastewater Plant Fund	Other Enterprise Funds	Total
REVENUES				
Water	\$ 4,352,983	\$ -	\$ -	\$ 4,352,983
Wastewater	541,935	-	-	541,935
Sanitation	1,035,749	-	-	1,035,749
Fees, taps, and penalties	370,859	-	517,800	888,659
Total operating revenues	<u>6,301,526</u>	<u>-</u>	<u>517,800</u>	<u>6,819,326</u>
OPERATING EXPENSES				
Administration	221,144	-	-	221,144
Water	4,084,254	-	3,000	4,087,254
Wastewater	473,521	-	-	473,521
Sanitation	829,458	-	-	829,458
Depreciation	546,607	-	-	546,607
Total operating expenses	<u>6,154,984</u>	<u>-</u>	<u>3,000</u>	<u>6,157,984</u>
Operating income	146,542	-	514,800	661,342
NON-OPERATING REVENUES (EXPENSES)				
Investment income	58,232	-	6,308	64,540
Miscellaneous revenue	42,730	-	-	42,730
Grant revenue	939,297	-	-	939,297
Gain on disposal of capital assets	2,774	-	-	2,774
Capital grants and contributions	-	3,622,081	-	3,622,081
Interest expense	(46,168)	-	-	(46,168)
Total non-operating revenue	<u>996,865</u>	<u>3,622,081</u>	<u>6,308</u>	<u>4,625,254</u>
Income before transfers	1,143,407	3,622,081	521,108	5,286,596
Transfers in	7,992,186	1,200,000	306,775	9,498,961
Transfers out	<u>(6,650,494)</u>	<u>(2,085,712)</u>	<u>(1,124,779)</u>	<u>(9,860,985)</u>
Change in net position	2,485,099	2,736,369	(296,896)	4,924,572
Total net position - beginning	12,566,462	3,553,547	2,314,123	18,434,132
Total net position - ending	<u>\$ 15,051,561</u>	<u>\$ 6,289,916</u>	<u>\$ 2,017,227</u>	<u>\$ 23,358,704</u>

See accompanying notes to the basic financial statements.

CITY OF NEWCASTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Proprietary Fund Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2023

	<u>NPWA</u> <u>Operations</u> <u>Enterprise Fund</u>	<u>Wastewater</u> <u>Plant Fund</u>	<u>Other Enterprise</u> <u>Funds</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 6,344,256	\$ -	\$ 517,800	\$ 6,862,056
Payments to suppliers	(4,106,283)	-	(3,000)	(4,109,283)
Payments to employees	(1,502,094)	-	-	(1,502,094)
Receipts of customer meter deposits	69,650	-	-	69,650
Refunds of customer meter deposits	(59,280)	-	-	(59,280)
Net cash provided by operating activities	<u>746,249</u>	<u>-</u>	<u>514,800</u>	<u>1,261,049</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	7,992,186	1,200,000	306,775	9,498,961
Transfers to other funds	(6,650,494)	(2,085,712)	(1,124,779)	(9,860,985)
Noncapital grants and contributions	939,297	-	-	939,297
Net cash provided by (used in) noncapital financing activities	<u>2,280,989</u>	<u>(885,712)</u>	<u>(818,004)</u>	<u>577,273</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(2,187,040)	-	-	(2,187,040)
Principal paid on debt	(480,082)	-	-	(480,082)
Proceeds from sale of capital assets	2,774	-	-	2,774
Capital grants and contributions	-	3,622,081	-	3,622,081
Interest and fiscal agent fees paid on debt	(46,168)	-	-	(46,168)
Net cash provided by (used in) capital and related financing activities	<u>(2,710,516)</u>	<u>3,622,081</u>	<u>-</u>	<u>911,565</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends	58,232	-	6,308	64,540
Net cash provided by investing activities	<u>58,232</u>	<u>-</u>	<u>6,308</u>	<u>64,540</u>
Net increase (decrease) in cash and cash equivalents	374,954	2,736,369	(296,896)	2,814,427
Balances - beginning of year	<u>3,082,801</u>	<u>3,553,547</u>	<u>2,314,123</u>	<u>8,950,471</u>
Balances - end of year	<u>\$ 3,457,755</u>	<u>\$ 6,289,916</u>	<u>\$ 2,017,227</u>	<u>\$ 11,764,898</u>
Reconciliation to Statement of Net Position:				
Cash and cash equivalents	\$ 3,140,601	\$ -	\$ 26,594	\$ 3,167,195
Restricted cash and cash equivalents - current	317,154	6,289,916	1,990,633	8,597,703
Total cash and cash equivalents, end of year	<u>\$ 3,457,755</u>	<u>\$ 6,289,916</u>	<u>\$ 2,017,227</u>	<u>\$ 11,764,898</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 146,542	\$ -	\$ 514,800	\$ 661,342
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	546,607	-	-	546,607
Miscellaneous revenue	42,730	-	-	42,730
Change in assets and liabilities:				
Deposits subject to refund	10,370	-	-	10,370
Net cash provided by operating activities	<u>\$ 746,249</u>	<u>\$ -</u>	<u>\$ 514,800</u>	<u>\$ 1,261,049</u>

See accompanying notes to the basic financial statements.

CITY OF NEWCASTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

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.

CITY OF NEWCASTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

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 NPSA 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

CITY OF NEWCASTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

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 Funds:

- 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 those 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.”

CITY OF NEWCASTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

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, 2023, the City recognized \$75,660 of investment income. Most of the City's deposits are in demand and short-term time deposits.

At June 30, 2023, the primary government held the following deposits and investments:

<u>Type</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 10,447,364
Time deposit - certificates of deposit			12,409,113
			<u>22,856,477</u>
Investments:			
NPWA - Federated Gov't Obligations Tax Managed Fund	N/A	AAA _m	22,820
NPWA - Goldman Sachs FS Treasury Oblig Adm Money Market Fund	N/A	AAA _m	20,803
			<u>43,623</u>
Total deposits and investments			<u><u>\$ 22,900,100</u></u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents			\$ 22,862,297
			<u><u>\$ 22,862,297</u></u>
Component Unit:			
Cash and cash equivalents			37,803
			<u>37,803</u>
Total deposits and investments			<u><u>\$ 22,900,100</u></u>

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 \$747,308 at June 30, 2023.

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, 2023, 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, 2023, 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, 2023, the City had no concentration of credit risk as defined above.

CITY OF NEWCASTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

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	\$ 278,481
Trustee account - 2009 OWRB D/S	20,803
Trustee account - 2013 OWRB D/S	17,870
Water impact fees	1,352,166
Sewer impact fees	638,467
Wastewater Plant	6,289,916
Total	<u>\$ 8,597,703</u>

3. Capital Assets and Depreciation

For the year ended June 30, 2023, capital assets balances changed as follows:

	Balance at July 1, 2022	Additions	Disposals	Balance at June 30, 2023
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 2,530,102	\$ 950,000	\$ -	\$ 3,480,102
Construction in progress	344,722	3,648,869	1,243,927	2,749,664
Total capital assets not being depreciated	<u>2,874,824</u>	<u>4,598,869</u>	<u>1,243,927</u>	<u>6,229,766</u>
Other capital assets:				
Buildings	3,483,845	48,062	-	3,531,907
Machinery, furniture and equipment	7,427,920	1,146,401	53,038	8,521,283
Improvements	1,260,337	393,940	-	1,654,277
Infrastructure	9,369,321	804,950	-	10,174,271
Total other capital assets at historical cost	<u>21,541,423</u>	<u>2,393,353</u>	<u>53,038</u>	<u>23,881,738</u>
Less accumulated depreciation for:				
Buildings	1,386,945	84,620	-	1,471,565
Machinery, furniture and equipment	5,280,936	780,995	53,038	6,008,893
Improvements	169,175	89,098	-	258,273
Infrastructure	3,588,342	243,190	-	3,831,532
Total accumulated depreciation	<u>10,425,398</u>	<u>1,197,903</u>	<u>53,038</u>	<u>11,570,263</u>
Other capital assets, net	<u>11,116,025</u>	<u>1,195,450</u>	<u>-</u>	<u>12,311,475</u>
Governmental activities capital assets, net	<u>\$ 13,990,849</u>	<u>\$ 5,794,319</u>	<u>\$ 1,243,927</u>	<u>\$ 18,541,241</u>

CITY OF NEWCASTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

	Balance at July 1, 2022	Additions	Disposals	Balance at June 30, 2023
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 601,544	\$ -	\$ -	\$ 601,544
Construction in progress	510,637	2,135,173	445,132	2,200,678
Total capital assets not being depreciated	1,112,181	2,135,173	445,132	2,802,222
Other capital assets:				
Buildings	8,450,190	-	-	8,450,190
Machinery, furniture and equipment	2,398,016	51,867	22,078	2,427,805
Improvements	465,205	445,132	-	910,337
Utility property	7,929,248	-	-	7,929,248
Total other capital assets at historical cost	19,242,659	496,999	22,078	19,717,580
Less accumulated depreciation for:				
Buildings	5,058,907	195,348	-	5,254,255
Machinery, furniture and equipment	1,990,070	99,449	22,078	2,067,441
Improvements	18,274	49,691	-	67,965
Utility Property Improvements	1,651,802	202,119	-	1,853,921
Total accumulated depreciation	8,719,053	546,607	22,078	9,243,582
Other capital assets, net	10,523,606	(49,608)	-	10,473,998
Business-type activities capital assets, net	\$ 11,635,787	\$ 2,085,565	\$ 445,132	\$ 13,276,220

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:

General government	\$ 100,803
Public safety	493,704
Highways and streets	484,154
Parks and recreation	119,242
	<u>\$ 1,197,903</u>

Business-Type Activities:

Water	\$ 490,831
Wastewater	30,491
Administration	25,285
	<u>\$ 546,607</u>

4. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2023, the reporting entity's long-term debt changed as follows:

Type of Debt	Balance July 01, 2022	Additions	Deductions	Balance June 30, 2023	Due Within One Year
Governmental Activities:					
Notes payable - direct borrowings/placements	\$ 1,954,209	\$ 2,812,862	\$ 426,659	\$ 4,340,412	\$ 293,790
Total Governmental Activities	<u>\$ 1,954,209</u>	<u>\$ 2,812,862</u>	<u>\$ 426,659</u>	<u>\$ 4,340,412</u>	<u>\$ 293,790</u>
Business-Type Activities:					
Notes Payable - direct borrowings/placements	\$ 1,884,015	\$ -	\$ 480,082	\$ 1,403,933	\$ 161,150
Deposits, subject to refund	268,111	69,650	59,280	278,481	55,696
Total Business-Type Activities	<u>2,152,126</u>	<u>69,650</u>	<u>539,362</u>	<u>1,682,414</u>	<u>216,846</u>
Total Long-Term Debt	<u>\$ 4,106,335</u>	<u>\$ 2,882,512</u>	<u>\$ 966,021</u>	<u>\$ 6,022,826</u>	<u>\$ 510,636</u>

CITY OF NEWCASTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Governmental activities long-term debt payable from taxes and direct borrowing at June 30, 2023 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.

759,069

\$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.

282,338

\$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 lender 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.

512,899

\$950,000 note payable to First National Bank, payable in monthly installments of \$5,342, including principal and interest of 3.09%, final payment due November 1, 2042. This loan is secured by the property purchased for the sports complex. In the event of default, the lender 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.

928,366

Note payable to First National Bank with a maximum outstanding draw of \$3,400,000 for construction of a new animal shelter, due in November 2024 with a fixed interest rate of 3.95%. Total principal drawn down and currently outstanding as of June 30, 2023 was \$248,234.

248,234

Note payable to First National Bank with a maximum outstanding draw of \$9,800,000 for construction of a new fire station, due in September 2024 with a fixed interest rate of 4.25%. Total principal drawn down and currently outstanding as of June 30, 2023 was \$1,609,506.

1,609,506

Total Notes Payable	<u>\$ 4,340,412</u>
Current portion	\$ 293,790
Noncurrent portion	4,046,622
Total Notes Payable	<u>\$ 4,340,412</u>

CITY OF NEWCASTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

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

Notes payable (direct borrowing/placement):

\$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.

491,781

\$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.

665,102

\$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.

247,050

Total Notes Payable	<u>\$ 1,403,933</u>
Current portion	\$ 161,150
Noncurrent portion	1,242,783
Total Notes Payable	<u>\$ 1,403,933</u>

Customer Deposits:

Customer deposits reported as a liability within the Statement of Net Position are comprised of utility customer deposits payable.

	\$ 278,481
Total Customer Deposits	<u>\$ 278,481</u>
Current portion	\$ 55,696
Noncurrent portion	222,785
Total Customer Deposits	<u>\$ 278,481</u>

CITY OF NEWCASTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

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

	<u>Governmental Activities</u>	
<u>Year Ending June 30,</u>	<u>Notes Payable -direct borrowings/placements</u>	
	<u>Principal</u>	<u>Interest</u>
2024	293,790	381,722
2025	13,438,647	223,290
2026	133,622	64,692
2027	137,739	60,575
2028	141,839	56,495
2029-2033	753,675	212,835
2034-2038	517,190	84,577
2039-2043	261,049	19,038
Totals	\$ 15,677,551	\$ 1,103,224
amount left to be drawn	(11,337,139)	
	<u>\$ 4,340,412</u>	

	<u>Business Type Activities</u>	
<u>Year Ending June 30,</u>	<u>Notes Payable - direct borrowings/placements</u>	
	<u>Principal</u>	<u>Interest</u>
2024	161,150	30,669
2025	165,725	26,352
2026	170,348	21,985
2027	175,105	17,491
2028	179,953	12,907
2029-2033	483,510	25,457
2034	68,142	1,004
Totals	<u>1,403,933</u>	<u>\$ 135,865</u>

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 \$2,463,227 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 \$1,270,570. Pledged sales taxes received in the current year were \$4,276,796 and pledged water and sewer utility net revenues for

CITY OF NEWCASTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

the current year were \$334,143. Debt service payments of \$141,347 for the current fiscal year were 3.1% of pledged sales taxes and water and sewer utility revenues of \$4,610,939.

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, 2023.

Transfers:

Internal transfers between funds and activities for the year ended June 30, 2023, were as follows:

Transfer From	Transfer To	Amount	Purpose of Transfer
General Fund	Fire Station Fund	1,165,000	Operating transfer
General Fund	Grant Cost Share Fund	500,000	Operating transfer
Fire Sales Tax	General Fund	1,266,512	Sales/Use Tax Transfer
NPWA	General Fund	4,646,494	Operating transfer (return of sales/use tax)
Wastewater Plant Fund	General Fund	930,476	ARPA
General Fund	NPWA	5,066,046	Sales/Use Tax Transfer
NPWA Sewer Impact Fee	NPWA	1,124,779	Debt and capital asset activity
General Fund	NPWA	952,900	Capital asset activity
Wastewater Plant Fund	NPWA	848,461	Capital asset activity
Wastewater Plant Fund	NPWA Sewer Impact Fee	306,775	Debt and capital asset activity
NPWA	Wastewater Plant Fund	1,200,000	Operating Transfer from Sales Tax
Total		<u>\$ 18,007,443</u>	

Reconciliation to Fund Financial Statements:

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	\$ 8,508,482	\$ (9,093,558)	\$ (585,076)
Proprietary Funds	9,498,961	(9,860,985)	(362,024)
	<u>\$ 18,007,443</u>	<u>\$ (18,954,543)</u>	<u>\$ (947,100)</u>

Reconciliation to Statement of Activities:

Governmental Funds Transfers	\$ (585,076)
Transfer of assets from governmental to business-type	(2,900)
Transfer of assets from business-type to governmental	950,000
Total governmental-wide level	<u>\$ 362,024</u>

**CITY OF NEWCASTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023**

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	\$ -	\$ 2,563,042	\$ -	\$ -	\$ -	\$ 2,563,042
Technology	-	-	-	-	187,551	187,551
Transportation system	-	-	-	-	307,480	307,480
Cemetery capital	-	-	-	-	69,655	69,655
Total Restricted	-	2,563,042	-	-	564,686	3,127,728
Committed for:						
Fire	-	-	2,764,393	-	-	2,764,393
Parks and recreation	-	-	-	-	129,220	129,220
Total committed	-	-	2,764,393	-	129,220	2,893,613
Assigned to:						
City match portion of future grants	-	-	-	2,550,556	-	2,550,556
	-	-	-	2,550,556	-	2,550,556
Unassigned	2,517,403	-	-	-	-	2,517,403
Total Fund Balance	\$ 2,517,403	\$ 2,563,042	\$ 2,764,393	\$ 2,550,556	\$ 693,906	\$ 11,089,300

Enterprise Funds:

Retricted for Capital Projects	\$ 2,017,227
Restricted for Specific Governmental Services	1,039,304
Total Enterprise Fund Restrictions	<u>\$ 3,056,531</u>

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.

CITY OF NEWCASTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

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
2021	\$ 144,474	\$ 144,474
2022	\$ 148,999	\$ 148,999
2023	\$ 167,629	\$ 167,629

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.

CITY OF NEWCASTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

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
2021	\$ 134,762	\$ 134,762
2022	\$ 131,847	\$ 131,847
2023	\$ 161,346	\$ 161,346

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 2023, the City and NPWA contributions are as follows:

Fiscal Year	Employer Contribution	Employee Contribution
2021	\$ 89,856	\$ 118,835
2022	\$ 109,502	\$ 127,830
2023	\$ 137,294	\$ 142,823

CITY OF NEWCASTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

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

Year	Contribution	Contributed
2021	\$ 10,700	\$ 10,700
2022	\$ 11,500	\$ 11,500
2023	\$ 12,074	\$ 12,074

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 2023, 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		
2021	\$ 4,030		
2022	\$ 7,682		
2023	\$ 7,957		
Fiscal Year	Employer Contribution (Police)	Employee Contribution (Police)	
2021	n/a	n/a	
2022	\$ 4,685	\$ 10,866	
2023	\$ 4,990	\$ 13,473	

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, 2023, is summarized as follows:

- General Fund – accrued compensated absences \$319,533
- NPWA – accrued compensated absences \$122,330

**CITY OF NEWCASTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023**

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 2023, the City’s involvement in federal and state award programs was 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:

- During fiscal year 2024, the City expects to complete multiple projects, including the construction of the new animal shelter and fire station. The City also plans to begin construction of the new wastewater treatment facility at an estimated cost of \$52 million. Other projects continuing throughout fiscal year 2024 include the construction of the new sports complex, and the SH76 water line relocation.
- A water/wastewater study was completed during fiscal year 2024, with new rates going into effect October 1, 2023.

CITY OF NEWCASTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

SUPPLEMENTARY AND OTHER INFORMATION

CITY OF NEWCASTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Budgetary Comparison Schedule (Purpose Based) – Year Ended June 30, 2023

<u>SOURCES OF INCOME AND REVENUE</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>BUDGET and ACTUAL VARIANCE</u>
Program revenue	\$ 1,210,550	\$ 1,145,550	\$ 1,064,994	\$ (80,556)
Restricted general revenue	7,141,881	7,869,648	8,816,666	947,018
Unrestricted general revenue	3,072,650	3,188,841	3,539,776	350,935
Debt proceeds	-	1,862,952	2,812,862	949,910
Transfers in	6,325,520	8,135,996	8,508,482	372,486
Beginning Fund Balance	9,698,129	9,698,129	9,698,129	-
TOTALS - ALL SOURCES	27,448,730	31,901,116	34,440,909	2,539,793
<u>USES OF INCOME AND REVENUE</u>				
Streets	986,090	1,090,250	1,074,673	15,577
Vehicle maintenance	187,647	246,484	242,895	3,589
General government	1,368,383	1,393,034	1,332,530	60,504
Police	2,064,653	2,132,422	2,051,474	80,948
Fire	1,995,214	1,930,161	1,896,323	33,838
Planning and engineering	1,037,262	1,207,670	1,018,063	189,607
Animal control	111,614	94,095	81,462	12,633
Parks and recreation	995,087	1,032,989	491,683	541,306
Municipal court	74,930	81,972	81,972	-
Communications	462,484	443,119	407,974	35,145
ARPA	-	930,476	830,470	100,006
Capital outlay	1,894,435	5,424,719	4,380,084	1,044,635
Debt service	134,209	144,444	144,441	3
Other financing sources - transfer out	6,497,500	7,844,520	7,997,558	(153,038)
TOTALS - CURRENT YEAR USES	17,809,508	23,996,355	22,031,602	1,964,753
Ending Fund Balance	\$ 9,639,222	\$ 7,904,761	\$ 12,409,307	\$ 4,504,546

CITY OF NEWCASTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Reconciliation of Budgetary Comparison Schedule (Purpose Based) to the Governmental Fund Financial Statements – Year Ended June 30, 2023

	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	\$ 13,424,735	\$ -	\$ -	\$ (3,299)	\$ -	\$ -	\$ 13,421,436
Loan Proceeds	2,812,862	-	-	-	-	-	2,812,862
Transfers In	8,508,482	-	-	-	-	-	8,508,482
Beginning Fund Balance	9,698,129	-	-	-	-	-	9,698,129
Total Revenues and Other Financing Sources	34,444,208	-	-	(3,299)	-	-	34,440,909
Charges to Appropriations (Outflows):							
Total Expenditures	8,641,552	-	(12,593)	-	50,090	-	8,679,049
Capital outlay	5,114,644	-	-	-	(50,090)	146,000	5,210,554
Debt service	505,154	-	-	-	-	(360,713)	144,441
Transfers Out	9,093,558	(950,000)	-	-	-	(146,000)	7,997,558
Total Expenditures and Other Financing Uses	23,354,908	(950,000)	(12,593)	-	-	(360,713)	22,031,602
Ending Fund Balance	\$ 11,089,300	\$ 950,000	\$ 12,593	\$ (3,299)	\$ -	\$ 360,713	\$ 12,409,307

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.

The City exceeded the approved budget in these areas:

Other financing sources – transfer out \$153,038

CITY OF NEWCASTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Combining Balance Sheet – Non-Major Governmental Funds (Modified Cash Basis) – June 30, 2023

	<u>Cemetery Care Fund</u>	<u>Linkage Fee Fund</u>	<u>Technology Fund</u>	<u>Newcastle Fire Dept. Tax Fund</u>	<u>Transportation Impact Fee Fund</u>	<u>Total - Other Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 69,655	\$ 129,220	\$ 187,551	\$ -	\$ 307,480	\$ 693,906
Total assets	<u>69,655</u>	<u>129,220</u>	<u>187,551</u>	<u>-</u>	<u>307,480</u>	<u>693,906</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:						
Restricted	69,655	-	187,551	-	307,480	564,686
Committed	-	129,220	-	-	-	129,220
Total fund balances	<u>69,655</u>	<u>129,220</u>	<u>187,551</u>	<u>-</u>	<u>307,480</u>	<u>693,906</u>
Total liabilities and fund balances	<u>\$ 69,655</u>	<u>\$ 129,220</u>	<u>\$ 187,551</u>	<u>\$ -</u>	<u>\$ 307,480</u>	<u>\$ 693,906</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non-Major Governmental Funds (Modified Cash Basis) – Year Ended June 30, 2023

	<u>Cemetery Care Fund</u>	<u>Linkage Fee Fund</u>	<u>Technology Fund</u>	<u>Newcastle Fire Dept. Tax Fund</u>	<u>Transportation Impact Fee Fund</u>	<u>Total-Other Governmental Funds</u>
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 1,266,512	\$ -	\$ 1,266,512
Licenses and permits	-	-	-	-	152,389	152,389
Charges for services	4,781	47,200	-	-	-	51,981
Investment earnings	315	-	-	-	-	315
Fines and forfeitures	-	-	98,589	-	-	98,589
Total revenues	<u>5,096</u>	<u>47,200</u>	<u>98,589</u>	<u>1,266,512</u>	<u>152,389</u>	<u>1,569,786</u>
EXPENDITURES						
Current:						
Capital Outlay	-	-	24,095	-	-	24,095
Total Expenditures	<u>-</u>	<u>-</u>	<u>24,095</u>	<u>-</u>	<u>-</u>	<u>24,095</u>
Excess (deficiency) of revenues over expenditures	5,096	47,200	74,494	1,266,512	152,389	1,545,691
OTHER FINANCING SOURCES (USES)						
Transfers out	-	-	-	(1,266,512)	-	(1,266,512)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,266,512)</u>	<u>-</u>	<u>(1,266,512)</u>
Net change in fund balances	5,096	47,200	74,494	-	152,389	279,179
Fund balances - beginning	64,559	82,020	113,057	-	155,091	414,727
Fund balances - ending	<u>\$ 69,655</u>	<u>\$ 129,220</u>	<u>\$ 187,551</u>	<u>\$ -</u>	<u>\$ 307,480</u>	<u>\$ 693,906</u>

CITY OF NEWCASTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Combining Statement of Net Position – Non-Major Enterprise Funds (Modified Cash Basis) – June 30, 2023

	<u>NPWA Sewer Impact Fees</u>	<u>NPWA Water Impact Fees</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ -	\$ 26,594	\$ 26,594
Restricted:			
Cash and cash equivalents	638,467	1,352,166	1,990,633
Total assets	<u>638,467</u>	<u>1,378,760</u>	<u>2,017,227</u>
LIABILITIES			
Current Liabilities:			
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Restricted for capital projects	638,467	1,378,760	2,017,227
Total net position	<u>\$ 638,467</u>	<u>\$ 1,378,760</u>	<u>\$ 2,017,227</u>

Combining Statement of Revenues, Expenses and Changes in Net Position – Non-Major Enterprise Funds (Modified Cash Basis) – Year Ended June 30, 2023

	<u>NPWA Sewer Impact Fees</u>	<u>NPWA Water Impact Fees</u>	<u>Total</u>
REVENUES			
Charges for services:			
Pledged as security:			
Fees, taps and penalties	\$ 267,200	\$ 250,600	\$ 517,800
Total operating revenues	<u>267,200</u>	<u>250,600</u>	<u>517,800</u>
OPERATING EXPENSES			
Water	-	3,000	3,000
Total Operating Expenses	<u>-</u>	<u>3,000</u>	<u>3,000</u>
Operating income	<u>267,200</u>	<u>247,600</u>	<u>514,800</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	3,028	3,280	6,308
Total non-operating revenue (expenses)	<u>3,028</u>	<u>3,280</u>	<u>6,308</u>
Income before transfers	<u>270,228</u>	<u>250,880</u>	<u>521,108</u>
Transfers in	306,775	-	306,775
Transfers out	<u>(1,124,779)</u>	<u>-</u>	<u>(1,124,779)</u>
Change in net position	(547,776)	250,880	(296,896)
Total net position - beginning	1,186,243	1,127,880	2,314,123
Total net position - ending	<u>\$ 638,467</u>	<u>\$ 1,378,760</u>	<u>\$ 2,017,227</u>

CITY OF NEWCASTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

SINGLE AUDIT AND INTERNAL CONTROL AND COMPLIANCE INFORMATION



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, 2023 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 July 2, 2024.

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*.

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
July 2, 2024



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

To the City Council
City of Newcastle, Oklahoma

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Newcastle, Oklahoma's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Newcastle, Oklahoma's major federal programs for the year ended June 30, 2023. City of Newcastle, Oklahoma's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Newcastle, Oklahoma, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

user of the report on compliance about City of Newcastle, Oklahoma's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Newcastle, Oklahoma's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Newcastle, Oklahoma's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Newcastle, Oklahoma's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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



Oklahoma City, Oklahoma
July 2, 2024

CITY OF NEWCASTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Schedule of Expenditures of Federal Awards – Year Ended June 30, 2023

Federal/State Grantor/Pass Through Agency Grantor/Program Title	AL#	Project or Award Number	Awards Expended
FEDERAL AWARDS:			
FEDERAL HIGHWAY ADMINISTRATION:			
Passed through Oklahoma Department of Transportation:			
Trails Phase II	20.219	RT 20(104)	\$ 207,128
Total Federal Highway Administration			207,128
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION:			
Passed through Oklahoma Highway Safety Office:			
OHSO Highway Safety Grant	20.600	SE-23-03-01-01	12,492
Total National Highway Traffic Safety Administration			12,492
U.S. DEPARTMENT OF JUSTICE:			
Passed through Bureau of Justice Assistance:			
Bulletproof Vest Partnership Program	16.607	BVP-2022	9,731
Total U.S. Department of Justice			9,731
U.S. DEPARTMENT OF TREASURY:			
American Rescue Plan Act	21.027	N/A	830,470
Total U.S. Department of Treasury			830,470
DEPARTMENT OF HOMELAND SECURITY:			
Passed through Oklahoma Department of Emergency Management:			
Emergency Management Performance Grant	97.042	FY 2021 EMPG	3,020
Emergency Management Performance Grant	97.042	FY 2022 EMPG	3,179
Sub-total AL 97.042			6,199
Severe Winter Storm - Debris Removal	97.036	FEMA-4575-DR-OK PW 89	115,106
Severe Winter Storm - Management Costs	97.036	FEMA-4575-DR-OK PW 105	1,084
Sub-total AL 97.036			116,190
Total Oklahoma Department of Emergency Management			122,389
Total Homeland Security			122,389
TOTAL FEDERAL AWARDS			\$ 1,182,210

City of Newcastle, Oklahoma
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

I. Summary of Auditors' Results

Financial Statements

Type of audit report issued	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
• Noncompliance which is material to the financial statements noted?	No

Federal Rewards

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs

CDFA Number	Name of Federal Program or Cluster
21.027	Coronavirus State and Local Recovery Funds
Dollar threshold to distinguish between Type A and Type B programs	\$750,000
Auditee qualifies as a low-risk auditee?	No

II. Financial Statement Findings

None noted.

City of Newcastle, Oklahoma
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2023

There were no prior year audit findings for the period ended June 30, 2022.