

**CITY OF BEREA
Berea, Kentucky**

**FINANCIAL STATEMENTS
June 30, 2025**

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INDEPENDENT AUDITORS' REPORT

Honorable Bruce Fraley, Mayor
And the City Council
City of Berea, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Berea, Kentucky, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Berea, Kentucky's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Berea, Kentucky, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and other postemployment benefit schedules on pages 4-19 and 59-76 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Berea, Kentucky's basic financial statements. The accompanying major proprietary budget information, combining nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the major proprietary budget information, combining nonmajor fund financial statements and schedule of expenditures of federal awards 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 December 22, 2025, on our consideration of the City of Berea, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Berea, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Berea, Kentucky's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
December 22, 2025

City of Berea, Kentucky
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025

Our discussion and analysis of the City of Berea's financial performance provides a narrative overview of the City's financial activities for the fiscal year ended June 30, 2025. Readers are encouraged to consider the information presented here in conjunction with the auditors' report on pages 1-3 and the City's financial statements that immediately follow.

FINANCIAL HIGHLIGHTS

- At June 30, 2025, the government-wide assets and deferred outflow of resources of the City exceeded its liabilities and deferred inflows by \$110.4 million compared with \$96.5 million in the previous year.
- The City's total net position increased by \$14.0 million from prior year, approximately 14.5%, compared to \$8.2 million in the prior year.
- The adoption of GASB Statement No. 101, *Compensated Absences*, involved the remeasurement of liabilities for accrued vacation leave and sick leave. This resulted in a restatement of the beginning net position. Beginning net position for governmental funds increased by \$122,193 and business-type activities' beginning net position increased by \$24,041.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$31.2 million, an increase of \$5.5 million over the prior year. Approximately 41% or \$12.9 million of the total combined ending fund balance is available for spending at the City's discretion (unassigned fund balance).
- The City's total debt from bonds and notes decreased by \$2.1 million or 13% during the current fiscal year.
- The City's investment income totaled approximately \$2.5 million, an increase of approximately \$327,000 from prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide statements report information about the City as a whole, using accounting methods similar to those used by private-sector companies. The statements are designed to provide both long-term and short-term information about the City's overall financial status. There are two government-wide statements.

The *Statement of Net Position* presents information on all of the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or weakening. However, other factors should be considered such as, population growth, changes in property tax rates or valuation, infrastructure asset condition, and new or changed government legislation to assess the overall health of the City.

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes, licenses and permits, and intergovernmental revenues (governmental activities) from the other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public works, codes and planning, economic development, public safety, parks and recreation, and tourism. The business-type activities of the City include water, sewer and electric utility operations.

The government-wide financial statements can be found on pages 18-19.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City can be divided into two categories, governmental funds and proprietary funds.

Governmental Funds— Governmental funds report basic services, which focus on near-term inflows and outflows of available resources and their balances at year-end. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The differences are reconciled between government-wide activities (reported in the statement of net position and the statement of activities) and governmental funds on separate schedules following the respective governmental funds. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

The City maintains several individual governmental funds organized according to their purpose. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, American Rescue Plan Act (ARPA) Fund, and Tourism Fund, which are considered major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements included in the Supplemental Information section of this report on page 77-78.

Proprietary Fund—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The City uses a proprietary fund to account for its water, sewer, and electric services of Berea Municipal Utilities.

The basic governmental fund financial statements can be found on pages 20-23 of this report.

Notes to the Financial Statements & Other Information

The notes to the financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-57 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information including a budget to actual analysis, as well as detailed information concerning the City's proportionate share of the cost-sharing, multiple-employer pension plan's net pension liability and other post-employment benefits (OPEB) plan's net OPEB liability (asset). Required supplementary information can be found on pages 58-75 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. For the City, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$110.4 million and \$96.5 million (restated) at the close of fiscal years 2025 and 2024, respectively. The City-wide net position increased by 14.5 percent (\$14.0 million) from the prior fiscal year, which is a combination of a \$9.5 million increase in governmental activities net position from the restated fiscal year 2024 net position and a \$4.4 million increase in business-type activities net position. The restatement of the fiscal year 2024 net position is related to the remeasurement of the liability for compensated absences due to the adoption of GASB Statement No. 101, *Compensated Absences*. See Note 21 on page 57 for additional information. Comparative information provided in the analysis below is based on the restated figures provided for fiscal year 2024.

The following table is a condensed summary of the City's net position for governmental and business-type activities.

Table 1
Net Position

	Governmental Activities	Business-type Activities	Primary Government	Restated 2024 Total
Current Assets	\$ 34,370,504	\$ 30,449,968	\$ 64,820,472	\$ 52,227,935
Capital Assets	45,173,363	37,789,527	82,962,890	78,649,606
Other Noncurrent Assets	363,151	1,497,955	1,861,106	10,324,362
Total Assets	<u>79,907,018</u>	<u>69,737,450</u>	<u>149,644,468</u>	<u>141,201,903</u>
Deferred Outflows of Resources	11,560,836	761,806	12,322,642	20,220,004
Total Assets and Deferred Outflow of Resources	<u>\$ 91,467,854</u>	<u>\$ 70,499,256</u>	<u>\$ 161,967,110</u>	<u>\$ 161,421,907</u>
Current Liabilities	3,598,326	3,293,860	6,892,186	10,197,335
Long-term Liabilities	31,780,569	2,360,154	34,140,723	37,431,122
Total Liabilities	<u>35,378,895</u>	<u>5,654,014</u>	<u>41,032,909</u>	<u>47,628,457</u>
Deferred Inflows of Resources	8,508,908	1,988,702	10,497,610	17,335,727
Net Position:				
Investment in Capital Assets				
Net of Related Debt	35,350,181	36,039,005	71,389,186	64,758,659
Restricted	934,884	5,824,879	6,759,763	6,825,934
Unrestricted	<u>11,294,986</u>	<u>20,992,656</u>	<u>32,287,642</u>	<u>24,873,130</u>
Total Net Position	<u>47,580,051</u>	<u>62,856,540</u>	<u>110,436,591</u>	<u>96,457,723</u>
Total Liabilities and Net Position	<u>\$ 91,467,854</u>	<u>\$ 70,499,256</u>	<u>\$ 161,967,110</u>	<u>\$ 161,421,907</u>

By far the largest portion of the City's net position (64.7%) reflects its investment of \$71.4 million in capital assets less any related debt used to acquire or construct those assets that are still outstanding. The City uses these capital assets to provide services to the public. Consequently, these assets are not available for future spending. Although the City's investment in its 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.

An additional portion of the City's net position, \$6.8 million (6.1%), represents resources that are subject to restrictions as to how they may be used. The remaining balance of unrestricted net position, \$32.3 million (29.2%), may be used to meet the City's on-going obligations to the public and creditors.

Governmental activities. The governmental activities' \$9.5 million increase (25%) in net position accounted for 68 percent of the total improvement in net position. *Key elements of this increase include:*

- There was an increase of \$9.3 million in total assets. Included in this increase is \$3.4 million increase in current cash, cash equivalents and restricted cash. There was also a \$2.9 million increase in investments. Also included is a \$4.2 million increase in capital assets, net of depreciation.
- There was a \$7.1 million decrease in deferred outflows of resources related to pensions and other post-employment benefits.
- There was a decrease of \$2.6 million in total liabilities, of which \$2.4 million was a decrease in long-term liabilities. Contributing to this was a \$2.0 million decrease in net pension liability.
- There was a total decrease of \$4.7 million in deferred inflows of resources, related to pension and OPEB expenses.

Business-type Activities. Business-type activities' net position increased by \$4.4 million (7.6%), which accounted for 32 percent of the total improvement in net position. *Key elements of this increase are as follows:*

- There was a slight decrease (\$0.9 million) in total assets, the majority of which is a decrease in cash and cash equivalents and restricted cash and cash equivalents.
- There was a \$0.8 million decrease in deferred outflows of resources related to pensions and other post-employment benefits.
- Current liabilities decreased by \$3.1 million. The majority of that was related to a one-time, \$2.2 million payment due in the prior year to the new purchased power provider for a rate stabilization provision of the power supply contract which went into effect on May 1, 2024. Long-term liabilities showed a total decrease of \$0.9 million. Debt service payments of \$1.9 million towards bonds and notes payable contributed to the total decrease in liabilities.
- There was a decrease of \$2.2 million in deferred inflows of resources related to pension and OPEB expenses.

Further details of the changes in net position between fiscal years 2024 and 2025 can be observed in Table 2.

Table 2
Changes in Net Position

	Governmental Activities	Business-type Activities	2025 Total Primary Government	Restated 2024 Total Primary Government
Revenues				
Program Revenues				
Charges for Services	\$ 497,521	\$ 19,764,037	\$ 20,261,558	\$ 19,251,296
Operating Grants & Contributions	1,461,440		1,461,440	1,246,733
Capital Grants & Contributions	5,959,048	863,513	6,822,561	2,328,814
General Revenue				
Taxes	3,178,891		3,178,891	3,064,791
License fees	14,598,275		14,598,275	13,512,978
Investment Earnings	1,230,115	1,220,228	2,450,343	2,123,115
Other Revenues	851,564		851,564	774,527
Total Revenues	27,776,854	21,847,778	49,624,632	42,302,254
Program Expenses				
General Government	1,429,573		1,429,573	1,109,343
Public Safety - Police	6,295,466		6,295,466	6,346,024
Public Safety - Fire	4,238,449		4,238,449	4,391,126
Public Works	3,256,717		3,256,717	2,388,136
Codes enforcement	311,513		311,513	336,707
Parks and Recreation	800,498		800,498	990,500
GIS/Surveying	73,713		73,713	42,358
Business Development	141,388		141,388	127,717
Tourism	2,018,270		2,018,270	1,446,840
Information Technology	223,618		223,618	209,182
Interest on Long-term Debt	307,865		307,865	322,856
Utilities		16,881,446	16,881,446	16,515,679
Total Program Expenses	19,097,070	16,881,446	35,978,516	34,226,468
Transfers	565,890	(565,890)	-	-
Gain/(Loss) on Sale of Property	285,696	47,056	332,752	155,246
Change in Net Position	\$ 9,531,370	\$ 4,447,498	\$ 13,978,868	\$ 8,231,032

As stated previously, the City's net position increased by \$14.0 million compared to an increase in net position of \$8.2 million in fiscal year 2024. City-wide revenue increased by \$7.3 million (17%). Program expenses increased by roughly \$1.8 million (5%).

Governmental Activities. Governmental activities increased the City's total net position by \$9.5 million. Overall, governmental revenue was up \$6.2 million (29%) from the previous year. *Key elements of this increase are as follows:*

- License fees increased by \$1.1 million (8%), which is mainly attributed to increased revenue from occupational license fees on wages and net profits.
- Operating and capital grants and contributions increased by \$4.5 million. Of this, contributions of infrastructure from local developers increased by \$2.7 million from the previous year. Additionally, the city recognized \$1.7 million more in capital grant revenue in FY2025 associated with the rehabilitation of the Berea Swimming Pool and the Madison County Airport Utilities Expansion projects.

Governmental program expenses increased by \$1.4 million (8%). Increases were seen across most departments because of increased wages and inflation on goods and services. The largest increase (\$869,000) was seen in the Public Works functional area related to the Madison County Airport Utilities Expansion project.

Business-type Activities. Business-type activities increased the City's total net position by \$4.4 million. This is up from the previous year's increase in net position of \$3.7 million.

Total revenue showed an increase of 4% (\$1.1 million) from the prior year. *Key elements of this increase are as follows:*

- The sale of electric, water and sewer services increased by 4%, 3% and 7% respectively. Sewer saw the greatest increase due primarily to new customers from development and increased usage from a large industrial client. There were no rate changes during FY2025.
- Grant revenue of \$863,000 was recognized in FY2025 for capital projects. Revenue from grant funding will vary each year depending on the active projects and the funding available.

Total program expenses for business-type activities increased by \$365,000 (2%). For the second year in a row, the business-type activity has seen a large credit adjustment to pension expense from actuarial changes in the net pension and OPEB liabilities. Additionally, a \$2.2 million, one-time expense was incurred in the prior year when the new purchase power contract went into effect. This disguises the increase of \$2.0 million for the purchase of wholesale electricity. Depreciation expense increased slightly (\$49,000) as new equipment is slowly being added.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City of Berea uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of usable resources. Governmental funds are accounted for using the modified accrual basis of accounting. Under this basis of accounting, many of the non-cash expenses previously discussed are not included as expenditures in the change in fund balance. Conversely, principal portions of debt obligations along with capital outlay expenditures are included on the fund statements, whereas they are not included in the change in net position. Because the adoption of GASB 101, *Compensated Absences*, did not affect the short-term portion of vacation and sick leave, there is no restatement of fund balance for the governmental funds.

Table 3 details the change in fund balance resulting from the fiscal year's governmental activities.

Table 3
Change in Fund Balance

	2025	2024
Revenues		
Taxes	\$ 3,178,891	\$ 3,064,791
Licenses and permits	14,771,063	13,791,536
Charges for Services	481,176	540,043
Fines & Forfeits	89,904	78,201
Intergovernmental	3,356,043	1,506,630
Other Revenues	2,037,881	1,642,995
Total Revenues	<u>23,914,958</u>	<u>20,624,196</u>
Expenditures		
General Government	2,871,640	2,023,420
Public Safety - Police	4,275,364	4,223,981
Public Safety - Fire	2,918,848	2,850,856
Public Works	3,338,885	2,462,419
Codes Enforcement	557,882	567,556
Parks and Recreation	732,457	893,957
GIS/Surveying	103,423	66,166
Business Development	192,872	178,865
Information Technology	315,570	302,629
Tourism	1,098,023	1,048,406
Capital Outlay	3,009,508	3,596,439
Debt Service	704,568	619,367
Total Expenditures	<u>20,119,040</u>	<u>18,834,061</u>
Excess revenues over (under) before other sources (uses)	<u>3,795,918</u>	<u>1,790,135</u>
Other Financing Sources (Uses)		
Proceeds from sale of assets	974,082	110,736
Financing proceeds	108,442	180,522
Transfers (to)/from other funds	565,891	563,809
Total Other Financing Sources (Uses)	<u>1,648,415</u>	<u>855,067</u>
Net Change in Fund Balance	<u>5,444,333</u>	<u>2,645,202</u>
Fund balances - beginning	<u>25,722,416</u>	<u>23,077,214</u>
Fund balances - ending	<u>\$ 31,166,749</u>	<u>\$ 25,722,416</u>

Total fund balance for all governmental funds has increased by \$5.4 million from the prior year.

The General Fund saw an increase of \$3.6 million in fund balance. General Fund revenue increased by \$1.7 million, largely due to a nearly \$536K increase in occupational license fees from wages and net profits. Revenue also increased, from property taxes, franchise fees and alcohol regulatory fees. General Fund grant revenue increased by \$385K related to a \$350K grant for a piece of medical equipment donated to the community hospital.

General Fund departmental expenditures increased by \$892K (7%), \$578K of this increase resulted from wage and benefit increases as well as the addition of several full-time positions. This increase was offset by a decrease in capital outlay of \$1.5 million, resulting in an overall decrease in General Fund expenditures of \$546K.

The American Rescue Plan Act Fund (ARPA) showed expenditures of \$1.5 million. As an expenditure-driven grant, revenue is recognized once the underlying expenditure has been made. As such, the ARPA fund showed corresponding revenue of \$1.5 million including bank interest. There is a balance of roughly \$600K in ARPA funds available for future use. All ARPA funds must be utilized prior to December 31, 2026.

The Tourism Fund saw an increase of \$484K in fund balance. Tourism fund revenue remained consistent with the prior year, with less than one percent increase in tax revenue.

Total Tourism Fund expenditures decreased by \$328K related to the remodeling of the Berea Gallery and Event Center (formerly known as the Mitchell Tolle Gallery) in the prior year.

The Industrial Development fund balance increased by \$1.0 million due to the sale of land in the Berea Industrial Park. Craft Festival Fund and Urban Wildlife Fund each saw increases in fund balance from normal operations. The Opioid Abatement fund balance increased by the amount of settlement funds received. The City has committed to allowing this balance to accumulate for several years before identifying eligible uses for these funds. The Municipal Road Aid Fund and Police Restricted Fund saw a decrease in fund balance as some funds received in prior years were utilized in the current year.

A new fund was added in FY2025. The Airport Utilities Expansion Fund was established to account for the water and sewer line expansion that serves the Madison County Airport. This is a joint project between the City of Berea, Madison County Fiscal Court, Eastern Kentucky University, and the Madison County Airport Board. This project is 100% funded by grants and state-sponsored loan funds. Because of the timing differences in recognizing expenses versus revenues, the fund ended the year with a negative fund balance of \$32K.

BUDGET HIGHLIGHTS

The City adopts an annual appropriated budget for all funds. Over the course of the fiscal year, the City amended the budget two times. Budget amendments are made to adjust the estimates that are used to prepare the original budget ordinance once more information is available; to recognize new funding amounts from external sources, such as federal and state grants; and to increase appropriations that become necessary to maintain services. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget and can be found beginning on page 58. Tables 4 and 5 below show a condensed version of this comparison statement.

Table 4
General Fund Revenue
Budget to Actual

	Budget	Actual	Variance
Taxes	\$ 1,215,000	\$ 1,377,261	\$ 162,261
Licenses, Permits & Billings	11,786,000	14,771,063	2,985,063
Charges for Services	400,500	365,427	(35,073)
Fines & Forfeitures	37,500	86,046	48,546
Intergovernmental	6,679,974	1,225,925	(5,454,049)
Other Revenue	<u>932,900</u>	<u>1,270,250</u>	<u>337,350</u>
 Total Revenues	 <u>\$ 21,051,874</u>	 <u>\$ 19,095,972</u>	 <u>\$ (1,955,902)</u>

Table 5
General Fund Expenditures
Budget to Actual

	Budget	Actual	Variance
General Government	\$ 997,585	\$ 681,528	\$ (316,057)
Administration	720,800	565,666	(155,134)
Mayor/City Council	1,242,700	1,044,645	(198,055)
Finance	526,350	482,930	(43,420)
Information Technology	447,650	315,570	(132,080)
Business Development	247,500	192,872	(54,628)
Police	4,861,300	4,251,364	(609,936)
Fire	3,216,800	2,918,848	(297,952)
Public Works	2,776,350	2,339,529	(436,821)
Codes Enforcement	772,500	557,882	(214,618)
Parks & Recreation	1,155,900	732,457	(423,443)
GIS/Surveying	169,900	103,423	(66,477)
Capital Outlay	7,482,500	1,071,549	(6,410,951)
Debt Service	<u>474,450</u>	<u>701,361</u>	<u>226,911</u>
 Total Expenditures	 <u>\$ 25,092,285</u>	<u>\$ 15,959,624</u>	<u>\$ (9,132,661)</u>

The City historically budgets revenue conservatively to guard against the impact of an unexpected downturn of economic conditions throughout the year. As a result, revenue exceeded budgeted amounts in all classifications except Intergovernmental Revenue. This was due to delays on grant-funded projects.

The City budgets expenditures based on realistic estimates of expenses but makes concerted efforts to eliminate unnecessary expenditures and reduce costs whenever possible. All functional areas within the General Fund ended the fiscal year under budgeted amounts, leading to an overall favorable budget variance of nearly \$9.1 million. By far, the majority of this variance is \$6.4 million in capital outlay that was not expended due to delays on major construction projects.

CAPITAL ASSETS

The City of Berea's investments in capital assets for the governmental and business-type activities as of June 30, 2025, amounts to \$83.0 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment and infrastructure. The total increase in the City's investment in capital assets for the current fiscal year was 5.5%. Increases occur when capital additions exceed depreciation and disposals.

The following reconciliation summarizes the change in capital assets, which is presented in detail on page 38 of the Notes to the Financial Statements.

	Governmental Activities	Business-type Activities	Total
Beginning Balance	40,977,010	37,672,596	78,649,606
Additions	5,823,289	2,163,151	7,986,440
Retirements (net)	688,386	-	688,386
Current Year Depreciation	2,264,505	2,176,803	4,441,308
Change in CIP	1,325,955	130,583	1,456,538
Ending Balance	45,173,363	37,789,527	82,962,890

Major capital asset additions during the year include:

- Completion of the Berea Gallery and Event Center project, with a total project cost of \$714,101, of which \$76,820 was expended in FY2025.
- Purchase of four (4) police vehicles for a total of \$255,530.
- Acceptance of \$3,440 linear feet of streets, including curbs, gutters, sidewalks and stormwater piping and infrastructure, in the Fincastle subdivision, valued at \$1,376,000.
- Acceptance of 5,285 linear feet of streets, including curbs, gutters, sidewalks and stormwater piping and infrastructure, in the Stoney Creek Subdivision, valued at \$2,292,000.
- Acceptance of 1,000 linear feet of streets, including curbs, gutters, sidewalks and stormwater piping and infrastructure, in the Central Park development, valued at \$400,000.
- Replacement of the roofs at the water treatment plant and waste water treatment plant for a total of \$449,718.
- Purchase of a Ford Model F-550 bucket truck for \$130,692 for use by the electric division.
- Purchase of 0.92 acres of land at 671 Owsley Fork Road for the Owsley Fork Dam project.
- Purchase of three (3) vehicles for a total of \$188,695 for use by various BMU departments.

Table 6 shows summary totals for the City's capital assets.

Table 6
Capital Assets

			2025 Total	2024 Total
	Governmental Activities	Business-type Activities	Primary Government	Primary Government
Land, Buildings & Improvements	\$ 27,101,995	\$ 3,331,092	\$ 30,433,087	\$ 30,154,011
Construction in Progress	2,291,736	3,513,189	5,804,925	4,348,387
Infrastructure/Utility Plant	27,474,446	73,339,063	100,813,509	95,171,028
Vehicles, Equipment & Other	13,997,252	4,394,625	18,391,877	17,585,867
Total Capital Assets	<u>70,865,429</u>	<u>84,577,969</u>	<u>155,443,398</u>	<u>147,259,293</u>
Less Accumulated Depreciation	(25,692,066)	(46,788,442)	(72,480,508)	(68,609,687)
Total Net Capital Assets	<u>\$ 45,173,363</u>	<u>\$ 37,789,527</u>	<u>\$ 82,962,890</u>	<u>\$ 78,649,606</u>

In addition to purchased capital assets, the City leases capital assets. The net investment in leased assets is approximately \$94K. Table 7 shows summary totals for the City's leased capital assets.

Table 7
Leased Assets

			2025 Total	2024 Total
	Governmental Activities	Business-type Activities	Primary Government	Primary Government
Vehicles, Equipment & Other	618,204	7,912	\$ 626,116	\$ 620,033
Less Accumulated Amortization	(524,339)	(7,662)	\$ (532,001)	\$ (410,284)
Total Net Investment in Leased Assets	<u>\$ 93,865</u>	<u>\$ 250</u>	<u>\$ 94,115</u>	<u>\$ 209,749</u>

DEBT

The City's long-term debt at June 30, 2025, totaled \$13.1 million, which was a \$2.3 million (15%) decrease during the fiscal year. The City made \$2.3 million in debt service principal payments on bonds, loans, leases and software agreements.

Table 8 provides a summary of all of the City's outstanding indebtedness.

Table 8
Long Term Debt

	Governmental Activities	Business-type Activities	2025 Total	2024 Total
	Primary Government		Primary Government	
Bonds Payable	9,622,500	-	9,622,500	11,200,370
Loans Payable	119,594	1,750,383	1,869,977	2,344,395
Lease Liability	55,616	389	56,005	167,709
Software Agreement Liability	111,847	-	111,847	179,527
Compensated Absences	1,074,429	374,122	1,448,551	1,516,636
Total Debt Outstanding	10,983,986	2,124,894	13,108,880	15,408,637

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The economy of the City is impacted by regional industry and business, including major manufacturers, healthcare, government services, and education. Many residents of Berea live within the City and commute elsewhere in the County or region to work. Berea is known for a high-quality of life and desirable schools. The City is home to some of the county's larger industrial employers. These employers contribute to the economy in Berea based on the number of full-time jobs and ongoing capital investments. The City is also working actively to attract new industrial employers into the industrial park.

The City's major sources of revenue continue to be the occupational license fees, insurance premium tax, franchise fees, and the collection of property tax. The City is expecting revenue growth from a number of sources in the coming years. The first is related to the expansion of two major industrial employers that will result in numerous high-quality job opportunities in our community. Also, in the near future, the City expects to see the financial returns from a project to be completed in FY2026 which will provide a 150,000-square-foot, pad-ready site. The project includes street infrastructure and utility extensions on a 35-acre parcel. The City is actively soliciting this property to prospective companies that want to get up and running quickly. In FY2025, the City also sold a 21-acre lot and a 2-acre lot in the industrial park to commercial business that will be establishing operations in Berea. The proceeds of these sales will be used for further development and preparation of land within the Berea Industrial Park. Each of these initiatives will result in increased revenue. Additionally, Berea is at the heart of a major regional economic initiative with the creation of Central Kentucky's first public, multi-county industrial park. Berea, along with Lexington, Madison County, and Scott County, will collaborate through a joint development authority to develop land and manage a 300-acre business park located in Berea. Berea will receive a 10% hosting fee, while the remaining tax revenue will be split evenly among the counties. The park will benefit from \$5.5 million in federal funding secured by Congressman Andy Barr, supporting the infrastructure and development. With its commitment to regionalism, Berea is poised to play a crucial role in shaping the future of economic growth in Central Kentucky.

Residential development is also seeing a surge in the region. Several residential developments have recently been approved which will provide additional supply to meet the growing demand for housing in Berea. The completion of the Berea Bypass Phase II will continue to provide opportunities for future development of both residential and commercial development. As was anticipated, the appreciation of home values has slowed. However, the addition of new homes allows the City to increase property tax revenue while maintaining historically low property tax rates for property owners.

The fiscal year 2025-2026 budget is built upon a stable and reliable financial foundation. The budget reflects the continued growth in key revenue sources, including property taxes, vehicle taxes, franchise fees, and occupational license fees, which are derived from both payroll and net profits. Total projected revenues for all governmental funds amount to \$23,901,224.

With strong revenues forecasted, we are recommending personnel increases in several departments to support operational demands and improve service delivery. This budget also includes the investment in several capital improvement projects designed to enhance the quality of life for both residents and visitors. Budgeted expenditures total \$25,747,754.

The fund balance reserve for Fiscal Year 2026 increased to \$4,000,000. This reserve is based on a formula that provides for two months of operating costs, including debt service and \$500,000 for cash flow, and is intended for emergency use only. It does not cover capital equipment purchases or project-specific funding. At this time, the City Council has elected not to draw from the reserve. The capital sinking fund remains unchanged at \$3,450,000. These funds are designated for the purchase of major capital equipment when needed.

The Utilities Budget remains focused on daily operations and the completion of scheduled projects. An electric rate increase is included in the budget to compensate for increased purchase power costs. Several initiatives are supported by grants from the Cleaner Water Program, including the Brushy Fork Sewer Rehabilitation Project, the Highway 595 Pump Station Project, and the Owsley Fork Rehabilitation Project. Additional electric division projects include AMI metering, upgrades from copper to aluminum taps, overhead-to-underground conversions, Berea College campus upgrades, and a substation transformer replacement. Water system improvements include AMI metering, waterline upgrades, galvanized and lead service line replacements. Wastewater projects include upgrades to six collection system pump stations, three leachate treatment plant pump stations, and the acquisition of two new service vehicles.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens, taxpayers, customers, investors, and creditors with a general overview of the City's Finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Susan Helton or Shawn Sandlin, at 212 Chestnut Street, Berea, Kentucky 40403.

CITY OF BEREAL, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2025

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 9,607,064	\$ 9,947,689	\$ 19,554,753
Restricted cash and cash equivalents	2,903,360	-	2,903,360
Investments	17,932,243	16,968,678	34,900,921
Receivables, net	2,732,242	2,713,347	5,445,589
Other receivables	631,243	15,691	646,934
Lease receivable - current	67,132	-	67,132
Accrued interest receivable	74,496	84,697	159,193
Inventory	-	949,314	949,314
Internal balances	280,028	(280,028)	-
Other assets	142,696	50,580	193,276
Total current assets	<u>34,370,504</u>	<u>30,449,968</u>	<u>64,820,472</u>
Noncurrent assets			
Restricted cash and cash equivalents	-	333,337	333,337
Restricted investments	-	375,000	375,000
Long-term lease receivable	124,255	-	124,255
Intangible right-to-use assets	93,865	250	94,115
Intangible right-to-use software	145,031	-	145,031
Capital assets, net	45,173,363	37,789,527	82,962,890
Net OPEB asset	-	789,368	789,368
Total noncurrent assets	<u>45,536,514</u>	<u>39,287,482</u>	<u>84,823,996</u>
Total assets	<u>79,907,018</u>	<u>69,737,450</u>	<u>149,644,468</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension	8,386,148	577,125	8,963,273
Deferred outflows - OPEB	<u>3,174,688</u>	<u>184,681</u>	<u>3,359,369</u>
Total deferred outflows of resources	<u>11,560,836</u>	<u>761,806</u>	<u>12,322,642</u>
Total assets and deferred outflows of resources	<u>\$ 91,467,854</u>	<u>\$ 70,499,256</u>	<u>\$ 161,967,110</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 1,419,907	\$ 1,351,511	\$ 2,771,418
Accrued payroll	485,662	64,980	550,642
Accrued taxes and other liabilities	2,864	160,604	163,468
Accrued interest payable	150,351	1,684	152,035
Unearned revenue	741,018	260,000	1,001,018
Customer deposits	-	821,593	821,593
Current portion of compensated absences	357,121	96,225	453,346
Retainage payable	152,521	-	152,521
Current portion of lease obligations	34,317	389	34,706
Current portion of SBITAs	68,466	-	68,466
Current portion of long-term obligations	<u>186,099</u>	<u>536,874</u>	<u>722,973</u>
Total current liabilities	<u>3,598,326</u>	<u>3,293,860</u>	<u>6,892,186</u>
Noncurrent liabilities			
Noncurrent compensated absences	717,308	277,897	995,205
Noncurrent bonds and notes payable	9,555,995	1,213,509	10,769,504
Noncurrent portion of lease obligations	21,299	-	21,299
Noncurrent portion of SBITAs	43,381	-	43,381
Net OPEB liability	1,117,857	-	1,117,857
Net pension liability	<u>20,324,729</u>	<u>868,748</u>	<u>21,193,477</u>
Total noncurrent liabilities	<u>31,780,569</u>	<u>2,360,154</u>	<u>34,140,723</u>
Total liabilities	<u>35,378,895</u>	<u>5,654,014</u>	<u>41,032,909</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow of resources - leases	191,387	-	191,387
Deferred inflows - pension	2,968,241	630,724	3,598,965
Deferred inflows - OPEB	<u>5,349,280</u>	<u>1,357,978</u>	<u>6,707,258</u>
Total deferred inflows of resources	<u>8,508,908</u>	<u>1,988,702</u>	<u>10,497,610</u>
NET POSITION			
Net investment in capital assets	35,350,181	36,039,005	71,389,186
Restricted	934,884	5,824,879	6,759,763
Unrestricted	<u>11,294,986</u>	<u>20,992,656</u>	<u>32,287,642</u>
Total net position	<u>47,580,051</u>	<u>62,856,540</u>	<u>110,436,591</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 91,467,854</u>	<u>\$ 70,499,256</u>	<u>\$ 161,967,110</u>

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

CITY OF BREA, KENTUCKY
STATEMENT OF ACTIVITIES
for the year ended June 30, 2025

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
						Governmental Activities	Business-type Activities	Total
Primary government								
Governmental activities								
General government	\$ 1,713,687	\$ (284,114)	\$ -	\$ 350,000	\$ -	\$ (1,079,573)	\$ -	\$ (1,079,573)
Public safety-Police	6,295,466	-	7,572	585,227	-	(5,702,667)	-	(5,702,667)
Public safety-Fire	4,238,449	-	-	228,827	-	(4,009,622)	-	(4,009,622)
Public works	3,256,717	-	-	286,315	4,503,006	1,532,604	-	1,532,604
Codes enforcement	311,513	-	328,322	-	-	16,809	-	16,809
Parks and recreation	800,498	-	45,478	-	1,456,042	701,022	-	701,022
GIS/Surveying	73,713	-	-	9,071	-	(64,642)	-	(64,642)
Business development	141,388	-	-	2,000	-	(139,388)	-	(139,388)
Tourism	1,966,067	52,203	116,149	-	-	(1,902,121)	-	(1,902,121)
Information technology	223,618	-	-	-	-	(223,618)	-	(223,618)
Interest on long-term debt	307,865	-	-	-	-	(307,865)	-	(307,865)
Total governmental activities	<u>19,328,981</u>	<u>(231,911)</u>	<u>497,521</u>	<u>1,461,440</u>	<u>5,959,048</u>	<u>(11,179,061)</u>	<u>-</u>	<u>(11,179,061)</u>
Business-type activities								
Electric	11,513,383	77,304	13,159,942	-	-	-	1,569,255	1,569,255
Water	2,390,396	77,304	3,362,769	-	25,123	-	920,192	920,192
Sewer	2,745,756	77,304	3,241,326	-	838,390	-	1,256,656	1,256,656
Total business-type activities	<u>16,649,535</u>	<u>231,911</u>	<u>19,764,037</u>	<u>-</u>	<u>863,513</u>	<u>-</u>	<u>3,746,104</u>	<u>3,746,104</u>
Total primary government	<u>\$ 35,978,516</u>	<u>\$ -</u>	<u>\$ 20,261,558</u>	<u>\$ 1,461,440</u>	<u>\$ 6,822,561</u>	<u>(11,179,061)</u>	<u>3,746,104</u>	<u>(7,432,957)</u>

General revenues

Taxes:

Property taxes, levied for general purposes	1,377,261	-	1,377,261
Transient room tax	218,229	-	218,229
Restaurant tax	1,583,401	-	1,583,401
License fees:			
Franchise	1,473,116	-	1,473,116
Payroll	9,034,342	-	9,034,342
Insurance premiums	1,765,639	-	1,765,639
Net profits	2,009,473	-	2,009,473
ABC	315,705	-	315,705
Investment earnings	1,230,115	1,220,228	2,450,343
Miscellaneous	851,564	-	851,564

Total general revenues

19,858,845

1,220,228

21,079,073

Gain (loss) on disposal of capital assets

285,696

47,056

332,752

Transfers in (out)

565,890

(565,890)

-

Change in Net Position

9,531,370

4,447,498

13,978,868

Net position, beginning, as restated

38,048,681

58,409,042

96,457,723

NET POSITION-ENDING

\$ 47,580,051

\$ 62,856,540

\$ 110,436,591

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

CITY OF BEECH, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2025

	General	ARPA Funds	Tourism	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 5,397,381	\$ -	\$ 2,519,678	\$ 1,690,005	\$ 9,607,064
Restricted cash and cash equivalents	311,801	1,538,539	-	1,053,020	2,903,360
Investments	16,411,782	-	1,398,454	122,007	17,932,243
Receivables, net	2,379,360	-	331,449	-	2,710,809
Other receivables	113,426	-	-	539,250	652,676
Lease receivables	100,887	-	49,910	40,590	191,387
Interest receivable	68,751	-	5,170	575	74,496
Other assets	135,374	-	2,477	4,845	142,696
Due from other funds	550,524	-	-	34,344	584,868
Total assets	<u>\$ 25,469,286</u>	<u>\$ 1,538,539</u>	<u>\$ 4,307,138</u>	<u>\$ 3,484,636</u>	<u>\$ 34,799,599</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 437,835	\$ 518,607	\$ 55,691	\$ 407,774	\$ 1,419,907
Accrued payroll and related liabilities	476,751	-	8,911	-	485,662
Accrued taxes and other liabilities	64	-	2,800	-	2,864
Unearned revenue	-	626,135	82,383	32,500	741,018
Due to other funds	72,144	-	32,696	200,000	304,840
Total liabilities	<u>986,794</u>	<u>1,144,742</u>	<u>182,481</u>	<u>640,274</u>	<u>2,954,291</u>
DEFERRED INFLOWS					
Deferred Inflows - unavailable revenue	<u>213,892</u>	<u>-</u>	<u>49,910</u>	<u>414,757</u>	<u>678,559</u>
Fund balances					
Nonspendable	135,374	-	2,477	4,845	142,696
Restricted	-	-	-	934,884	934,884
Committed	7,450,000	-	-	-	7,450,000
Assigned	3,950,530	393,797	4,072,270	1,522,215	9,938,812
Unassigned	12,732,696	-	-	(32,339)	12,700,357
Total fund balances	<u>24,268,600</u>	<u>393,797</u>	<u>4,074,747</u>	<u>2,429,605</u>	<u>31,166,749</u>
Total liabilities and fund balances	<u>\$ 25,469,286</u>	<u>\$ 1,538,539</u>	<u>\$ 4,307,138</u>	<u>\$ 3,484,636</u>	<u>\$ 34,799,599</u>

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

CITY OF BREA, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
June 30, 2025

2025

Total Governmental Fund Balance	\$ 31,166,749
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital, lease and SBITA assets are not reported in the fund financial statements because they are not current financial resources, but they are reported in the Statement of Net Position.	45,412,259
Long-term receivables related to the opioid settlement and noncurrent tax receipts are reported as unavailable revenue in the fund financial statements because they are not current financial resources.	487,172
Certain liabilities are not reported in the fund financial statements because they are not due and payable, but these liabilities are included in the Statement of Net Position.	
Long-term lease and SBITA liabilities and bonds payable	(9,909,557)
Long-term compensated absences liability	(1,074,429)
Retainage payable	(152,521)
Accrued interest on long-term debt	(150,351)
Net deferred inflows/outflows related to the long-term net pension and OPEB liability	3,243,315
Long-term net pension and OPEB liability	<u>(21,442,586)</u>
Net Position of Governmental Activities	<u>\$ 47,580,051</u>

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

CITY OF BEREAL, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
for the year ended June 30, 2025

	General	ARPA Funds	Tourism	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 1,377,261	\$ -	\$ 1,801,630	\$ -	\$ 3,178,891
Licenses and permits	14,771,063	-	-	-	14,771,063
Intergovernmental revenue	1,225,925	1,456,042	-	674,076	3,356,043
Charges for services	365,427	-	45,482	70,267	481,176
Fines and forfeits	86,046	-	3,858	-	89,904
Other revenues	1,270,250	76,435	183,067	508,129	2,037,881
Total revenues	<u>19,095,972</u>	<u>1,532,477</u>	<u>2,034,037</u>	<u>1,252,472</u>	<u>23,914,958</u>
EXPENDITURES					
Current					
General administration	2,774,769	-	-	96,871	2,871,640
Public safety-police	4,251,364	-	-	24,000	4,275,364
Public safety-fire	2,918,848	-	-	-	2,918,848
Public works	2,339,529	-	-	999,356	3,338,885
Codes enforcement	557,882	-	-	-	557,882
Parks and recreation	732,457	-	-	-	732,457
Tourism	-	-	1,063,922	34,101	1,098,023
GIS/Surveying	103,423	-	-	-	103,423
Business development	192,872	-	-	-	192,872
Information technology	315,570	-	-	-	315,570
Capital outlay	1,071,549	1,456,042	234,461	247,456	3,009,508
Debt service - long term debt	482,632	-	-	-	482,632
Debt service - lease and SBITA	218,729	-	3,207	-	221,936
Total expenditures	<u>15,959,624</u>	<u>1,456,042</u>	<u>1,301,590</u>	<u>1,401,784</u>	<u>20,119,040</u>
Excess of revenues over (under) expenditures	<u>3,136,348</u>	<u>76,435</u>	<u>732,447</u>	<u>(149,312)</u>	<u>3,795,918</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of assets	28,961	-	121	945,000	974,082
Financing proceeds	-	-	-	71,837	71,837
Lease and SBITA proceeds	29,554	-	7,051	-	36,605
Transfers in (out)	430,891	250,000	(255,000)	140,000	565,891
Total other financing sources and (uses)	<u>489,406</u>	<u>250,000</u>	<u>(247,828)</u>	<u>1,156,837</u>	<u>1,648,415</u>
Net change in fund balances	<u>3,625,754</u>	<u>326,435</u>	<u>484,619</u>	<u>1,007,525</u>	<u>5,444,333</u>
Fund Balance, beginning	<u>20,642,846</u>	<u>67,362</u>	<u>3,590,128</u>	<u>1,422,080</u>	<u>25,722,416</u>
Fund Balance, end of year	<u>\$ 24,268,600</u>	<u>\$ 393,797</u>	<u>\$ 4,074,747</u>	<u>\$ 2,429,605</u>	<u>\$ 31,166,749</u>

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

CITY OF BREA, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
for the year ended June 30, 2025

2025

Net Change in Fund Balances - Total Governmental Funds	\$ 5,444,333
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital assets expenditures capitalized	3,009,508
Depreciation expense	(2,264,505)
Contributed capital	4,068,000
Gain (loss) on sale of assets	285,696
Proceeds from disposal of assets	(974,082)
Governmental funds report lease payments as expenditures while principal reduces the lease and SBITA liability in the statement of net position. Governmental activities report amortization expense to allocate those expenditures over the life of the lease:	
Amortization expense	(231,012)
Long-term compensated absences are not reported in the fund financial statements because they are not due in the current period, but they are presented as long-term liabilities in the statement of net position.	
	(38,672)
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.	
Proceeds from issuance of long-term debt	(71,837)
Debt service expenditures - principal payments	180,310
Changes in accrued interest on long-term debt	2,588
Repayment of lease liability is an expenditure in the Governmental Funds, but the repayment reduces lease liability in the Statement of Net Position.	
Proceeds from lease liabilities	(6,082)
Proceeds from SBITA liabilities	(29,554)
Lease liability expenditures - principal payments	117,947
Lease liability SBITAs expenditures - principal payments	97,234
Retainage payable on a non-capital construction project recorded as an expenditure in the Statement of Activities but considered a long-term liability.	
	(23,347)
Opioid settlement revenue and noncurrent tax revenue earned and recorded on the Statement of Activities but considered unavailable for fund purposes.	
	81,152
The net pension and OPEB expense are long-term liabilities and do not require the use of current financial resources and are excluded as an expenditure in governmental funds. Additionally, since the current year contributions to the pension and OPEB plans will be included in subsequent year's pension expense calculations, those contributions should not be considered in the government-wide statements.	
	(116,307)
Change in Net Position of Governmental Activities	<u>\$ 9,531,370</u>

CITY OF BREA, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2025

	Business-Type Activities Utilities 2025
ASSETS	
Current assets	
Cash and cash equivalents	\$ 9,947,689
Investments	16,968,678
Receivables, net	2,713,347
Prepaid expenses	50,580
Other receivables	15,688
Interest receivable	84,697
Inventory	949,314
Due from other funds	37,800
Total current assets	<u>30,767,793</u>
Noncurrent assets	
Restricted cash and cash equivalents	333,337
Restricted investments	375,000
Net OPEB asset	789,368
Net investment in leased assets	250
Capital assets	
Construction in progress	3,513,189
Land and easements	390,793
Land improvements	132,874
Buildings and improvements	2,807,425
Plant and electric equipment	15,848,648
Plant and water equipment	19,984,714
Plant and sewer equipment	37,505,702
Vehicles and equipment	4,394,624
Less accumulated depreciation	<u>(46,788,442)</u>
Total noncurrent assets	<u>39,287,482</u>
Total assets	<u>70,055,275</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension	577,125
Deferred outflows - OPEB	<u>184,681</u>
Total deferred outflows of resources	<u>761,806</u>
Total assets and deferred outflows of resources	<u>\$ 70,817,081</u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 1,351,511
Accrued payroll and related liabilities	64,980
Accrued taxes and other liabilities	160,604
Accrued interest payable	1,681
Customer deposits	821,593
Unearned revenue	260,000
Lease liability - current	389
Compensated absences - current	96,225
Bonds, notes, and loans payable - current	536,874
Due to other funds	<u>317,828</u>
Total current liabilities	<u>3,611,685</u>
Noncurrent liabilities	
Compensated absences	277,897
Bonds, notes, and loans payable	1,213,509
Net pension liability	<u>868,748</u>
Total noncurrent liabilities	<u>2,360,154</u>
Total liabilities	<u>5,971,839</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension	630,724
Deferred inflows - OPEB	<u>1,357,978</u>
Total deferred inflows of resources	<u>1,988,702</u>
NET POSITION	
Net investment in capital assets	36,039,005
Restricted for debt service	333,337
Restricted for depreciation reserve	5,491,542
Unrestricted	<u>20,992,656</u>
Total net position	<u>62,856,540</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 70,817,081</u>

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

CITY OF BREA, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
for the year ended June 30, 2025

	Business-type Activities Utilities 2025
Operating revenues	
Electric service	\$ 12,326,541
Water service	3,344,198
Sewer service	3,155,226
Other revenues	<u>832,084</u>
Total operating revenues	<u>19,658,049</u>
Operating expenses	
Administration	1,662,867
Electric	10,383,233
Water	1,180,758
Sewer	1,363,809
Depreciation and amortization	<u>2,177,608</u>
Total operating expenses	<u>16,768,275</u>
Operating income	<u>2,889,774</u>
Nonoperating revenues (expenses)	
Interest and investment revenue	1,220,228
Interest expense	(113,171)
Gain (loss) on disposal of capital assets	<u>46,694</u>
Total nonoperating revenue (expense)	<u>1,153,751</u>
Income before capital contributions and transfers	4,043,525
Capital contributions	
Electric, water and sewer connection fees	106,350
Infrastructure	838,390
Grant revenues	<u>25,123</u>
Transfers in (out)	<u>(565,890)</u>
Change in net position	<u>4,447,498</u>
Net Position, beginning, as restated	<u>58,409,042</u>
Net Position, ending	<u>\$ 62,856,540</u>

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

**CITY OF BEREAL, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
for the year ended June 30, 2025**

	Business-type Activities Utilities 2025
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 19,847,759
Payments to suppliers	(14,946,862)
Payments for employee services and benefits	<u>(3,387,571)</u>
Net cash provided by operating activities	<u>1,513,326</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfers	(565,890)
Due to/from other funds	<u>410,868</u>
Net cash (used by) noncapital financing activities	<u>(155,022)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Electric, water, and sewer connection fees	106,350
Grants received	425,772
Principal paid on lease liability	(808)
Principal paid on capital debt	(1,926,545)
Purchases of capital assets and construction in progress	(2,318,858)
Capital contributions	1,098,390
Proceeds from sale of capital assets	46,694
Interest paid on capital debt	<u>(47,605)</u>
Net cash (used by) capital and related financing activities	<u>(2,616,610)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment activity, net	(794,049)
Interest and dividends	<u>1,183,611</u>
Net cash provided by investing activities	<u>389,562</u>
Net increase (decrease) in cash and cash equivalents	(868,744)
Cash and cash equivalents at beginning of year	<u>11,149,770</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 10,281,026</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income	\$ 2,889,774
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation and amortization	2,177,608
Net pension and OPEB liability	(1,754,554)
Change in assets and liabilities:	
Receivables, net	158,113
Inventory	7,140
Prepaid expenses	(50,580)
Accounts payable	(2,000,914)
Accrued payroll and related taxes	15,665
Accrued taxes and other liabilities	(3,853)
Customer deposits	35,450
Accrued vacation, sick and holiday	<u>39,477</u>
Net cash provided by operating activities	<u>\$ 1,513,326</u>
Supplemental disclosures of cash flow information:	
Noncash capital and related financing activities:	
Payables for capital items, net	\$ (25,123)
Amortization expense	<u>\$ 65,784</u>

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

CITY OF BREA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Berea, Kentucky (the "City") operates under the City Council form of government and provides the following services as authorized by its charter: public safety, public works, recreation, community development, and electric, water, and sewer services. The accounting policies of the City of Berea conform to generally accepted accounting principles applicable to governmental units. The following is a summary of the more significant accounting policies.

A. Reporting Entity

The financial statements of the City of Berea, Kentucky include the funds, account groups and entities over which the Mayor and Council exercise significant oversight responsibility. Oversight responsibility, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, was determined on the basis of the City's ability to significantly influence operation, select the governing body, participate in fiscal management and the scope of public service. The Berea Tourism Commission and the Berea Industrial Authority are included in the financial statements because of these criteria.

The Berea Tourism Commission (the Commission) was created by Ordinance No. 7.82, which was adopted April 6, 1982. The Commission is composed of seven members appointed by the Mayor pursuant to KRS 91A.360. The Commission submits an annual request for operating funds to the Berea City Council and an annual report of the operation of the Commission during the preceding year. Effective July 1, 1997, the City is providing accounting services for the Commission. In accordance with KRS 91A.060 the Commission is audited annually. The audit is performed in conjunction with the City's annual audit.

The Berea Industrial Development Authority (the Authority) was created by Ordinance No. 18.86, adopted November 25, 1986, pursuant to KRS 154.50-316. The Authority was created to promote the gainful employment, business and economic development opportunities and general welfare of the citizens and residents of the City of Berea. The Authority is authorized to acquire real estate for use as manufacturing, processing and assembling sites, and to develop such sites for occupancy, use, lease or conveyance to industrial entities. The Authority is composed of six members, one of which is the Mayor. The other five members are appointed by the Mayor for four-year terms. The City Council approves the Authority's annual operating budget in conjunction with the City's annual budget authorization.

B. Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements include a statement of net position and the statement of activities. These statements display information about the City as a whole. The statements distinguish between governmental and business-type activities of the City. These financial statements include the financial activities of the City except for fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. The government-wide statement of activities reflects costs of government by function for governmental activities and business-type activities. Program revenues include charges paid by recipient for the goods or services offered by the program and grants or contributions that are restricted to the program. Revenues which are not classified as program revenues are presented as general revenues of the City.

CITY OF BREA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (continued)

Fund Financial Statements

Fund financial statements report detailed information about the City. The accounts of the City are organized on the basis of funds, each of which is considered to be a separate fiscal and accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that is comprised of its assets, liabilities, fund balance or net position, revenues and expenditures or expenses.

Governmental funds are those through which most governmental functions are financed. The governmental fund measurement focus is upon determination of financial position and budgetary control over revenues and expenditures. Proprietary fund types are used to account for operations that are financed and operated in a manner similar to business enterprises, where the intent of the governing body is that costs of providing services are to be financed or recovered primarily through user charges.

The following funds are used by the City of Berea:

Governmental Funds

General Fund - The general operating fund of the City is used to account for all financial resources except those required to be accounted for in another fund. Most of the essential governmental services such as police and fire protection, community services and general administration are reported in this fund.

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are restricted by law to be expended for specific purposes. The City maintains the following special revenue funds:

Municipal Aid Fund - A special revenue fund for the money received from the state to be used exclusively on road repair.

American Rescue Plan Act (ARPA) Fund - A special revenue fund for the money received from federal sources related to the ARPA. The ARPA fund is a major fund.

Tourism Fund - A special revenue fund that receives money from hotel/motel and restaurant taxes and accounts for related expenditures for operations of the Tourism Commission. The Tourism Fund is a major fund.

Industrial Development Fund - A special revenue fund used to account for industrial development activities conducted by the Berea Industrial Development Authority.

Police Restricted Fund - A special revenue fund established pursuant to Kentucky Revised Statutes enabling property seized in drug related arrests to be retained or sold and the proceeds used for further drug enforcement efforts.

Berea Craft Festival - A special revenue fund used to account for the activities of the annual Berea Craft Festival.

CITY OF BREA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (continued)

Governmental Funds, continued

Opioid Abatement Fund – A special revenue fund used to account for activities of the Opioid Abatement Fund.

Urban Wildlife Preserve Fund – A special revenue fund for a restricted contribution to maintain and improve the property bequeathed to the City at 188 East Haiti Road and 190 East Haiti Road, Berea, Kentucky.

Airport Utilities Expansion Fund – A special revenue fund used to account for the income and expenditures for the Airport Utilities Expansion capital project. The final infrastructure will be property of the Madison County Airport Board.

Proprietary Funds

Enterprise funds are established to account for the acquisition, operations and maintenance of the City's facilities and services which are entirely or predominantly self-supported by user charges or where the City has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The accounts are maintained on the accrual basis of accounting. The City's enterprise operations include the Berea Municipal Utilities, a department of the City that provides electric, water, and sewer services to the residents of the City of Berea.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for individual funds.

Fund Financial Statements

The financial transactions of the City are recorded in individual funds. Their focus is on individual funds rather than reporting funds by type. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet.

CITY OF BEECH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (continued)

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City has defined "Available" as received within 45 days of year end. Expenditures, other than interest on long-term debt, are typically recorded when the liability is incurred. Permits, fines and forfeits, and miscellaneous revenues (except for investment earnings) are recorded as revenues when received because they are generally not measurable until actually received. Investment earnings are recorded when earned since they are measurable and available in all funds.

Proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and expenses are recognized when they are incurred. Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

D. Budgeting

The City follows the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles.

Budgeted amounts in the financial statements are adopted by ordinance of the City and have been revised for amendments authorized during the year.

E. Cash and Investments

The City considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents. The City considers all cash, both restricted and unrestricted, as cash for purposes of the statement of cash flows.

The City has noncurrent restricted cash and investments to satisfy bond issue requirements, including cash and investments restricted for bond payments.

Investments of the City consist of certificates of deposits and are reported at cost and United States treasuries that are reported at fair market value. These funds are invested for periods that comply with cash flow requirements of bond ordinances and general government services.

F. Accounts Receivable and Revenues

Accounts receivable is stated net of an allowance for doubtful accounts. The allowance is based upon historical trends and the periodic aging of accounts receivable.

Proprietary funds report all revenue and expenses as operating, except interest income, interest expense, amortization expense and capital contributions.

CITY OF BREA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets

Depreciation of capital assets is provided over the estimated useful lives of the respective assets using the straight-line basis. The estimated useful lives are as follows:

Infrastructure	5-40 years
Buildings	25-40 years
Improvements	10-40 years
Vehicles, furniture and equipment	5-20 years

Capital assets acquired are recorded at cost or estimated cost. Contributed assets are recorded at fair value at the date of donation.

H. Leases and Subscription-based Information Technology Arrangements

As lessee, the City recognizes a liability and an intangible right-to-use-asset in the government-wide financial statements for leased assets and subscription-based information technology arrangements (SBITA) that meet the definition, other than short-term leases. At the commencement of a lease or subscriptions-based information technology arrangement, the City initially measures the liability at the present value of payments expected to be made during the lease or SBITA term. Subsequently, the liability is reduced by the principal portion of lease or SBITA payments made. The lease or SBITA asset is initially measured as the initial amount of the liability, adjusted for the lease or SBITA payments made at or before the lease commencement date, plus certain other capitalizable costs. Subsequently, the lease or SBITA asset is amortized on a straight-line basis over its useful life.

I. Internal Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due from/to other funds". These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

J. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees are allowed to carry over 40 or 72 hours from one calendar year to the next (depending on class of employee). Employees who resign, retire, or are permanently separated from employment (after one year of service) with the City shall receive payment for all of their accumulated vacation leave upon separation with the City, including any vacation leave credits accumulated during the current year of employment. Employees working 40-hour workweeks are allowed to accumulate a maximum of 1,040 hours of sick leave, and 56-hour employees are allowed to accumulate a maximum of 1,456 of sick leave. Employees who have accumulated at least 90% of the maximum amount of sick leave may request a cash conversion of the remaining sick leave hours. The conversion is calculated based on a ratio of two (2) hours of sick leave for one (1) hour of the employee's regular hourly salary. Employees who resign or retire from employment with the City may be paid for a portion of their accumulated sick leave, based on the number of years employed by the City.

CITY OF BREA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees' Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments, (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms; the liability was measured at June 30, 2024.

M. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the City's OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CERS' Insurance Fund and additions to/deductions from the Insurance Fund's fiduciary net position have been determined on the same basis as they are reported by the Insurance Fund. For this purpose, the Insurance Fund recognizes benefit payments when due and payable in accordance with the benefit terms; the liability was measured on June 30, 2024.

N. Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources related to pensions and other postemployment benefits (OPEB) are applicable to future periods and, therefore, are not reported in the funds. Governmental funds report the City's pension contributions as pension expenditures; however, in the Statement of Activities, the pension and OPEB expense largely represents the change in net pension liability and net OPEB liability (asset) from the prior year, with provisions for deferring certain items.

For governmental funds, the City reports deferred inflows of resources related to unavailable revenue, which arises only under the modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from contributions. These amounts are recognized as an inflow of resources in the period that the amounts become available.

For statements of net position and the governmental balance sheet, the City reports deferred inflows of resources related to leases receivable. Deferred inflows of resources are recorded at the initiation of each lease in an amount equal to the initial recording of the lease receivable. The deferred inflows are amortized on a straight-line basis over the term of each lease.

CITY OF BREA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Balances

Fund balances of the governmental funds are classified as follows:

Nonspendable — amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — amounts that can be spent only for specific purposes determined by a formal action of the City Council. The Council is the highest level of decision-making authority for the City of Berea. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Council.

Assigned — amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the City Administrator, Finance Director or Audit and Finance Committee may assign amounts for specific purposes.

Unassigned — all other spendable amounts.

As of June 30, 2025, fund balances are composed of the following:

	General Fund	ARPA Fund	Tourism Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable	\$ 135,374	\$ -	\$ 2,477	\$ 4,845	\$ 142,696
Restricted:					
Law enforcement	-	-	-	106,506	106,506
Road surface repairs	-	-	-	305,531	305,531
Opioid abatement	-	-	-	204,116	204,116
Preserve maintenance	-	-	-	318,731	318,731
Committed:					
Capital sinking fund	3,450,000	-	-	-	3,450,000
Fund balance reserve	4,000,000	-	-	-	4,000,000
Assigned:					
Other purposes	3,950,530	393,797	4,072,270	1,522,215	9,938,812
Unassigned	<u>12,732,696</u>	<u>-</u>	<u>-</u>	<u>(32,339)</u>	<u>12,835,731</u>
Total fund balances	<u>\$ 24,268,600</u>	<u>\$ 393,797</u>	<u>\$ 4,074,747</u>	<u>\$ 2,429,605</u>	<u>\$ 31,166,749</u>

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF BREA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Other Accounting Policies

Inventory is recorded at average cost.

Unearned revenues represent revenues received but not earned at the date of the financial statements.

Q. Change in Accounting Policy

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The City implemented GASB Statement No. 101 during the fiscal year ending June 30, 2025. These changes were incorporated in the City's June 30, 2025, financial statements. See Note 21 for the effect on the beginning fund balance/net position of the City as a result of implementing GASB Statement No. 101.

R. Management's Review of Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through December 22, 2025, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2025, have not been evaluated by the City.

2. CASH AND INVESTMENTS

Under Kentucky Revised Statute 66.480, the City is allowed to invest in obligations of the U.S. and of its agencies, obligations backed by the full faith and credit of the U.S. or a U.S. government agency, obligations of any corporation of the U.S. government, certificates of deposit or other interest-bearing accounts issued by institutions insured by the Federal Deposit Insurance Corporation (FDIC) or similarly collateralized institutions, and bonds and securities of states, local governments, or related agencies in the U.S. rated in one of the three highest categories by a nationally recognized rating agency.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City's investment policy states that unless matched to a specific cash flow need, the City's funds should not, in general, be invested in securities maturing more than 30 months from the date of purchase.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be one hundred percent of the market value of the principal, plus accrued interest.

CITY OF BEECH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2025

2. CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (continued)

At June 30, 2025, the City's bank balances were entirely covered by federal depository insurance or by collateral held by the custodial banks in the City's name. The City's bank balances totaled \$44,494,943 at June 30, 2025. At June 30, 2025, federal depository insurance covered \$1,000,000 and certificate of deposit account registry services covered \$1,872,686 of the City's bank balances. The remainder is covered by \$24,103,290 of collateral pledged in the City's name by the custodial banks and \$19,920,000 from letters of credit in the City's name held by a custodial bank.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's policy is that, with the exception of fully insured or fully collateralized investments and for authorized investment pools, no more than 30% of the City's total investment portfolio shall be invested in a single security type or with a single financial institution.

3. FAIR VALUE OF INVESTMENTS

The framework for measuring fair value provides a fair value hierarchy the prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If an asset liability has a specified (contractual) term, the level 2 inputs must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurements.

The City's investments at June 30, 2025, consist of certificates and deposits and United States treasuries with maturities of one year or less.

Governmental activities:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Money market fund	\$ 157,121	\$ 157,121	\$ -	\$ -
United States treasuries	<u>6,625,945</u>	<u>-</u>	<u>6,625,945</u>	<u>-</u>
Total investments by fair value level	\$ 6,783,066	\$ 157,121	\$ 6,625,945	\$ -
Cash	695			
Certificates of deposit	<u>11,148,482</u>			
Total investments	<u>\$ 17,932,243</u>			

CITY OF BREA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2025

3. FAIR VALUE OF INVESTMENTS (CONTINUED)

Business-type activities:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Money market fund	\$ 143,005	\$ 143,005	\$ -	\$ -
United States treasuries	<u>6,665,663</u>	<u>-</u>	<u>6,665,663</u>	<u>-</u>
Total investments by fair value level	<u>\$ 6,808,668</u>	<u>\$ 143,005</u>	<u>\$ 6,665,663</u>	<u>\$ -</u>
Cash	43			
Certificates of deposit	<u>10,534,967</u>			
Total investments	<u>\$ 17,343,678</u>			

During 2025, the City realized a net gain of \$181,912 for governmental activities and \$202,309 for business-type activities from sale of investments. The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The unrealized gain on investments held at year-end was \$87,930 for governmental activities and \$77,488 for business-type activities.

4. RECEIVABLES

Receivables are recognized when earned. Receivables at year end of the City's major individual funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General Fund	ARPA Fund	Tourism Fund	Nonmajor Fund	Governmental Funds
Governmental Funds:					
Taxes	\$ 134,788	\$ -	\$ 325,023	\$ -	\$ 459,811
Licenses, permits, billings	<u>2,299,373</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,299,373</u>
Intergovernmental	46,115	<u>-</u>	<u>-</u>	539,250	585,365
Other	<u>97,510</u>	<u>-</u>	<u>6,426</u>	<u>-</u>	<u>103,936</u>
Gross receivables	2,577,786	<u>-</u>	331,449	539,250	3,448,485
Less: allowance for uncollectible	<u>(85,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(85,000)</u>
Net receivables	<u>\$ 2,492,786</u>	<u>\$ -</u>	<u>\$ 331,449</u>	<u>\$ 539,250</u>	<u>\$ 3,363,485</u>
Business-type Activities:					
Customer	\$ 2,768,347				
Less: allowance for uncollectible	<u>(55,000)</u>				
Net receivables	<u>\$ 2,713,347</u>				

CITY OF BREA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2025

5. LEASE RECEIVABLES

The City is reporting lease receivables of \$191,387 at June 30, 2025. For fiscal year 2025, the City reported lease revenue of \$58,529 and interest revenue of \$4,799 related to lease payments received. These leases are summarized as follows:

Lease	Lease Receivable	Lease Revenue	Lease Interest Revenue
Menelaus Road Farm	\$ 40,590	\$ 11,246	\$ -
Cell Tower	65,582	10,204	2,135
Discovery Learning Center	21,335	15,452	892
Community Action Council	13,969	10,805	595
139B North Broadway	13,769	6,450	750
139A North Broadway	<u>36,142</u>	<u>4,372</u>	<u>427</u>
Total	\$ 191,387	\$ 58,529	\$ 4,799

Cell Tower Lease – In October 2005, the City entered into a 25-year lease agreement with a company for the lease of a cell phone tower. Based on this agreement, the City is receiving monthly payments through November 2030.

Menelaus Road Farm Lease - In May 2020, the City entered into a five-year lease agreement with an individual for the lease of real property. Based on this agreement, the City was receiving monthly payments through May 2024.

Discovery Learning Center Lease – In November 2023, the City entered into a three-year lease agreement with a company for the lease of real property. Based on this agreement, the City is receiving monthly payments through October 2026.

Community Action Council Lease – In October 2023, the City entered into a three-year lease agreement with a company for the lease of real property. Based on this agreement, the City is receiving monthly payments through September 2026.

139B North Broadway Lease – In August 2024, the City entered into a three-year lease agreement with a company for the lease of real property. Based on this agreement, the City is receiving monthly payments through August 2027.

139A North Broadway Lease – In March 2025, the City entered into a three-year lease agreement with an individual for the lease of real property. Based on this agreement, the City is receiving monthly payments through March 2028.

The present value of expected future minimum lease payments are as follows:

June 30,	Principal	Interest	Total
2026	\$ 67,132	\$ 6,043	\$ 73,175
2027	50,206	3,775	53,981
2028	31,744	2,196	33,940
2029	23,370	1,232	24,602
2030	13,235	388	13,623
2031	<u>5,700</u>	<u>43</u>	<u>5,743</u>
	\$ 191,387	\$ 13,677	\$ 205,064

CITY OF BREA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2025

6. CAPITAL ASSETS

A summary of capital asset activity during the fiscal year follows:

	July 1, 2024 Balance	Additions/ Transfers	Retirements/ Transfers	June 30, 2025 Balance
Governmental activities:				
Capital assets not depreciated				
Land	\$ 5,859,904	\$ -	\$ (684,128)	\$ 5,175,776
Construction in progress	<u>965,781</u>	<u>2,040,056</u>	<u>(714,101)</u>	<u>2,291,736</u>
Total	<u>6,825,685</u>	<u>2,040,056</u>	<u>(1,398,229)</u>	<u>7,467,512</u>
Capital assets being depreciated				
Buildings and improvements	19,959,585	752,094	(5,807)	20,705,872
Land improvements	1,168,067	52,280	-	1,220,347
Software	313,022	-	-	313,022
Vehicles and equipment	13,064,529	950,915	(331,214)	13,684,230
Infrastructure assets	<u>23,406,446</u>	<u>4,068,000</u>	<u>-</u>	<u>27,474,446</u>
Total depreciable assets	<u>57,911,649</u>	<u>5,823,289</u>	<u>(337,021)</u>	<u>63,397,917</u>
Less accumulated depreciation				
Buildings and Improvements	(7,767,744)	(535,596)	5,575	(8,297,765)
Land improvements	(591,329)	(47,920)	-	(639,249)
Software	(313,023)	-	-	(313,023)
Vehicles and equipment	(7,633,997)	(845,756)	327,188	(8,152,565)
Infrastructure assets	<u>(7,454,231)</u>	<u>(835,233)</u>	<u>-</u>	<u>(8,289,464)</u>
Total	<u>(23,760,324)</u>	<u>(2,264,505)</u>	<u>332,763</u>	<u>(25,692,066)</u>
Depreciable capital assets, net	<u>34,151,325</u>	<u>3,558,784</u>	<u>(4,258)</u>	<u>37,705,851</u>
Total capital assets, net	<u>\$ 40,977,010</u>	<u>\$ 5,598,840</u>	<u>\$ (1,402,487)</u>	<u>\$ 45,173,363</u>
Business-type activities:				
Capital assets not depreciated				
Land and easements	\$ 264,243	\$ 126,550	\$ -	\$ 390,793
Construction in progress	<u>3,382,606</u>	<u>139,439</u>	<u>(8,856)</u>	<u>3,513,189</u>
Total	<u>3,646,849</u>	<u>265,989</u>	<u>(8,856)</u>	<u>3,903,982</u>
Capital assets being depreciated				
Land improvements	132,874	-	-	132,874
Buildings and improvements	2,769,338	38,087	-	2,807,425
Electric system	15,661,822	186,826	-	15,848,648
Water system	19,457,407	527,307	-	19,984,714
Plant and sewer system	36,645,353	860,348	-	37,505,701
Vehicles and equipment	<u>4,208,316</u>	<u>424,033</u>	<u>(237,724)</u>	<u>4,394,625</u>
Total	<u>78,875,110</u>	<u>2,036,601</u>	<u>(237,724)</u>	<u>80,673,987</u>
Less accumulated depreciation	<u>(44,849,363)</u>	<u>(2,176,803)</u>	<u>237,724</u>	<u>(46,788,442)</u>
Depreciable capital assets, net	<u>34,025,747</u>	<u>(140,202)</u>	<u>-</u>	<u>33,885,545</u>
Total capital assets, net	<u>\$ 37,672,596</u>	<u>\$ 125,787</u>	<u>\$ (8,856)</u>	<u>\$ 37,789,527</u>

CITY OF BREA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2025

6. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to the governmental activities as follows:

General government	\$ 490,048
Police	326,012
Fire	212,175
Public works	914,159
Parks and recreation	223,457
Codes enforcement	13,271
GIS/Surveying	1,592
Tourism	<u>83,791</u>
 Total depreciation expense	 <u>\$ 2,264,505</u>

7. CONSTRUCTION IN PROGRESS

The City has the following projects in progress at June 30, 2025:

Business-type Activities	
Raw Water – Owsley	\$ 3,471,055
Raw Water – Cowbell Spillway	10,884
Hwy 595 Sewage Lift Station Replacement	14,750
Brushy Fork Sewer Rehab	<u>16,500</u>
 Total construction in progress	 <u>\$ 3,513,189</u>
Governmental Activities	
Ellipse Street Shared Use Path	\$ 73,059
Scaffold Cane Shared Use Path	150,212
Rash Road Drainage	13,730
BPD Firing Range	90,159
Industrial Parking Lot 7	260,480
Kenway Extension Design	37,133
Bathrooms/Old Concession Stand Design	22,988
Pool Deck Design	3,000
Pool Deck Construction	1,532,275
Farristown Community Center	<u>108,700</u>
 Total construction in progress	 <u>\$ 2,291,736</u>

At June 30, 2025, the City's commitment to construction projects and purchase materials consisted of \$1,017,741 committed for the Pool Deck and Business Industrial Parking Lot 7 Expansion construction projects.

CITY OF BREA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2025

8. LEASED ASSETS AND LIABILITIES

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025			
Governmental Activities:							
Leased Assets by Group							
Office equipment	\$ 80,509	\$ 7,051	\$ (968)	\$ 86,592			
Vehicles	167,162	-	-	167,162			
Police equipment	<u>364,450</u>	<u>-</u>	<u>-</u>	<u>364,450</u>			
Total leased assets	<u>612,121</u>	<u>7,051</u>	<u>(968)</u>	<u>618,204</u>			
Less accumulated amortization							
Office equipment	(36,872)	(14,590)	-	(51,462)			
Vehicles	(111,440)	(33,432)	-	(144,872)			
Police equipment	<u>(255,115)</u>	<u>(72,890)</u>	<u>-</u>	<u>(328,005)</u>			
Total accumulated amortization	<u>(403,427)</u>	<u>(120,912)</u>	<u>-</u>	<u>(524,339)</u>			
Total leased assets, net	<u>\$ 208,694</u>	<u>\$ (113,861)</u>	<u>\$ (968)</u>	<u>\$ 93,865</u>			
Business-type Activities:							
Leased Assets by Group							
Office equipment	\$ 7,912	\$ -	\$ -	\$ 7,912			
Total leased assets	<u>7,912</u>	<u>-</u>	<u>-</u>	<u>7,912</u>			
Less accumulated amortization							
Office equipment	(6,857)	(805)	-	(7,662)			
Total accumulated amortization	<u>(6,857)</u>	<u>(805)</u>	<u>-</u>	<u>(7,662)</u>			
Total leased assets, net	<u>\$ 1,055</u>	<u>\$ (805)</u>	<u>\$ -</u>	<u>\$ 250</u>			
Governmental Activities:							
	Number of Leases in Group	Date Range of Lease	Range of Lease Terms	Annual Payment Amount	Annual Interest Rate	Total Original Lease Liability	Lease Balance at June 30, 2025
Group Description							
Office equipment	9	Oct. 2018 – Aug. 2030	5 years	\$1,419- \$4,552	2.12%- 11.00%	\$ 86,591	\$ 35,130
Vehicles	3	Mar. 2022 – Feb. 2027	5 years	\$10,716- \$13,056	3.56%- 3.67%	167,162	22,290
Police equipment	1	Jan. 2022 – Dec. 2025	3 years	\$63,779	0%	364,450	<u>36,445</u>
Total						<u>\$ 93,865</u>	

CITY OF BREA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2025

8. LEASED ASSETS AND LIABILITIES (CONTINUED)

Business-type Activities:

Group Description	Number of Leases in Group	Date Range of Lease	Range of Lease Terms	Annual Payment Amount	Annual Interest Rate	Total Original Lease Liability	Lease Balance at June 30, 2025
Office equipment	2	Dec. 2019 – Nov. 2026	5 years	\$206-\$1,677	2.12%-9.80%	\$ 7,911	\$ 250

Annual requirements to amortize long-term lease obligations and related interest are as follows:

Governmental Activities:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 34,317	\$ 5,741	\$ 40,058
2027	7,828	1,654	9,482
2028	6,411	1,015	7,426
2029	6,928	366	7,294
2030	132	-	132
Total	\$ 55,616	\$ 8,776	\$ 64,392

Business-type Activities:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 389	\$ 7	\$ 396

9. SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS

In September 2022, the City entered into a 5-year subscription-based information technology arrangement (SBITA) involving cloud-based software to streamline governmental accounting. The software will help with budgeting and planning, permitting and licensing, reporting and transparency, and asset management. Based on this arrangement, the City is making annual payments of \$30,000 until September 2026. The City has imputed an interest rate of 3.50% to determine the present value of the intangible right-to-use asset and SBITA liability.

In July 2023, the City entered into a 3-year subscription-based information technology arrangement (SBITA) for government community cloud-based services and software licenses. Based on this arrangement, the City is making annual payments of \$29,860 until July 2025. The City has imputed an interest rate of 3.50% to determine the present value of the intangible right-to-use asset and SBITA liability.

In January 2024, the City entered into a 5-year subscription-based information technology arrangement (SBITA) for police taser software licensing. Based on this arrangement, the City is making annual payments increasing each year until January 2028. The City has imputed an interest rate of 4.00% to determine the present value of the intangible right-to-use asset and SBITA liability.

CITY OF BREA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2025

9. SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS (CONTINUED)

In March 2024, the City entered into a 2-year subscription-based information technology arrangement (SBITA) for software licensing allowing audio, video, image and recording data footage to be created, viewed, searched and archived. Based on this arrangement, the City is making annual payments of \$30,000 until March 2025. The City has imputed an interest rate of 3.50% to determine the present value of the intangible right-to-use asset and SBITA liability.

In November 2024, the City entered into a 3-year subscription-based information technology arrangement (SBITA) involving cloud-based software to manage and automate personnel accounting and budgeting. Based on this arrangement, the City is making annual payments of \$10,240 until November 2027. The City has imputed an interest rate of 4.00% to determine the present value of the intangible right-to-use asset and SBITA liability.

The total of the City's subscriptions assets are recorded at a cost of \$386,910, less accumulated amortization of \$241,879, at June 30, 2025.

The future subscription payments under SBITA agreements are as follows:

Year Ending June 30,	Principal	Interest
2026	\$ 68,466	\$ 3,777
2027	41,061	1,408
2028	<u>2,320</u>	<u>-</u>
Total	<u>\$ 111,847</u>	<u>\$ 5,185</u>

10. BUSINESS-TYPE ACTIVITIES - LONG-TERM DEBT

BONDS AND NOTES PAYABLE

On January 1, 2005, the City of Berea issued \$16,445,000 of Series 2005-A Combined Utilities Revenue Bonds and \$3,740,000 of Series 2005-B Combined Utilities Revenue Bonds to fund the purchase of the Berea College water and electric utilities. The Series 2005-A Bonds bear interest of 3-4.375%. The Series 2005-A bonds mature on January 1, 2025 and the series 2005-B Bonds matured in 2010. Interest on the Series 2005-A Bonds is paid semiannually, with principal due on January 1 of each year. A portion of the 2005-A Bonds were advance refunded on April 11, 2013. The 2005-A bonds were paid off during the year ended June 30, 2025.

On July 1, 2004, the City of Berea entered into a loan assistance agreement, not to exceed \$5,000,000, with the Kentucky Infrastructure Authority (KIA) for a federally assisted Wastewater Revolving Loan Fund Program Fund A loan for the improvement of the wastewater system. As of June 30, 2025, the City had a balance of \$274,523 on the loan. Interest payments began within six months from the first draw of funds at a rate of 1%, and full principal and interest payments commenced within one year of initiation of operation. The loan calls for a \$250,000 repairs and maintenance reserve.

On January 1, 2009, the City of Berea entered into a loan assistance agreement, not to exceed \$5,000,000, with Kentucky Infrastructure Authority for a federally assisted expansion to the existing Water Treatment Plant. As of June 30, 2025, the City had a balance of \$1,475,860 on the loan. The note bears interest at a rate of 1% and principal and interest payments are due in December and June of each fiscal year. The loan calls for a \$125,000 repairs and maintenance reserve.

CITY OF BREA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2025

10. BUSINESS-TYPE ACTIVITIES - LONG-TERM DEBT (CONTINUED)

On April 11, 2013, the City issued \$9,520,000 of Utility System Refunding Revenue Bonds, Series 2013. The proceeds were used to partially advance refund previously issued Utility System Revenue Bonds, Series 2005-A. The net proceeds of \$9,575,192 (after payment of underwriting fees, insurance and other issuance costs) were used to fund the escrow account. The escrow account was used to purchase US government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for a portion of the future debt service payments on the 2005-A Series bonds. As a result, a portion of the 2005-A Series bonds are considered to be defeased and the liability for those bonds has been removed from the long-term debt. The new issue reduced debt service payments by \$675,126 and had a net economic gain of \$600,693. The defeased bonds outstanding at June 30, 2025, were \$1,425,000. As of June 30, 2025, the City had no balance on the Series 2013 Bonds. The Series 2013 Bonds bear interest of 2-3%. The bonds matured on January 1, 2025.

A summary of changes in business-type activities long-term debt follows:

	June 30, 2024	Additions	Deletions	June 30, 2025
Revenue bonds	\$ 1,390,000	\$ -	\$ (1,390,000)	\$ -
Bond premium	17,270	- -	(17,270)	- -
Direct borrowing and placements:				
KIA loans	2,281,928	- -	(531,545)	1,750,383
Other obligations:				
Lease liability	1,197	- -	(808)	389
Compensated absences	<u>358,686</u>	<u>15,436</u>	<u>-</u>	<u>374,122</u>
Total other obligations	<u>359,883</u>	<u>15,436</u>	<u>(808)</u>	<u>374,511</u>
Total debt outstanding	<u>\$ 4,049,081</u>	<u>\$ 15,436</u>	<u>\$ (1,939,623)</u>	<u>\$ 2,124,894</u>
Less current portion of:				
KIA loans				536,874
Lease liability				389
Compensated absences				96,225
Total current portion				<u>633,488</u>
Total long-term obligations				<u>\$ 1,491,406</u>

The following are the principal and interest maturities for the bonds and notes outstanding as of June 30, 2025:

	Principal	Interest	Service Fee	Total
2026	\$ 536,874	\$ 16,165	\$ 3,938	\$ 556,977
2027	264,981	11,474	2,869	279,324
2028	267,637	8,818	2,205	278,660
2029	270,320	6,135	1,534	277,989
2030	273,030	3,425	856	277,311
2031	<u>137,541</u>	<u>688</u>	<u>172</u>	<u>138,401</u>
Total	<u>\$ 1,750,383</u>	<u>\$ 46,705</u>	<u>\$ 11,574</u>	<u>\$ 1,808,662</u>

CITY OF BREA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2025

10. BUSINESS-TYPE ACTIVITIES - LONG-TERM DEBT (CONTINUED)

COMPLIANCE WITH RESERVE REQUIREMENTS

The City of Berea is required to maintain the following funds and accounts related to the bond issuance and loan agreement with Kentucky Infrastructure Authority (KIA):

Depreciation Fund – The bond ordinance required the creation of a depreciation fund to be available and to be utilized to make repairs and replacements to the system and to pay the costs of constructing additions, extensions, betterments, and improvements to the System which would either increase income and revenues or provide a higher degree of service. The bond issuance was paid off during the year ended June 30, 2025. As a result, the required depreciation fund was dissolved and the related restricted cash was reclassified to unrestricted cash. The KIA loans call for the creation of a repairs and maintenance reserve of \$375,000. At June 30, 2025, the repairs and maintenance reserve had a balance of \$375,000.

Debt Service Fund – The debt service fund is maintained for the payment of principal and interest on bonds and loan agreements. The City was required to make a monthly transfer to the reserve of 1/6 of the next interest due and 1/12 of the next principal due on bonds. These monthly transfers were to be made until the balance reached the lesser of 1) the maximum debt service requirement in any fiscal year, 2) 10% of the proceeds of any series bonds or 3) 125% of the average annual debt service requirement. As of June 30, 2025, the bond issuance was paid off. Although the loan agreements do not establish a debt service requirement, the City has transferred funds to the reserve to cover the next interest and principal due on the loans. As of June 30, 2025, the debt service fund had a balance of \$333,337 and the City held a municipal bond debt service reserve insurance policy with Assured Guaranty Corporation.

11. GOVERNMENTAL ACTIVITIES - LONG-TERM DEBT

BONDS AND NOTES PAYABLE

Tasers

In January 2024, the City of Berea entered into a contract to finance the purchase of tasers for the police department. The contract also contained components for taser software, which is recorded as a subscription-based information technology arrangement, and an annual warranty and support expense. The financed purchase totaled \$62,467 at origination and no payments were made on the financed portion during the year ended June 30, 2024. The financed purchase loan calls for annual payments due in January each year with a scheduled maturity date of January 2028. The financed purchase loan has an imputed interest rate of 4.0% that is included in the annual payment terms.

The schedule below shows the City's total financed purchase debt service:

Principal	
2026	\$ 15,299
2027	15,911
2028	<u>16,547</u>
Total	<u>\$ 47,757</u>

CITY OF BREA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2025

11. GOVERNMENTAL ACTIVITIES - LONG-TERM DEBT (CONTINUED)

KIA Loan – Direct Placement

On February 1, 2025, the City of Berea entered into a loan assistance agreement, not to exceed \$1,173,800, with the Kentucky Infrastructure Authority (KIA) for a Fund B loan to extend wastewater collection and treatment services along with upgrading existing waterlines for the Madison County Airport. As of June 30, 2025, the City had an outstanding balance of \$71,837 on the loan. The loan has a stated interest rate of 1.0%. Interest payments on the loan will begin December 2025 and principal payments will begin subsequent to the date of last draw of funds.

General Obligation Public Project Bond, Series 2018

On March 19, 2018, the City of Berea issued \$10,402,000 of Series 2018 General Obligation Bonds to fund the construction of City Hall. The Series 2018 Kentucky General Obligation Public Project Bonds bear interest at 3.125%. The Series 2018 bond matures on January 1, 2058. Interest on the Series 2018 bond is paid semiannually, with principal due on January 1 each year.

The schedule below shows the City's total general obligation debt service:

	Principal	Interest	Total
2026	\$ 170,800	\$ 300,702	\$ 471,502
2027	176,200	295,365	471,565
2028	181,600	289,859	471,459
2029	187,300	284,184	471,484
2030	193,200	278,330	471,530
2031-2035	1,060,400	1,297,221	2,357,621
2036-2040	1,236,700	1,120,859	2,357,559
2041-2045	1,442,400	915,171	2,357,571
2046-2050	1,682,400	675,247	2,357,647
2051-2055	1,962,100	395,430	2,357,530
2056-2058	<u>1,329,400</u>	<u>83,896</u>	<u>1,413,296</u>
Total	<u>\$9,622,500</u>	<u>\$ 5,936,264</u>	<u>\$15,558,764</u>

CITY OF BREA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2025

11. GOVERNMENTAL ACTIVITIES - LONG-TERM DEBT (CONTINUED)

A summary of changes in governmental long-term obligations follows:

	June 30, 2024	Additions	Deletions	June 30, 2025
General obligation bond	\$ 9,788,100	\$ -	\$ (165,600)	\$ 9,622,500
KIA loan – direct placement	- 71,837	- 71,837	- 71,837	- 71,837
Financed purchase loan	62,467	- (14,710)	- 47,757	- 47,757
Other obligations:				
Lease liability	166,512	7,051	(117,947)	55,616
Software agreement liability	179,527	50,387	(118,067)	111,847
Compensated absences	1,157,950	- (83,521)	- 1,074,429	- 1,074,429
Total other obligations	<u>1,503,989</u>	<u>57,438</u>	<u>(319,535)</u>	<u>1,241,892</u>
Total debt outstanding	<u><u>\$ 11,354,556</u></u>	<u><u>\$ 129,275</u></u>	<u><u>\$ (499,845)</u></u>	<u><u>\$ 10,983,986</u></u>
Less current portion of:				
General obligation bond				170,800
Financed purchase loan				15,299
Lease liability				34,317
Software agreement liability				68,466
Compensated absences				<u>357,121</u>
Total current portion				<u>646,003</u>
Total long-term obligations				<u><u>\$ 10,337,983</u></u>

12. CONDUIT DEBT

In December 2010, the City Council authorized issuance of Industrial Building Revenue Bonds totaling \$7,500,000 for the purpose of assisting Berea College in the refinancing of certain outstanding industrial building and educational building revenue bonds that were issued for the acquisition, construction, renovation and equipping of an educational building within the City. The bonds are secured by various assets of the borrower. The amount of bonds outstanding at June 30, 2025 is not readily available.

In May 2015, the City Council authorized issuance of Educational Facilities Revenue Refunding Bonds of approximately \$6,435,000 for the purpose of assisting Berea College in refunding certain outstanding educational facilities revenue bonds. The amount of bonds outstanding at June 30, 2025 is not readily available.

The City has no liability for any of the conduit debt in the event of default by the borrowers. Accordingly, the bonds are not reported as liabilities in the City's financial statements.

CITY OF BREA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2025

13. TRANSFERS

The following transfers were made during the year:

Fund	Transfers In	Transfers Out
General Fund	\$ 430,890	\$ -
ARPA Fund	250,000	-
Municipal Road Aid	150,000	-
Tourism Fund	-	(255,000)
Berea Craft Festival	-	(10,000)
Utilities Fund	<u>-</u>	<u>(565,890)</u>
 Total	 <u>\$ 830,890</u>	 <u>\$ (830,890)</u>

The purpose of the transfer from Proprietary Fund to General Fund was to provide a payment in lieu of taxes (PILOT) equal to three percent of the prior year's operating revenue. The purpose of the transfer from General Fund to Municipal Road Aid Fund was to reimburse road resurfacing expenditures in excess of state revenue. The purpose of the transfer from Tourism Fund to ARPA Fund was to reallocate the tourism income budgeted to be used on ARPA projects. The purpose of the transfer from Berea Craft Festival to General Fund and Tourism Fund was to reimburse a portion of salaries for employees assisting with the operation of the craft festival.

14. INTERFUND RECEIVABLES AND PAYABLES

Short-term interfund receivables and payables within governmental activities and business-type activities eliminated for purposes of government-wide financial statements as of June 30, 2025 are as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Airport Utilities Expansion	\$ 200,000
Airport Utilities Expansion	General Fund	\$ 34,344
General Fund	Tourism Fund	\$ 32,696
General Fund	Utilities Fund	\$ 317,828
Utilities Fund	General Fund	\$ 37,800

15. RETIREMENT PLAN

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

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of state legislature.

CITY OF BEECH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2025

15. RETIREMENT PLAN (CONTINUED)

Contributions – For the year ended June 30, 2025, plan members were required to contribute 5% of wages for non-hazardous job classifications and 8% of wages for hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium.

The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2025, participating employers contributed 19.71% of each employee's wages for non-hazardous job classifications and 38.61% of each employee's wages for hazardous job classifications. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 16. Plan members' contributions were allocated 19.71% to the pension trust for non-hazardous job classifications and 36.49% to the pension trust for hazardous job classifications. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account for non-hazardous job classifications and 8% of wages to their own account for hazardous classifications. Plan members also contribute 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. Each member's account is credited with a 4% employer pay credit for non-hazardous members, and a 7.5% pay credit for hazardous members. The employer pay credit represents a portion of the employer contribution.

For the year ended June 30, 2025, the City contributed \$1,022,355 or 100% of the required contribution for non-hazardous job classifications, and \$1,401,923, for the year ended June 30, 2025, or 100% of the required contribution for hazardous job classifications, to the same pension trust.

Benefits – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service.

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

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old and 1 month of service
	Reduced retirement	At least 5 years service and 55 years old or 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age to equal 87+
	Reduced retirement	Not available

CITY OF BEECH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2025

15. RETIREMENT PLAN (CONTINUED)

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2025, the City reported a liability for its proportionate share of the net pension liability as follows:

Total Net	Pension Liability	Non-hazardous	Hazardous
	<u>\$ 21,193,477</u>	<u>\$ 8,818,195</u>	<u>\$ 12,375,282</u>

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023, and rolled forward using generally accepted actuarial procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2024, was as follows:

Non-hazardous	Hazardous
0.1475%	0.4812%

The proportionate share at June 30, 2024 relative to June 30, 2023 decreased for non-hazardous by .0071% and decreased for hazardous by .0263%.

For the year ended June 30, 2025, the City recognized pension expense of \$1,758,633. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 1,230,930	\$ -
Changes of assumptions	-	1,096,847
Net difference between projected and actual earnings on Plan investments	-	1,227,460
Changes in proportion and differences between City contributions and proportionate share of contributions	5,308,064	1,274,658
City contributions subsequent to the measurement date	<u>2,424,279</u>	<u>-</u>
Total	<u>\$ 8,963,273</u>	<u>\$ 3,598,965</u>

CITY OF BREA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2025

15. RETIREMENT PLAN (CONTINUED)

The \$2,424,279 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,
2026
2027
2028
2029

Year ending June 30,

2026	\$ 1,999,794
2027	\$ 1,553,720
2028	\$ (333,467)
2029	\$ (280,018)

Actuarial Assumptions – The total pension liability reported at June 30, 2024, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	2.50%
Salary increases	3.30% to 10.30%, varies by service, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation

Hazardous

Inflation	2.50%
Salary increases	3.55 to 19.05%, varies by service, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2020 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 Mortality Improvement Scale using a base year of 2023. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from MP-2020 Mortality Improvement Scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2024, actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2018 - June 30, 2022. The total pension liability was rolled-forward from the valuation date (June 30, 2023) to the plan's fiscal year ending June 30, 2024.

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

CITY OF BREA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2025

15. RETIREMENT PLAN (CONTINUED)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	60.00%	
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Liquidity	20.00%	
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected	20.00%	
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
Total	100.00%	4.69%
Long term inflation assumption		2.50%
Expected nominal return for portfolio		7.19%

Discount Rate – The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the closed 27-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

Non-hazardous		Hazardous		
	City's proportionate share of net pension liability		City's proportionate share of net pension liability	
	Discount rate		Discount rate	
1% decrease	5.50%	\$ 11,368,094	5.50%	\$ 15,931,883
Current discount rate	6.50%	\$ 8,818,195	6.50%	\$ 12,375,282
1% increase	7.50%	\$ 6,702,450	7.50%	\$ 9,471,513

16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – As more fully described in Note 15, the City of Berea participates in the County Employees' Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

CITY OF BREA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2025

16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Contributions – As more fully described in Note 15, plan members contribute to CERS for non-hazardous and hazardous job classifications. For the year ending June 30, 2025, the employer's contribution was 0.00% to the insurance trust for non-hazardous job classifications and 2.12% to the insurance trust for hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

For the year ended June 30, 2025, the City contributed \$0, or 100% of the required contribution for non-hazardous job classifications, and \$81,449, or 100% of the required contribution for hazardous job classifications.

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

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

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

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2025, the City reported a liability for its proportionate share of the net OPEB liability (asset) as follows:

Total Net OPEB Liability	(Asset)	Non-hazardous	Hazardous
	<u>\$ 328,489</u>	<u>\$ (255,310)</u>	<u>\$ 583,799</u>

CITY OF BREA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2025

16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

The net OPEB liability (asset) was measured as of June 30, 2024 and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of June 30, 2023 and rolled forward using generally accepted actuarial procedures. The City's proportion of the net OPEB liability (asset) was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2024 was as follows:

Non-hazardous	Hazardous
0.1476%	0.4813%

The proportionate share at June 30, 2024 relative to June 30, 2023 for non-hazardous decreased by .0070% and hazardous decreased by .0259%.

For the year ended June 30, 2025, the City recognized OPEB expense of \$(858,016). At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 299,733	\$ 4,145,639
Changes of assumptions	627,329	693,930
Net difference between projected and actual earnings on Plan investments	-	599,839
Changes in proportion and differences between City contributions and proportionate share of contributions	2,289,680	1,267,850
City contributions subsequent to the measurement date	142,627	-
Total	\$ 3,359,369	\$ 6,707,258

The \$142,627 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ending June 30, 2026. This includes adjustments of \$69,208 for the nonhazardous implicit subsidy and \$(8,030) for the hazardous implicit subsidy, which are required to be recognized as deferred outflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ending June 30,

2026	\$ (1,345,375)
2027	\$ (949,253)
2028	\$ (821,142)
2029	\$ (385,053)
2030	\$ 10,307

CITY OF BREA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2025

16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Actuarial Assumptions – The total OPEB liability (asset) reported at June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	2.50%
Salary increases	3.30 to 10.30%, varies by service, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation
Healthcare trend	
	Pre – 65: Initial trend starting at 7.10% at January 1, 2026, and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years.
	Post – 65: Initial trend starting at 8.00% in 2026, then gradually decreasing to an ultimate trend rate of 4.25% over a period of 9 years.

Hazardous

Inflation	2.50%
Salary increases	3.55 to 19.05%, varies by service, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation
Healthcare trend	
	Pre – 65: Initial trend starting at 7.10% at January 1, 2026, and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years.
	Post – 65: Initial trend starting at 8.00% in 2026, then gradually decreasing to an ultimate trend rate of 4.25% over a period of 9 years.

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2020 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 Mortality Improvement Scale using a base year of 2023. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from MP-2020 Mortality Improvement Scale using a base year of 2010.

The actuarial assumption used in the June 30, 2024, valuation was based on the results of an actuarial experience study for the period July 1, 2018 - June 30, 2022. The total OPEB liability (asset) was rolled-forward from the valuation date (June 30, 2023) to the plan's fiscal year ending June 30, 2024.

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

CITY OF BREA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2025

16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	60.00%	
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Liquidity	20.00%	
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected	20.00%	
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
Total	100.00%	4.69%
Long term inflation assumption		2.50%
Expected nominal return for portfolio		7.19%

Discount Rate – The discount rate used to measure the total OPEB liability (asset) was 5.99% and 6.02% for non-hazardous and hazardous classifications, respectively. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 22-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.50%, and a municipal bond rate of 3.97%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index" as of June 30, 2024. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

	Non-hazardous		Hazardous	
	Discount rate	City's proportionate share of net OPEB liability (asset)	Discount rate	City's proportionate share of net OPEB liability (asset)
1% decrease	4.99%	\$ 345,210	5.02%	\$ 1,613,348
Current discount rate	5.99%	\$ (255,310)	6.02%	\$ 583,799
1% increase	6.99%	\$ (760,232)	7.02%	\$ (276,588)

CITY OF BREA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2025

16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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

	Non-hazardous	Hazardous
	City's proportionate share of net OPEB liability (asset)	City's proportionate share of net OPEB liability (asset)
1% decrease	\$ (614,249)	\$ (90,501)
Current trend rate	\$ (255,310)	\$ 583,799
1% increase	\$ 162,825	\$ 1,371,908

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

17. PROPERTY TAX RATES AND CALENDAR

Property taxes for fiscal year 2025 were levied in November 2024 on the assessed property located in the City of Berea as of the preceding January 1. The rate for real and personal property was 8.9 cents per one hundred dollars of assessed value. The assessments are determined by the County Property Valuation Administrator in accordance with Kentucky Revised Statutes. The due date collection periods for all taxes exclusive of vehicle taxes are as follows:

Description	Date Per K.R.S. 134.015
1. Due date for payment, 2% discount	November 30
2. Face value payment period	December 1 – December 31
3. Past due date, 10% penalty	January 1
4. Interest charge	12% per annum from Jan 1

Vehicle taxes are collected by the County Clerk of Madison County and are due and collected in the birth month of the vehicle's licensee.

18. RISK MANAGEMENT

The City of Berea is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the city also carries commercial insurance for all other risks of loss such as worker's compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Effective July 1, 2022, the City began participating in a self-funded insurance consortium to minimize the cost of insurance and related administrative expenses. The self-funded plan provides coverage for up to \$50,000 for each claim. The City purchases stop-loss insurance for claims in excess of coverage provided. The City records estimated liabilities for such claims filed or estimated to be filed for incidents that have occurred above the stop-loss insured amount. As of June 30, 2025, the City's contributions to the self-insurance fund exceed claims paid by \$193,276. The excess contributions are recorded as a prepaid expense at June 30, 2025.

CITY OF BREA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2025

19. RELATED ORGANIZATION

Organizations for which a primary government is accountable because it appoints a voting majority of the board, but is not financially accountable, are considered related organizations. The Housing Authority of Berea is a related organization of the City. The City appoints a voting majority of the Housing Authority's board but has no further accountability. The Housing Authority was established to provide public housing for certain families within City limits. The Housing Authority does not meet the definition of a component unit but is considered a related party of the City.

20. TAX ABATEMENTS

The City negotiates tax abatement agreements on an individual basis. The City has tax abatement agreements with two companies, Hitachi Automotive and Stemco LP, which were entered into via cooperation with the Kentucky Economic Development Finance Authority. The agreement with Hitachi Automotive is to offer incentives for the company to utilize the premises previously occupied by Panasonic Manufacturing Company on Mayde Road within City limits. The agreement with Stemco LP is to provide incentives for the company to renovate and expand an existing manufacturing facility located at 159 Glades Road within City limits. Both tax abatements call for the City to forgo 1% of the occupational license fee imposed on certain employees of the companies. KRS 154.32-090 permits the City to forego 1% of any occupational license fee imposed via credits against the City's occupational license fee for employees of an eligible company as an additional incentive. During 2025, \$113,927 of revenue was abated.

21. RESTATEMENT OF NET POSITION

During the year ended June 30, 2025, the City implemented GASB Statement No. 101, *Compensated Absences*, as described more fully in Note 1. As outlined in GASB Statement No. 101, accrued compensated absences were restated for remeasurement of accrued vacation leave, accrued sick leave and the employer portion of FICA and Medicare taxes on those balances effective July 1, 2024. This resulted in a restatement of beginning net position as follows:

Governmental Activities		
Net position, at beginning of year	\$	37,926,488
Reduction in accrued compensated absences		<u>122,193</u>
Net position, at beginning of year, as restated	\$	<u>38,048,681</u>
 Business-type activities		
Net position, at beginning of year	\$	58,385,001
Reduction in accrued compensated absences		<u>24,041</u>
Net position, at beginning of year, as restated	\$	<u>58,409,042</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BEECH, KENTUCKY
REQUIRED SUPPLEMENTAL BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2025

	Enacted Budget	Amended Budget	Actual	Variance
MUNICIPAL TAXATION				
General property taxes	\$ 950,000	\$ 950,000	\$ 1,037,671	\$ 87,671
State assessment property taxes	20,000	20,000	15,066	(4,934)
In lieu of property tax	20,000	20,000	26,269	6,269
Delinquent property taxes	10,000	10,000	36,999	26,999
Bank deposit taxes	100,000	100,000	99,491	(509)
Motor vehicle taxes	115,000	115,000	161,765	46,765
	<u>1,215,000</u>	<u>1,215,000</u>	<u>1,377,261</u>	<u>162,261</u>
LICENSES, PERMITS, BILLINGS				
Occupational license fees				
Insurance	1,300,000	1,300,000	1,765,639	465,639
Employee withholding	7,800,000	7,800,000	8,931,321	1,131,321
Net profits	1,000,000	1,000,000	1,896,783	896,783
Individual	60,000	60,000	87,471	27,471
Business	10,000	10,000	15,235	5,235
ABC	165,000	165,000	315,705	150,705
Utility franchise fees	1,230,000	1,230,000	1,473,116	243,116
Building permits	130,000	130,000	209,398	79,398
Electric permits	90,000	90,000	76,345	(13,655)
Street cut permits	1,000	1,000	50	(950)
	<u>11,786,000</u>	<u>11,786,000</u>	<u>14,771,063</u>	<u>2,985,063</u>
CHARGES FOR SERVICE				
Court costs & fees	18,000	18,000	19,108	1,108
Accident reports	3,000	3,000	4,090	1,090
Codes - plat review fee	12,000	12,000	14,600	2,600
Police special services	1,500	1,500	3,482	1,982
Pool concessions	20,000	20,000	11,840	(8,160)
Swimming pool fees	65,000	65,000	28,192	(36,808)
Administrative overhead - indirect	281,000	281,000	284,115	3,115
	<u>400,500</u>	<u>400,500</u>	<u>365,427</u>	<u>(35,073)</u>
FINES AND FORFEITS				
Codes violations	-	-	27,324	27,324
Court restitution	-	-	605	605
Penalties and interest	35,000	35,000	56,787	21,787
Parking fines	2,500	2,500	1,330	(1,170)
	<u>37,500</u>	<u>37,500</u>	<u>86,046</u>	<u>48,546</u>

CITY OF BEREAL, KENTUCKY
REQUIRED SUPPLEMENTAL BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2025

	Enacted Budget	Amended Budget	Actual	Variance
INTERGOVERNMENTAL REVENUES				
County school-police contract	\$ 300,000	\$ 300,000	\$ 311,302	\$ 11,302
Madison County grants	68,000	68,000	68,000	-
Other grants	5,763,394	5,950,974	486,053	(5,464,921)
Volunteer fire state aid	11,000	11,000	14,500	3,500
Police incentive pay	200,000	200,000	203,243	3,243
Fire incentive pay	150,000	150,000	142,827	(7,173)
	<u>6,492,394</u>	<u>6,679,974</u>	<u>1,225,925</u>	<u>(5,454,049)</u>
OTHER REVENUE				
Rental income	61,900	61,900	70,848	8,948
Interest and investment income	370,000	778,000	929,001	151,001
Insurance proceeds	-	-	113,329	113,329
Miscellaneous	33,000	93,000	157,072	64,072
	<u>464,900</u>	<u>932,900</u>	<u>1,270,250</u>	<u>337,350</u>
TOTAL REVENUE	<u>20,396,294</u>	<u>21,051,874</u>	<u>19,095,972</u>	<u>(1,955,902)</u>
ADMINISTRATION				
General Government				
Utilities	77,700	77,700	72,975	(4,725)
Materials and supplies	21,000	21,000	14,078	(6,922)
Services and support	783,885	823,885	579,411	(244,474)
Other expenditures	75,000	75,000	15,064	(59,936)
Administration				
Personnel	427,000	427,000	341,523	(85,477)
Materials and supplies	22,200	22,200	13,497	(8,703)
Services and support	222,100	252,100	197,240	(54,860)
Other expenditures	19,500	19,500	13,406	(6,094)
City Council				
Personnel	64,700	64,700	65,300	600
Services and support	61,000	61,000	59,196	(1,804)
Other expenditures	963,000	1,117,000	920,149	(196,851)
Finance Office				
Personnel	169,700	163,700	352,837	189,137
Materials and supplies	24,250	24,250	7,506	(16,744)
Services and support	315,150	323,400	120,999	(202,401)
Other expenditures	15,000	15,000	1,588	(13,412)
Subtotal Administration	<u>3,261,185</u>	<u>3,487,435</u>	<u>2,774,769</u>	<u>(712,666)</u>

CITY OF BEECH, KENTUCKY
REQUIRED SUPPLEMENTAL BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2025

	Enacted Budget	Amended Budget	Actual	Variance
ADMINISTRATION (Continued)				
Business Development				
Personnel	\$ 139,300	\$ 139,300	\$ 111,309	\$ (27,991)
Materials and supplies	5,200	5,200	3,332	(1,868)
Services and support	65,700	66,700	52,896	(13,804)
Other expenditures	36,300	36,300	25,335	(10,965)
Information Technology				
Personnel	240,600	240,600	211,283	(29,317)
Utilities	123,000	123,000	68,390	(54,610)
Materials and supplies	15,000	15,000	9,871	(5,129)
Services and support	61,050	61,050	26,026	(35,024)
Other expenditures	8,000	8,000	-	(8,000)
Total Administration	<u>3,955,335</u>	<u>4,182,585</u>	<u>3,283,211</u>	<u>(899,374)</u>
POLICE				
Personnel	4,379,900	4,379,900	3,830,616	(549,284)
Utilities	30,700	30,700	25,842	(4,858)
Materials and supplies	257,900	257,900	241,128	(16,772)
Services and support	77,500	77,500	63,120	(14,380)
Other expenditures	75,300	115,300	90,658	(24,642)
Total Police Department	<u>4,821,300</u>	<u>4,861,300</u>	<u>4,251,364</u>	<u>(609,936)</u>
FIRE				
Personnel	2,934,100	2,933,600	2,712,152	(221,448)
Utilities	10,100	19,000	16,544	(2,456)
Materials and supplies	141,500	146,500	116,463	(30,037)
Services and support	93,700	88,700	57,988	(30,712)
Other expenditures	29,000	29,000	15,701	(13,299)
Total Fire Department	<u>3,208,400</u>	<u>3,216,800</u>	<u>2,918,848</u>	<u>(297,952)</u>
PUBLIC WORKS				
Personnel	1,900,900	1,900,900	1,755,924	(144,976)
Utilities	162,600	162,600	155,586	(7,014)
Materials and supplies	309,850	314,350	194,169	(120,181)
Services and support	369,500	369,500	222,491	(147,009)
Other expenditures	24,000	29,000	11,359	(17,641)
Total Public Works	<u>2,766,850</u>	<u>2,776,350</u>	<u>2,339,529</u>	<u>(436,821)</u>

CITY OF BEECH, KENTUCKY
REQUIRED SUPPLEMENTAL BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2025

	Enacted Budget	Amended Budget	Actual	Variance
CODES ENFORCEMENT				
Personnel	\$ 568,500	\$ 568,500	\$ 497,012	\$ (71,488)
Materials and supplies	22,500	23,500	16,080	(7,420)
Services and support	160,500	169,500	40,697	(128,803)
Other expenditures	11,000	11,000	4,093	(6,907)
Total Codes Enforcement	<u>762,500</u>	<u>772,500</u>	<u>557,882</u>	<u>(214,618)</u>
PARKS AND RECREATION				
Parks and Recreation				
Personnel	496,100	467,000	370,005	(96,995)
Utilities	90,500	90,500	74,619	(15,881)
Materials and supplies	79,400	79,400	42,025	(37,375)
Services and support	172,300	172,300	66,027	(106,273)
Other expenditures	35,050	35,050	29,653	(5,397)
Pool				
Personnel	116,300	145,400	80,303	(65,097)
Utilities	24,500	24,500	8,897	(15,603)
Materials and supplies	86,150	86,150	33,641	(52,509)
Services and support	52,600	52,600	26,447	(26,153)
Other expenditures	3,000	3,000	840	(2,160)
Total Parks and Recreation	<u>1,155,900</u>	<u>1,155,900</u>	<u>732,457</u>	<u>(423,443)</u>
GIS/SURVEYING				
GIS/Land Surveying				
Personnel	123,800	123,800	82,025	(41,775)
Materials and supplies	5,600	5,600	1,606	(3,994)
Services and support	25,100	15,100	1,384	(13,716)
Other expenditures	14,700	25,400	18,408	(6,992)
Total GIS/Surveying	<u>169,200</u>	<u>169,900</u>	<u>103,423</u>	<u>(66,477)</u>
CAPITAL OUTLAY	<u>6,926,831</u>	<u>7,482,500</u>	<u>1,071,549</u>	<u>(6,410,951)</u>
DEBT SERVICE				
Debt service - long term debt	474,450	474,450	482,632	8,182
Debt service - lease and SBITA	-	-	218,729	218,729
Total Debt Service	<u>474,450</u>	<u>474,450</u>	<u>701,361</u>	<u>226,911</u>
TOTAL EXPENDITURES	<u>24,240,766</u>	<u>25,092,285</u>	<u>15,959,624</u>	<u>(9,132,661)</u>

CITY OF BREA, KENTUCKY
REQUIRED SUPPLEMENTAL BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2025

	Enacted Budget	Amended Budget	Actual	Variance
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	\$ -	\$ 29,000	\$ 28,961	\$ (39)
Financing proceeds	256,200	-	-	-
Lease and SBITA proceeds	-	-	29,554	29,554
Transfers in (out)	<u>910,000</u>	<u>510,000</u>	<u>430,891</u>	<u>(79,109)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,166,200</u>	<u>539,000</u>	<u>489,406</u>	<u>(49,594)</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ (2,678,272)</u></u>	<u><u>\$ (3,501,411)</u></u>	<u><u>\$ 3,625,754</u></u>	<u><u>\$ 7,127,165</u></u>

NOTE: Debt service for lease and SBITA payments was budgeted within their respective departments.

CITY OF BEREAL, KENTUCKY
REQUIRED SUPPLEMENTAL BUDGETARY COMPARISON
TOURISM FUND
for the year ended June 30, 2025

	Enacted Budget	Amended Budget	Actual	Variance
MUNICIPAL TAXATION				
Transient room tax	\$ 200,000	\$ 200,000	\$ 218,229	\$ 18,229
Restaurant tax	1,300,000	1,300,000	1,583,401	283,401
Total Municipal Taxation	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,801,630</u>	<u>301,630</u>
INTERGOVERNMENTAL				
Grant revenues	138,000	138,000	-	(138,000)
CHARGES FOR SERVICE				
Workshop fees	65,000	65,000	45,482	(19,518)
FINES AND FORFEITS				
Penalties and interest	4,000	4,000	3,858	(142)
OTHER REVENUE				
Miscellaneous revenue	87,000	87,000	183,067	96,067
TOTAL REVENUE	<u>1,794,000</u>	<u>1,794,000</u>	<u>2,034,037</u>	<u>240,037</u>
TOURISM				
Personnel	639,900	639,900	399,038	(240,862)
Utilities	63,300	63,300	34,720	(28,580)
Materials and supplies	230,500	230,500	43,205	(187,295)
Services and support	768,000	765,500	348,880	(416,620)
Other expenditures	377,132	379,632	238,079	(141,553)
Total Tourism	<u>2,078,832</u>	<u>2,078,832</u>	<u>1,063,922</u>	<u>(1,014,910)</u>
CAPITAL OUTLAY	<u>315,000</u>	<u>315,000</u>	<u>234,461</u>	<u>(80,539)</u>
DEBT SERVICE - LEASE AND SBITA	<u>-</u>	<u>-</u>	<u>3,207</u>	<u>3,207</u>
TOTAL EXPENDITURES	<u>2,393,832</u>	<u>2,393,832</u>	<u>1,301,590</u>	<u>(1,092,242)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	-	121	121
Lease and SBITA proceeds	-	-	7,051	7,051
Transfers in (out)	(330,000)	(330,000)	(255,000)	75,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>(330,000)</u>	<u>(330,000)</u>	<u>(247,828)</u>	<u>82,172</u>
NET CHANGE IN FUND BALANCE	<u>\$ (929,832)</u>	<u>\$ (929,832)</u>	<u>\$ 484,619</u>	<u>\$ 1,414,451</u>

CITY OF BREA, KENTUCKY
REQUIRED SUPPLEMENTAL BUDGETARY COMPARISON
AMERICAN RESCUE PLAN ACT FUND
for the year ended June 30, 2025

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
INTERGOVERNMENTAL				
Grant revenues	<u>\$ 2,347,000</u>	<u>\$ 2,347,000</u>	<u>\$ 1,456,042</u>	<u>\$ (890,958)</u>
OTHER REVENUE				
Interest on checking	<u>20,000</u>	<u>20,000</u>	<u>76,434</u>	<u>56,434</u>
TOTAL REVENUE	<u>2,367,000</u>	<u>2,367,000</u>	<u>1,532,476</u>	<u>(834,524)</u>
CAPITAL OUTLAY	<u>2,367,000</u>	<u>2,617,000</u>	<u>1,456,042</u>	<u>(1,160,958)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>-</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 326,434</u>	<u>\$ 326,434</u>

CITY OF BEREAL, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NONHAZARDOUS
Last Ten Fiscal Years

Report Date Measurement Date	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)	2025 (2024)
City's proportion of the net pension liability	0.2260%	0.2200%	0.2430%	0.2510%	0.2600%	0.2670%	0.2750%	0.1700%	0.1546%	0.1475%
City's proportionate share of the net pension liability (asset)	\$ 9,697,588	\$ 11,301,398	\$ 14,197,959	\$ 15,273,694	\$ 18,260,809	\$ 20,461,192	\$ 17,564,140	\$ 12,299,878	\$ 9,919,923	\$ 8,818,195
City's covered employee payroll	\$ 5,394,952	\$ 5,636,670	\$ 6,092,638	\$ 6,370,339	\$ 6,706,498	\$ 6,948,720	\$ 6,748,720	\$ 7,115,130	\$ 4,806,514	\$ 4,617,020
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	179.75%	200.50%	233.03%	239.76%	272.29%	303.19%	246.86%	255.90%	206.38%	190.99%
Plan fiduciary net position as a percentage of the total pension liability	59.97%	55.50%	53.50%	53.54%	50.45%	47.81%	57.33%	52.42%	57.48%	61.61%

CITY OF BEREAL, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - HAZARDOUS
Last Three Fiscal Years

Report Date	2023	2024	2025
Measurement Date	(2022)	(2023)	(2024)
City's proportion of the net pension liability	0.3530%	0.5075%	0.4812%
City's proportionate share of the net pension liability (asset)	\$ 10,769,051	\$ 13,681,975	\$ 12,375,282
City's covered employee payroll	\$ 2,298,357	\$ 3,560,425	\$ 3,603,574
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	468.55%	384.28%	343.42%
Plan fiduciary net position as a percentage of the total pension liability	47.11%	52.96%	57.05%

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

CITY OF BEREAL, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PENSION CONTRIBUTIONS - NONHAZARDOUS
Last Ten Fiscal Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Contractually required employer contribution	\$ 700,074	\$ 849,923	\$ 922,430	\$ 1,087,794	\$ 1,341,103	\$ 1,373,220	\$ 1,094,924	\$ 1,085,910	\$ 1,111,281	\$ 1,022,355
Contributions relative to contractually required employer contribution	<u>700,074</u>	<u>849,923</u>	<u>922,430</u>	<u>1,087,794</u>	<u>1,341,103</u>	<u>1,373,220</u>	<u>1,094,924</u>	<u>1,085,910</u>	<u>1,111,281</u>	<u>1,022,355</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
City's covered employee payroll	\$ 5,636,670	\$ 6,092,638	\$ 6,370,339	\$ 6,706,498	\$ 6,748,720	\$ 7,115,130	\$ 4,806,514	\$ 4,640,641	\$ 4,617,020	\$ 5,015,651
Employer contributions as a percentage of covered-employee payroll	12.42%	13.95%	14.48%	16.22%	19.87%	19.30%	22.78%	23.40%	24.07%	20.38%

CITY OF BEREAL, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PENSION CONTRIBUTIONS - HAZARDOUS
Last Four Fiscal Years

	2022	2023	2024	2025
Contractually required employer contribution	\$ 818,215	\$ 1,524,218	\$ 1,482,386	\$ 1,401,923
Contributions relative to contractually required employer contribution	<u>818,215</u>	<u>1,524,218</u>	<u>1,482,386</u>	<u>1,401,923</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 2,298,357	\$ 3,560,425	\$ 3,603,574	\$ 3,825,495
Employer contributions as a percentage of covered-employee payroll	35.60%	42.81%	41.14%	36.65%

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

CITY OF BEREAL, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) - NON-HAZARDOUS
Last Seven Fiscal Years

Report Date Measurement Date	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)	2025 (2024)
City's proportion of the net pension liability (asset)	0.2510%	0.2600%	0.2670%	0.2750%	0.1700%	0.1546%	0.1476%
City's proportionate share of the net pension liability (asset)	\$ 4,452,496	\$ 4,336,271	\$ 6,440,260	\$ 5,272,721	\$ 6,361,894	\$ (213,444)	\$ (255,310)
City's covered employee payroll	\$ 6,370,339	\$ 6,706,498	\$ 6,948,720	\$ 6,748,720	\$ 7,115,130	\$ 4,806,514	\$ 4,617,020
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	69.90%	64.70%	92.70%	78.10%	89.40%	-4.44%	-5.53%
Plan fiduciary net position as a percentage of the total pension liability (asset)	57.60%	60.40%	51.70%	62.90%	61.00%	104.23%	104.89%

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

CITY OF BEREAL, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - HAZARDOUS
Last Three Fiscal Years

Report Date	2023	2024	2025
Measurement Date	(2022)	(2023)	(2024)
City's proportion of the net pension liability (asset)	0.3500%	0.5072%	0.4813%
City's proportionate share of the net pension liability (asset)	\$ 3,004,572	\$ 693,911	\$ 583,799
City's covered employee payroll	\$ 2,298,357	\$ 3,560,425	\$ 3,603,574
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	130.70%	19.49%	16.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	64.10%	92.27%	93.53%

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

CITY OF BEREAL, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
OPEB CONTRIBUTIONS - NONHAZARDOUS
Last Eight Fiscal Years

	2018	2019	2020	2021	2022	2023	2024	2025
Contractually required employer contribution	\$ 299,408	\$ 352,761	\$ 330,759	\$ 338,680	\$ 296,701	\$ 157,318	\$ -	\$ -
Contributions relative to contractually required employer contribution	<u>299,408</u>	<u>352,761</u>	<u>330,759</u>	<u>338,680</u>	<u>296,701</u>	<u>157,318</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					
City's covered employee payroll	\$ 6,370,339	\$ 6,706,498	\$ 6,948,720	\$ 6,748,720	\$ 7,115,130	\$ 4,640,641	\$ 4,617,020	\$ 5,015,651
Employer contributions as a percentage of covered-employee payroll	4.70%	5.26%	4.76%	5.02%	4.17%	3.39%	0.00%	0.00%

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

CITY OF BEREAL, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
OPEB CONTRIBUTIONS - HAZARDOUS
Last Four Fiscal Years

	2022	2023	2024	2025
Contractually required employer contribution	\$ 200,647	\$ 241,397	\$ 93,032	\$ 81,449
Contributions relative to contractually required employer contribution	<u>200,647</u>	<u>241,397</u>	<u>93,032</u>	<u>81,449</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 2,298,357	\$ 3,560,425	\$ 3,603,574	\$ 3,825,495
Employer contributions as a percentage of covered-employee payroll	8.73%	6.78%	2.58%	2.13%

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

CITY OF BREA, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
for the year ended June 30, 2025

1. GENERAL INFORMATION

Contributions

Contractually required employer contributions reported on the Schedule of Pension Contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The insurance contributions are reported on the Schedule of OPEB Contributions.

Payroll

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

2. CHANGES OF ASSUMPTIONS

June 30, 2024 – Pension and OPEB - Hazardous and Nonhazardous

There were no changes in assumptions in the valuation of pension. The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2024, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.80% to 7.10%. The initial healthcare trend rate for post-65 was changed from 8.50% to 8.00%.

June 30, 2023 – Pension and OPEB - Hazardous and Nonhazardous

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2023, for pension:

- The rate of inflation was increased from 2.30% to 2.50%.
- The salary productivity assumption was reduced by .20%, resulting in no change in the salary increase assumption for long-service employees of 3.30% in the non-hazardous funds.
- The individual rates of salary increases were increased during the select period for the CERS funds.
- The investment return assumption was increased from 6.25% to 6.50%.
- The Tier 3 cash balance interest crediting rate assumption was increased to 6.75% for the CERS pension funds.

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2023, for OPEB:

- The rate of inflation was increased from 2.30% to 2.50%.
- The salary productivity assumption was reduced by .20%, resulting in no change in the salary increase assumption for long-service employees of 3.30% in the non-hazardous funds.
- The individual rates of salary increases were increased during the select period for the CERS funds.
- The investment return assumption was increased from 6.25% to 6.50%.
- The initial healthcare trend rate for pre-65 was changed from 6.20% to 6.80%. The initial healthcare trend rate for post-65 was changed from 9.00% to 8.50%.

CITY OF BREA, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
for the year ended June 30, 2025

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2021 – Pension and OPEB - Nonhazardous

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

- The initial healthcare trend rate for pre-65 was changed from 6.40% to 6.30%. The initial healthcare trend rate for post-65 was changed from 2.90% to 6.30%.

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

June 30, 2020 – Pension and OPEB - Nonhazardous

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for OPEB:

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

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

June 30, 2019 – Pension and OPEB - Nonhazardous

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

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

June 30, 2018 – Pension and OPEB – Nonhazardous

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

June 30, 2017 – Pension – Nonhazardous

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

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

June 30, 2016 – Pension – Nonhazardous

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

CITY OF BREA, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
for the year ended June 30, 2025

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2015 – Pension – Nonhazardous

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

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

SUPPLEMENTARY INFORMATION

CITY OF BEEA, KENTUCKY
BUDGETARY COMPARISON
PROPRIETARY FUND
for the year ended June 30, 2025

	Enacted Budget	Amended Budget	Actual	Variance
BEREA MUNICIPAL UTILITIES				
Administration				
Personnel	\$ 844,800	\$ 844,800	\$ 676,475	\$ (168,325)
Utilities	79,400	79,400	72,489	(6,911)
Materials and supplies	46,300	46,300	39,354	(6,946)
Services and support	424,350	452,600	516,500	63,900
Other expenses	<u>933,000</u>	<u>939,000</u>	<u>358,049</u>	<u>(580,951)</u>
	<u>2,327,850</u>	<u>2,362,100</u>	<u>1,662,867</u>	<u>(699,233)</u>
Electric				
Personnel	847,900	847,900	364,668	(483,232)
Utilities	7,175	7,175	5,205	(1,970)
Materials and supplies	63,500	63,500	49,531	(13,969)
Services and support	12,004,000	12,004,000	9,905,770	(2,098,230)
Other expenses	<u>158,500</u>	<u>158,500</u>	<u>58,059</u>	<u>(100,441)</u>
	<u>13,081,075</u>	<u>13,081,075</u>	<u>10,383,233</u>	<u>(2,697,842)</u>
Water				
Personnel	702,000	702,000	209,235	(492,765)
Utilities	375,400	375,400	312,770	(62,630)
Materials and supplies	231,800	231,800	191,393	(40,407)
Services and support	739,000	739,000	452,581	(286,419)
Other expenses	<u>58,000</u>	<u>58,000</u>	<u>14,779</u>	<u>(43,221)</u>
	<u>2,106,200</u>	<u>2,106,200</u>	<u>1,180,758</u>	<u>(925,442)</u>
Sewer				
Personnel	887,900	887,900	387,201	(500,699)
Utilities	248,500	248,500	253,366	4,866
Materials and supplies	125,800	125,800	89,602	(36,198)
Services and support	679,500	679,500	607,671	(71,829)
Other expenses	<u>48,500</u>	<u>48,500</u>	<u>25,969</u>	<u>(22,531)</u>
	<u>1,990,200</u>	<u>1,990,200</u>	<u>1,363,809</u>	<u>(626,391)</u>
Total expenses	\$ 19,505,325	\$ 19,539,575	\$ 14,590,667	\$ (4,948,908)

CITY OF BEECH, KENTUCKY
COMBINING BALANCE SHEET
ALL NONMAJOR FUNDS
June 30, 2025

	Municipal Road Aid Fund	Industrial Development Fund	Police Restricted Fund	Berea Craft Festival Fund	Opioid Abatement Fund	Urban Wildlife Preserve Fund	Airport Utilities Expansion Fund	2025 Total
ASSETS								
Cash and cash equivalents	\$ 284,098	\$ 1,514,615	\$ 106,505	\$ 175,390	\$ 177,823	\$ 318,938	\$ 165,656	\$ 2,743,025
Investments	-	122,007	-	-	-	-	-	122,007
Other receivables	21,433	-	-	-	400,461	-	117,356	539,250
Lease receivables	-	40,590	-	-	-	-	-	40,590
Accrued interest receivable	-	575	-	-	-	-	-	575
Other assets	-	-	-	4,845	-	-	-	4,845
Due from other fund	-	-	-	-	-	-	34,344	34,344
Total assets	<u>\$ 305,531</u>	<u>\$ 1,677,787</u>	<u>\$ 106,505</u>	<u>\$ 180,235</u>	<u>\$ 578,284</u>	<u>\$ 318,938</u>	<u>\$ 317,356</u>	<u>\$ 3,484,636</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE								
Liabilities								
Accounts payable	\$ -	\$ 257,872	\$ -	\$ -	\$ -	\$ 207	\$ 149,695	\$ 407,774
Unearned revenue	-	-	-	32,500	-	-	-	32,500
Due to other fund	-	-	-	-	-	-	200,000	200,000
Total liabilities	-	257,872	-	32,500	-	207	349,695	640,274
DEFERRED INFLOWS								
Deferred inflows - unavailable revenue	-	40,590	-	-	374,167	-	-	414,757
Fund balances	<u>305,531</u>	<u>1,379,325</u>	<u>106,505</u>	<u>147,735</u>	<u>204,117</u>	<u>318,731</u>	<u>(32,339)</u>	<u>2,429,605</u>
Total liabilities and fund balances	<u>\$ 305,531</u>	<u>\$ 1,677,787</u>	<u>\$ 106,505</u>	<u>\$ 180,235</u>	<u>\$ 578,284</u>	<u>\$ 318,938</u>	<u>\$ 317,356</u>	<u>\$ 3,484,636</u>

CITY OF BEECH, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
ALL NONMAJOR FUNDS
for the year ended June 30, 2025

	Municipal Road Aid Fund	Industrial Development Fund	Police Restricted Fund	Berea Craft Festival Fund	Opioid Abatement Fund	Urban Wildlife Preserve Fund	Airport Utilities Expansion Fund	2025 Total
REVENUES								
Intergovernmental revenues	\$ 286,315	\$ -	\$ 3,055	\$ -	\$ -	\$ -	\$ 384,706	\$ 674,076
Charges for services	-	-	-	70,267	-	-	-	70,267
Other revenues	<u>18,280</u>	<u>421,684</u>	<u>4,331</u>	<u>7,449</u>	<u>44,320</u>	<u>12,065</u>	<u>-</u>	<u>508,129</u>
Total revenues	<u>304,595</u>	<u>421,684</u>	<u>7,386</u>	<u>77,716</u>	<u>44,320</u>	<u>12,065</u>	<u>384,706</u>	<u>1,252,472</u>
EXPENDITURES								
Current								
General administration	-	95,291	-	-	-	1,580	-	96,871
Police department	-	-	24,000	-	-	-	-	24,000
Public works	510,474	-	-	-	-	-	488,882	999,356
Tourism	-	-	-	34,101	-	-	-	34,101
Capital outlay	-	<u>247,456</u>	-	-	-	-	-	<u>247,456</u>
Total expenditures	<u>510,474</u>	<u>342,747</u>	<u>24,000</u>	<u>34,101</u>	<u>-</u>	<u>1,580</u>	<u>488,882</u>	<u>1,401,784</u>
Excess revenues over (under) expenditures before other sources (uses)	(205,879)	78,937	(16,614)	43,615	44,320	10,485	(104,176)	(149,312)
Other financing sources								
Proceeds from sale of assets	-	945,000	-	-	-	-	-	945,000
Financing proceeds	-	-	-	-	-	-	71,837	71,837
Transfers in (out)	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>140,000</u>
Excess revenues and other sources over (under) expenditures	(55,879)	1,023,937	(16,614)	33,615	44,320	10,485	(32,339)	1,007,525
Fund balances, July 1, 2024	<u>361,410</u>	<u>355,388</u>	<u>123,119</u>	<u>114,120</u>	<u>159,797</u>	<u>308,246</u>	<u>-</u>	<u>1,422,080</u>
Fund Balance, June 30, 2025	\$ 305,531	\$ 1,379,325	\$ 106,505	\$ 147,735	\$ 204,117	\$ 318,731	\$ (32,339)	\$ 2,429,605



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

To the Mayor and City Council
City of Berea, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Berea, Kentucky, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise City of Berea, Kentucky's basic financial statements and have issued our report thereon dated December 22, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

RFH

RFH, PLLC
Lexington, Kentucky
December 22, 2025



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

To the Mayor and City Council
City of Berea, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Berea, Kentucky's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Berea, Kentucky's major federal programs for the year ended June 30, 2025. City of Berea, Kentucky's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Berea, Kentucky complied, in all material respects, with the 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, 2025.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

RFH
RFH, PLLC
Lexington, Kentucky
December 22, 2025

CITY OF BEREA, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended June 30, 2025

GRANTOR/PROGRAM TITLE	Federal AL Number	Pass/Through Contract Number	Passed Through to Subrecipients	Expenditures
U.S. Department of Agriculture				
Natural Resource Conservation Service	10.916	N/A	\$ _____ -	\$ 25,123
Total U.S. Department of Agriculture			_____ -	25,123
U.S. Department of Justice				
Equitable Sharing Program	16.922	N/A	_____ -	24,000
Passed through Kentucky Justice and Public Safety Cabinet				
VOCA Victim Assistance Formula Grant	16.575	N/A	_____ -	67,583
Total U.S. Department of Justice			_____ -	91,583
U.S. Department of Treasury				
Passed through Kentucky Department for Local Government				
COVID-19 - Coronavirus State & Local Fiscal Recovery Fund	21.027	KY0019	_____ -	1,456,042
Total U.S. Department of Treasury			_____ -	1,456,042
U.S. Administrative Resource Center				
Passed through Kentucky Department for Local Government				
Appalachian Area Development	23.002	KY-20483-A-2024	_____ -	384,706
Total U.S. Administrative Resource Center			_____ -	384,706
U.S. Department of Health and Human Services				
Congressional Directives	93.493	N/A	_____ -	350,000
Total federal awards expended			\$ _____ -	\$ 2,307,454

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Berea, Kentucky and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in, or used in the preparation of, the basic financial statements may differ from these numbers.

Note 2 - Indirect Cost Rates

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

CITY OF BREA, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2025

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified	<u>Yes</u>	<u>X</u> No
Significant deficiencies identified that are not considered to be material weaknesses	<u>Yes</u>	<u>X</u> None reported
Non-compliance material to financial statements noted	<u>Yes</u>	<u>X</u> No

Federal Awards:

Internal control over major programs:

Material weaknesses identified	<u>Yes</u>	<u>X</u> No
Significant deficiencies identified that are not considered to be material weaknesses	<u>Yes</u>	<u>X</u> None reported

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

Unmodified for all major programs.

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

Yes X No

Major Programs:

<u>AL Number</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds

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

\$ 750,000

Auditee qualified as a low-risk auditee?

X Yes _ No

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

NONE

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

III. PRIOR AUDIT FINDINGS

NONE