



# **City of Berea, Kentucky**

Independent Auditors' Report

And Financial Statements

For the Year Ended

June 30, 2022

City of Berea, Kentucky  
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## INDEPENDENT AUDITORS' REPORT

The Honorable Bruce Fraley, Mayor  
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 (the City"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2022, 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 (GAAS) 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, 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'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 auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS 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'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's ability to continue as a going concern for a reasonable period of time.

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

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension and OPEB schedules on pages 4-17, 56-65 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 forming opinions on the financial statements that collectively comprise the City of Berea, Kentucky's basic financial statements. The combining financial schedules and budgetary comparison information on pages 66-68 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards on page 69 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2022 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Berea, Kentucky's internal control over financial reporting and compliance.

***Prior-Year Comparative Information***

We have previously audited the City's 2021 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated October 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Baldwin CPA's, PLLC***

Baldwin CPA's, PLLC  
Richmond, Kentucky  
October 17, 2022

**City of Berea, Kentucky  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2022**

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, 2022. Please read the following in conjunction with the auditors' report on page 1-3 and the City's financial statements, which begin to appear on page 17.

**OVERVIEW OF THIS ANNUAL REPORT**

This annual report consists of the management's discussion and analysis report, the independent auditor's report, the basic financial statements of the City and the independent auditor's report on internal control and compliance. The financial statements also include notes that explain in more detail some of the information in the financial statements.

The City's financial statements present two kinds of statements, each with a different snapshot of the City's finances. The focus of these statements is both the City as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. The fund financial statements focus on the individual funds of the City, reporting the City's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison (year to year or government to government) and enhance the City's accountability.

**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. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of this year's activities?" 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 deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, changes in property tax rates or valuation, infrastructure asset condition, and new or changed government legislation.

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.

In the *Statement of Net Position* and the *Statement of Activities*, the City is divided into two kinds of activities:

**Governmental activities**—Most of the City's basic services are reported here, including general government administration, police, police administration, fire, streets, codes, parks, GIS, economic development, and tourism. Property taxes, licenses and permits (including occupational licenses fees, insurance tax and franchise fees), and grants finance most of these activities.

**Business-type activities**—The City collects fees from customers to cover the costs of the services provided by the Berea Municipal Utilities. Utilities provided include electric, water, and sewer.

## **FUND FINANCIAL STATEMENTS**

A fund is a grouping of related account that is used to maintain control over resources that have been segregated for specific activities or objectives. The City has two kinds of funds:

*Governmental Fund*—Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets, that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that 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. Because this information does not encompass the additional long-term focus of the government-wide statements, a reconciliation is provided after the governmental fund statements that explains the relationship (or differences) between them.

*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.

## **NET POSITION**

Our analysis begins with a summary of the City's *Statement of Net Position*, which is presented on Table 1 followed by an explanation of the results. Changes in net position are presented in Table 2, which is also followed by an explanation of the results.

Overall, the assets and deferred outflows of the City of Berea exceeded liabilities by \$83.3 million. By far the largest portion of the City's net position (69%) reflects its investment of \$57.6 million in capital assets less any related debt used to acquire or construct those assets that is 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, \$10.7 million (13%), represents resources that are subject to restrictions as to how they may be used. The remaining balance of unrestricted net position, \$15.1 million (18%), may be used to meet the City's on-going obligations to the public and creditors.



**Table 1  
Net Position**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>2022 Total Primary Government</b>	<b>2021 Total Primary Government</b>
Current Assets	\$ 25,020,703	\$ 15,708,538	\$ 40,729,241	\$ 33,247,790
Capital Assets	36,758,288	38,366,200	75,124,488	75,857,661
Other Noncurrent Assets	524,587	11,130,967	11,655,554	10,744,883
Total Assets	<u>62,303,578</u>	<u>65,205,705</u>	<u>127,509,283</u>	<u>119,850,334</u>
Deferred Outflows of Resources	<u>5,592,345</u>	<u>1,739,771</u>	<u>7,332,116</u>	<u>7,788,208</u>
Total Assets and Deferred Outflow of Resources	<u>67,895,923</u>	<u>66,945,476</u>	<u>134,841,399</u>	<u>127,638,542</u>
Current Liabilities	1,520,746	4,197,316	5,718,062	5,671,878
Long-term Liabilities	28,218,004	11,622,238	39,840,242	46,494,086
Total Liabilities	<u>29,738,750</u>	<u>15,819,554</u>	<u>45,558,304</u>	<u>52,165,964</u>
Deferred Inflows of Resources	<u>4,654,335</u>	<u>1,292,793</u>	<u>5,947,128</u>	<u>1,690,965</u>
Net Position:				
Invested in Capital Assets Net of Related Debt	26,653,788	30,925,147	57,578,935	55,732,651
Restricted	393,274	10,310,767	10,704,041	9,797,213
Unrestricted	6,455,776	8,597,215	15,052,991	8,251,749
Total Net Position	<u>\$ 33,502,838</u>	<u>\$ 49,833,129</u>	<u>\$ 83,335,967</u>	<u>\$ 73,781,613</u>
Total Liabilities and Net Position	<u>67,895,923</u>	<u>66,945,476</u>	<u>134,841,399</u>	<u>127,638,542</u>

The City-wide net position increased by 13 percent (\$9.6 million) from the prior fiscal year, which is a combination of a \$5.9 million increase in governmental activities net position and a \$3.7 million increase in business-type activities net position.

**Governmental activities.** The Governmental activities' increase of \$5.9 million accounted for 62 percent of the total improvement in net position. *Key elements of this increase are as follows:*

- There was an increase of \$6.0 in current assets. Contributing to this increase was \$4.2 million of grant proceeds from the American Rescue Plan Act and a \$1.1 increase in occupational license fees.
- There was a decrease of \$3.9 million of long-term liabilities. Contributing to this was a \$3.2 decrease in net Pension and net OPEB liabilities.
- There was an increase of \$3.3 million (237%) in deferred inflows of resources related to deferred contributions toward pension and OPEB expenses.

**Business-type Activities.** Business-type activities' net position increase of \$ 3.7 million accounted for 38 percent of the total improvement in net position. *Key elements of this increase are as follows:*

- There was an increase of \$1.4 million (10%) in noncurrent assets. This increase is a result of an accumulation of cash as operating revenue exceeds operating and capital expenditures.
- Long-term liabilities showed a total decrease of \$2.8 (19%). Debt service payments of \$1.8 million towards bonds and notes payable contributed to the total decrease. Additionally, the net pension and OPEB liability decrease of \$855 thousand.
- There was an increase of nearly \$1 million (%) in deferred inflows of resources related to pension and OPEB expenses.

Further details of the changes in net position between fiscal years 2022 and 2021 can be observed in Table 2.

**Table 2  
Changes in Net Position**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>2022 Total Primary Government</b>	<b>2021 Total Primary Government</b>
<u>Revenues</u>				
Program Revenues				
Charges for Services	\$ 202,394	\$ 18,904,162	\$ 19,106,556	\$ 18,987,839
Operating Grants & Contributions	5,497,009		5,497,009	1,747,877
Capital Grants & Contributions	182,606	464,411	647,017	2,379,742
General Revenue			-	-
Taxes	2,679,797		2,679,797	2,146,858
License fees	11,156,950		11,156,950	9,558,056
Permits	283,042		283,042	228,975
Investment Earnings	52,987	31,285	84,272	326,334
Other Revenues	159,796		159,796	144,648
<b>Total Revenues</b>	<b>20,214,581</b>	<b>19,399,858</b>	<b>39,614,439</b>	<b>35,520,329</b>
<u>Program Expenses</u>				
General Government	2,554,856		2,554,856	2,837,380
Public Safety - Police	3,912,953		3,912,953	3,857,297
Public Safety - Fire	2,526,564		2,526,564	2,700,929
Public Works	2,982,328		2,982,328	3,251,127
Codes enforcement	492,191		492,191	495,953
Parks and Recreation	1,019,126		1,019,126	884,353
GIS/Surveying	151,936		151,936	231,236
Business Development	163,907		163,907	114,169
Tourism	750,494		750,494	1,094,468
Information Technology	260,969		260,969	222,898
Interest on Long-term Debt	328,908		328,908	348,380
Utilities		15,202,271	15,202,271	14,174,154
<b>Total Program Expenses</b>	<b>15,144,232</b>	<b>15,202,271</b>	<b>30,346,503</b>	<b>30,212,344</b>
Transfers	549,931	(549,931)	-	-
Gain/(Loss) on Sale of Property	283,168	3,250	286,418	2,776
<b>Change in Net Position</b>	<b>\$ 5,903,448</b>	<b>\$ 3,650,906</b>	<b>\$ 9,554,354</b>	<b>\$ 5,310,761</b>

As stated previously, the City's net position increased by \$9.6 million compared to an increase in net position of \$4.5 million in fiscal year 2021. City-wide revenue increased by \$5.6 million (16%), while expenses decreased by roughly \$345,000 (1%).

**Governmental Activities.** Governmental activities increased the City's total net position by \$5.9 million. This is a considerable improvement from the increase of \$1.3 million in net position from the prior year.

Overall, governmental revenue was up by roughly \$5.5 million (37%) from the previous year. *Key elements of this increase are as follows:*

- Charges for services increased by \$155,000 (324%), which is attributed to many services and events returning to full operations after closures in the prior year resulting from the effects of COVID-19.
- Operating grants increased by \$3.9 million. The largest impact was the receipt of \$4.2 million of federal assistance provided by the American Rescue Plan Act. The City continued to receive federal assistance through the CARES Act, but a smaller amount than previous years. CARES Act funding for FY22 totaled \$118,000, compared to \$779,000 and \$717,000 in FY20 and FY21, respectively. Capital grants and contributions remained consistent from the prior year.
- General revenue increased by \$1.4 million, predominately due to increased revenue from occupation license fees. A more detailed analysis of general revenue is provided in the Governmental Activities on page 10.

Governmental program expenses decreased by \$419,000 (3%). Modest decreases were distributed across most functional areas, resulting from an overall decrease of \$1.1 million in pension and OPEB expense. Those functional areas such as Parks and Recreations, Business Development and Tourism saw small increases relating to expenses specific to services and events returning to full operations after COVID-19 closures and cancelations.

The governmental activities realized a \$283,000 gain on the sale of property in the Berea Industrial Park. The gain is calculated by subtracting any undepreciated book value on the property from the sale proceeds. Additionally, the general fund received a \$550,000 million transfer from the Berea Municipal Utilities.

**Business-type Activities.** Business-type activities increased the City's total net position by \$3.7 million. This was up slightly from the previous year's increase in net position of \$3.2 million.

Revenue up slightly, showing a 1% increase (\$102,000). *Key elements of this increase are as follows:*

- The sale of electric, water and sewer service increased slightly (3%) attributed to the development resulting in new water and sewer customers, as well as temperature and other weather-related affects. There were no rate changes during FY2022.
- Penalties and interest increased by \$168,000. Due to COVID-19, penalties and interest were waived from March 2020 through January 2021.
- Berea Municipal Utilities continues to receive grant funding for a number of projects. Revenue from grant funding will vary each year depending on the active projects and the funding available. Approximately \$91,000 in grant funds were received for a long-term project in which the Owsley Fork Dam would be reinforced and expanded to compound more water. Owsley Fork Lake is the primary source for Berea's drinking water. This expansion will ensure the water supply is sufficient for any potential growth within the City or southern Madison County. Additionally, the City received approximately \$87,000 in grant funding for the Walnut Meadow Pump Station Upgrade. This project is necessary to accommodate sewer service for the growth around the Exit 77 area. In total, capital grants decreased by \$463,000.

Total operating expenses for business-type activities increased by less than one percent (\$75,000). Expenses within the electric division increased by \$264,000 (3%) due to increased cost of purchased power. Expenses within the water and sewer divisions remained consistent. Depreciation expense decreased by \$158,000 as older equipment is becoming fully depreciated at a rate greater than new equipment is being added.

## GOVERNMENTAL ACTIVITIES

As noted earlier, 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. Table 3 details the change in fund balance of resulting from the fiscal year's governmental activities.

**Table 3**  
**Change in Fund Balance**

	2022	2021
Revenues		
Taxes	\$ 2,679,797	\$ 2,355,197
Licenses and permits	11,439,992	10,354,701
Charges for Services	406,085	244,760
Fines & Forfeits	42,596	62,217
Intergovernmental	5,679,615	1,769,990
Other Revenues	174,155	154,372
Total Revenues	<u>20,422,240</u>	<u>14,941,237</u>
Expenditures		
General Government	2,201,255	2,004,809
Public Safety - Police	3,719,848	3,197,447
Public Safety - Fire	2,283,985	2,065,192
Public Works	2,152,755	2,110,545
Codes Enforcement	454,484	393,657
Parks and Recreation	779,747	646,137
GIS/Surveying	117,254	165,155
Business Development	151,257	141,694
Information Technology	248,418	201,407
Tourism	678,560	547,948
Capital Outlay	1,498,666	2,094,641
Debt Service	1,088,525	647,289
Total Expenditures	<u>15,374,754</u>	<u>14,215,921</u>
Excess revenues over (under) before other sources (uses)	<u>5,047,486</u>	<u>725,316</u>
Other Financing Sources (Uses)		
Proceeds from sale of assets	351,966	1,471,072
Financing proceeds	30,436	559,108
Transfers (to)/from other funds	549,931	1,000,000
Total Other Financing Sources (Uses)	<u>932,333</u>	<u>3,030,180</u>
Net Change in Fund Balance	<u><u>5,979,819</u></u>	<u><u>3,755,496</u></u>

Total fund balance for all governmental funds has increased by nearly \$6.0 million from the prior year. The majority of this change in fund balance is from the American Relief Plan Fund with the receipt of \$4.2 million in grant funding to help cities address the financial impacts of COVID-19. This is one-time funding that must be spent over the next several fiscal years.

The General Fund saw an increase of \$2.0 million in fund balance. General Fund revenue increased by \$882,000, largely due to a combined \$1.0 increase in occupational license fees from wages and net profits. Revenue also increased, to a lesser degree, from property taxes, franchise fees and revenue associated with the swimming pool that had resumed normal operations in FY22. General Fund grant revenue decreased by nearly \$500,000 as grant funded projects were completed early in FY22. General Fund expenditures decreased by \$257,000, resulting from a \$1.3 million decrease in capital outlay which offset increases in all other functional areas.

The Tourism Fund increased fund balance by \$251,000. Tourism fund revenue increased by \$297,000 as the tourism industry continues to rebound from COVID-19, and as tourism events and programming resumes. Tourism debt service increased by \$439,000 due to the early payoff of notes related to the purchase of the Tolle Building and Old Town Hotel property. This saved the Tourism Fund nearly \$15,000 in interest payments. Overall, the Tourism Fund expenditures were \$514,000 above the prior fiscal year.

The Industrial Development Fund's fund balance decreased by \$346,000. During the prior fiscal year, the Berea Industrial Authority increased fund balance by \$970,000 from the sale of industrial property. During FY22, a portion of that land was sold for \$324,000 and another parcel was purchased for \$605,000.

The Municipal Road Aid saw a small decrease in fund balance as some funds received in the prior year were utilized in the current year for street resurfacing. The Police Restricted Fund and the Berea Craft Festival both saw small increases.

## **BUDGET HIGHLIGHTS**

Over the course of the fiscal year, the City amended the budget three 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.

The budget contains proposed expenditures and expected revenues. A comparison of the final general fund amended budget to actual amounts for general fund activities is presented in the table below (Tables 4 & 5).

**Table 4  
General Fund Revenue  
Budget to Actual**

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
Taxes	\$ 958,000	\$ 1,098,178	\$ 140,178
Licenses, Permits & Billings	9,504,200	11,439,992	1,935,792
Charges for Services	76,000	323,757	247,757
Fines & Forfeitures	33,000	41,967	8,967
Intergovernmental	908,500	1,153,663	245,163
Other Revenue	115,400	131,031	15,631
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Revenues	<u>\$ 11,595,100</u>	<u>\$ 14,188,588</u>	<u>\$ 2,593,488</u>

**Budget to Actual**

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
Administration	\$ 2,660,350	\$ 2,082,484	\$ (577,866)
Police	3,795,795	3,717,598	(78,197)
Fire	2,431,200	2,283,985	(147,215)
Public Works	2,180,000	1,866,455	(313,545)
Codes Enforcement	525,500	454,484	(71,016)
Parks & Recreation	891,450	779,747	(111,703)
GIS/Surveying	177,550	117,254	(60,296)
Information Technology	320,669	248,418	(72,251)
Business Development	179,200	151,257	(27,943)
Capital Outlay	1,355,000	765,704	(589,296)
Debt Service	571,662	475,249	(96,413)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Expenditures	<u>\$ 15,088,376</u>	<u>\$ 12,942,635</u>	<u>\$ (2,145,741)</u>

The City historically budgets revenue conservatively to guard against the impact of an unexpected downturn of economic conditions throughout the year and the potential resurgence of COVID-19. As a result, revenue exceeded budgeted amounts by \$2.6 million. Taxes and licenses and permits exceeded budgets by \$140,000 and \$1.9 million, respectively. Charges for services exceeded budget by \$248,000,000 resulting from accounting treatment of the allocation of indirect expenses to other funds.

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 \$2.1 million. A significant contributor resulted from hazardous duty retirement rates were budgeted for a full fiscal year, but those rates did not go into effect until mid-year. Additionally, the capital outlay category resulted from the postponement of the Ellipse Street Shared Use Path project.

## **CAPITAL ASSETS**

The City of Berea's investments in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of June 30, 2022, totals \$72,126,038, not including construction in progress. This represents a 4% increase from the prior year. Increases occur when capital additions exceed depreciation and disposals.

Major capital asset additions during the year include:

- Completion of the Chestnut Street Pavilion with a total project cost of \$699,224, of which \$251,938.10 was expended in FY22.
- Purchase of 21.105 acres of real property in the Berea Industrial Park for a total cost of \$581,916.
- Completion of Chestnut Court Drainage Upgrade for a total project cost of \$237,822, of which \$55,050 was expended in FY22.
- Purchase of fleet vehicles to include: \$175,714 for four police vehicles and associated equipment; \$66,357 for two vehicles for the Codes & Planning department; and \$25,690 for one vehicle for administrative use.
- Purchase and installation of computer servers and switches for a total cost of \$22,463.
- Purchase of equipment to include \$32,798 for BMU use; \$19,775 for Fire Department use; \$12,734 for GIS use; and \$18,464 for Parks Department use.
- New electric service additions and electric system upgrades totaling \$57,434.
- New water service additions and water distribution system upgrades totaling \$118,967.45.
- New sewer service additions and system upgrades totaling \$85,549.53.
- This includes Chestnut Street waterline upgrade at City Hall, and utility line relocation to accommodate the Berea by-pass phase II.
- Completion of the Chestnut Court Sewer Rehab project with a total cost of \$1,170,359, of which \$502,620 was expended in FY22.
- Completion of the Walnut Meadow/Central Park North Sewer project with a total cost of \$3,252,354, of which \$662,676 was expended in FY22.
- Completion of the Drain Valve Replacement project at the waste water treatment plant at a total cost of \$123,476, of which \$113,315 was expended in FY22.

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



**Table 6  
Capital Assets**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>2022 Total Primary Government</b>	<b>2021 Total Primary Government</b>
Land, Buildings & Improvements	\$ 26,670,839	\$ 3,129,677	\$ 29,800,517	\$ 28,549,128
Construction in Progress	368,242	2,630,209	2,998,451	6,823,216
Infrastructure/Utility Plant	19,415,917	70,473,543	89,889,460	84,652,943
Vehicles, Equipment & Other	10,805,093	3,238,775	14,043,868	13,668,130
Total Capital Assets	<u>57,260,091</u>	<u>79,472,205</u>	<u>136,732,296</u>	<u>133,693,417</u>
Less Accumulated Depreciation	(20,501,802)	(41,106,005)	(61,607,807)	(57,835,756)
Total Net Capital Assets	<u>\$ 36,758,289</u>	<u>\$ 38,366,200</u>	<u>\$ 75,124,489</u>	<u>\$ 75,857,661</u>

In addition to purchased capital assets, the City leases capital assets. The net investment in leased assets \$431,084.

Table 7 shows summary totals for the City's leased capital assets.

**Table 7  
Leased Assets**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>2022 Total Primary Government</b>	<b>2021 Total Primary Government</b>
Vehicles, Equipment & Other	615,618	7,912	\$ 623,530	\$ 609,795
Less Accumulated Amortization	<u>(188,754)</u>	<u>(3,692)</u>	<u>\$ (192,446)</u>	<u>\$ (71,956)</u>
Total Net Investment in Leased Assets	<u>\$ 426,864</u>	<u>\$ 4,220</u>	<u>\$ 431,084</u>	<u>\$ 537,839</u>

**DEBT**

The City's long-term debt at June 30, 2020, totaled \$41,912,529, which was a \$6.3 million (13%) decrease during the fiscal year. The City made \$2.3 million in debt service principal payments on bonds, loans and lease notes. This included prepayment of the principal balance on the 2015 lease agreement which would have matured in 2025. The City's proportionate share of the net pension liability decreased by nearly \$2.9 million (14%). The City's proportionate share of the net OPEB liability decreased by \$1.2 million (18%).

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

**Table 8  
Long Term Debt**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>2022 Total Primary Government</b>	<b>2021 Total Primary Government</b>
Leases	\$ -	\$ -	\$ -	\$ 610,311
Bonds Payable	10,104,500	4,060,000	14,164,500	15,600,500
Loans Payable	-	3,329,242	3,329,242	3,581,331
Lease Liability	368,213	4,605	372,818	351,171
Net Pension Liability	13,161,087	4,403,053	17,564,140	20,461,193
Net OPEB Liability	3,939,604	1,333,117	5,272,721	6,440,260
Compensated Absences	913,752	295,356	1,209,108	1,175,186
Total Debt Outstanding	<u>28,487,156</u>	<u>13,425,373</u>	<u>41,912,529</u>	<u>48,219,952</u>

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS**

Fiscal year 2023 signifies a continued optimism following the economic uncertainty surrounding the COVID-19 pandemic. The 2023 Budget for the City of Berea illustrates the financial strength and progressive nature of the City and its leaders. The budget demonstrates the strength and operational support for our personnel, infrastructure improvements, capital purchases, and day to day maintenance and operational monies for all departments of the City.

The 2023 Budget continues to financially support the Fund Balance Reserve and the Capital Sinking Fund. The Fund Balance Reserve is maintained at \$3,000,000. This Fund Balance Reserve establishes minimum levels for designated funds to ensure stable service delivery, meet future needs and protect against financial instability. The Capital Sinking fund is set at \$3,550,000 for major capital purchases or projects in the future. Amounts designated by these reserves are not budgeted and will require a budget amendment passed by Council before it can be allocated.

The City’s major sources of revenue continue to be the Occupational Licenses fee, Insurance Premium tax, Franchise fees, Net Profits, and the collection of Property tax. The collection of Occupational License fees has surpassed expectations the 2022 fiscal year after two years of disruption caused by COVID-19. We anticipate 2023 to exceed pre-COVID levels. The City is also hopeful there will be additional revenue growth in the coming years related to the expansion of two major industrial employers that will result in numerous high quality job opportunities in our community. Furthermore, the addition of a 15 acre, indoor agriculture facility has put Berea on the map for a home for high-tech agricultural innovation. The fiscal year 2023 budget includes funding for site preparation for the expansion of the Berea Industrial Park in anticipation of continued growth.

Economic growth is also expected as a result of the completion of the Berea By-pass Phase II. This \$20 million, state funded project should be nearing completion in June 2023. The construction of this corridor will improve traffic flow within the City and provide additional opportunities for development. The City has already received numerous zoning changes requests and looks forward to the residential and commercial potential this will provide to the region.

One factor that most always challenges the financial integrity of the City is our ability to provide wages and benefits package for our employees that is competitive with the public and private

sector. Rising wages around the region has increased the competition for qualified employees. In an attempt to maintain quality personnel and to be able to attract new personnel in the future, the FY2023 budget accommodates a \$2 per hour increase for all full-time City employees. Additionally, wages for all positions were reviewed and adjusted in cases where compression has occurred. These increases are partially funded with American Rescue Plan Act (ARPA) funds for FY2023.

In addition, upgrading our streets has become a priority due to the degrading the past few years. Most street resurfacing is funded by the Municipal Road Aid program, administered by the state. This program receives motor fuels tax revenue and distributes funds to cities based on population. Unfortunately, the amounts received through this program have not kept pace with the rising prices of street resurfacing. Over time, this has led to the City unable to keep pace with maintenance needs. The FY2023 budget has dedicated ARPA funds to help catch up on the maintenance of streets. Additionally, the FY2023 budget provides for an engineering evaluation of all City streets in an effort to develop a long-term maintenance plan.

The present budget demonstrates the continued financial responsibility by relying on the administration's commitment to responsible management of revenues in relation to expenditures. Our revenue sources of the City are somewhat diverse, our industrial partners remain the base of our income. Industries are influenced by the world's economy, causing the City's management to strategize spending while maintaining the fiscal integrity of the City to provide efficient and effective services daily always to our Citizens.

#### **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 Meeks or Rose Beverly, at 212 Chestnut Street, Berea, Kentucky 40403.

**City of Berea, Kentucky**  
**Statement of Net Position**  
**June 30, 2022**

	<b>Primary Government</b>			<b>2021 Totals</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 12,492,149	\$ 5,317,229	\$ 17,809,378	\$ 10,682,161
Investments - certificates of deposit	10,220,646	7,373,263	17,593,909	17,539,703
Receivables, net	2,125,340	3,028,920	5,154,260	4,871,567
Other receivables	-	129,847	129,847	120,167
Lease receivables - current	21,061	-	21,061	18,182
Interest receivable	2,433	1,456	3,889	11,034
Internal activity	142,177	(142,177)	-	-
Other assets	16,897	-	16,897	4,976
<b>Total current assets</b>	<b>25,020,703</b>	<b>15,708,538</b>	<b>40,729,241</b>	<b>33,247,790</b>
<b>Noncurrent assets</b>				
Restricted cash and cash equivalents	-	10,310,767	10,310,767	9,398,117
Inventory	-	815,980	815,980	685,610
Lease receivables - noncurrent	97,723	-	97,723	118,764
Net investment in leased assets	426,864	4,220	431,084	542,392
<b>Capital assets</b>				
Construction in progress	368,242	2,630,209	2,998,451	6,823,216
Land and easements	5,850,213	264,243	6,114,456	5,577,257
Land improvements, net	653,050	45,769	698,819	748,799
Buildings and improvements, net	12,978,674	1,414,567	14,393,241	14,344,700
Depreciable infrastructure, net	13,337,938	-	13,337,938	13,599,314
Plant and sewer system, net	-	14,280,350	14,280,350	10,260,397
Plant and electric system, net	-	7,751,528	7,751,528	8,187,964
Plant and water system, net	-	11,186,679	11,186,679	11,616,556
Vehicles and equipment, net	3,570,171	792,855	4,363,026	4,692,040
Software, net	-	-	-	7,418
<b>Total noncurrent assets</b>	<b>37,282,875</b>	<b>49,497,167</b>	<b>86,780,042</b>	<b>86,602,544</b>
<b>Total Assets</b>	<b>62,303,578</b>	<b>65,205,705</b>	<b>127,509,283</b>	<b>119,850,334</b>
<b>Deferred Outflows of Resources</b>				
Deferred outflows - pension and OPEB	5,592,345	1,490,609	7,082,954	7,455,991
Defeasance on refunding	-	249,162	249,162	332,217
<b>Total assets and deferred outflows of resources</b>	<b>\$ 67,895,923</b>	<b>\$ 66,945,476</b>	<b>\$ 134,841,399</b>	<b>\$ 127,638,542</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 304,908	\$ 1,272,631	\$ 1,577,539	\$ 1,803,981
Accrued payroll	693,773	130,324	824,097	592,873
Accrued taxes and other liabilities	3,702	165,964	169,666	197,220
Accrued interest payable	160,242	2,774	163,016	166,021
Unearned revenue	76,833	3,500	80,333	12,645
Customer deposits	-	766,509	766,509	727,899
Compensated absences	12,136	668	12,804	6,500
Current portion of lease liability	113,352	1,630	114,982	112,505
Current portion of long-term obligations	155,800	1,853,316	2,009,116	2,052,234
<b>Total current liabilities</b>	<b>1,520,746</b>	<b>4,197,316</b>	<b>5,718,062</b>	<b>5,671,878</b>
<b>Noncurrent liabilities</b>				
Compensated absences	913,752	295,356	1,209,108	1,168,686
Noncurrent portion of long-term obligations	9,948,700	5,587,737	15,536,437	18,072,776
Net pension liability	13,161,087	4,403,053	17,564,140	20,461,193
Net OPEB liability	3,939,604	1,333,117	5,272,721	6,440,260
Lease liability	254,861	2,975	257,836	351,171
<b>Total noncurrent liabilities</b>	<b>28,218,004</b>	<b>11,622,238</b>	<b>39,840,242</b>	<b>46,494,086</b>
<b>Total liabilities</b>	<b>29,738,750</b>	<b>15,819,554</b>	<b>45,558,304</b>	<b>52,165,964</b>
<b>Deferred Inflows of Resources</b>				
Deferred inflows - leases	81,873	-	81,873	96,070
Deferred inflows - pension and OPEB	4,572,462	1,292,793	5,865,255	1,594,895
<b>Net Position</b>				
Net investment in capital assets	26,653,788	30,925,147	57,578,935	55,732,651
<b>Restricted for</b>				
Debt service	-	1,020,407	1,020,407	997,059
Depreciation	-	9,290,360	9,290,360	8,401,058
Other purposes	393,274	-	393,274	399,096
Unrestricted	6,455,776	8,597,215	15,052,991	8,251,749
<b>Total net position</b>	<b>33,502,838</b>	<b>49,833,129</b>	<b>83,335,967</b>	<b>73,781,613</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 67,895,923</b>	<b>\$ 66,945,476</b>	<b>\$ 134,841,399</b>	<b>\$ 127,638,542</b>

**City of Berea, Kentucky**  
**Statement of Activities**  
**For the Year Ended June 30, 2022**

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net Revenue (Expense)			2021 Totals
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
<b>Primary Government</b>									
<b>Governmental Activities</b>									
General government	\$ 2,758,547	\$ (203,691)	\$ -	\$ 4,459,857	\$ 182,606	\$ 2,087,607	\$ -	\$ 2,087,607	\$ (2,262,005)
Public works	2,982,328	-	-	275,678	-	(2,706,650)	-	(2,706,650)	(2,913,187)
Public safety - fire	2,526,564	-	-	327,010	-	(2,199,554)	-	(2,199,554)	(1,884,666)
Public safety - police	3,912,953	-	31,893	418,592	-	(3,462,468)	-	(3,462,468)	(3,763,739)
Codes enforcement	492,191	-	7,600	-	-	(484,591)	-	(484,591)	(463,239)
GIS/Surveying	151,936	-	-	-	-	(151,936)	-	(151,936)	(207,232)
Business development	163,907	-	-	-	-	(163,907)	-	(163,907)	(147,126)
Tourism	702,962	47,532	82,328	15,872	-	(652,294)	-	(652,294)	(635,188)
Information technology	260,969	-	-	-	-	(260,969)	-	(260,969)	(216,679)
Interest on long-term debt	328,908	-	-	-	-	(328,908)	-	(328,908)	(344,452)
Parks and recreation	1,019,126	-	80,573	-	-	(938,553)	-	(938,553)	(907,755)
Total governmental activities	15,300,391	(156,159)	202,394	5,497,009	182,606	(9,262,223)	-	(9,262,223)	(13,745,268)
<b>Business-Type Activities</b>									
Berea municipal utilities	15,046,112	156,159	18,904,162	-	464,411	-	4,166,302	4,166,302	4,129,606
Total Business-Type Activities	15,046,112	156,159	18,904,162	-	464,411	-	4,166,302	4,166,302	4,129,606
<b>Total</b>	<b>\$ 30,346,503</b>	<b>\$ -</b>	<b>\$ 19,106,556</b>	<b>\$ 5,497,009</b>	<b>\$ 647,017</b>	<b>(9,262,223)</b>	<b>4,166,302</b>	<b>(5,095,921)</b>	<b>(9,615,662)</b>

**General revenues**

<b>Taxes:</b>				
Property taxes, levied for general purposes	1,098,178	-	1,098,178	1,038,035
Transient room tax	207,994	-	207,994	135,021
Restaurant tax	1,373,625	-	1,373,625	1,182,138
<b>Licenses fees:</b>				
Franchise	1,203,942	-	1,203,942	1,099,008
Payroll	7,346,153	-	7,346,153	6,762,719
Insurance premiums	1,172,089	-	1,172,089	1,119,354
Occupational	1,400,830	-	1,400,830	946,234
ABC	33,936	-	33,936	18,472
<b>Permits:</b>				
Building	175,742	-	175,742	344,147
Electric	104,725	-	104,725	62,642
Other	2,575	-	2,575	2,125
Investment income	52,987	31,285	84,272	112,374
Miscellaneous	159,796	-	159,796	149,746
Total general revenues	14,332,572	31,285	14,363,857	12,972,015
Transfers	549,931	(549,931)	-	-
Gain/(loss) on disposal of capital assets	283,168	3,250	286,418	1,141,149
<b>Change in net position</b>	<b>5,903,448</b>	<b>3,650,906</b>	<b>9,554,354</b>	<b>4,497,502</b>
Net position, beginning	27,599,390	46,182,223	73,781,613	69,284,111
<b>Net Position, ending</b>	<b>\$ 33,502,838</b>	<b>\$ 49,833,129</b>	<b>\$ 83,335,967</b>	<b>\$ 73,781,613</b>

**City of Berea, Kentucky**  
**Balance Sheet - Governmental Funds**  
**June 30, 2022**

	<u>General Fund</u>	<u>American Rescue Plan Act Fund (ARPA)</u>	<u>Tourism Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>2021 Totals</u>
<b>Assets</b>						
Cash and cash equivalents	\$ 6,287,729	\$ 4,092,828	\$ 997,747	\$ 1,113,845	\$ 12,492,149	\$ 6,566,697
Investments	9,064,635	-	1,044,958	111,053	10,220,646	10,189,061
Receivables, net	1,809,293	-	276,250	39,797	2,125,340	1,932,254
Interest receivable	2,017	-	357	59	2,433	7,535
Other assets	9,180	-	-	7,717	16,897	4,976
Due from other funds	166,324	-	-	6,810	173,134	332,730
	<u>17,339,178</u>	<u>4,092,828</u>	<u>2,319,312</u>	<u>1,279,281</u>	<u>25,030,599</u>	<u>19,033,253</u>
<b>Total assets</b>						
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 250,777	\$ 37,351	\$ 14,541	\$ 2,239	\$ 304,908	\$ 520,629
Accrued payroll and related liabilities	676,937	-	16,836	-	693,773	479,595
Accrued taxes and other liabilities	802	-	2,900	-	3,702	29,455
Compensated absences	12,136	-	-	-	12,136	6,500
Unearned revenue	-	-	60,023	16,810	76,833	12,645
Due to other funds	6,810	-	12,345	11,802	30,957	55,958
Total liabilities	<u>947,462</u>	<u>37,351</u>	<u>106,645</u>	<u>30,851</u>	<u>1,122,309</u>	<u>1,104,782</u>
<b>Fund Balances</b>						
Nonspendable	9,180	-	-	7,717	16,897	4,976
Restricted	-	-	-	393,274	393,274	399,096
Committed	6,550,000	-	-	-	6,550,000	6,670,585
Assigned	1,885,873	4,055,477	2,212,667	847,439	9,001,456	4,140,888
Unassigned	7,946,663	-	-	-	7,946,663	6,712,926
Total fund balance	<u>16,391,716</u>	<u>4,055,477</u>	<u>2,212,667</u>	<u>1,248,430</u>	<u>23,908,290</u>	<u>17,928,471</u>
Total Liabilities and Fund Balances	<u>\$ 17,339,178</u>	<u>\$ 4,092,828</u>	<u>\$ 2,319,312</u>	<u>\$ 1,279,281</u>	<u>\$ 25,030,599</u>	<u>\$ 19,033,253</u>

**City of Berea, Kentucky**  
**Governmental Funds**  
**Reconciliation of the Balance Sheet to the Statement of Net Position**  
**June 30, 2022**

Fund balances- total governmental funds		\$ 23,908,290
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements, net of accumulated depreciation of \$20,690,557.		36,758,288
Leased assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements, net of accumulated amortization of \$188,755.		426,864
Lease receivables reported in governmental activities are not financial resources and therefore are not reported in the fund financial statements		118,784
Interest accrued on general long term debt is not a current expenditure and is not reported in the funds		(160,242)
Deferred outflows and inflows used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Deferred outflows related to pension and OPEB	5,592,345	
Deferred inflows related to pension and OPEB	(4,572,462)	
Deferred inflows leases	<u>(81,873)</u>	938,010
Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.		
Long term obligations	(10,104,500)	
Lease liability	(368,213)	
Compensated absences	(913,752)	
Net pension liability	(13,161,087)	
Net OPEB liability	<u>(3,939,604)</u>	<u>(28,487,156)</u>
Net Position of governmental activities		<u>\$ 33,502,838</u>

**City of Berea, Kentucky**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balances - Governmental Funds**  
**For the Year Ended June 30, 2022**

	<b>General Fund</b>	<b>American Rescue Plan Act Fund (ARPA)</b>	<b>Tourism Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>	<b>2021 Totals</b>
<b>Revenues</b>						
Taxes	\$ 1,098,178	\$ -	\$ 1,581,619	\$ -	\$ 2,679,797	\$ 2,355,197
Licenses and permits	11,439,992	-	-	-	11,439,992	10,354,701
Intergovernmental revenue	1,153,663	4,222,600	15,872	287,480	5,679,615	1,769,990
Charges for services	323,757	-	20,504	61,824	406,085	244,760
Fines and forfeits	41,967	-	629	-	42,596	62,217
Other revenues	131,031	1,378	40,406	1,340	174,155	154,372
<b>Total revenue</b>	<b>14,188,588</b>	<b>4,223,978</b>	<b>1,659,030</b>	<b>350,644</b>	<b>20,422,240</b>	<b>14,941,237</b>
<b>Expenditures</b>						
General administration	2,082,484	41,501	-	77,270	2,201,255	2,004,809
Public works	1,866,455	-	-	286,300	2,152,755	2,110,545
Public safety-fire	2,283,985	-	-	-	2,283,985	2,065,192
Public safety-police	3,717,598	-	-	2,250	3,719,848	3,197,447
Parks and recreation	779,747	-	-	-	779,747	646,137
Tourism	-	-	634,633	43,927	678,560	547,948
Codes enforcement	454,484	-	-	-	454,484	393,657
GIS/Surveying	117,254	-	-	-	117,254	165,155
Business development	151,257	-	-	-	151,257	141,694
Information technology	248,418	-	-	-	248,418	201,407
Debt service	475,249	-	613,276	-	1,088,525	647,289
Capital outlay	765,704	127,000	-	605,962	1,498,666	2,094,641
<b>Total expenditures</b>	<b>12,942,635</b>	<b>168,501</b>	<b>1,247,909</b>	<b>1,015,709</b>	<b>15,374,754</b>	<b>14,215,921</b>
Excess of revenues over (under) expenditures	1,245,953	4,055,477	411,121	(665,065)	5,047,486	725,316
<b>Other financing sources (uses):</b>						
Proceeds from sale of assets	21,156	-	-	330,810	351,966	1,471,072
Financing proceeds	30,436	-	-	-	30,436	559,108
Transfers (to) from other funds	709,786	-	(159,855)	-	549,931	1,000,000
<b>Total other financing uses</b>	<b>761,378</b>	<b>-</b>	<b>(159,855)</b>	<b>330,810</b>	<b>932,333</b>	<b>3,030,180</b>
<b>Net change in fund balance</b>	<b>2,007,331</b>	<b>4,055,477</b>	<b>251,266</b>	<b>(334,255)</b>	<b>5,979,819</b>	<b>3,755,496</b>
Fund balances, beginning	14,384,385	-	1,961,401	1,582,685	17,928,471	14,172,975
<b>Fund balances, ending</b>	<b>\$ 16,391,716</b>	<b>\$ 4,055,477</b>	<b>\$ 2,212,667</b>	<b>\$ 1,248,430</b>	<b>\$ 23,908,290</b>	<b>\$ 17,928,471</b>



**City of Berea, Kentucky**  
**Governmental Funds**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balance to the Statement of Activities**  
**For the Year Ended June 30, 2022**

Net change in fund balances - total governmental funds \$ 5,979,819

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 asset expenditures capitalized	1,493,920	
Gain on sale of assets	283,168	
Proceeds from disposal of assets	(351,966)	
Depreciation expense	(1,816,464)	(391,342)

Governmental funds report receipts from leases as revenue while governmental activities recognize the revenue over the life of the lease.

Lease receipts	(18,162)	
Changes in interest on lease receivable	14,198	(3,964)

Governmental funds report lease payments as expenditures while governmental activities report amortization expense to allocate those expenditures over the life of the lease:

Amortization expense	(121,770)	(121,770)
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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.

Debt service expenditures	761,311	
Changes in interest on long term debt	2,470	763,781

Lease proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of lease liability is an expenditure in the Governmental Funds, but the repayment reduces lease liability in the Statement of Net Position.

Lease liability expenditures	101,407	101,407
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This is the amount related to the net pension liability.

Change in long term compensated absences	(51,920)	
Change in net OPEB liability	(40,937)	
Change in net pension liability	(331,626)	(424,483)

Change in Net Position of Governmental Activities \$ 5,903,448

**City of Berea, Kentucky**  
**Statement of Net Position - Proprietary Fund**  
**June 30, 2022**

<b>Assets</b>	<b>2022</b>	<b>2021</b>
Current assets		
Cash and cash equivalents	\$ 5,317,229	\$ 4,115,464
Investments - certificates of deposit	7,373,263	7,350,642
Receivables, net	3,028,920	2,939,313
Grant receivables	91,575	102,883
Other receivables	38,272	17,284
Interest receivable	1,456	3,499
<b>Total Current Assets</b>	<b>15,850,715</b>	<b>14,529,085</b>
Noncurrent assets		
Restricted cash and cash equivalents	10,310,767	9,398,117
Inventory	815,980	685,610
Net investment in leased assets	4,220	4,553
Capital assets		
Construction in progress	2,630,209	5,798,963
Land and easements	264,242	264,242
Land improvements	84,201	84,201
Buildings and improvements	2,781,234	2,781,234
Plant and electric equipment	15,401,341	15,343,907
Plant and water equipment	19,117,194	18,939,122
Plant and sewer equipment	35,955,008	31,306,770
Vehicles and equipment	3,238,776	3,205,978
Less accumulated depreciation	(41,106,005)	(39,016,386)
<b>Total Noncurrent Assets</b>	<b>49,497,167</b>	<b>48,796,311</b>
<b>Total assets</b>	<b>65,347,882</b>	<b>63,325,396</b>
<b>Deferred Outflows of Resources</b>		
Deferred outflows - pension and OPEB	1,490,609	1,638,186
Defeasance on refunding	249,162	332,217
<b>Total assets and deferred outflows of resources</b>	<b>\$ 67,087,653</b>	<b>\$ 65,295,799</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable	\$ 1,272,631	\$ 1,283,352
Accrued payroll and related liabilities	130,324	113,278
Accrued taxes and other liabilities	165,964	167,765
Accrued interest payable	2,774	3,309
Customer deposits	766,509	727,899
Deferred revenue	3,500	-
Lease liability - current	1,630	1,257
Compensated absences - current	668	-
Bonds, notes, and loans payable	1,853,316	1,818,145
Due to other funds	142,177	276,772
<b>Total current liabilities</b>	<b>4,339,493</b>	<b>4,391,777</b>
Noncurrent liabilities		
Compensated absences	295,356	306,854
Bonds, notes, and loans payable	5,587,737	7,441,054
Net OPEB liability	1,333,117	1,587,292
Net pension liability	4,403,053	5,033,953
Lease liability	2,975	3,597
<b>Total noncurrent liabilities</b>	<b>11,622,238</b>	<b>14,372,750</b>
<b>Total liabilities</b>	<b>15,961,731</b>	<b>18,764,527</b>
<b>Deferred Inflows of Resources</b>		
Deferred inflows - pension and OPEB	1,292,793	349,049
<b>Net Position</b>		
Net investment in capital assets	30,925,147	29,448,832
Restricted for debt service	1,020,407	997,059
Restricted for depreciation reserve	9,290,360	8,401,058
Unrestricted	8,597,215	7,335,274
<b>Total Net Position</b>	<b>49,833,129</b>	<b>46,182,223</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 67,087,653</b>	<b>\$ 65,295,799</b>

**City of Berea, Kentucky**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Fund**  
**For the Year Ended June 30, 2022**

	<u>2022</u>	<u>2021</u>
<b>Operating Revenues</b>		
Electric service	\$ 12,081,780	\$ 11,848,743
Water service	3,344,256	3,227,082
Sewer service	2,924,922	2,786,218
Other revenues	<u>553,204</u>	<u>468,982</u>
Total Operating Revenues	<u>18,904,162</u>	<u>18,331,025</u>
<b>Operating expenses</b>		
Administration	1,654,928	1,686,530
Electric	8,250,328	7,986,203
Water	1,557,900	1,540,393
Sewer	1,401,758	1,384,821
Depreciation	<u>2,091,201</u>	<u>2,248,885</u>
Total operating expenses	<u>14,956,115</u>	<u>14,846,832</u>
Operating income	<u>3,948,047</u>	<u>3,484,193</u>
<b>Nonoperating Revenues (Expenses)</b>		
Interest and investment revenue	31,285	39,501
Interest expense	(180,372)	(216,486)
Amortization	(65,784)	(65,784)
Transfers from (to) other funds	(549,931)	(1,000,000)
Gain on disposal of capital assets	<u>3,250</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>(761,552)</u>	<u>(1,242,769)</u>
Income before capital contributions	3,186,495	2,241,424
Capital contributions		
Electric, water and sewer connection fees	115,875	52,116
Grant revenues	<u>348,536</u>	<u>875,567</u>
<b>Change in Net Position</b>	3,650,906	3,169,107
Net Position - beginning,	<u>46,182,223</u>	<u>43,013,116</u>
<b>Net Position, ending</b>	<u>\$ 49,833,129</u>	<u>\$ 46,182,223</u>

**City of Berea, Kentucky  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2022**

	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities</b>		
Receipts from customers	\$ 18,846,985	\$ 18,858,603
Payments to suppliers	(10,285,453)	(9,162,893)
Payments to employee services and benefits	(2,709,983)	(2,480,373)
	<u>5,851,549</u>	<u>7,215,337</u>
<b>Cash flows from capital and related financing activities</b>		
Principal paid on lease liability	(1,497)	(1,140)
Principal paid on capital debt	(1,818,145)	(1,783,025)
Purchases of capital assets and construction in progress	(1,749,034)	(2,337,431)
Proceeds from sale of capital assets	3,250	-
Interest paid on capital debt	(180,372)	(216,911)
	<u>(3,745,798)</u>	<u>(4,338,507)</u>
Net cash used by capital and related financing activities		
<b>Cash flows from investing activities</b>		
Investment activity, net	(22,621)	(30,349)
Interest and dividends	31,285	39,495
	<u>8,664</u>	<u>9,146</u>
Net cash provided by investing activities		
Net increase in cash and cash equivalents	2,114,415	2,885,976
Balances-beginning of the year	<u>13,513,581</u>	<u>10,627,605</u>
<b>Balances-end of the year</b>	<u>\$ 15,627,996</u>	<u>\$ 13,513,581</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 3,948,047	\$ 3,484,193
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,091,201	2,248,885
Net pension and OPEB liability	140,749	529,551
Change in assets and liabilities:		
Receivables, net	(99,287)	514,108
Inventory	(130,370)	45,847
Due to/from other funds	(134,595)	191,192
Accounts payable	(10,721)	101,147
Accrued payroll and related liabilities	17,046	20,324
Accrued taxes and other liabilities	(1,801)	14,184
Accrued vacation, sick and holiday	(10,830)	52,436
Deferred revenue	3,500	-
Customer deposits	38,610	13,470
	<u>5,851,549</u>	<u>7,215,337</u>
Net cash provided by operating activities		
Supplemental disclosures of cash flow information:		
Noncash capital and related financing activities:		
Amortization expense	<u>\$ 65,784</u>	<u>\$ 65,784</u>
Cash Reconciliation:		
Cash and cash equivalents	\$ 5,317,229	\$ 4,115,464
Restricted cash	<u>10,310,767</u>	<u>9,398,117</u>
Cash and cash equivalents - end of year	<u>\$ 15,627,996</u>	<u>\$ 13,513,581</u>

City of Berea, Kentucky  
Notes to Financial Statements  
June 30, 2022

Note 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.

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 based on the City's ability to significantly influence operation, select the governing body, and 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 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 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 Mayor appoints the other five members for four-year terms. The City Council approves the Authority's annual operating budget in conjunction with the City's annual budget authorization.

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.

Fund Financial Statements

Fund financials statements report detailed information about the City. The accounts of the City are organized based on funds each of which is considered 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.

City of Berea, Kentucky  
Notes to Financial Statements  
June 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Fund Financial Statements

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

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

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.

Berea Corridor Fund - A special revenue fund used to account for the activities of the Berea Corridor Fund.

City of Berea, Kentucky  
Notes to Financial Statements  
June 30, 2022

Note 1 - Summary of significant accounting policies (continued)

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.

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.

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. 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.

City of Berea, Kentucky  
Notes to Financial Statements  
June 30, 2022

Note 1 - Summary of significant accounting policies (continued)

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 as adopted by ordinance of the City and have been revised for amendments authorized during the year.

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 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. These funds are invested for periods that comply with cash flow requirements of bond ordinances and general government services.

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.

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.

Leased Assets and Liabilities

GASB Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources.

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.



City of Berea, Kentucky  
Notes to Financial Statements  
June 30, 2022

Note 1 - Summary of significant accounting policies (continued)

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.

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.

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, 2022.

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometime report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applied to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows of resources for its pension plan and OPEB plan. In addition, the City reports deferred outflows of resources related to defeasance on a utility refunding bond.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applied to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports deferred inflows of resources for its pension plan, OPEB plan and lease contract in which the City is the lessor.

City of Berea, Kentucky  
Notes to Financial Statements  
June 30, 2022

Note 1 - Summary of significant accounting policies (continued)

Postemployment Benefits Other Than Pensions (OPEB):

For purposes of measuring the City's OPEB liability, 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 at June 30, 2022.

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 used 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.

City of Berea, Kentucky  
Notes to Financial Statements  
June 30, 2022

Note 1 - Summary of significant accounting policies (continued)

As of June 30, 2022, fund balances are composed of the following:

	General Fund	Tourism Fund	ARPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable	\$ 9,180	\$ -	\$ -	\$ 7,717	\$ 16,897
Restricted:	-	-	-	-	-
Law Enforcement	-	-	-	95,726	95,726
Road surface repairs	-	-	-	297,548	297,548
Committed:					
Capital additions	-	-	-	-	-
Capital sinking fund	3,000,000	-	-	-	3,000,000
Fund balance reserve	3,550,000	-	-	-	3,550,000
Assigned:					
Capital additions	-	-	-	-	-
Debt service	571,925	-	-	-	571,925
Transfer to other fund	-	135,000	-	-	135,000
Other purposes	1,313,948	2,077,667	4,055,477	847,439	8,294,531
Unassigned	7,946,663	-	-	-	7,946,663
Total fund balances	<u>\$ 16,391,716</u>	<u>\$ 2,212,667</u>	<u>\$ 4,055,477</u>	<u>\$ 1,248,430</u>	<u>\$ 23,908,290</u>

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

Management's Review of Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through October 17, 2022, 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, 2022, have not been evaluated by the City.

Other Accounting Policies

Inventory is recorded at average cost.

Interest costs are capitalized when incurred by proprietary funds on debt where proceeds were used to finance the construction of assets.

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

City of Berea, Kentucky  
Notes to Financial Statements  
June 30, 2022

Note 1 - Summary of significant accounting policies (continued)

The following statements will become effective in future periods:

Statement No. 94—In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The Statement is effective for reporting periods beginning after June 15, 2022. The City continues to evaluate the impact of this statement on the City Financial statements.

Statement No. 96 – In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The City continues to evaluate the impact of this statement on the City Financial statements.

Statement No. 99 – In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The City continues to evaluate the impact of this statement on the City Financial statements.

Statement No. 100 – In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*—an amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The City continues to evaluate the impact of this statement on the City Financial statements.

Statement No. 101 – 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 requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The City continues to evaluate the impact of this statement on the City Financial statements.

City of Berea, Kentucky  
Notes to Financial Statements  
June 30, 2022

Note 2 - Cash and investments

Credit Risk

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 one year 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.

The City's bank deposits were entirely covered by federal depository insurance or by collateral held by the custodial banks in the City's name. The bank balance of the City's deposits totaled \$45,760,601. At June 30, 2022, federal depository insurance covered \$1,000,000 of the City's deposits. The remainder is covered by \$46,516,615 of collateral pledged in the City's name by the custodial banks.

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 demand deposit accounts, 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.

The City's investments at June 30, 2022, consist entirely of certificates of deposit with maturities of one year or less.

City of Berea, Kentucky  
Notes to Financial Statements  
June 30, 2022

Note 3 - Receivables

Receivables at year end of the City's major individual funds and non-major funds taken together, including the applicable allowances for uncollectible accounts are as follows:

	<b>General Fund</b>	<b>Tourism Fund</b>	<b>Nonmajor Funds</b>	<b>Governmental Funds total</b>
Governmental Funds:				
Taxes	\$ 108,781	\$ 276,251	\$ -	\$ 385,032
Licenses, permits, billings	1,641,571	-	-	1,641,571
Charges for service	714	-	-	714
Intergovernmental	70,522	-	39,797	110,319
Other	54,704	-	-	54,704
Gross receivables	<u>1,876,292</u>	<u>276,251</u>	<u>39,797</u>	<u>2,192,340</u>
Less: allowance for uncollectible	<u>(67,000)</u>	<u>-</u>	<u>-</u>	<u>(67,000)</u>
Net receivables	<u>\$ 1,809,292</u>	<u>\$ 276,251</u>	<u>\$ 39,797</u>	<u>\$ 2,125,340</u>
Business-type Activities	<b>Total</b>			
Customer	\$ 3,103,920			
Less: allowance for uncollectible	<u>(75,000)</u>			
Net receivables	<u>\$ 3,028,920</u>			

City of Berea, Kentucky  
Notes to Financial Statements  
June 30, 2022

Note 3 – Receivables (Continued)

Leases Receivables

The City is reporting leases receivables of \$118,784 at June 30, 2022. For FY 2022, the City reported lease revenue of \$14,198 and interest revenue of \$6,105 related to lease payments received. These leases are summarized as follows:

Lease	Lease Receivable	Lease Revenue	Lease Interest Revenue
Cell Tower	\$ 94,597	\$ 7,458	\$ 2,980
Menelaus Road Farm	24,187	6,740	3,125
<b>Total</b>	<b>\$ 118,784</b>	<b>\$ 14,198</b>	<b>\$ 6,105</b>

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 is receiving monthly payments through May 2024.

Future minimum lease payments to be received are as follows:

Year Ended June 30,	Principal	Interest
2023	\$ 21,061	\$ 3,439
2024	21,937	2,800
2025	10,204	2,135
2026	10,765	1,821
2027	11,347	1,490
Thereafter	43,470	2,347
<b>Total</b>	<b>\$ 118,784</b>	<b>\$ 14,032</b>

City of Berea, Kentucky  
Notes to Financial Statements  
June 30, 2022

Note 4 - Capital assets

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

	July 1, 2021	Additions	Deductions	June 30, 2022
<b>Governmental Activities:</b>				
Capital assets not depreciated:				
Land	\$ 5,313,049	\$ 581,916	\$ (44,752)	\$ 5,850,213
Construction in progress	1,024,253	395,985	(1,051,996)	368,242
Totals	<u>6,337,302</u>	<u>977,901</u>	<u>(1,096,748)</u>	<u>6,218,455</u>
Capital assets being depreciated:				
Buildings and improvements	18,954,795	714,224	-	19,669,019
Land improvements	1,151,606	-	-	1,151,606
Software	316,915	-	-	316,915
Vehicles and equipment	10,145,236	476,974	(134,032)	10,488,178
Totals	<u>30,568,552</u>	<u>1,191,198</u>	<u>(134,032)</u>	<u>31,625,718</u>
Infrastructure assets	19,063,144	376,818	(24,046)	19,415,916
Total depreciable assets	<u>49,631,696</u>	<u>1,568,016</u>	<u>(158,078)</u>	<u>51,041,634</u>
Less accumulated depreciation:				
Buildings and improvements	6,142,727	547,619	-	6,690,346
Land improvements	452,719	45,837	-	498,556
Software	309,497	7,418	-	316,915
Vehicles and equipment	6,450,597	601,442	(134,032)	6,918,007
Infrastructure assets	5,463,830	614,148	-	6,077,978
Totals	<u>18,819,370</u>	<u>1,816,464</u>	<u>(134,032)</u>	<u>20,501,802</u>
Depreciable capital assets, net	<u>30,812,326</u>	<u>(248,448)</u>	<u>(24,046)</u>	<u>30,539,832</u>
Total capital assets, net	<u>\$ 37,149,628</u>	<u>\$ 729,453</u>	<u>\$ (1,120,794)</u>	<u>\$ 36,758,287</u>
<b>Business-type Activities:</b>				
Capital assets not depreciated:				
Land and easements	\$ 264,243	\$ -	\$ -	\$ 264,243
Construction in progress	5,798,963	1,386,633	(4,555,387)	2,630,209
Totals	<u>6,063,206</u>	<u>1,386,633</u>	<u>(4,555,387)</u>	<u>2,894,452</u>
Capital assets being depreciated:				
Land improvements	84,200			84,200
Buildings and improvements	2,781,234	-	-	2,781,234
Electric system	15,343,907	57,434	-	15,401,341
Water system	18,939,122	178,071	-	19,117,193
Plant and sewer system	31,306,770	4,648,238	-	35,955,008
Vehicle and equipment	3,205,978	32,798	-	3,238,776
Totals	<u>71,661,211</u>	<u>4,916,541</u>	<u>-</u>	<u>76,577,752</u>
Less accumulated depreciation	<u>(39,016,386)</u>	<u>(2,089,618)</u>	<u>-</u>	<u>(41,106,004)</u>
Depreciable capital assets, net	<u>32,644,825</u>	<u>2,826,923</u>	<u>-</u>	<u>35,471,748</u>
Total capital assets, net	<u>\$ 38,708,031</u>	<u>\$ 4,213,556</u>	<u>\$ (4,555,387)</u>	<u>\$ 38,366,200</u>



City of Berea, Kentucky  
Notes to Financial Statements  
June 30, 2022

Note 4 Capital assets (continued)

Depreciation expense was charged to the Governmental functions as follows:

General government	\$ 506,766
Police	165,103
Fire	187,022
Public works	673,457
Parks and recreation	206,112
Codes enforcement	2,880
GIS/Surveying	11,311
Tourism	63,813
Total depreciation expense	<u>\$1,816,464</u>

Note 5 - Construction in progress

The City is in progress on the following projects:

	<u>June 30, 2022</u>
Business-type Activities	
Raw Water - Owsley	2,605,126
Raw Water - Cowbell	10,883
Hydraulic Model - Water	6,250
Hydraulic Model - Sewer	7,950
Total construction in progress	<u>\$ 2,630,209</u>
Governmental Activities	
Ellipse Street Shared Use Path	\$ 59,199
Scaffold Cane Shared Use Path	131,147
Rash Road Drainage	13,730
Cherry Road Drainage	160,666
Tolle Building Renovation - Design	3,500
Total construction in progress	<u>\$ 368,242</u>

City of Berea, Kentucky  
Notes to Financial Statements  
June 30, 2022

Note 6 – Leased Assets and Liabilities

The following is a summary of leased asset activity during the fiscal year:

Governmental Activities	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Leased Assets by Group				
Office equipment	\$ 78,183	\$ 30,436	\$ (24,613)	\$ 84,006
Vehicles	167,162	-	-	167,162
Police equipment	364,450	-	-	364,450
Total leased assets	609,795	30,436	(24,613)	615,618
Less accumulated amortization				
Office equipment	(24,367)	(21,126)	10,650	(34,843)
Vehicles	(11,144)	(33,432)	-	(44,576)
Police equipment	(36,445)	(72,890)	-	(109,335)
Total accumulated amortization	(71,956)	(127,448)	10,650	(188,754)
Total leased assets, net	<u>\$ 537,839</u>	<u>\$ (97,012)</u>	<u>\$ (13,963)</u>	<u>\$ 426,864</u>
Business-Type Activities	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Leased Assets by Group				
Office equipment	\$ 6,663	\$ 1,249	\$ -	\$ 7,912
Total leased assets	\$ 6,663	\$ 1,249	\$ -	\$ 7,912
Less accumulated amortization				
Office equipment	(2,110)	(1,582)	-	(3,692)
Total accumulated amortization	(2,110)	(1,582)	-	(3,692)
Total leased assets, net	<u>\$ 4,553</u>	<u>(1,582)</u>	<u>-</u>	<u>\$ 4,220</u>

City of Berea, Kentucky  
Notes to Financial Statements  
June 30, 2022

**Note 6 – Leased Assets and Liabilities- (continued)**

Lease agreements and liabilities are summarized as follows:

Governmental Activities

Group Description	# of Leases in Group	Date of Lease	Payment Terms	Annual Payment Amount	Annual Interest Rate	Total Lease Liability	Remaining Balance June 30, 2022
Office equipment	8	Oct-18 - May-22	5 years	\$1,416- \$4,552	2.12% - 9.8%	\$ 84,007	\$ 54,292
Vehicles	3	Mar-21	5 years	\$10,716 - \$13,056	3.56 - 3.67%	\$ 167,162	122,585
Police equipment	1	Jan-21	6 years	\$63,779	0%	\$ 364,450	191,336
<b>Total</b>							<b>\$ 368,213</b>

Business-Type Activities

Group Description	# of Leases in Group	Date of Lease	Payment Terms	Annual Payment Amount	Annual Interest Rate	Total Lease Liability	Remaining Balance June 30, 2022
Office equipment	2	Dec-19 - Jul-21	5 years	\$260 - \$1,677	2.12% - 9.8%	\$ 7,911	\$ 4,605

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

Governmental Activities

Year Ending June 30,	Principal	Interest
2023	\$ 113,352	\$ 5,572
2024	112,743	4,599
2025	107,398	3,926
2026	32,320	2,457
2027	2,400	54
<b>Total</b>	<b>\$ 368,213</b>	<b>\$ 16,608</b>

Business-Type Activities

Year Ending June 30,	Principal	Interest
2023	\$ 1,630	\$ 310
2024	1,778	163
2025	938	26
2026	259	3
2027	-	-
<b>Total</b>	<b>\$ 4,605</b>	<b>\$ 502</b>

City of Berea, Kentucky  
Notes to Financial Statements  
June 30, 2022

Note 7 - 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 had a balance of \$5,000 at June 30, 2022.

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, 2022, the City had a balance of \$1,081,850 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, 2022, the City had a balance of \$2,247,391 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 \$100,000 repairs and maintenance reserve.

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 will reduce debt service payments by \$675,126 and has a net economic gain of \$600,693. The defeased bonds outstanding at June 30, 2022, were \$4,110,000. As of June 30, 2022, the City had a balance of \$4,055,000 on the Series 2013 Bonds. The Series 2013 Bonds bear interest of 2-3%. The bonds mature on January 1, 2025. A summary of changes in business-type activities long-term debt follows:

	June 30, 2021	Additions	Deductions	June 30, 2022
Revenue bonds payable	\$ 5,345,000	\$ -	\$ (1,285,000)	\$ 4,060,000
Notes payable	3,845,116	-	(515,874)	3,329,242
Net OPEB liability	1,587,292	-	(254,175)	1,333,117
Lease liability	4,854	1,248	(1,497)	4,605
Net pension liability	5,033,953	-	(630,900)	4,403,053
Compensated absences	306,854	-	(11,498)	295,356
Total debt outstanding	<u>\$ 16,123,069</u>	<u>\$ 1,248</u>	<u>\$ (2,698,944)</u>	<u>\$ 13,425,373</u>
Less current portion of:				
Revenue bonds				1,315,000
Notes payable				521,046
Unamortized premium				17,270
Lease liability				1,630
Current portion				<u>1,854,946</u>
Add unamortized premium				51,811
Total long term obligation				<u>\$ 11,622,238</u>

City of Berea, Kentucky  
Notes to Financial Statements  
June 30, 2022

Note 7 – Business-Type Activities – Long-Term Debt (Continued)

The following are the principal and interest maturities for the bonds and notes outstanding as of June 30, 2022:

	<b>Principal</b>	<b>Interest</b>	<b>Service Fee</b>	<b>Total</b>
2023	\$ 1,836,046	\$ 150,356	\$ 7,491	\$ 1,993,893
2024	1,876,250	108,968	6,318	1,991,536
2025	1,921,535	63,194	5,133	1,989,862
2026	536,884	16,165	3,939	556,988
2027	265,000	8,818	2,205	276,023
2028-30	953,527	10,247	2,562	966,336
Total	<u>\$ 7,389,242</u>	<u>\$ 357,748</u>	<u>\$ 27,648</u>	<u>\$ 7,774,638</u>

*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 requires the creation of a depreciation fund that shall be available and shall 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 will either increase income and revenues or provide a higher degree of service. There are no required monthly deposits or balance to maintain in the depreciation fund account. The KIA loans call for the creation of a repairs and maintenance reserve of \$350,000. At June 30, 2022, the depreciation fund had a balance of \$9,290,360.

Debt Service Fund – The debt service fund is maintained for the payment of principal and interest on bonds. The City is required to make a monthly transfer to the reserve of 1/6 of the next interest due and 1/12 of the next principal. These monthly transfers are to be made until the balance reaches 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, 2022, the debt service fund had a balance of \$1,020,407.

City of Berea, Kentucky  
Notes to Financial Statements  
June 30, 2022

Note 8 – Governmental activities – Long-Term Debt

*Notes Payable*

The City entered into the following notes payable agreement, which is reported in the governmental activities long-term debt. Following is a general description of the principal and interest requirements of the note:

Note Agreement – Tolle Building – The City entered into a note agreement with a local bank on June 29, 2015, to finance the acquisition of 633 Chestnut Street (known as the Tolle Building and 137/139 North Broadway). The note bears interest at a rate of 2.65% and is due in semi-annual payments payable on December 1 and June 1 of each fiscal year. The note is scheduled to be paid out on June 1, 2025, through a balloon payment. The balance of the note at June 30, 2022 was \$0. It was paid off in full in fiscal year 2022

*Bonds Payable*

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 semi-annually, with principal due on January 1 each year.

The schedule below shows the City’s total general bond and note debt service:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	155,800	315,765	471,565
2024	160,600	310,896	471,496
2025	165,600	305,878	471,478
2026	170,800	300,703	471,503
2027	176,200	295,365	471,565
Thereafter	9,275,500	5,340,062	14,615,562
Total	\$10,104,500	\$6,868,669	\$16,973,169

City of Berea, Kentucky  
Notes to Financial Statements  
June 30, 2022

Note 8 – Governmental activities – Long-Term Debt (continued)

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

	<u>June 30, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2022</u>
General Obligation bond payable	\$ 10,255,500	\$ -	\$ (151,000)	\$ 10,104,500
Notes payable - building	610,311	-	(610,311)	-
Net Pension liability	15,527,240	-	(2,366,153)	13,161,087
Net OPEB liability	4,852,968	-	(913,364)	3,939,604
Lease liability	458,822	30,437	(121,046)	368,213
Compensated absences	861,832	51,920	-	913,752
Total debt outstanding	<u>\$ 32,566,673</u>	<u>\$ 82,357</u>	<u>\$ (4,161,874)</u>	<u>\$ 28,487,156</u>
Less current portion of:				
General Obligation bond payable				\$ 155,800
Lease liability				113,352
Current portion				<u>269,152</u>
Total long - term obligation				<u>\$ 28,218,004</u>

Note 9 – 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, 2022 is not readily available.

In May 2015, the City Council authorized issuance of Educational Facilities Revenue Refunding Bonds of approximately \$6,435,000 for assisting Berea College in refunding certain outstanding educational facilities revenue bonds. The amount of bonds outstanding at June 30, 2022 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.

Note 10 – Transfers

The following were made during the year:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 709,786	\$ -
Tourism Fund	-	(159,855)
Berea Craft Festival Fund	-	-
Proprietary Fund	-	(549,931)
Total	<u>\$ 709,786</u>	<u>\$ (709,786)</u>

The primary purpose of the interfund transfers for the Tourism Fund was to transfer funds for the purpose of capital outlay. The purpose of the transfer from the proprietary fund to the General fund was to transfer the operational surplus.

City of Berea, Kentucky  
Notes to Financial Statements  
June 30, 2022

Note 11 - Retirement plan

County Employees' Retirement System (CERS)

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

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

*Contributions* – For the year ended June 30, 2022, plan members were required to contribute 5.00% of wages and 8% of wages for non-hazardous and hazardous job classifications, respectively. 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 based on 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 based on a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2022, participating employers contributed 26.95% of each non-hazardous employee's wages and 44.33% of each hazardous employee's wages, which is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System 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.

The City contributed \$2,314,218 for the year ended June 30, 2022, or 100% of the required contribution for non-hazardous and hazardous. The contribution was allocated \$1,795,763 to the CERS pension fund and \$518,455 for the CERS insurance fund.



City of Berea, Kentucky  
Notes to Financial Statements  
June 30, 2022

Note 11 - Retirement plan (continued)

*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
	Reduced retirement	At least 5 years' service and 55 years old 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+ with sum of service years plus age equal 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+ with sum of service years plus age equal 87+
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly of the State of Kentucky. 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, 2022, the City reported a liability of \$17,564,140 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2021, the City's proportion was .275 percent, which was an increase of .008 percent from its proportion at June 30, 2020 (.267 percent).

City of Berea, Kentucky  
Notes to Financial Statements  
June 30, 2022

Note 11 - Retirement plan (continued)

For the year ended June 30, 2022, the City recognized pension expense of \$2,273,576. At June 30, 2022, 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	\$ 201,690	\$ 170,472
Changes of assumptions	235,732	-
Net difference between projected and actual earnings on Plan investments	681,372	3,022,377
Changes in proposition and differences between City contributions and proportionate share of contributions	691,564	-
City contributions subsequent to the measurement date	1,795,763	-
Total	\$ 3,606,121	\$ 3,192,849

The \$1,795,763 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, 2023. 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,

2023	\$ 182,459
2024	(320,553)
2025	(511,315)
2026	(733,082)

*Actuarial Methods and Assumptions*

For financial reporting, the actuarial valuation as of June 30, 2021, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2021 were based on an actuarial valuation date of June 30, 2020. The total pension liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021, using generally accepted actuarial principles. There have been no actuarial assumption or method changes since June 30, 2020.

City of Berea, Kentucky  
Notes to Financial Statements  
June 30, 2022

Note 11 - Retirement plan (continued)

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2021:

Valuation Date	June 30, 2019
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Remaining Amortization Period	30 years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-hazardous and Hazardous Systems, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2020. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019.

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.

*Discount Rate*

The projection of cash flows used to determine the discount rate of 6.25% for CERS Non-hazardous and assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate.

City of Berea, Kentucky  
Notes to Financial Statements  
June 30, 2022

Note 11 - Retirement plan (continued)

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

Asset Class	Long-Term Expected Rate of Return	Target Allocation
U.S. Equity	5.70%	21.75%
Non-U.S. Equity	6.35%	21.75%
Core Bonds	0.00%	10.00%
Specialty Credit/ High Yield	2.80%	15.00%
Real Estate	5.40%	10.00%
Opportunistic Return	N/A	0.00%
Real Return	4.55%	10.00%
Private Equity	9.70%	10.00%
Cash	-0.60%	1.50%
		<u>100.00%</u>

*Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*  
The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	Discount Rate	City's proportionate share of net pension liability
1% decrease	5.25%	\$ 22,526,841
Current discount rate	6.25%	\$ 17,564,140
1% increase	7.25%	\$ 13,457,819

*Payable to the Pension Plan* – At June 30, 2022, the City reported a payable of \$230,879 for the outstanding amount of contributions to the pension and OPEB plans required for the year ended June 30, 2022. The payable includes both the pension and insurance contribution allocation.

City of Berea, Kentucky  
Notes to Financial Statements  
June 30, 2022

Note 11 - Retirement plan (continued)

457(b) and 401(k)

In addition, the City of Berea offers a 457(b) and a 401(k)-retirement plan to all its employees. The plan consists of only employee contributions. The City of Berea has 49 participants in the 457(b) plan and 13 participants in the 401(k) plan. Employees can contribute 100% of includable compensation up to \$19,000 and an additional \$6,000 if 50 or older for calendar year 2020. During the fiscal year 2022 employees contributed \$205,998 to the 457(b) plan and \$23,640 to the 401(k) plan.

Note 12 – Post-Employment Benefits Other than Pensions (OPEB)

At June 30, 2022, the net OPEB liability and the related deferred outflows of resources and deferred inflows of resources are as follows:

Deferred Outflows of Resources	\$ 3,303,317
Deferred Inflows of Resources	\$ 2,672,404
Net OPEB Liability:	\$ 5,272,721

*Plan Description*

Employees of the City are provided hospital and medical insurance through the Kentucky Retirement Systems' Insurance Fund (Insurance Fund), a cost-sharing multiple-employer defined benefit OPEB plan. The KRS was created by state statute under Kentucky Revised Statute Section 61.645. The KRS Board of Trustees is responsible for the proper operation and administration of the KRS. The KRS issues a publicly available financial report that can be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

*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

City of Berea, Kentucky  
Notes to Financial Statements  
June 30, 2022

Note 12 – Post-Employment Benefits Other than Pensions (OPEB) (continued)

*Contributions*

Contribution requirements of the participating employers are established and may be amended by the KRS Board of Trustees. The City's contractually required contribution rate for the year ended June 30, 2022 was 5.78% for non-hazardous and 10.47% for hazardous of covered payroll. Contributions to the Insurance Fund from the City were \$518,455 for the year ended June 30, 2022. Employees that entered the plan prior to September 1, 2008 are not required to contribute to the Insurance Fund. Employees that entered the plan after September 1, 2008 are required to contribute 1% of their annual creditable compensation which is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E).

*Net OPEB Liability*

For financial reporting the actuarial valuation as of June 30, 2021, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2021, were based on an actuarial valuation date of June 30, 2020. The total OPEB liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021, using generally accepted actuarial principles. There have been no actuarial assumption or method changes since June 30, 2020.

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2020:

Valuation Date	June 30, 2019
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Remaining Amortization Period	30 years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rate	
Pre--65	Initial trend starting at 6.25% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post – 65	Initial trends starting at 5.50% and gradually decreasing to an ultimate Trend rate of 4.05% over a period of 14 years.

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-hazardous and Hazardous Systems, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2020. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019.

City of Berea, Kentucky  
Notes to Financial Statements  
June 30, 2022

Note 12 – Post-Employment Benefits Other than Pensions (OPEB) (continued)

*Discount Rate*

Single discount rates of 5.20% for the non-hazardous system and 5.05% for hazardous were used to measure the total OPEB liability as of June 30, 2021. The single discount rate is based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 1.92%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2021. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan’s fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the System’s actuarial determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the System’s trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

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

Asset Class	Long-Term Expected Rate of Return	Target Allocation
U.S. Equity	5.70%	21.75%
Non-U.S. Equity	6.35%	21.75%
Core Bonds	0.00%	10.00%
Specialty Credit/ High Yield	2.80%	15.00%
Real Estate	5.40%	10.00%
Opportunistic Return	N/A	0.00%
Real Return	4.55%	10.00%
Private Equity	9.70%	10.00%
Cash	-0.60%	1.50%
		100.00%

City of Berea, Kentucky  
Notes to Financial Statements  
June 30, 2022

Note 12 – Post-Employment Benefits Other than Pensions (OPEB) (continued)

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate*

The net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.20%) or one percentage point higher (6.20%) follows:

	Discount Rate		City's proportionate share of net OPEB liability
1% decrease	4.20%	\$	7,239,406
Current discount rate	5.20%	\$	5,272,721
1% increase	6.20%	\$	3,658,729

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates follows:

	Healthcare Cost Trend Rate		City's proportionate share of net OPEB liability
	1% decrease	\$	3,795,732
	Current healthcare rate	\$	5,272,721
	1% increase	\$	7,055,469

*OPEB Liabilities, OPEB Expense and Deferred Inflows of Resources Related to OPEB*

At June 30, 2022, the City reported a liability of \$5,272,721 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of that date. The City’s proportion of the collective net OPEB liability and OPEB expense was determined using the employers’ actual contributions for fiscal year 2021. This method to be reflective of the employers’ long-term contribution effort. At June 30, 2021, the City’s proportion was 0.275417%



City of Berea, Kentucky  
Notes to Financial Statements  
June 30, 2022

Note 12 – Post-Employment Benefits Other than Pensions (OPEB) (continued)

For the year ended June 30, 2022, the City recognized OPEB expense of \$771,893. At June 30, 2022, 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
Changes in proportion and differences between employer contribution and proportionate share of contribution	\$ 292,172	\$ 2,743
Implicit subsidy	173,494	-
Differences between expected and actual results	829,137	1,574,259
Changes of assumptions	1,397,898	4,903
Net difference between projected and actual earnings on Plan investments	265,655	1,090,499
City contributions subsequent to the measurement date	518,455	-
Total	<u>\$ 3,476,811</u>	<u>\$ 2,672,404</u>

The \$518,455 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ending June 30, 2023. 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,	
2023	\$ 222,857
2024	97,353
2025	69,122
2026	(276,874)
Thereafter	-

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period. Those changes in net OPEB liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred.

City of Berea, Kentucky  
Notes to Financial Statements  
June 30, 2022

Note 13 - Property tax rates and calendar

Property taxes for fiscal year 2022 were levied in November 2021 on the assessed property located in the City of Berea as of the preceding January 1. The rate for real and personal property was 10.2 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	
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.

Note 14 - 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.

Note 15 - 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.

Note 16 - 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 forego 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. Both agreements were in effect during fiscal year 2022.

Note 17 – Subsequent Events

The City has evaluated subsequent events through October 17, 2022, the date which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTAL INFORMATION**

**City of Berea, Kentucky**  
**General Fund**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance-Budget and Actual**  
**For the Year Ended June 30, 2022**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Municipal taxation</b>				
General property taxes	\$ 775,000	\$ 775,000	\$ 842,320	\$ 67,320
State assessment property taxes	14,000	14,000	29,386	15,386
In lieu of property tax	9,000	9,000	21,300	12,300
Delinquent property taxes	10,000	10,000	14,396	4,396
Bank deposit taxes	60,000	90,000	90,798	798
Motor vehicle taxes	60,000	60,000	99,978	39,978
	<u>928,000</u>	<u>958,000</u>	<u>1,098,178</u>	<u>140,178</u>
<b>Licenses, permits, billings</b>				
Occupational license fees				
Insurance	1,200,000	1,200,000	1,172,089	(27,911)
Employee withholding	6,300,000	6,400,000	7,346,153	946,153
Net profits	650,000	650,000	1,317,314	667,314
Individual	60,000	60,000	71,286	11,286
Business	9,000	9,000	12,230	3,230
ABC	16,200	16,200	33,936	17,736
Utility franchise fees	1,023,000	1,023,000	1,203,942	180,942
Building permits	115,000	75,000	175,742	100,742
Electric permits	30,000	70,000	104,725	34,725
Street cut permits	1,000	1,000	2,575	1,575
	<u>9,404,200</u>	<u>9,504,200</u>	<u>11,439,992</u>	<u>1,935,792</u>
<b>Charges for service</b>				
Court costs & fees	10,000	10,000	18,953	8,953
Accident reports	2,000	2,000	3,075	1,075
Codes - plat review fee	4,000	4,000	7,600	3,600
Police special services	10,000	10,000	9,865	(135)
Demolition cleanup	-	-	-	-
Parks concessions	7,000	-	-	-
Pool concessions	10,000	10,000	12,862	2,862
Swimming pool fees	40,000	40,000	65,911	25,911
Administrative overhead - indirect	-	-	203,691	203,691
Miscellaneous	1,000	-	1,800	1,800
	<u>84,000</u>	<u>76,000</u>	<u>323,757</u>	<u>247,757</u>
<b>Fines and forfeits</b>				
Fingerprint charges	1,000	1,000	-	(1,000)
Court restitution	-	-	248	248
Codes violations	-	-	2,339	2,339
Penalties and interest	21,000	30,000	35,590	5,590
Parking fines	1,000	2,000	3,790	1,790
	<u>23,000</u>	<u>33,000</u>	<u>41,967</u>	<u>8,967</u>

**City of Berea, Kentucky**  
**General Fund**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance-Budget and Actual**  
**For the Year Ended June 30, 2022**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Intergovernmental revenues</b>				
County school-police contract	\$ 196,000	\$ 196,000	\$ 235,107	\$ 39,107
Madison county grants	68,000	68,000	68,000	-
Other grants	394,000	394,000	525,649	131,649
Volunteer fire state aid	10,500	10,500	10,500	-
Police incentive pay	136,000	136,000	183,485	47,485
Fire incentive pay	104,000	104,000	130,922	26,922
	<u>908,500</u>	<u>908,500</u>	<u>1,153,663</u>	<u>245,163</u>
<b>Other revenue</b>				
Rental income	54,700	49,700	56,275	6,575
Interest income	66,000	21,700	26,710	5,010
Insurance proceeds	-	13,000	17,574	4,574
Miscellaneous	8,000	31,000	30,472	(528)
	<u>128,700</u>	<u>115,400</u>	<u>131,031</u>	<u>15,631</u>
<b>Total revenue</b>	<u>11,476,400</u>	<u>11,595,100</u>	<u>14,188,588</u>	<u>2,593,488</u>
<b>Expenses</b>				
<b>Administration</b>				
General government				
Personnel	-	-	-	-
Utilities	65,500	65,500	67,559	(2,059)
Materials and supplies	18,000	20,000	13,945	6,055
Services and support	490,000	533,000	588,684	(55,684)
Other expenditures	5,000	5,000	1,481	3,519
Administration				-
Personnel	312,200	372,000	352,659	19,341
Materials and supplies	10,000	10,000	9,935	65
Services and support	234,000	231,200	153,690	77,510
Other expenditures	12,000	42,500	39,132	3,368
City council				-
Personnel	58,200	58,200	55,550	2,650
Services and support	66,000	66,000	59,196	6,804
Other expenditures	347,000	347,000	296,639	50,361
Finance office				-
Personnel	596,700	611,200	318,394	292,806
Materials and supplies	15,500	15,500	6,482	9,018
Services and support	268,250	271,750	119,493	152,257
Other expenditures	11,500	11,500	(355)	11,855
<b>Total Administration</b>	<u>2,509,850</u>	<u>2,660,350</u>	<u>2,082,484</u>	<u>577,866</u>
<b>Police</b>				
Personnel	3,298,000	3,415,395	3,347,842	67,553
Utilities	24,500	24,500	26,168	(1,668)
Materials and supplies	152,000	206,000	212,722	(6,722)
Services and support	63,700	64,200	49,494	14,706
Other expenditures	60,700	85,700	81,372	4,328
<b>Total police department</b>	<u>\$ 3,598,900</u>	<u>\$ 3,795,795</u>	<u>\$ 3,717,598</u>	<u>\$ 78,197</u>

**City of Berea, Kentucky**  
**General Fund**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance-Budget and Actual**  
**For the Year Ended June 30, 2022**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Fire</b>				
Personnel	\$ 2,226,000	\$ 2,246,000	\$ 2,126,253	\$ 119,747
Utilities	12,450	12,450	8,957	3,493
Materials and supplies	87,500	80,250	74,321	5,929
Services and support	74,500	79,500	64,776	14,724
Other expenditures	13,000	13,000	9,678	3,322
Total fire department	<u>2,413,450</u>	<u>2,431,200</u>	<u>2,283,985</u>	<u>147,215</u>
<b>Public works</b>				
Personnel	1,343,500	1,399,100	1,247,969	151,131
Utilities	137,050	142,050	143,247	(1,197)
Materials and supplies	196,850	271,850	226,636	45,214
Services and support	270,000	351,000	246,388	104,612
Other expenditures	8,000	16,000	2,215	13,785
Total public works	<u>1,955,400</u>	<u>2,180,000</u>	<u>1,866,455</u>	<u>313,545</u>
<b>Codes enforcement</b>				
Personnel	440,000	440,000	408,961	31,039
Materials and supplies	19,500	20,000	12,365	7,635
Services and support	43,000	56,000	28,326	27,674
Other expenditures	9,500	9,500	4,832	4,668
Total codes enforcement	<u>512,000</u>	<u>525,500</u>	<u>454,484</u>	<u>71,016</u>
<b>Parks and recreation</b>				
Parks and recreation				
Personnel	357,000	358,000	307,512	50,488
Utilities	82,700	82,700	83,932	(1,232)
Materials and supplies	64,000	64,000	43,937	20,063
Services and support	52,000	127,000	121,463	5,537
Other expenditures	32,300	32,300	22,738	9,562
Pool				
Personnel	77,500	107,300	86,251	21,049
Utilities	13,500	19,500	18,823	677
Materials and supplies	38,650	38,650	44,436	(5,786)
Services and support	33,600	58,600	49,895	8,705
Other expenditures	3,400	3,400	760	2,640
Intergenerational center				
Utilities	18,700	-	-	-
Services and support	5,000	-	-	-
Total parks and recreation	<u>\$ 778,350</u>	<u>\$ 891,450</u>	<u>\$ 779,747</u>	<u>\$ 111,703</u>

**City of Berea, Kentucky**  
**General Fund**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance-Budget and Actual**  
**For the Year Ended June 30, 2022**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>GIS/Surveying</b>				
Personnel	\$ 161,600	\$ 137,100	\$ 103,843	\$ 33,257
Materials and supplies	5,350	7,050	4,333	2,717
Services and support	18,000	18,000	6,293	11,707
Other expenditures	15,400	15,400	2,785	12,615
Total GIS/surveying	<u>200,350</u>	<u>177,550</u>	<u>117,254</u>	<u>60,296</u>
<b>Business development</b>				
Personnel	86,350	86,350	90,872	(4,522)
Materials and supplies	3,850	5,850	2,352	3,498
Services and support	71,000	71,000	53,259	17,741
Other expenditures	16,000	16,000	4,774	11,226
Total business development	<u>177,200</u>	<u>179,200</u>	<u>151,257</u>	<u>27,943</u>
<b>Information technology</b>				
Personnel	176,500	183,619	168,249	15,370
Utilities	97,500	102,000	67,010	34,990
Materials and supplies	7,500	10,500	5,703	4,797
Services and support	18,550	18,550	7,368	11,182
Other expenditures	6,000	6,000	88	5,912
Total information technology	<u>306,050</u>	<u>320,669</u>	<u>248,418</u>	<u>72,251</u>
<b>Capital outlay</b>	<u>995,000</u>	<u>1,355,000</u>	<u>765,704</u>	<u>589,296</u>
<b>Debt service</b>	<u>571,662</u>	<u>571,662</u>	<u>475,249</u>	<u>96,413</u>
<b>Total expenditures</b>	<u>14,018,212</u>	<u>15,088,376</u>	<u>12,942,635</u>	<u>2,145,741</u>
<b>Other financing sources (uses)</b>				
Proceeds from sale of assets	-	-	21,156	21,156
Financing proceeds	-	-	30,436	30,436
Transfers in (out)	1,094,300	1,520,300	709,786	(810,514)
<b>Total other financing sources (uses)</b>	<u>1,094,300</u>	<u>1,520,300</u>	<u>761,378</u>	<u>(758,922)</u>
<b>Net change in fund balance</b>	<u>\$ (1,447,512)</u>	<u>\$ (1,972,976)</u>	<u>\$ 2,007,331</u>	<u>\$ (311,175)</u>

**City of Berea, Kentucky**  
**Tourism Fund**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance-Budget and Actual**  
**For the Year Ended June 30, 2022**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Municipal taxation</b>				
Transient room tax	\$ 72,000	\$ 125,000	\$ 207,994	\$ 82,994
Restaurant tax	950,000	950,000	1,373,625	423,625
<b>Intergovernmental</b>				
Grant revenues	15,000	15,000	15,872	872
<b>Charges for service</b>				
Workshop fees	12,000	12,000	20,504	8,504
<b>Other revenue</b>				
Miscellaneous	34,200	34,200	41,035	6,835
<b>Total revenue</b>	<u>1,083,200</u>	<u>1,136,200</u>	<u>1,659,030</u>	<u>522,830</u>
<b>Tourism</b>				
Personnel	335,500	381,500	234,701	146,799
Utilities	44,500	45,500	30,694	14,806
Materials and supplies	18,300	18,300	11,714	6,586
Services and support	307,500	308,500	254,449	54,051
Other expenditures	135,700	138,700	103,075	35,625
<b>Capital outlay</b>	-	45,000	-	45,000
<b>Debt service</b>	631,311	631,311	613,276	18,035
<b>Total expenditures</b>	<u>1,472,811</u>	<u>1,568,811</u>	<u>1,247,909</u>	<u>320,902</u>
<b>Other financing sources (uses)</b>				
Transfers in (out)	(310,000)	(396,000)	(159,855)	236,145
<b>Total other financing sources (uses)</b>	<u>(310,000)</u>	<u>(396,000)</u>	<u>(159,855)</u>	<u>236,145</u>
<b>Net change in fund balance</b>	<u>\$ (699,611)</u>	<u>\$ (828,611)</u>	<u>\$ 251,266</u>	<u>\$ 1,079,877</u>



**City of Berea, Kentucky**  
**American Rescue Plan Act Fund**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance-Budget and Actual**  
**For the Year Ended June 30, 2022**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Intergovernmental</b>				
Grant Proceeds	\$ -	\$ 2,075,039	\$ 4,222,600	\$ 2,147,561
<b>Other revenue</b>				
Interest on Checking	-	1,320	1,378	58
<b>Total revenue</b>	<u>-</u>	<u>2,076,359</u>	<u>4,223,978</u>	<u>2,147,619</u>
<b>Program Expenses</b>				
Other professional services	-	42,000	41,501	499
Heavy Equipment	-	-	127,000	(127,000)
<b>Total expenditures</b>	<u>-</u>	<u>42,000</u>	<u>168,501</u>	<u>(126,501)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ 2,034,359</u>	<u>\$ 4,055,477</u>	<u>\$ 2,021,118</u>

**City of Berea, Kentucky**  
**Schedule of the City's Proportionate Share of the Net Pension Liability**  
**County Employees' Retirement System**  
**Last Nine Fiscal Years**

CERS Non-Hazardous

	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>
City's proportion of the net pension liability	0.223%	0.223%	0.226%	0.220%	0.243%	0.251%	0.260%	0.267%	0.275%
City's proportionate share of the net pension liability	\$ 8,187,448	\$ 7,241,715	\$ 9,697,588	\$ 11,301,398	\$ 14,197,959	\$ 15,273,694	\$ 18,260,809	\$ 20,461,192	\$ 17,564,140
City's covered-employee payroll	\$ 5,223,676	\$ 5,394,952	\$ 5,636,670	\$ 6,092,638	\$ 6,370,339	\$ 6,706,498	\$ 6,948,720	\$ 7,115,130	\$ 4,806,514
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	156.74%	134.23%	172.04%	185.49%	222.88%	227.74%	262.79%	287.57%	365.42%
Plan fiduciary net position as a percentage of the total pension liability	61.22%	66.80%	59.97%	55.50%	53.50%	53.54%	50.45%	47.81%	57.33%

CERS - Hazardous

June 30, 2022

City's proportion of the net pension liability	0.000%
City's proportionate share of the net pension liability	\$ -
City's covered-employee payroll	\$ 2,298,357
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%
Plan fiduciary net position as a percentage of the total pension liability	52.26%

**City of Berea, Kentucky**  
**Schedule of the City's Pension Contributions**  
**County Employees' Retirement System**  
**Last Nine Fiscal Years**

<u>CERS Non-Hazardous</u>									
	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>
Contractually required contribution	\$ 717,733	\$ 687,771	\$ 700,074	\$ 849,923	\$ 922,430	\$ 1,087,794	\$ 1,341,103	\$ 1,373,220	\$ 1,017,539
Contributions in relation to the contractually required contribution	<u>717,733</u>	<u>687,771</u>	<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>1,017,539</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 5,223,674	\$ 5,394,952	\$ 5,636,670	\$ 6,092,638	\$ 6,370,339	\$ 6,706,498	\$ 6,748,720	\$ 7,115,130	\$ 4,806,514
Contributions as a percentage of covered employee	13.74%	12.75%	12.42%	13.95%	14.48%	16.22%	19.87%	19.30%	21.17%
<u>CERS Hazardous</u>									
<u>June 30, 2022</u>									
Contractually required contribution									\$ 778,224
Contributions in relation to the contractually required contribution									<u>778,224</u>
Contribution deficiency (excess)									<u>\$ -</u>
City's covered-employee payroll									\$ 2,298,357
Contributions as a percentage of covered employee									33.86%

**City of Berea, Kentucky**  
**Schedule of the City's OPEB Contributions**  
**County Employees' Retirement System**  
**Last Five Fiscal Years**

CERS Non- Hazardous					
	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>
Contractually required contribution	\$ 299,408	\$ 352,761	\$ 330,759	\$ 338,680	\$ 277,817
Contributions in relation to the contractually required contribution	<u>299,408</u>	<u>352,761</u>	<u>330,759</u>	<u>338,680</u>	<u>277,817</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 6,370,339	\$ 6,706,498	\$ 6,948,720	\$ 7,115,130	\$ 4,806,514
Contributions as a percentage of covered-employee payroll	4.70%	5.26%	4.76%	4.76%	5.78%
<u>CERS Hazardous</u>					
<u>June 30, 2022</u>					
Contractually required contribution	\$ 240,638				
Contributions in relation to the contractually required contribution	<u>240,638</u>				
Contribution deficiency (excess)	<u>\$ -</u>				
City's covered-employee payroll	\$ 2,298,357				
Contributions as a percentage of covered-employee payroll	10.47%				

**City of Berea, Kentucky**  
**Schedule of Changes in the City's OPEB Liability**  
**County Employees' Retirement System**  
**Last Five Fiscal Years**  
**(\$ in thousands)**

	CERS Non-Hazardous					CERS Hazardous
	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2022
<b>Change in the Net OPEB Liability</b>						
<b>Total OPEB liability</b>						
Service Cost	\$ 207	\$ 307	\$ 309	\$ 350	\$ 365	\$ -
Interest	584	607	623	630	722	-
Benefit Changes	-	11	-	-	9	-
Difference between actual and expected experience	(16)	(603)	(1,049)	1,349	(939)	-
Assumption Changes	1,262	(12)	698	161	779	-
Benefit Payments	(340)	(392)	(420)	(503)	(482)	-
<b>Net Change on Total OPEB Liability</b>	1,697	(82)	161	1,987	454	-
Total OPEB Liability - Beginning	8,546	10,589	10,872	11,342	13,761	-
<b>Total OPEB Liability - Ending</b>	<b>\$ 10,243</b>	<b>\$ 10,507</b>	<b>\$ 11,033</b>	<b>\$ 13,329</b>	<b>\$ 14,215</b>	<b>\$ -</b>
<b>Fiduciary Net Position</b>						
Contributions - Employer	\$ 323	\$ 366	\$ 436	\$ 479	\$ 514	\$ -
Contributions - Member	22	27	31	35	37	-
Benefit Payments	(340)	(392)	(420)	(503)	(482)	-
Net Investment Income	642	507	357	24	1,766	-
Administrative Expense	(2)	(2)	(2)	(2)	(3)	-
Other	-	-	-	-	-	-
<b>Net Change in Fiduciary Net Position</b>	645	506	402	33	1,832	-
Fiduciary Net Position - Beginning	4,722	5,548	6,265	6,855	7,110	-
<b>Fiduciary Net Position - Ending</b>	<b>\$ 5,367</b>	<b>\$ 6,054</b>	<b>\$ 6,667</b>	<b>\$ 6,888</b>	<b>\$ 8,942</b>	<b>\$ -</b>
<b>Net OPEB Liability - Ending</b>	<b>4,876</b>	<b>4,453</b>	<b>4,366</b>	<b>6,441</b>	<b>5,273</b>	<b>-</b>
Fiduciary Net Position as a Percentage of the Total OPEB Liability	52.4%	57.6%	60.4%	51.7%	62.9%	66.8%
Covered Payroll	6,370	\$ 6,706	\$ 6,949	\$ 7,115	\$ 4,807	\$ 2,298,357
Net OPEB Liability as a Percentage of Covered Payroll	76.5%	66.4%	62.8%	90.5%	109.7%	0.0%

## **SUPPLEMENTAL INFORMATION**

**City of Berea, Kentucky  
Proprietary Fund  
Budget Information  
For the Year Ended June 30, 2022**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Berea Municipal Utilities</b>				
Administration				
Personnel	\$ 709,500	\$ 709,500	\$ 1,053,860	\$ (344,360)
Utilities	71,700	71,700	70,793	907
Materials and supplies	35,300	35,300	29,205	6,095
Services and support	398,750	398,750	408,067	(9,317)
Other expenses	81,000	91,000	93,003	(2,003)
	<u>1,296,250</u>	<u>1,306,250</u>	<u>1,654,928</u>	<u>(348,678)</u>
Electric				
Personnel	708,000	708,000	746,376	(38,376)
Utilities	5,175	5,775	4,803	972
Materials and supplies	49,800	49,800	47,900	1,900
Services and support	8,033,500	8,036,500	7,404,120	632,380
Other expenditures	157,000	157,000	47,129	109,871
	<u>8,953,475</u>	<u>8,957,075</u>	<u>8,250,328</u>	<u>706,747</u>
Water				
Personnel	669,500	669,500	639,759	29,741
Utilities	297,800	297,800	291,691	6,109
Materials and supplies	153,300	153,300	146,789	6,511
Services and support	508,000	528,000	451,917	76,083
Other expenditures	50,450	53,450	27,744	25,706
	<u>1,679,050</u>	<u>1,702,050</u>	<u>1,557,900</u>	<u>144,150</u>
Sewer				
Personnel	721,000	721,000	732,884	(11,884)
Utilities	222,000	222,000	213,550	8,450
Materials and supplies	81,800	81,800	74,438	7,362
Services and support	514,500	518,500	338,370	180,130
Other expenditures	127,500	150,500	42,516	107,984
	<u>1,666,800</u>	<u>1,693,800</u>	<u>1,401,758</u>	<u>292,042</u>
Total expenses	<u>\$ 13,595,575</u>	<u>\$ 13,659,175</u>	<u>\$ 12,864,914</u>	<u>\$ 794,261</u>

**City of Berea, Kentucky  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2022**

	<b>Municipal Road Aid Fund</b>	<b>Industrial Development Fund</b>	<b>Berea Corridor Fund</b>	<b>Police Restricted Fund</b>	<b>Berea Craft Festival Fund</b>	<b>Total</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 269,553	\$ 658,183	\$ -	\$ 88,916	\$ 97,193	\$ 1,113,845
Investments	-	111,053	-	-	-	111,053
Accounts receivable	27,995	-	11,802	-	-	39,797
Interest receivable	-	59	-	-	-	59
Other assets	-	-	-	-	7,717	7,717
Due from other fund	-	-	-	6,810	-	6,810
	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,810</u>	<u>-</u>	<u>6,810</u>
Total Assets	<u>\$ 297,548</u>	<u>\$ 769,295</u>	<u>\$ 11,802</u>	<u>\$ 95,726</u>	<u>\$ 104,910</u>	<u>\$ 1,279,281</u>
<b>LIABILITIES AND FUND BALANCE</b>						
Accounts payable	\$ -	250	\$ -	\$ -	\$ 1,989	\$ 2,239
Unearned revenue	-	-	-	-	16,810	16,810
Due to other fund	-	-	11,802	-	-	11,802
	<u>-</u>	<u>-</u>	<u>11,802</u>	<u>-</u>	<u>-</u>	<u>11,802</u>
Total Liabilities	<u>-</u>	<u>250</u>	<u>11,802</u>	<u>-</u>	<u>18,799</u>	<u>30,851</u>
Fund Balance, nonspendable	-	-	-	-	7,717	7,717
Fund Balance, restricted	297,548	-	-	95,726	-	393,274
Fund Balance, assigned	-	769,045	-	-	78,394	847,439
	<u>-</u>	<u>769,045</u>	<u>-</u>	<u>-</u>	<u>78,394</u>	<u>847,439</u>
Total Fund Balance	<u>297,548</u>	<u>769,045</u>	<u>-</u>	<u>95,726</u>	<u>86,111</u>	<u>1,248,430</u>
Total Liabilities and Fund Balance	<u>\$ 297,548</u>	<u>\$ 769,295</u>	<u>\$ 11,802</u>	<u>\$ 95,726</u>	<u>\$ 104,910</u>	<u>\$ 1,279,281</u>



**City of Berea, Kentucky**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**June 30, 2022**

	<b>Municipal Road Aid Fund</b>	<b>Industrial Development Fund</b>	<b>Berea Corridor Fund</b>	<b>Police Restricted Fund</b>	<b>Berea Craft Festival Fund</b>	<b>Total</b>
<b>Revenues</b>						
Intergovernmental revenues	\$ 275,678	\$ -	\$ 11,802	\$ -	\$ -	\$ 287,480
Charges for services	-	-	-	-	61,824	61,824
Proceeds from sale of asset	-	324,000	-	6,810	-	330,810
Other revenues	177	1,035	-	63	65	1,340
	<u>275,855</u>	<u>325,035</u>	<u>11,802</u>	<u>6,873</u>	<u>61,889</u>	<u>681,454</u>
Total Revenues	<u>275,855</u>	<u>325,035</u>	<u>11,802</u>	<u>6,873</u>	<u>61,889</u>	<u>681,454</u>
<b>Expenditures</b>						
General administrative	-	65,468	11,802	-	-	77,270
Police department	-	-	-	2,250	-	2,250
Public works	286,300	-	-	-	-	286,300
Tourism	-	-	-	-	43,927	43,927
Capital outlay	-	605,962	-	-	-	605,962
	<u>286,300</u>	<u>671,430</u>	<u>11,802</u>	<u>2,250</u>	<u>43,927</u>	<u>1,015,709</u>
Total expenditures	<u>286,300</u>	<u>671,430</u>	<u>11,802</u>	<u>2,250</u>	<u>43,927</u>	<u>1,015,709</u>
Excess revenues over (under) expenditures before other sources (uses)	<u>(10,445)</u>	<u>(346,395)</u>	<u>-</u>	<u>4,623</u>	<u>17,962</u>	<u>(334,255)</u>
<b>Other financing sources</b>						
Transfers from (to) other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess revenues and other sources over (under) expenditures	<u>(10,445)</u>	<u>(346,395)</u>	<u>-</u>	<u>4,623</u>	<u>17,962</u>	<u>(334,255)</u>
Fund balances July 1, 2021	<u>307,993</u>	<u>1,115,441</u>	<u>-</u>	<u>91,103</u>	<u>68,148</u>	<u>1,582,685</u>
<b>Fund balances June 30, 2022</b>	<u><u>\$ 297,548</u></u>	<u><u>\$ 769,046</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 95,726</u></u>	<u><u>\$ 86,110</u></u>	<u><u>\$ 1,248,430</u></u>

**City of Berea, Kentucky**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2022**

Federal Grantor Program Title	Assistance Listing Number	Pass Through Contract Number	Federal Expenditures
<b>United States Department of Justice</b>			
Bulletproof Vest Partnership Program	16.607	n/a	\$ 886
Public Safety Partnership and Community Policing Grants	16.710	n/a	111,924
VOCA Victim Assistance Formula Grant (see note 4)	16.575	VOCA-2019-Berea PD-00029	<u>55,351</u>
Total Department of Justice			168,161
<b>Executive Office of the President</b>			
High intensity Drug Trafficking Areas Program	95.001	n/a	4,644
<b>United States Department of Agriculture</b>			
Rural Business Development Grant	10.351	n/a	55,606
Natural Resources Conservation Service	10.916	n/a	<u>91,575</u>
Total Department of Agriculture			147,181
<b>Federal Highway Administration</b>			
Federal-aid Highway Program - cluster (see note 6)	20.205	PO2-625-1500002643	3,123
<b>United States Department of Housing &amp; Urban Development</b>			
Community Development Block Grant/State's Program (see note 5)	14.228	n/a	87,202
<b>United States Department of Treasury</b>			
Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) (see note 5)	21.027	KY0019	168,501
COVID-19 Relief Funds (see note 5)	21.019	2100000194	<u>117,588</u>
Total Department of the Treasury			286,089
<b>United States Department of Homeland Security</b>			
Federal Emergency Management	97.036	n/a	56,505
<b>Total expenditures of federal awards</b>			<u><u>\$ 752,905</u></u>

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Berea 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. Retainage payable on the government-wide statements is excluded as an expenditure.

Note 2: Indirect Cost Rates

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

Note 3: The City did not pass through any funds to subrecipients.

Note 4: Pass Through Grantor - KY Justice & Public Safety Cabinet

Note 5: Pass Through Grantor - KY Dept of Local Government

Note 6: Pass Through Grantor - Commonwealth of Kentucky, Transportation Cabinet

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

To the 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 the City of Berea, Kentucky, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Berea, Kentucky's basic financial statements and have issued our report thereon dated October 17, 2022.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City'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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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 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.

## ***Baldwin CPAs, PLLC***

Baldwin CPAs, PLLC  
Richmond, Kentucky  
October 17, 2022

**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 (the "City") 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's major federal programs for the year ended June 30, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

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

## ***Auditors' Responsibilities for the Audit of Compliance***

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

In performing an audit in accordance with GAAS, *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'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'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's internal control over compliance. Accordingly, no such opinion is expressed.

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

## **Report on Internal Control Over Compliance**

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

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

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

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

*Baldwin CPAs, PLLC*

Baldwin CPAs, PLLC  
Richmond, Kentucky  
October 17, 2022

City of Berea, Kentucky  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2022

**A. Summary of Auditors' Results**

Financial Statements:

1. The auditors' report expresses an unmodified opinion on whether the City of Berea, Kentucky's financial statements were prepared in accordance with GAAP.
2. No deficiencies in internal controls over financial reporting were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the City of Berea, Kentucky, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

Federal Awards:

4. No deficiencies in internal control over major federal award programs were disclosed during the audit.
5. The auditors' report on compliance for the major federal awards programs for the City of Berea, Kentucky expresses an unmodified opinion on all major federal programs.
6. No audit findings were required to be reported in accordance with 2 CFR 200.16(a).
7. The programs tested as major programs included: 

	<u>Assistance Listing Number</u>
Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)	21.027
8. The threshold for distinguishing Types A and B Programs was \$750,000.
9. The City of Berea, Kentucky did qualify to be a low risk auditee.

**B. Financial Statement Findings**

No matters were reported.

**C. Major Federal Award Findings and Questioned Costs**

No matters were reported.

**D. Schedule of Prior Year Audit Findings**

No matters were reported