



City of Berea, Kentucky

Independent Auditors' Report

And Financial Statements

For the Year Ended

June 30, 2023

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 activity, 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, 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.

Emphasis of Matter – Correction of Error

As discussed in Note 19 to the financial statements, an error resulting in the overstatement of amounts previously reported for intergovernmental revenue within the American Rescue Plan Act Fund for the year ended June 30, 2022, was corrected by the City during the current year. Our opinion is not modified with respect to this matter.

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'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 generally accepted auditing standards and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City'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'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 4-18, 58-67 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial schedules and budgetary comparison information on pages 68-70 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 71 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, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Prior-Year Comparative Information

We have previously audited the City's 2022 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 17, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived except for the matter disclosed in Note 19 concerning a correction in the prior period.

Baldwin CPA's, PLLC

Baldwin CPA's, PLLC
Richmond, Kentucky
October 17, 2023

**City of Berea, Kentucky
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023**

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, 2023. Readers are encouraged to consider the information presented here in conjunction with the auditors' report on pages 1-3 and the City's financial statements beginning on page 19.

OVERVIEW OF THIS ANNUAL REPORT

This annual report consists of the management's discussion and analysis report, the independent auditors' report, the basic financial statements of the City and the independent auditors' 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 basic financial statements are comprised of three components: Government-wide Financial Statements, Fund Financial Statements and Notes to the Financial Statements. The report also includes Required Supplementary Information and other Supplementary Information in addition to the basic financial statements.

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. The statements are designed to provide both long-term and short-term information about the City's overall financial status. There are two government-wide statements.

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

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

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

The Government-wide Financial Statements can be found on pages 19-20.

Fund Financial Statements

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

Governmental Funds— Governmental funds report basic services, which focus on near-term inflows and outflows of available resources and their balances at year-end. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences are reconciled between government-wide activities (reported in the statement of net position and the statement of activities) and governmental funds on separate schedules following the respective governmental funds. The basic governmental fund financial statements can be found on pages 21-27 of this report.

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

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

Notes to the Financial Statements & Other Information

The notes to the financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-57 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information including a budget to actual analysis, as well as detailed information concerning the City's proportionate share of the cost-sharing, multiple-employer pension plan's net pension liability and other post-employment benefits (OPEB) liability. Required supplementary information can be found on pages 58-67 of this report. The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 69-70 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. For the City, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$88.1 million and \$79.3 million at the close of the fiscal years 2023 and 2022, respectively. The City-wide net position increased by 11 percent (\$8.8 million) from the prior fiscal year, which is a combination of a \$3.9 million increase in governmental activities net position from the restated fiscal year 2022 net position and a \$4.9 million increase in business-type activities net position. The restatement of the fiscal year 2022 net position related to an error in the

accounting treatment of ARPA funds resulting in a \$4.1 million decrease in beginning net position. See Note 19 on page 57 for additional information. Comparative information provided in the analysis below is based on the restated figures provided for fiscal year 2023.

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

**Table 1
Net Position**

	Governmental Activities	Business-type Activities	2023 Total Primary Government	Restated 2022 Total Primary Government
Current Assets	\$ 24,649,204	\$ 22,784,871	\$ 47,434,075	\$ 40,729,241
Capital Assets	38,175,184	38,476,504	76,651,688	75,124,488
Other Noncurrent Assets	3,198,915	5,845,459	9,044,374	11,655,554
Total Assets	66,023,303	67,106,834	133,130,137	127,509,283
Deferred Outflows of Resources	17,804,434	1,914,533	19,718,967	7,332,116
Total Assets and Deferred Outflow of Resources	83,827,737	69,021,367	152,849,104	134,841,399
Current Liabilities	4,515,563	3,902,195	8,417,758	9,773,539
Long-term Liabilities	37,285,476	7,090,893	44,376,369	39,840,242
Total Liabilities	41,801,039	10,993,088	52,794,127	49,613,781
Deferred Inflows of Resources	8,635,791	3,318,670	11,954,461	5,947,128
Net Position:				
Invested in Capital Assets				
Net of Related Debt	28,226,484	32,888,765	61,115,249	57,578,935
Restricted	376,725	4,980,225	5,356,950	10,704,041
Unrestricted	4,787,698	16,840,619	21,628,317	10,997,514
Total Net Position	\$ 33,390,907	\$ 54,709,609	\$ 88,100,516	\$ 79,280,490
Total Liabilities and Net Position	83,827,737	69,021,367	152,849,104	134,841,399

By far the largest portion of the City's net position (69%) reflects its investment of \$61.1 million in capital assets less any related debt used to acquire or construct those assets that are still outstanding. The City uses these capital assets to provide services to the public. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$5.4 million (6%), represents resources that are subject to restrictions as to how they may be used. The remaining balance of unrestricted net position, \$21.6 million (25%), may be used to meet the City's on-going obligations to the public and creditors.

Governmental activities. The governmental activities' increase of \$3.9 million increase in net position accounted for 45 percent of the total improvement in net position. *Key elements of this increase include:*

- There was an increase of \$3.7 million in total assets. Included in this increase is \$1.6 million increase in cash, cash equivalents, restricted cash and investments. Also included is a \$1.4 million increase in capital assets, net of depreciation.
- There was a \$12.2 million increase in deferred outflows of resources related to pensions and other post-employment benefits. Of this, \$8 million was related to the change in proportionate share of pension liabilities resulting from the adoption of the Hazardous Duty retirement plan.
- There was an increase of \$8 million of long-term liabilities. Contributing to this was a \$9.2 million increase in net pension and net OPEB liabilities.
- There was an increase of \$4.0 million in deferred inflows of resources related to pension and OPEB expenses.

Business-type Activities. Business-type activities' net position increased by of \$4.9 million (10%), which accounted for more than half of the total improvement in net position. *Key elements of this increase are as follows:*

- There was an increase of \$1.9 million in total 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 \$4.5 million (39%). Debt service payments of \$1.9 million towards bonds and notes payable contributed to the total decrease. Additionally, the net pension and OPEB liability decreased by \$3.1 million.
- There was a decrease of \$2.0 million (157%) in deferred inflows of resources related to pension and OPEB expenses.

Further details of the changes in net position between fiscal years 2023 and 2022 can be observed in Table 2.

**Table 2
Changes in Net Position**

	Governmental Activities	Business-type Activities	2023 Total Primary Government	Restated 2022 Total Primary Government
<u>Revenues</u>				
Program Revenues				
Charges for Services	\$ 256,197	\$ 18,794,855	\$ 19,051,052	\$ 19,106,556
Operating Grants & Contributions	3,703,136		3,703,136	1,441,532
Capital Grants & Contributions	1,999,700	761,638	2,761,338	647,017
General Revenue			-	-
Taxes	2,956,095		2,956,095	2,679,797
License fees	12,325,777		12,325,777	11,156,950
Permits	253,487		253,487	283,042
Investment Earnings	329,490	320,829	650,319	84,272
Other Revenues	387,362		387,362	159,796
Total Revenues	22,211,244	19,877,322	42,088,566	35,558,962
<u>Program Expenses</u>				
General Government	3,405,304		3,405,304	2,554,856
Public Safety - Police	5,874,096		5,874,096	3,912,953
Public Safety - Fire	3,851,233		3,851,233	2,526,564
Public Works	2,525,452		2,525,452	2,982,328
Codes enforcement	447,513		447,513	492,191
Parks and Recreation	981,948		981,948	1,019,126
GIS/Surveying	78,648		78,648	151,936
Business Development	130,757		130,757	163,907
Tourism	994,795		994,795	750,494
Information Technology	247,151		247,151	260,969
Interest on Long-term Debt	310,271		310,271	328,908
Utilities		14,416,044	14,416,044	15,202,271
Total Program Expenses	18,847,168	14,416,044	33,263,212	30,346,503
Transfers	567,124	(567,124)	-	-
Gain/(Loss) on Sale of Property	12,346	(17,674)	(5,328)	286,418
Change in Net Position	\$ 3,943,546	\$ 4,876,480	8,820,026	\$ 5,498,877

As stated previously, the City's net position increased by \$8.8 million compared to an increase in net position of \$5.5 million in fiscal year 2022. City-wide revenue increased by \$6.5 million (18%) from the restated fiscal year 2022 revenue. Expenses increased by roughly \$3.0 million (10%).

Governmental Activities. Governmental activities increased the City's total net position by \$3.9 million. Overall, governmental revenue was up by roughly \$6.1 million (37%) from the previous year. *Key elements of this increase are as follows:*

- License fees increased by \$1.2 million (11%), which is mainly attributed to increased revenue from occupational license fees on wages.
- Operating and capital grants and contributions increased by \$4.1 million. Of this, \$1.9 million was ARPA funding that was received in fiscal year 2022, but was not recognized as

revenue until fiscal year 2023 after the funds had been spent on eligible projects. Additionally, the City received \$2.0 million in contributed infrastructure and other real property.

Governmental program expenses increased by 3.7 million (25%). A large percentage of this increase was related to spending of ARPA funds (\$1.7 million). Police and Fire departments show \$3.3 million in combined increases, primarily related to Hazardous Duty pension costs. Because the measurement date for the net pension and net OPEB liabilities lags by one year, the city is just now seeing the impact on the government-wide statements despite having entered the plan the previous year.

Additionally, the general fund received a \$567,000 transfer from the Berea Municipal Utilities.

Business-type Activities. Business-type activities increased the City's total net position by \$4.9 million. This was up from the previous year's increase in net position of \$3.7 million.

Revenue showed a slight increase (2.5%) from the prior year. *Key elements of this increase are as follows:*

- The sale of electric, water and sewer service remained level, with less than a 1% decrease. There were no rate changes during fiscal year 2023.
- Investment income increased by \$290,000 as the City has added short term U.S. Treasury securities into its investment portfolio to take advantage of the recent increases in investment yields.
- The City accepted \$604,000 in sewer infrastructure as capital contributions from developers. In contrast, only \$16,500 was accepted in the prior year.
- Grant revenue of \$57,148 was recognized in fiscal year 2023 for capital projects. Revenue from grant funding will vary each year depending on the active projects and the funding available. In total, capital grants decreased by \$291,000 due to the completion of the Walnut Meadow Pumpstation Upgrade project.

Total operating expenses for business-type activities decreased by \$747,000 (5%). However, this primary related to a large adjustment to pension expense from the change in the proportionate share of net pension liability. Looking at expenses without the effects of the pension expense credit, the electric division and water division remained consistent (less than 1% increase); and sewer division expenses increased by \$197,000, related to increases in wages, cost of goods, and major repairs within the wastewater treatment center. Depreciation expense decreased by \$37,000 as older equipment is becoming fully depreciated at a rate greater than new equipment is being added.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City of Berea uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of usable resources. Governmental funds are accounted for using the modified accrual basis of accounting. Under this basis of accounting, many of the non-cash expenses previously discussed are not included as expenditures in the change in fund balance. Conversely, principal portions of debt obligations along with capital outlay expenditures are included on the fund statements, whereas they are not included in the change in net position.

Similar to the restatement of net position noted above, fiscal year 2022 fund statements have been restated to correct an error in the accounting treatment of ARPA funds. This correction resulted in a \$4.1 million decrease in the fiscal year 2022 ending fund balance. See Note 19 on page 57 for additional information. Comparative information provided in the analysis below is based on the restated figures provided for fiscal year 2022.

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

Table 3
Change in Fund Balance

	2023	Restated 2022
Revenues		
Taxes	\$ 2,956,095	\$ 2,679,797
Licenses and permits	12,579,264	11,439,992
Charges for Services	496,653	406,085
Fines & Forfeits	80,296	42,596
Intergovernmental	3,353,828	1,624,138
Other Revenues	381,448	147,445
Total Revenues	<u>19,847,584</u>	<u>16,340,053</u>
Expenditures		
General Government	2,362,449	2,201,255
Public Safety - Police	4,180,232	3,719,848
Public Safety - Fire	2,747,938	2,283,985
Public Works	3,171,519	2,152,755
Codes Enforcement	525,084	454,484
Parks and Recreation	847,910	779,747
GIS/Surveying	94,891	117,254
Business Development	156,493	151,257
Information Technology	310,747	248,418
Tourism	1,001,218	678,560
Capital Outlay	1,639,805	1,498,666
Debt Service	474,532	1,088,525
Total Expenditures	<u>17,512,818</u>	<u>15,374,754</u>
Excess revenues over (under) before other sources (uses)	<u>2,334,766</u>	<u>965,299</u>
Other Financing Sources (Uses)		
Proceeds from sale of assets	30,448	351,966
Interest & investment income	290,217	26,710
Lease proceeds	131,253	30,436
Transfers (to)/from other funds	567,124	549,931
Total Other Financing Sources (Uses)	<u>1,019,042</u>	<u>959,043</u>
Net Change in Fund Balance	<u>3,353,808</u>	<u>1,924,342</u>

The total fund balance for all governmental funds has increased by \$3.4 million from the prior year.

The General Fund saw an increase of \$2.5 million in fund balance. General Fund revenue increased by \$1.2, largely due to a nearly \$1.0 million increase in occupational license fees from wages. Revenue also increased, to a lesser degree, from property taxes, franchise fees and investment income. General Fund grant revenue decreased by nearly \$321,000 as there were fewer grant funded projects taking place in fiscal year 2023. General Fund expenditures increased by \$1.3 million. This is resulting from increased personnel costs of \$1.2 million, \$414,000 of which resulted from the first full year under the Hazardous Duty retirement system contribution rates.

The American Rescue Plan Act Fund (ARPA) showed expenditures of \$1.5 million as well as a transfer to General Fund of \$400,000 to offset the cost of providing government services. As an expenditure-driven grant, revenue is recognized once the underlying expenditure has been made. As such, the ARPA fund showed revenue of \$1.9 million, which was a significant increase from the \$169,000 in restated revenue from the prior year. There is a balance of \$2.2 million in ARPA funds available for future use.

The Tourism Fund increased fund balance by \$1.1 million. Tourism fund revenue increased by \$438,000. The majority of the increase includes a \$140,000 increase in restaurant tax and grant revenue of \$216,000. Total tourism Fund expenditures decreased by \$222,000. However, the prior year included a debt service payment of \$613,000 which did not occur in the current year. Operating expenses increased by \$296,000, the majority of which was related to the grant-funded projects.

The Municipal Road Aid Fund and Craft Festival Fund each saw small decreases in fund balance as some funds received in the prior year were utilized in the current year. The Police Restricted Fund saw a small increase, and the newly developed Opioid Abatement Fund increased its fund balance by \$66,000 as the City received its first installment of opioid settlement funding. The Industrial Development Fund balance decreased by \$259,000 as proceeds from the fiscal year 2022 sale of land is being utilized to prepare additional land for future development. Grant proceeds are covering 50% of the project cost.

BUDGET HIGHLIGHTS

The City adopts an annual appropriated budget for all funds. Over the course of the fiscal year, the City amended the budget one time. Budget amendments are made to adjust the estimates that are used to prepare the original budget ordinance once more information is available; to recognize new funding amounts from external sources, such as federal and state grants; and to increase appropriations that become necessary to maintain services. A budgetary comparison statements has been provided for the General Fund to demonstrate compliance with this budget and can be found on pages 58-61. Tables 4 and 5 below show a condensed version of this comparison statement.

	Budget	Actual	Variance
Taxes	\$ 1,013,000	\$ 1,190,571	\$ 177,571
Licenses, Permits & Billings	10,254,200	12,579,264	2,325,064
Charges for Services	114,700	375,973	261,273
Fines & Forfeitures	48,500	76,829	28,329
Intergovernmental	1,129,000	930,322	(198,678)
Other Revenue	165,000	187,290	22,290
	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 12,724,400	\$ 15,340,249	\$ 2,615,849

Table 5
General Fund Expenditures
Budget to Actual

	Budget	Actual	Variance
Administration	\$ 2,922,073	\$ 2,343,795	\$ (578,278)
Police	4,397,405	4,178,232	(219,173)
Fire	2,839,670	2,747,938	(91,732)
Public Works	2,338,380	1,970,418	(367,962)
Codes Enforcement	699,000	593,084	(105,916)
Parks & Recreation	965,850	847,910	(117,940)
GIS/Surveying	168,300	94,891	(73,409)
Information Technology	385,350	310,747	(74,603)
Business Development	191,500	156,493	(35,007)
Capital Outlay	1,062,100	433,069	(629,031)
Debt Service	474,532	474,532	-
	<u>16,444,160</u>	<u>14,151,109</u>	<u>(2,293,051)</u>
Total Expenditures	<u>\$ 16,444,160</u>	<u>\$ 14,151,109</u>	<u>\$ (2,293,051)</u>

The City historically budgets revenue conservatively to guard against the impact of an unexpected downturn of economic conditions throughout the year. As a result, revenue exceeded budgeted amounts by \$2.6 million. Taxes and licenses and permits exceeded budgets by \$178,000 and \$2.3 million, respectively. Fines & Forfeitures, Charges for Services and Other Revenue exceeded the budget by a total of \$311,892. Intergovernmental revenue failed to meet the budgeted expectations by \$199,000 due to delays on grant-funded projects.

The City budgets expenditures based on realistic estimates of expenses but makes concerted efforts to eliminate unnecessary expenditures and reduce costs whenever possible. All functional areas within the General Fund ended the fiscal year under budgeted amounts, leading to an overall favorable budget variance of \$2.5 million.

CAPITAL ASSETS

The City of Berea’s investments in capital assets for tis governmental and business-type activities as of June 30, 2023, amounts to \$76,651,688 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment and infrastructure. The total increase in the City’s investment in capital assets for the current fiscal year was 2.0%. Increases occur when capital additions exceed depreciation and disposals.

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

	Governmental Activities	Business-type Activities	Total
Beginning Balance	36,758,287	38,366,200	75,124,487
Additions	2,980,004	2,040,483	5,020,487
Retirements (net)	18,102	36,871	54,973
Current Year Depreciaton	1,865,647	2,052,401	3,918,048
Change in CIP	320,642	159,093	479,735
Ending Balance	38,175,184	38,476,504	76,651,688

Major capital asset additions during the year include:

- Purchase of a 2023 Freightliner Grapple Truck for use by Public Works Department for a total of \$199,916.
- Purchase of 2023 Chevy Tahoe for use by the Fire Department for a total of \$46,145.
- Purchase of 2023 Buick Encore for the use by the IT Department for a total of \$27,478.
- Acceptance of 4,757 linear feet of streets, including sidewalks and gutters, in Stoney Creek subdivision, valued at \$1,902,800.
- Purchase of nine (9) police vehicles for a total of \$435,847.
- Renovation of the Ford Building by the Tourism Department for a total cost of \$35,760.
- Purchase of a 2023 Buick Encore for use by the Tourism Department for a total of \$28,664.
- Purchase of a floor scrubber for a cost of \$30,285 which was shared between the Public Works Department and Berea Municipal Utilities Administration.
- Purchase of a 2022 Dodge Ram 1500 for a cost of \$38,299 to be used by Berea Municipal Utilities Administration.
- New electric service additions and electric system upgrades totaling \$52,270.
- Purchase of two trucks to be used by the Electric Department for a cost of \$69,575.
- Acceptance of sewer infrastructure at Vinyard Way, Fincastle and Stoney Creek totaling \$603,840.
- Purchase of a 900-Eco Jet Vac sewer cleaner at a cost of \$499,401 to be used by the Sewer Department.
- Development of a hydraulic modeling system of the sewer system for a total cost of \$60,000, of which \$52,050 was expended in fiscal year 2023.
- Completion of the Chestnut Tank Valve Replacement and Telemetry project, with a total project cost of \$185,610, of which \$176,412 was expended in fiscal year 2023.
- Purchase of a 2022 F150 in the amount of \$31,276 for use by the Water Department.

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

Capital Assets

	Governmental Activities	Business-type Activities	2023 Total Primary Government	2022 Total Primary Government
Land, Buildings & Improvements	\$ 26,820,949	\$ 3,117,781	\$ 29,938,730	\$ 29,800,516
Construction in Progress	679,193	2,789,302	3,468,495	2,998,451
Infrastructure/Utility Plant	21,318,716	71,408,457	92,727,173	89,889,460
Vehicles, Equipment & Other	11,605,311	4,062,503	15,667,814	14,043,868
Total Capital Assets	<u>60,424,169</u>	<u>81,378,043</u>	<u>141,802,212</u>	<u>136,732,295</u>
Less Accumulated Depreciation	<u>(22,248,985)</u>	<u>(42,901,539)</u>	<u>(65,150,524)</u>	<u>(61,607,807)</u>
Total Net Capital Assets	<u>\$ 38,175,184</u>	<u>\$ 38,476,504</u>	<u>\$ 76,651,688</u>	<u>\$ 75,124,488</u>

In addition to purchased capital assets, the City leases capital assets. The net investment in leased assets is \$307,000. Table 7 shows summary totals for the City's leased capital assets.

**Table 7
Leased Assets**

	Governmental Activities	Business-type Activities	2023 Total Primary Government	2022 Total Primary Government
Vehicles, Equipment & Other	615,618	7,912	\$ 623,530	\$ 623,530
Less Accumulated Amortization	<u>(310,742)</u>	<u>(5,275)</u>	<u>\$ (316,017)</u>	<u>\$ (192,446)</u>
Total Net Investment in Leased Assets	<u>\$ 304,876</u>	<u>\$ 2,637</u>	<u>\$ 307,513</u>	<u>\$ 431,084</u>

LONG-TERM OBLIGATIONS

The City's long-term liabilities at June 30, 2023, totaled \$46.9 million, which was a \$5.0 million (12%) increase during the fiscal year. The City made \$2.1 million in debt service principal payments on bonds, loans and lease notes. The proportionate share of the net pension liability and net OPEB liability increased by \$9.2 million for governmental funds related to the adoption of the Hazardous Duty retirement plan for eligible police and fire employees. The proportionate share of the net pension liability and net OPEB liability decreased by \$2.6 million within business-type activities. The City's compensated absences liability increased by \$367,000 (30%) due to increased wages and higher pension costs associated with the Hazardous Duty retirement plan.

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

**Table 8
Long Term Debt**

	Governmental Activities	Business-type Activities	2023 Total Primary Government	2022 Total Primary Government
Bonds Payable	9,948,700	2,745,000	12,693,700	14,164,500
Loans Payable	-	2,808,196	2,808,196	3,329,242
Lease Liability	254,863	2,975	257,838	372,818
Software Agreement Liability	110,192	-	110,192	-
Net Pension Liability	20,632,490	2,436,439	23,068,929	17,564,140
Net OPEB Liability	5,669,292	692,602	6,361,894	5,272,721
Compensated Absences	1,237,339	351,923	1,589,262	1,209,108
Total Debt Outstanding	<u>37,852,876</u>	<u>9,037,135</u>	<u>46,890,011</u>	<u>41,912,529</u>

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS

The economy of the City is impacted by regional industry and business, including major manufacturers, healthcare, government services, and education. Many residents of Berea live within the City and commute elsewhere in the County or region to work. Berea is known for a high-quality of life and desirable schools. The City is home to some of the county’s larger industrial employers. These employers contribute to the economy in Berea based on the number of full time jobs and ongoing capital investments. Hitachi Astemo Americas recently announced a monumental \$153 million investment to expand their current operations in Berea. This substantial capital infusion will allow Hitachi Astemo to increase production capacity and create 167 additional full-time jobs for the community.

The City is also working actively to attract new industrial employers into the industrial park. A project that was started in fiscal year 2022 will be complete in fiscal year 2024 and will provide a pre-engineered 150,000-square-foot, pad-ready site. The project includes initial road infrastructure, utility extensions and tree clearing on a 35-acre parcel in the 87-acre industrial park. This will provide an option for a prospective company to quickly locate in Berea and get up and running more quickly, as opposed to purchasing land, then construction of a workspace.

Berea is also home to the Ignite South, Madison County’s Career Technical Education Center. Opened in August 2022, the center offers various areas of instruction, including diesel engine repair and maintenance, welding, industrial maintenance, as well as business training and marketing. This type of educational facility is of great attraction to local industry as it ensures a capable workforce is available.

The expansion of the Central Kentucky Regional Airport (CKRA) is a joint project between county and two city governments that will have profound economic impact to the region. The project that is set to begin construction in early fiscal year 2024 will expand existing water and sewer infrastructure, allowing the airport to provide better fire suppression capacity and to serve a proposed airport terminal at the site. Plans continue to build a new terminal building, as well as a two-story learning annex to serve the growing aviation program offered by Eastern Kentucky University. The CKRA is within a 30-minute drive of nine industrial centers in central Kentucky, but because the state plans to build a new access road to the facility, and the city of Richmond has

purchased 600 acres for industrial/commercial development near Duncannon Lane, the airport is poised to serve an even greater role in the region's future economic growth.

Berea's economic outlook is also expected to be positively impacted by a recently approved county-wide measure allowing alcohol sales. It has been widely believed that the limited ability to serve or sell alcohol has been a prohibiting factor in attracting chain restaurants or major grocery stores. Residential development is also seeing a surge in the region. Several residential developments have recently been approved which will provide additional supply to meet the growing demand for housing in Berea. The completion of the Berea Bypass Phase II will continue to provide opportunities for future development of both residential and commercial development.

Overall, the economy in the City seems relatively stable with a reason for optimism that the City will grow at an exciting rate. The fiscal year 2024 budget is indicative of this optimism, but maintains a conservative approach, allowing for economic uncertainties. The 2024 Budget illustrates the financial strength and progressive nature of the City and its leaders. It 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.

General Fund

The proposed fiscal year 2024 revenue budget is \$17.1 million. This is a \$3.1 million increase from last year's projections. The general fund is anticipating increases in several expenditure items for the fiscal year 2024 budget. Most of these increases, including the largest expense for the general fund (personnel) are related to inflation. During fiscal year 2023, the City utilized an independent third party to perform a classification and compensation study. Based on the recommendations of the study, pay adjustments will be spread over a two-year period, beginning with the fiscal year 2024 budget.

In addition to the pay scale adjustments described above, the fiscal year 2024 budget reflects a 3% cost of living adjustment (COLA) for all full-time employee. Also reflected in the budget is an increase in health insurance costs due to high claims throughout the plan year. Fortunately, the County Employer Retirement System (CERS) rates decreased this year. Non-hazardous retirement contributions went down by 3.56% and hazardous duty decreased by 5.9%. The decrease saved our general fund budget over \$240,000, and our utilities budget over \$40,000, which certainly helped to offset the increased costs for wages and health insurance. The CERS rates have already been set at a reduction for fiscal year 2025 as well.

There are also across the board increases in meals and travel, fuel, and several utility expenses. Most departments have requested increases for the repair and maintenance and supply line items. There is a notable increase to 911 support, and a decrease for cleaning services, which was brought in-house, and has been placed into the Public Works budget.

As the City grows, the demand for our services has increased, and we are trying to work smart and more efficiently with our current staff by taking advantage of technological advancement instead of hiring more people. Most of the other impactful expenditure increases are due to capital needs or one-time projects.

Municipal Road Aid

This fund is used to maintain our city streets. Funding for Municipal Road Aid is received from the State of Kentucky Transportation Cabinet and is projected to be just over \$300K for this fiscal year. Over the years we have seen a decline in this funding source because the distribution formula is based on the state gas tax. By the time fiscal year 2023 is over, we will have spent around \$1 million dollars resurfacing city streets with the bulk of this being funded through ARPA. Our goal is

to keep a reserve balance in the Municipal Road Aid fund in case of an emergency, and to continue to invest in streets to the best of our ability.

Tourism

The primary sources of revenue for the tourism fund are the transient room tax and the restaurant tax. Tourism fund revenues remained strong in 2022-2023. The Tourism Commission has budgeted total revenue of \$1.48M for fiscal year 2024 which is a \$205,000 increase from the fiscal year 2023 revenue budget. This projected increase is due to strong revenue from restaurant and transient room taxes. Expenditures for the Tourism Fund are up nearly 18% this fiscal year. This increase can mainly be contributed to the Tolle building remodel. This was in the budget last fiscal year but did not get completed. We are optimistic that this project will be completed this year. In addition, we have added another full-time staff member to the team in an effort to better support the Director position which was recently combined with business development.

Berea Municipal Utilities

The Utilities Fund is a proprietary fund that accounts for the operations of Berea Municipal Utilities. Revenue is derived from charging for electric, water, and sewer services. The utilities budget remains supportive of the daily activities and provides funds to complete the following scheduled projects in electric, water, and sewer departments.

Electric

- Continued upgrades to the distribution system including circuit breaker and switching improvements for improved system reliability.
- AMI metering installation enabling future rate flexibility to the utility and customers.

Water

- Continued galvanized line replacement and line upsizing program will improve overall water quality and service to our customers.
- B-Lake spillway and earthwork to repair deficiencies noted in Corrective Action Plan.
- Kale Lake repair/abandonment study and design
- Upgrade Owsley Fork Dam.
- AMI metering upgrade project

Wastewater

- Sewer line replacement and rehabilitation. Repairs and improvements to sewer collection to combat I & I issues.
- Cleaner Water Program round 1 grant for Brushy Fork sanitary sewer rehabilitation project.
- Cleaner Water Program round 2 grant for the HWY 595 pumpstation project.
- Press system replacement.
- WWTP grit pump and clarifier upgrades,
- Asset management program for the collection system
- Numerous leachate plant upgrades for the treatment process.

Concluding Comments

The City of Berea will, as always, reinforce the philosophy of only purchasing that which is deemed necessary to provide city services at the best costs. We anticipate that the growth in the community will continue as current trends have shown no signs of slowing down. However, increased costs due to sharp inflation are still notable. Rising costs in health insurance, supplies, fuel, equipment, vehicles, and personnel are all concerning issues as we try to provide the services that the citizens of Berea expect with the revenues collected by taxes.

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, 2023

	Primary Government			(Restated)
	Governmental Activities	Business-Type Activities	Total	2022 Totals
Assets				
Current assets				
Cash and cash equivalents	\$ 6,220,745	\$ 4,315,739	\$ 10,536,484	\$ 13,716,550
Investments	15,426,946	15,809,407	31,236,353	17,593,909
Receivables, net	2,638,874	2,709,004	5,347,878	5,154,260
Other receivables	128,413	86,365	214,778	129,847
Lease receivables - current	21,937	-	21,937	21,061
Interest receivable	20,585	31,948	52,533	3,889
Internal activity	167,592	(167,592)	-	-
Other assets	24,112	-	24,112	16,897
Total current assets	<u>24,649,204</u>	<u>22,784,871</u>	<u>47,434,075</u>	<u>36,636,413</u>
Noncurrent assets				
Restricted cash and cash equivalents	2,675,699	4,980,225	7,655,924	14,403,595
Inventory	-	862,597	862,597	815,980
Lease receivables - noncurrent	75,786	-	75,786	97,723
Intangible right-to-use assets	304,876	2,637	307,513	431,084
Intangible right-to-use software	142,554	-	142,554	-
Capital assets, net	38,175,184	38,476,504	76,651,688	75,124,488
Total noncurrent assets	<u>41,374,099</u>	<u>44,321,963</u>	<u>85,696,062</u>	<u>90,872,870</u>
Total assets	<u>66,023,303</u>	<u>67,106,834</u>	<u>133,130,137</u>	<u>127,509,283</u>
Deferred Outflows of Resources				
Deferred outflows - pension	12,667,033	1,094,198	13,761,231	3,698,913
Deferred outflows - OPEB	5,137,401	654,227	5,791,628	3,384,041
Defeasance on refunding	-	166,108	166,108	249,162
Total deferred outflows of resources	<u>17,804,434</u>	<u>1,914,533</u>	<u>19,718,967</u>	<u>7,332,116</u>
Total assets and deferred outflows of resources	<u>\$ 83,827,737</u>	<u>\$ 69,021,367</u>	<u>\$ 152,849,104</u>	<u>\$ 134,841,399</u>
Liabilities				
Current liabilities				
Accounts payable	\$ 1,000,896	\$ 924,340	\$ 1,925,236	\$ 1,577,539
Accrued payroll	558,083	46,652	604,735	824,097
Accrued taxes and other liabilities	2,354	128,789	131,143	169,666
Accrued interest payable	151,781	2,340	154,121	163,016
Unearned revenue	34,517	-	34,517	80,333
Customer deposits	-	819,289	819,289	766,509
Compensated absences	267,914	85,467	353,381	12,804
Grant advance	2,200,532	-	2,200,532	4,055,477
Current portion of lease liabilities	112,743	1,778	114,521	114,982
Current portion of long-term debt	160,600	1,893,540	2,054,140	2,009,116
Current portion of leases - SBITAs	26,143	-	26,143	-
Total current liabilities	<u>4,515,563</u>	<u>3,902,195</u>	<u>8,417,758</u>	<u>9,773,539</u>
Noncurrent liabilities				
Compensated absences	969,425	266,456	1,235,881	1,209,108
Noncurrent portion of long-term debt	9,788,100	3,694,199	13,482,299	15,536,437
Net pension liability	20,632,490	2,436,439	23,068,929	17,564,140
Net OPEB liability	5,669,292	692,602	6,361,894	5,272,721
Lease liabilities	142,120	1,197	143,317	257,836
Lease - SBITAs	84,049	-	84,049	-
Total noncurrent liabilities	<u>37,285,476</u>	<u>7,090,893</u>	<u>44,376,369</u>	<u>39,840,242</u>
Total liabilities	<u>41,801,039</u>	<u>10,993,088</u>	<u>52,794,127</u>	<u>49,613,781</u>
Deferred Inflows of Resources				
Deferred inflows - leases	67,671	-	67,671	81,873
Deferred inflows - pension	5,142,458	2,171,903	7,314,361	3,192,841
Deferred inflows - OPEB	3,425,662	1,146,767	4,572,429	2,672,414
Total deferred inflows of resources	<u>8,635,791</u>	<u>3,318,670</u>	<u>11,954,461</u>	<u>5,947,128</u>
Total liabilities and deferred inflows of resources	<u>50,436,830</u>	<u>14,311,758</u>	<u>64,748,588</u>	<u>55,560,909</u>
Net Position				
Net investment in capital assets	28,226,484	32,888,765	61,115,249	57,578,935
Restricted for				
Debt service	-	1,049,056	1,049,056	1,020,407
Depreciation	-	3,931,169	3,931,169	9,290,360
Other purposes	376,725	-	376,725	393,274
Unrestricted	4,787,698	16,840,619	21,628,317	10,997,514
Total net position	<u>33,390,907</u>	<u>54,709,609</u>	<u>88,100,516</u>	<u>79,280,490</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 83,827,737</u>	<u>\$ 69,021,367</u>	<u>\$ 152,849,104</u>	<u>\$ 134,841,399</u>

City of Berea, Kentucky
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net Revenue (Expense)			(Restated) 2022 Totals
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government									
Governmental Activities									
General government	\$ 3,645,759	\$ (240,455)	\$ -	\$ 2,174,780	\$ -	\$ (1,230,524)	\$ -	\$ (1,230,524)	\$ (1,967,870)
Public works	2,525,452	-	-	283,956	1,902,800	(338,696)	-	(338,696)	(2,706,650)
Public safety - fire	3,851,233	-	-	235,107	-	(3,616,126)	-	(3,616,126)	(2,199,554)
Public safety - police	5,874,096	-	23,682	492,661	-	(5,357,753)	-	(5,357,753)	(3,462,468)
Codes enforcement	447,513	-	22,440	-	-	(425,073)	-	(425,073)	(484,591)
GIS/Surveying	78,648	-	-	-	-	(78,648)	-	(78,648)	(151,936)
Business development	130,757	-	-	-	-	(130,757)	-	(130,757)	(163,907)
Tourism	938,463	56,332	120,680	216,632	-	(657,483)	-	(657,483)	(652,294)
Information technology	247,151	-	-	-	-	(247,151)	-	(247,151)	(260,969)
Interest on long-term debt	310,271	-	-	-	-	(310,271)	-	(310,271)	(328,908)
Parks and recreation	981,948	-	89,395	300,000	96,900	(495,653)	-	(495,653)	(938,553)
Total governmental activities	19,031,291	(184,123)	256,197	3,703,136	1,999,700	(12,888,135)	-	(12,888,135)	(13,317,700)
Business-Type Activities									
Electric	9,003,980	61,375	12,467,758	-	1,300	-	3,403,703	3,403,703	3,146,546
Water	2,496,177	61,374	3,400,235	-	59,698	-	902,382	902,382	459,965
Sewer	2,731,764	61,374	2,926,862	-	700,640	-	834,364	834,364	559,791
Total business-type activities	14,231,921	184,123	18,794,855	-	761,638	-	5,140,449	5,140,449	4,166,302
Total	\$ 33,263,212	\$ -	\$ 19,051,052	\$ 3,703,136	\$ 2,761,338	(12,888,135)	5,140,449	(7,747,686)	(9,151,398)
General revenues									
Taxes:									
Property taxes, levied for general purposes						1,190,571	-	1,190,571	1,098,178
Transient room tax						252,549	-	252,549	207,994
Restaurant tax						1,512,975	-	1,512,975	1,373,625
Licenses fees:									
Franchise						1,337,407	-	1,337,407	1,203,942
Payroll						8,289,980	-	8,289,980	7,346,153
Insurance premiums						1,333,224	-	1,333,224	1,172,089
Net profits						1,310,628	-	1,310,628	1,400,830
Alcoholic beverage control						54,538	-	54,538	33,936
Permits:									
Building						159,876	-	159,876	175,742
Electric						92,086	-	92,086	104,725
Other						1,525	-	1,525	2,575
Investment income						329,490	320,829	650,319	84,272
Miscellaneous						387,362	-	387,362	159,796
Total general revenues						16,252,211	320,829	16,573,040	14,363,857
Transfers						567,124	(567,124)	-	-
Gain/(loss) on disposal of capital assets						12,346	(17,674)	(5,328)	286,418
Change in net position						3,943,546	4,876,480	8,820,026	5,498,877
Net position, beginning, as originally stated						33,502,838	49,833,129	83,335,967	73,781,613
Prior period adjustment (see note 19)						(4,055,477)	-	(4,055,477)	-
Net position, beginning, as restated						29,447,361	49,833,129	79,280,490	73,781,613
Net position, ending						\$ 33,390,907	\$ 54,709,609	\$ 88,100,516	\$ 79,280,490

City of Berea, Kentucky
Balance Sheet - Governmental Funds
June 30, 2023

	General Fund	American Rescue Plan Act Fund (ARPA)	Tourism Fund	Other Governmental Funds	Total Governmental Funds	(Restated) 2022 Totals
Assets						
Cash and cash equivalents	\$ 3,409,805	\$ -	\$ 1,746,262	\$ 1,064,678	\$ 6,220,745	\$ 8,399,321
Restricted cash and cash equivalents	-	2,675,699	-	-	2,675,699	4,092,828
Investments	14,059,105	-	1,254,916	112,925	15,426,946	10,220,646
Receivables, net	1,971,906	-	337,042	329,963	2,638,911	2,125,340
Other receivables	-	13,337	-	115,076	128,413	-
Interest receivable	20,433	-	152	-	20,585	2,433
Other assets	-	-	-	24,112	24,112	16,897
Due from other funds	182,309	-	-	18,918	201,227	173,134
Total assets	\$ 19,643,558	\$ 2,689,036	\$ 3,338,372	\$ 1,665,672	\$ 27,336,638	\$ 25,030,599
Liabilities, Deferred Inflows, and Fund Balances						
Liabilities						
Accounts payable	\$ 182,822	\$ 486,078	\$ 30,861	\$ 301,135	\$ 1,000,896	\$ 304,908
Accrued payroll and related liabilities	550,758	-	7,325	-	558,083	693,773
Accrued taxes and other liabilities	1,354	-	1,000	-	2,354	3,702
Compensated absences	-	-	-	-	-	12,136
Grant advance	-	2,200,532	-	-	2,200,532	4,055,477
Unearned revenue	-	-	-	34,517	34,517	76,833
Due to other funds	18,918	-	14,717	-	33,635	30,957
Total liabilities	753,852	2,686,610	53,903	335,652	3,830,017	5,177,786
Deferred inflows - unavailable revenue	-	-	-	300,000	300,000	-
Fund Balances						
Nonspendable	-	-	-	24,112	24,112	16,897
Restricted	-	-	-	442,480	442,480	393,274
Committed	7,200,000	-	-	-	7,200,000	6,550,000
Assigned	2,645,845	2,426	3,284,469	563,428	6,496,168	4,945,979
Unassigned	9,043,861	-	-	-	9,043,861	7,946,663
Total fund balance	18,889,706	2,426	3,284,469	1,030,020	23,206,621	19,852,813
Total liabilities, deferred inflows, and fund balances	\$ 19,643,558	\$ 2,689,036	\$ 3,338,372	\$ 1,665,672	\$ 27,336,638	\$ 25,030,599

**City of Berea, Kentucky
Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Position
June 30, 2023**

Fund balances- total governmental funds		\$ 23,206,621
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 \$22,248,985.		38,175,184
Leased assets and software used in governmental activities are not financial resources and therefore are not reported in the fund financial statements, net of accumulated amortization of \$388,697.		
Intangible right-to-use assets	304,876	
Intangible right-to-use software	<u>142,554</u>	447,430
Lease receivables reported in governmental activities are not financial resources and therefore are not reported in the fund financial statements.		97,723
Contribution receivable reported in governmental activities are not in the period of availability and is therefore not reported in the fund financial statements.		300,000
Interest accrued on general long term debt is not a current expenditure and is not reported in the funds.		(151,781)
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	17,804,434	
Deferred inflows related to pension and OPEB	(8,568,120)	
Deferred inflows leases	<u>(67,671)</u>	9,168,643
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	(9,948,737)	
Lease liability	(254,863)	
Software agreement liabilities	(110,192)	
Compensated absences	(1,237,339)	
Net pension liability	(20,632,490)	
Net OPEB liability	<u>(5,669,292)</u>	<u>(37,852,913)</u>
Net Position of governmental activities		<u>\$ 33,390,907</u>

See accompanying notes to financial statements.

City of Berea, Kentucky
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2023

	General Fund	American Rescue Plan Act Fund (ARPA)	Tourism Fund	Other Governmental Funds	Total Governmental Funds	(Restated) 2022 Totals
Revenues						
Taxes	\$ 1,190,571	\$ -	\$ 1,765,524	\$ -	\$ 2,956,095	\$ 2,679,797
Licenses and permits	12,579,264	-	-	-	12,579,264	11,439,992
Intergovernmental revenue	930,322	1,854,945	216,631	351,930	3,353,828	1,624,138
Charges for services	375,973	-	59,959	60,721	496,653	406,085
Fines and forfeits	76,829	-	3,467	-	80,296	42,596
Other revenues	187,290	2,426	51,691	140,041	381,448	147,445
Total revenue	15,340,249	1,857,371	2,097,272	552,692	19,847,584	16,340,053
Expenditures						
General administration	2,343,795	-	-	18,654	2,362,449	2,201,255
Public works	1,970,418	900,000	-	301,101	3,171,519	2,152,755
Public safety-fire	2,747,938	-	-	-	2,747,938	2,283,985
Public safety-police	4,178,232	-	-	2,000	4,180,232	3,719,848
Parks and recreation	847,910	-	-	-	847,910	779,747
Tourism	-	-	930,996	70,222	1,001,218	678,560
Codes enforcement	525,084	-	-	-	525,084	454,484
GIS/Surveying	94,891	-	-	-	94,891	117,254
Business development	156,493	-	-	-	156,493	151,257
Information technology	310,747	-	-	-	310,747	248,418
Debt service	474,532	-	-	-	474,532	1,088,525
Capital outlay	611,261	554,945	94,474	379,125	1,639,805	1,498,666
Total expenditures	14,261,301	1,454,945	1,025,470	771,102	17,512,818	15,374,754
Excess of revenues over (under) expenditures	1,078,948	402,426	1,071,802	(218,410)	2,334,766	965,299
Other Financing Sources (Uses)						
Proceeds from sale of assets	30,448	-	-	-	30,448	351,966
Interest and investment income	290,217	-	-	-	290,217	26,710
Lease and SBITA proceeds	131,253	-	-	-	131,253	-
Financing proceeds	-	-	-	-	-	30,436
Transfers to (from) other funds	967,124	(400,000)	-	-	567,124	549,931
Total other financing uses	1,419,042	(400,000)	-	-	1,019,042	959,043
Net Change in Fund Balance	2,497,990	2,426	1,071,802	(218,410)	3,353,808	1,924,342
Fund balances, beginning, as originally stated	16,391,716	4,055,477	2,212,667	1,248,430	23,908,290	17,928,471
Prior period adjustment (see note 19)	-	(4,055,477)	-	-	(4,055,477)	-
Fund balance, beginning, as restated	16,391,716	-	2,212,667	1,248,430	19,852,813	17,928,471
Fund Balances, Ending	\$ 18,889,706	\$ 2,426	\$ 3,284,469	\$ 1,030,020	\$ 23,206,621	\$ 19,852,813

**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, 2023**

Net change in fund balances - total governmental funds		\$ 3,353,808
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	1,461,613	
Gain on sale of assets	12,346	
Proceeds from disposal of assets	(30,448)	
Depreciation expense	(1,865,644)	(422,133)
Governmental funds report receipts from leases as revenue while governmental activities recognize the revenue over the life of the lease.		
Lease receipts	(21,061)	
Changes in deferred inflows - leases	14,198	(6,863)
Governmental funds report lease payments as expenditures while principal reduces the lease liability in the statement of net position. Governmental activities report amortization expense to allocate those expenditures over the life of the lease:		
Amortization expense	(121,988)	(121,988)
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 - principal payments	155,800	
Changes in accrued interest on long term debt	2,470	158,270
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 - principal payments	113,350	
Lease liability SBITAs expenditures - principal payments	30,000	143,350
Certain receivables that do not provide current financial resources are not reported as revenue in the funds.		
Contribution revenue		300,000
Compensated absences are not payable from current year resources and are not reported as expenditures of the current year. In the Statement of activities, these costs represent expenses of the current year.		
Change in long term compensated absences		(356,748)
The net pension and OPEB expense are on actuarial calculations and do not require the use of current financial resources and they are excluded as an expenditure in governmental funds. Additionally, since the current year contributions to the pension and OPEB plans will be included in the subsequent year's pension expense calculation, those contributions should not be considered in the government-wide statements.		
Net OPEB liability	(39,611)	
Net pension liability	935,461	895,850
Change in Net Position of Governmental Activities		\$ 3,943,546

See accompanying notes to financial statements.

City of Berea, Kentucky
Statement of Net Position - Proprietary Fund
June 30, 2023

Assets	<u>2023</u>	<u>2022</u>
Current assets		
Cash and cash equivalents	\$ 4,315,739	\$ 5,317,229
Investments	15,809,407	7,373,263
Receivables, net	2,709,004	3,028,920
Grant receivables	58,983	91,575
Other receivables	27,382	38,272
Interest receivable	31,948	1,456
	<hr/>	<hr/>
Total current assets	22,952,463	15,850,715
Noncurrent assets		
Restricted cash and cash equivalents	4,980,225	10,310,767
Inventory	862,597	815,980
Net investment in leased assets	2,637	4,220
Capital assets, net	38,476,504	38,366,200
	<hr/>	<hr/>
Total noncurrent assets	44,321,963	49,497,167
	<hr/>	<hr/>
Total assets	67,274,426	65,347,882
Deferred Outflows of Resources		
Deferred outflows - pension	1,094,198	743,590
Deferred outflows - OPEB	654,227	747,019
Defeasance on refunding	166,108	249,162
	<hr/>	<hr/>
Total deferred outflows of resources	1,914,533	1,739,771
	<hr/>	<hr/>
Total assets and deferred outflows of resources	<u>\$ 69,188,959</u>	<u>\$ 67,087,653</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 924,344	\$ 1,272,630
Accrued payroll and related liabilities	46,652	130,324
Accrued taxes and other liabilities	128,789	165,964
Accrued interest payable	2,340	2,774
Customer deposits	819,289	766,509
Deferred revenue	-	3,500
Lease liability - current	1,778	1,630
Compensated absences - current	85,463	668
Bonds, notes, and loans payable	1,893,540	1,853,316
Due to other funds	167,592	142,177
	<hr/>	<hr/>
Total current liabilities	4,069,787	4,339,492
Noncurrent liabilities		
Compensated absences	266,456	295,356
Bonds, notes, and loans payable	3,694,199	5,587,737
Net OPEB liability	692,602	1,333,117
Net pension liability	2,436,439	4,403,053
Lease liability	1,197	2,975
	<hr/>	<hr/>
Total noncurrent liabilities	7,090,893	11,622,238
	<hr/>	<hr/>
Total liabilities	11,160,680	15,961,730
Deferred Inflows of Resources		
Deferred inflows - pension	2,171,903	698,771
Deferred inflows - OPEB	1,146,767	594,023
	<hr/>	<hr/>
Total deferred inflows of resources	3,318,670	1,292,794
Net Position		
Net investment in capital assets	32,888,765	30,925,147
Restricted for debt service	1,049,056	1,020,407
Restricted for depreciation reserve	3,931,169	9,290,360
Unrestricted	16,840,619	8,597,215
	<hr/>	<hr/>
Total net position	54,709,609	49,833,129
	<hr/>	<hr/>
Total liabilities, deferred inflows of resources and net position	<u>\$ 69,188,959</u>	<u>\$ 67,087,653</u>

City of Berea, Kentucky
Statement of Revenues, Expenditures and Changes in Net Position - Proprietary Fund
For the Year Ended June 30, 2023

	2023	2022
Operating Revenues		
Electric service	\$ 11,935,427	\$ 12,081,780
Water service	3,396,282	3,344,256
Sewer service	2,926,862	2,924,922
Other revenues	535,026	553,204
Total operating revenues	18,793,597	18,904,162
Operating Expenses		
Administration	1,635,235	1,654,928
Electric	7,871,824	8,250,328
Water	1,304,862	1,557,900
Sewer	1,343,237	1,401,758
Depreciation and amortization	2,053,983	2,091,201
Total operating expenses	14,209,141	14,956,115
Operating income	4,584,456	3,948,047
Nonoperating Revenues (Expenses)		
Interest and investment revenue	320,829	31,285
Interest expense	(205,645)	(246,156)
Gain (Loss) on disposal of capital assets	(17,674)	3,250
Total nonoperating revenues (expenses)	97,510	(211,621)
Income before capital contributions and transfers	4,681,966	3,736,426
Capital contributions		
Electric, water and sewer connection fees	100,650	99,375
Infrastructure	603,840	16,500
Grant revenues	57,148	348,536
Transfers to other funds	(567,124)	(549,931)
Change in Net Position	4,876,480	3,650,906
Net Position, beginning	49,833,129	46,182,223
Net Position, Ending	\$ 54,709,609	\$ 49,833,129

City of Berea, Kentucky
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2023

	2023	2022
Cash flows from operating activities		
Receipts from customers	\$ 19,221,584	\$ 18,846,985
Payments to suppliers	(10,732,653)	(10,285,453)
Payments to employee services and benefits	(2,721,429)	(2,575,388)
	5,767,502	5,986,144
Cash flows from non-capital financing activities		
Operating transfers	(541,708)	(684,526)
Cash flows from capital and related financing activities		
Electric, water, and sewer connection fees	100,650	201,395
Grants received	89,740	348,536
Principal paid on lease liability	(1,630)	(1,497)
Principal paid on capital debt	(1,836,046)	(1,818,145)
Purchases of capital assets and construction in progress	(1,595,736)	(1,749,034)
Proceeds from sale of capital assets	10,000	3,250
Interest paid on capital debt	(139,861)	(180,372)
	(3,372,883)	(3,195,867)
Cash flows from investing activities		
Investment activity, net	(8,224,065)	(22,621)
Interest and dividends	39,122	31,285
	(8,184,943)	8,664
Net (decrease) increase in cash and cash equivalents	(6,332,032)	2,114,415
Balances - beginning of the year	15,627,996	13,513,581
Balances - end of the year	\$ 9,295,964	\$ 15,627,996
Shown in financial statements as:		
Cash and cash equivalents	\$ 4,315,739	\$ 5,317,229
Restricted cash	4,980,225	10,310,767
	\$ 9,295,964	\$ 15,627,996
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 4,584,456	\$ 3,948,047
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	2,053,983	2,091,201
Bad debt expense	45,801	-
Change in assets and liabilities:		
Receivables, net	332,906	(99,287)
Inventory	(46,617)	(130,370)
Accounts payable	(348,286)	(10,721)
Accrued payroll and related liabilities	(83,672)	17,046
Accrued taxes and other liabilities	(37,175)	(1,801)
Customer deposits	52,780	38,610
Deferred revenue	(3,500)	3,500
Accrued vacation, sick and holiday	55,895	(10,830)
Net pension and OPEB liability	(839,069)	140,749
	\$ 5,767,502	\$ 5,986,144

City of Berea, Kentucky
Notes to Financial Statements
June 30, 2023

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

The Berea Industrial Development Authority (the "Authority") was created by Ordinance No. 18.86, adopted November 25, 1986, pursuant to KRS 154.50-316. The Authority was created to promote the gainful employment, business and economic development opportunities and general welfare of the citizens and residents of the City. 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 the 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, 2023

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 the intent of the governing body is that costs of providing services are to be financed or recovered primarily through user charges.

The following funds are used by the City:

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.

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

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

Urban Wildlife Preserve Fund - This fund accounts for a restricted contribution to maintain and improve the property bequeathed to the City at 188 East Haiti Road and 190 East Haiti Road, Berea, Kentucky.

City of Berea, Kentucky
Notes to Financial Statements
June 30, 2023

Note 1 - Summary of Significant Accounting Policies (Continued)

Proprietary Fund

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.

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. The city has defined "Available" as received within 45 days of year end. Expenditures, other than interest on long-term debt, are typically recorded when the liability is incurred. Permits, fines and forfeits, and miscellaneous revenues (except for investment earnings) are recorded as revenues when received because they are generally not measurable until actually received. Investment earnings are recorded when earned since they are measurable and available in all funds.

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

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.

City of Berea, Kentucky
Notes to Financial Statements
June 30, 2023

Note 1 - Summary of Significant Accounting Policies (Continued)

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 that are reported at cost and United State treasuries that are reported at fair market value. These funds are invested for periods that comply with cash flow requirements of bond ordinances and general government services.

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.

Leases

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

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, 2023

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.

Reclassifications

Certain reclassifications have been made in the prior year's amounts to conform with current year statement presentation.

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

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

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

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

City of Berea, Kentucky
Notes to Financial Statements
June 30, 2023

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.

As of June 30, 2023, fund balances are composed of the following:

	General Fund	ARPA Fund	Tourism Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable	\$ -	\$ -	\$ -	\$ 24,112	\$ 24,112
Restricted:					
Law Enforcement	-	-	-	95,996	95,996
Road surface repairs	-	-	-	280,729	280,729
Opioid Abatement	-	-	-	65,755	65,755
Committed:					
Capital additions	-	-	-	-	-
Capital sinking fund	3,750,000	-	-	-	3,750,000
Fund balance reserve	3,450,000	-	-	-	3,450,000
Assigned:					
Debt service	594,539	-	-	-	594,539
Other purposes	2,051,306	2,426	3,284,469	563,428	5,901,629
Unassigned	9,043,861	-	-	-	9,043,861
Total fund balances	<u>\$ 18,889,706</u>	<u>\$ 2,426</u>	<u>\$ 3,284,469</u>	<u>\$ 1,030,020</u>	<u>\$ 23,206,621</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.

City of Berea, Kentucky
Notes to Financial Statements
June 30, 2023

Note 1 - Summary of Significant Accounting Policies (Continued)

Other Accounting Policies

Inventory is recorded at average cost.

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

The following statements will become effective in future periods:

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.

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 30 months from the date of purchase.

Custodial Credit Risk

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

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 \$37,950,369 at June 30, 2023. At June 30, 2023, federal depository insurance covered \$1,000,000 of the City's deposits. The remainder is covered by \$37,950,369 of collateral pledged in the City's name by the custodial banks.

City of Berea, Kentucky
Notes to Financial Statements
June 30, 2023

Note 2 - Cash and Investments (Continued)

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.

Note 3 - Fair Value of Investments

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

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

The City's investments at June 30, 2023, consist of certificates and deposits and United States treasuries with maturities of one year or less.

Governmental activities

Investments by Fair Value	June 30, 2023	Quoted Prices in Active Markets for Identical Asset (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 82,545	\$ -	\$ 82,545	\$ -
United States treasuries	5,561,393	-	5,561,393	-
Total Investments by Fair Value Level	5,643,938	\$ -	\$ 5,643,938	\$ -
Cash	524,342			
Certificates of deposit	9,258,666			
Total Investments	\$ 15,426,946			

City of Berea, Kentucky
Notes to Financial Statements
June 30, 2023

Note 3 - Fair Value of Investments (Continued)

Business-type activities

Investments by Fair Value	June 30, 2023	Quoted Prices in Active Markets for Identical Asset (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 115,040	\$ -	\$ 115,040	\$ -
United States treasuries	5,797,016	-	5,797,016	-
Total Investments by Fair Value Level	5,912,056	\$ -	\$ 5,912,056	\$ -
Cash	263,618			
Certificates of deposit	9,633,733			
Total Investments	\$ 15,809,407			

During 2023, the City realized a net gain of \$57,380 for governmental activities and \$45,561 for business-type activities from sale of investments. The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net increase in the fair value of investments during 2023 was \$168,280 for governmental activities and \$175,674 for business-type activities. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized gain on investments held at year-end was \$50,417 for governmental activities and \$54,861 for business-type activities.

Note 4 - Receivables

Receivables are recognized when earned. 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:

	General Fund	ARPA Fund	Tourism Fund	Nonmajor Fund	Governmental Funds
Governmental Funds:					
Taxes	\$ 129,974	\$ -	\$ 337,042	\$ -	\$ 467,016
Licenses, permits, billings	1,778,788	-	-	-	1,778,788
Charges for service	270	-	-	-	270
Intergovernmental	87,500	-	-	29,926	117,426
Contribution	-	-	-	300,000	300,000
Other	52,374	-	-	-	52,374
Gross receivables	2,048,906	-	337,042	329,926	2,715,874
Less: allowance for uncollectible	(77,000)	-	-	-	(77,000)
Net receivables	<u>\$ 1,971,906</u>	<u>\$ -</u>	<u>\$ 337,042</u>	<u>\$ 329,926</u>	<u>\$ 2,638,874</u>
Business-type Activities:					
Customer	\$ 2,774,004				
Less: allowance for uncollectible	(65,000)				
Net receivables	<u>\$ 2,709,004</u>				

City of Berea, Kentucky
Notes to Financial Statements
June 30, 2023

Note 4 - Receivables (Continued)

Leases Receivables

The City is reporting leases receivables of \$97,723 at June 30, 2023. For fiscal year 2023, the City reported lease revenue of \$14,198 and interest revenue of \$6,863 related to lease payments received. These leases are summarized as follows:

<u>Lease</u>	<u>Lease Receivable</u>	<u>Lease Revenue</u>	<u>Lease Interest Revenue</u>
Cell Tower	\$ 85,451	\$ 7,458	\$ 2,714
Menelaus Road Farm	12,272	6,740	726
 Total	 \$ 97,723	 \$ 14,198	 \$ 3,440

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.

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 21,937	\$ 2,800
2025	10,204	2,135
2026	10,765	1,821
2027	11,347	1,490
2028	11,953	1,142
Thereafter	31,517	1,205
 Total	 \$ 97,723	 \$ 10,593

City of Berea, Kentucky
Notes to Financial Statements
June 30, 2023

Note 5 - Capital Assets

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

	July 1, 2022	Additions	Deductions	June 30, 2023
Governmental Activities:				
Capital assets not depreciated:				
Land	\$ 5,850,213	\$ 9,691	\$ -	\$ 5,859,904
Construction in progress	368,242	471,617	(160,666)	679,193
Totals	<u>6,218,455</u>	<u>481,308</u>	<u>(160,666)</u>	<u>6,539,097</u>
Capital assets being depreciated:				
Buildings and improvements	19,669,019	161,885	(37,926)	19,792,978
Land improvements	1,151,606	16,461	-	1,168,067
Software	316,915	18,359	(22,252)	313,022
Vehicles and equipment	10,488,178	880,499	(76,388)	11,292,289
Infrastructure assets	19,415,916	1,902,800	-	21,318,716
Total depreciable assets	<u>51,041,634</u>	<u>2,980,004</u>	<u>(136,566)</u>	<u>53,885,072</u>
Less accumulated depreciation:				
Buildings and improvements	(6,690,346)	(550,381)	23,739	(7,216,988)
Land improvements	(498,556)	(45,839)	-	(544,395)
Software	(316,915)	(9,180)	22,252	(303,843)
Vehicles and equipment	(6,918,007)	(611,869)	72,473	(7,457,403)
Infrastructure assets	(6,077,978)	(648,378)	-	(6,726,356)
Totals	<u>(20,501,802)</u>	<u>(1,865,647)</u>	<u>118,464</u>	<u>(22,248,985)</u>
Depreciable capital assets, net	<u>30,539,832</u>	<u>1,114,357</u>	<u>(18,102)</u>	<u>31,636,087</u>
Total capital assets, net	<u>\$36,758,287</u>	<u>\$ 1,595,665</u>	<u>\$ (178,768)</u>	<u>\$ 38,175,184</u>
Business-type Activities:				
Capital assets not depreciated:				
Land and easements	\$ 264,243	\$ -	\$ -	\$ 264,243
Construction in progress	2,630,209	409,755	(250,662)	2,789,302
Totals	<u>2,894,452</u>	<u>409,755</u>	<u>(250,662)</u>	<u>3,053,545</u>
Capital assets being depreciated:				
Land improvements	84,200	-	-	84,200
Buildings and improvements	2,781,234	-	(11,896)	2,769,338
Electric system	15,401,341	131,345	(43,747)	15,488,939
Water system	19,117,193	247,992	(9,198)	19,355,987
Plant and sewer system	35,955,008	722,043	(113,520)	36,563,531
Vehicles and equipment	3,238,776	939,103	(115,376)	4,062,503
Totals	<u>76,577,752</u>	<u>2,040,483</u>	<u>(293,737)</u>	<u>78,324,498</u>
Less accumulated depreciation	<u>(41,106,004)</u>	<u>(2,052,401)</u>	<u>256,866</u>	<u>(42,901,539)</u>
Depreciable capital assets, net	<u>35,471,748</u>	<u>(11,918)</u>	<u>(36,871)</u>	<u>35,422,959</u>
Total capital assets, net	<u>\$38,366,200</u>	<u>\$ 397,837</u>	<u>\$ (287,533)</u>	<u>\$ 38,476,504</u>

City of Berea, Kentucky
Notes to Financial Statements
June 30, 2023

Note 5 - Capital Assets (Continued)

Depreciation expense was charged to the Governmental functions as follows:

General government	\$ 507,517
Police	236,150
Fire	131,884
Public works	678,481
Parks and recreation	216,058
Codes enforcement	13,271
GIS/Surveying	11,357
Tourism	70,929
Total depreciation expense	<u>\$ 1,865,647</u>

Note 6 - Construction in Progress

The City is in progress on the following projects:

Business-type Activities	
Raw Water - Owsley	\$ 2,664,109
Raw Water - Cowbell	10,883
WWTP Asphalt	27,027
WTP Aerator VFD Replacement	19,600
Glades Street Waterline Replacement	50,183
Hwy 595 Sewage Lift Station Replacement	1,000
Brushy Fork Sewer Rehab	16,500
Total construction in progress	<u>\$ 2,789,302</u>
 Governmental Activities	
Ellipse Street Shared Use Path	\$ 59,199
Scaddolf Cane Shared Use Path	140,960
Rash Road Drainage	13,730
Tolle Building Design	23,550
BPD Firing Range	13,958
Drainage Projects	9,730
Industrial Park Lot 7	379,125
Kenway Extension Design	28,000
Concession Stand Design	4,988
Pool Deck Design	5,953
Total construction in progress	<u>\$ 679,193</u>

City of Berea, Kentucky
Notes to Financial Statements
June 30, 2023

Note 7 - Leased Assets and Liabilities

Governmental Activities	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Leased Assets by Group				
Office equipment	\$ 84,006	\$ -	\$ -	\$ 84,006
Vehicles	167,162	-	-	167,162
Police equipment	364,450	-	-	364,450
Total leased assets	615,618	-	-	615,618
Less accumulated amortization				
Office equipment	(34,843)	(15,666)	-	\$ (50,509)
Vehicles	(44,576)	(33,432)	-	(78,008)
Police equipment	(109,335)	(72,890)	-	(182,225)
Total accumulated amortization	(188,754)	(121,988)	-	(310,742)
Total leased assets, net	\$ 426,864	\$ (121,988)	\$ -	\$ 304,876
Business-Type Activities	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Leased Assets by Group				
Office equipment	\$ 7,912	\$ -	\$ -	\$ 7,912
Total leased assets	7,912	-	-	7,912
Less accumulated amortization				
Office equipment	(3,692)	(1,583)	-	(5,275)
Total accumulated amortization	(3,692)	(1,583)	-	(5,275)
Total leased assets, net	\$ 4,220	\$ (1,583)	\$ -	\$ 2,637

City of Berea, Kentucky
Notes to Financial Statements
June 30, 2023

Note 7 - Leased Assets and Liabilities (Continued)

Governmental Activities

Group Description	Number of Leases in Group	Date Range of Lease	Range of Lease Terms	Annual Payment Amount	Annual Interest Rate	Total Original Lease Liability	Balance at June 30, 2023
Office equipment	8	Oct-18 - May-24	5 years	\$1,416- \$4,552	2.12% - 9.8%	\$ 84,007	\$ 38,155
Vehicles	3	Mar-22 - Feb 27	5 years	\$10,716 - \$13,056	3.56 - 3.67%	167,162	89,153
Police equipment	1	Jan-22 - Dec-25	3 years	\$63,779	0%	364,450	127,555
Total							\$ 254,863

Business-Type Activities

Group Description	Number of Leases in Group	Date Range of Lease	Range of Lease Terms	Annual Payment Amount	Annual Interest Rate	Total Original Lease Liability	Balance at June 30, 2023
Office equipment	2	Dec-19 - Nov-26	5 years	\$260 - \$1,677	2.12% - 9.8%	\$7,911	\$ 2,975

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

Governmental Activities

Year Ending June 30,	Principal	Interest
2024	\$ 112,743	\$ 4,599
2025	107,398	3,926
2026	32,322	2,457
2027	2,400	54
Total	\$ 254,863	\$ 11,036

Business-Type Activities

Year Ending June 30,	Principal	Interest
2024	\$ 1,778	\$ 163
2025	938	26
2026	259	3
Total	\$ 2,975	\$ 192

City of Berea, Kentucky
Notes to Financial Statements
June 30, 2023

Note 8 - Subscription-Based Information Technology Arrangements

On July 1, 2022, the City implemented the guidance of Governmental Accounting Standards Board Statement No. 96 – *Subscription-Based Information Technology Arrangements* (SBITAs) as amended by GASB Statement No. 99, *Omnibus 2022*. The standard requires the recognition of certain SBITA assets and liabilities that were previously recognized as outflows of resources based on the payment provisions of the contracts. There was no impact to assets, liabilities, or net position/fund balance as of July 1, 2022.

The City has entered into a 5-year subscription-based information technology arrangement involving cloud-based software to streamline governmental accounting beginning in September 2022. The software will help with budgeting and planning, permitting and licensing, reporting and transparency, and asset management.

The total of the City’s subscriptions assets are recorded at a cost of \$178,192, less accumulated amortization of \$35,638.

The future subscription payments under SBITA agreements are as follows:

Year Ending		
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 26,143	\$ 3,857
2025	27,058	2,942
2026	28,005	1,995
2027	<u>28,986</u>	<u>1,014</u>
 Total	 <u>\$110,192</u>	 <u>\$ 9,808</u>

Note 9 - Business-Type Activities - Long-Term Obligations

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, 2023.

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, 2023, the City had a balance of \$815,421 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, 2023, the City had a balance of \$1,992,775 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.

City of Berea, Kentucky
Notes to Financial Statements
June 30, 2023

Note 9 - Business-Type Activities - Long-Term Obligations (Continued)

On April 11, 2013, the City issued \$9,520,000 of Utility System Refunding Revenue Bonds, Series 2013. The proceeds were used to partially advance refund previously issued Utility System Revenue Bonds, Series 2005-A. The net proceeds of \$9,575,192 (after payment of underwriting fees, insurance and other issuance costs) were used to fund the escrow account. The escrow account was used to purchase US government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for a portion of the future debt service payments on the 2005-A Series bonds. As a result, a portion of the 2005-A Series bonds are considered to be defeased and the liability for those bonds has been removed from the long-term debt. The new issue reduces 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, 2023, the City had a balance of \$2,740,000 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:

	<u>June 30, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2023</u>
Revenue bond	\$ 4,060,000	\$ -	\$ (1,315,000)	\$ 2,745,000
Bond premium	51,812	-	(17,271)	34,541
Direct borrowing and placements:				
KIA loans	3,329,242	-	(521,046)	2,808,196
Other obligations:				
Lease liability	4,605	-	(1,630)	2,975
Compensated absences	295,356	56,570	-	351,926
Total other obligations	<u>299,961</u>	<u>56,570</u>	<u>(1,630)</u>	<u>354,901</u>
Total debt outstanding	<u>\$ 7,741,015</u>	<u>\$ 56,570</u>	<u>\$ (1,854,947)</u>	<u>\$ 5,942,638</u>
Less current portion of:				
Revenue bond				1,350,000
KIA loans				526,269
Unamortized premium				17,270
Lease liability				1,778
Compensated absences				85,467
Current portion				<u>1,980,784</u>
Total long-term obligations				<u>\$ 3,961,854</u>

The following are the principal and interest maturities for the bonds and notes outstanding as of June 30, 2023:

	<u>Revenue Bond</u>		<u>Direct Borrowing and Placements</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 1,350,000	\$ 89,682	\$ 526,250	\$ 19,286
2025	1,395,000	46,486	431,535	16,708
2026	-	-	536,884	14,104
2027	-	-	265,000	11,474
2028	-	-	267,637	8,818
2029-30	-	-	780,890	10,247
Total	<u>\$ 2,745,000</u>	<u>\$ 136,168</u>	<u>\$ 2,808,196</u>	<u>\$ 80,637</u>

City of Berea, Kentucky
Notes to Financial Statements
June 30, 2023

Note 9 - Business-Type Activities - Long-Term Obligations (Continued)

Compliance with Reserve Requirements

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

Depreciation Fund – The bond ordinance 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, 2023, the depreciation fund had a balance of \$3,931,169.

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, 2023, the debt service fund had a balance of \$1,049,056.

Note 10 – Governmental Activities – Long-Term Obligations

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:

	Principal	Interest	Total
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
2028	181,700	289,859	471,559
Thereafter	9,093,800	5,050,203	14,144,003
Total	\$ 9,948,700	\$ 6,552,904	\$ 16,501,604

City of Berea, Kentucky
Notes to Financial Statements
June 30, 2023

Note 10 - Governmental Activities - Long-Term Obligations (Continued)

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

	<u>June 30, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2023</u>
General obligation bond	\$ 10,104,500	\$ -	\$ (155,800)	\$ 9,948,700
Other obligations:				
Lease liability	368,213	-	(113,350)	254,863
Software agreement liability	-	110,192		110,192
Compensated absences	913,752	323,587	-	1,237,339
Total other obligations	<u>1,281,965</u>	<u>433,779</u>	<u>(113,350)</u>	<u>1,602,394</u>
Total debt outstanding	<u>\$ 11,386,465</u>	<u>\$ 433,779</u>	<u>\$ (269,150)</u>	<u>\$ 11,551,094</u>
Less current portion of:				
General obligation bond				\$ 160,600
Lease liability				112,743
Software agreement liability				26,143
Compensated absences				267,914
Current portion				<u>567,400</u>
Total long-term obligations				<u>\$ 10,983,694</u>

Note 11 - 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, 2023 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, 2023 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 12 - Transfers

The following were made during the year:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 967,124	\$ -
ARPA	-	(400,000)
Proprietary Fund	-	(567,124)
Total	<u>\$ 967,124</u>	<u>\$ (967,124)</u>

The purpose of the transfer from out of ARPA to the general fund was to reimburse a portion of salaries. The purpose of the transfer out of the proprietary fund was to provide a payment in lieu of taxes (PILOT) equal to three percent of the prior year's operating revenue.

City of Berea, Kentucky
Notes to Financial Statements
June 30, 2023

Note 13 - 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.

In an effort to recruit and retain police officers and firefighters, the City enrolled these positions in the hazardous pension plan under CERS that offers increased benefits during the plan's measurement year ended June 30, 2022.

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, 2023, 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, 2023, participating employers contributed 26.79% of each non-hazardous employee's wages and 49.59% 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 \$3,008,843 for the year ended June 30, 2023, or 100% of the required contribution for non-hazardous and hazardous. The contribution was allocated \$2,610,128 to the CERS pension fund and \$398,715 for the CERS insurance fund.

City of Berea, Kentucky
Notes to Financial Statements
June 30, 2023

Note 13 - 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, 2023, the City reported a liability of \$23,068,929 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2022, the City's proportion was .170 percent for non-hazardous, which was an decrease of .105 percent from its proportion at June 30, 2021 (.275 percent). At June 30, 2022, the City's proportion was .353 percent for hazardous, which was an increase of .353 percent from its proportion at June 30, 2021 (0 percent).

City of Berea, Kentucky
Notes to Financial Statements
June 30, 2023

Note 13 - Retirement Plan (Continued)

For the year ended June 30, 2023, the City recognized pension expense of \$2,175,553. At June 30, 2023, 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	\$ 321,918	\$ 109,536
Net difference between projected and actual earnings on Plan investments	2,874,924	2,310,865
Changes in proportion and differences between City contributions and proportionate share of contributions	7,954,261	4,893,960
City contributions subsequent to the measurement date	2,610,128	-
Total	\$ 13,761,231	\$ 7,314,361

The \$2,610,128 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, 2024. 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,	
2024	\$ 173,537
2025	185,654
2026	2,258,874
2027	<u>1,218,677</u>
Total	<u>\$ 3,836,742</u>

Actuarial Methods and Assumptions

For financial reporting, the actuarial valuation as of June 30, 2022, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2022 were based on an actuarial valuation date of June 30, 2021. The total pension liability was rolled-forward from the valuation date (June 30, 2021) to the plan's fiscal year ending June 30, 2022, using generally accepted actuarial principles. There have been no actuarial assumption or method changes since June 30, 2021. Additionally, there have been no plan provision changes that would materially impact the total pension liability since June 30, 2021.

City of Berea, Kentucky
Notes to Financial Statements
June 30, 2023

Note 13 - Retirement Plan (Continued)

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2022:

Valuation Date	June 30, 2021
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Remaining Amortization Period	29 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 for CERS Non-Hazardous 3.55% to 19.05%, varies by service for CERS Hazardous
Investment Rate of Return	6.25%

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non- Hazardous System, 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 2019. 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, pro ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

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 CERS 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, 2023

Note 13 - 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
Public Equity	4.45%	50.00%
Core Bonds	0.28%	10.00%
Specialty Credit/ High Yield	2.28%	10.00%
Real Estate	3.67%	7.00%
Real Return	4.07%	13.00%
Private Equity	10.15%	10.00%
Cash	-0.91%	0.00%
		100.00%

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%	\$ 28,787,936
Current discount rate	6.25%	\$ 23,068,929
1% increase	7.25%	\$ 18,372,287

Payable to the Pension Plan – At June 30, 2023, the City reported a payable of \$397,492 for the outstanding amount of contributions to the pension and OPEB plans required for the year ended June 30, 2023. The payable includes both the pension and insurance contribution allocation.

City of Berea, Kentucky
Notes to Financial Statements
June 30, 2023

Note 13 - 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 51 participants in the 457(b) plan and 11 participants in the 401(k) plan. Employees can contribute 100% of includable compensation up to \$22,500 and an additional \$7,500 if 50 or older for calendar year 2023. During the fiscal year 2023 employees contributed \$105,201 to the 457(b) plan and \$16,242 to the 401(k) plan, respectively.

Note 14 - Post-Employment Benefits Other than Pensions (OPEB)

At June 30, 2023, the net OPEB liability and the related deferred outflows of resources and deferred inflows of resources are as follows:

Deferred Outflows of Resources	\$ 5,791,628
Deferred Inflows of Resources	\$ 4,572,429
Net OPEB Liability:	\$ 6,361,894

In an effort to recruit and retain police officers and firefighters, the City enrolled these positions in the hazardous OPEB plan under CERS that offers increased benefits during the plan's measurement year ended June 30, 2022.

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, 2023

Note 14 - 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, 2023 was 3.39% for non-hazardous and 6.78% for hazardous of covered payroll. Contributions to the Insurance Fund from the City were \$398,715 for the year ended June 30, 2023. 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, 2022, 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, 2021. The total OPEB liability was rolled-forward from the valuation date (June 30, 2021) to the plan's fiscal year ending June 30, 2022, using generally accepted actuarial principles.

The single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2021, valuation process and was updated to better reflect the plan's anticipated long-term healthcare costs. There were no other material assumption changes.

Senate Bill 209 passed during the 2022 legislative session and increased the insurance dollar contribution for members hired on or after July 1, 2003, by \$5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023. Senate Bill 209 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA.

The total OPEB liability as of June 30, 2022, is determined using these updated benefit provisions. There were no other material plan provision changes.

City of Berea, Kentucky
Notes to Financial Statements
June 30, 2023

Note 14 - Post-Employment Benefits Other than Pensions (OPEB) (Continued)

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2022:

Valuation Date	June 30, 2021
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Remaining Amortization Period	29 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 3.55% to 19.05%, varies by service for CERS Hazardous
Investment Rate of Return	6.25%
Healthcare Trend Rate	
Pre--65	Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Post – 65	Initial trends starting at 9.00% in 2024, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-hazardous 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 2019. 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 2010.

Discount Rate

Single discount rates of 5.70% for CERS Nonhazardous and 5.61% for CERS Hazardous were used to measure the total OPEB liability as of June 30, 2022. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 3.69%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected separately and were 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 plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the ACFR.

The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy.

City of Berea, Kentucky
Notes to Financial Statements
June 30, 2023

Note 14 - Post-Employment Benefits Other than Pensions (OPEB) (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
Public Equity	4.45%	50.00%
Core Bonds	0.28%	10.00%
Specialty Credit/ High Yield	2.28%	10.00%
Real Estate	3.67%	7.00%
Real Return	4.07%	13.00%
Private Equity	10.15%	10.00%
Cash	-0.91%	0.00%
		<u>100.00%</u>

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 (4.70%) or one percentage point higher (6.70%) follows:

	Discount Rate	City's proportionate share of net OPEB liability
1% decrease	4.70%	\$ 8,662,967
Current discount rate	5.70%	\$ 6,361,894
1% increase	6.70%	\$ 4,476,617

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		\$ 4,594,149
Current healthcare rate		\$ 6,361,894
1% increase		\$ 8,501,062

City of Berea, Kentucky
Notes to Financial Statements
June 30, 2023

Note 14 - Post-Employment Benefits Other than Pensions (OPEB) (Continued)

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

At June 30, 2023, the City reported a liability of \$6,361,894 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2022 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 2022. This method to be reflective of the employers' long-term contribution effort. At June 30, 2022, the City's proportion was 0.170119% for Non-Hazardous and 0.352738% for Hazardous.

For the year ended June 30, 2023, the City recognized OPEB expense of \$1,024,374. At June 30, 2023, 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	\$ 2,537,204	\$ 1,662,703
Implicit subsidy	65,556	-
Differences between expected and actual results	404,330	947,860
Changes of assumptions	1,032,535	954,503
Net difference between projected and actual earnings on Plan investments	1,253,288	1,007,363
City contributions subsequent to the measurement date	398,715	-
Total	<u>\$ 5,791,628</u>	<u>\$ 4,572,429</u>

The deferred outflows of resources of \$398,715 related to City contributions subsequent to the measurement date and \$65,556 resulting from the implicit subsidy subsequent to the measurement date and before the end of the fiscal year will be recognized as a component of OPEB expense in the year end June 30, 2024. 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,	
2024	\$ 172,837
2025	140,123
2026	(151,500)
2027	229,679
Thereafter	<u>360,345</u>
Total	<u>\$ 754,929</u>

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, 2023

Note 15 - Property Tax Rates and Calendar

Property taxes for fiscal year 2023 were levied in November 2022 on the assessed property located in the City of Berea as of the preceding January 1. The rate for real and personal property was 9.7 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 16 - Risk Management

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

Effective July 1, 2022, the City began participating in a self-funded insurance consortium to minimize the cost of insurance and related administrative expenses. The self-funded plan provides coverage for up to \$50,000 for each claim. The City purchases stop-loss insurance for claims in excess of coverage provided. The City records estimated liabilities for such claims filed or estimated to be filed for incidents that have occurred. Changes in the balances of claims liabilities during the year ended June 30, 2023, are as follows:

Unpaid claims, beginning of year	\$	-
Incurred claims (including IBNR)		912,811
Claims payments		(796,390)
Unpaid claims, end of year	\$	116,421

Note 17 - 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.

City of Berea, Kentucky
Notes to Financial Statements
June 30, 2023

Note 18 - 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 2023.

Note 19 - Restatement of Net Position

During the year ended June 30, 2022, the City recorded ARPA grant revenue in error before the eligibility requirements were met for revenue recognition. The grant is an expenditure-driven grant and revenue should be recognized when expenditures have been identified and incurred under the grant. The prior period adjustment corrects the accounting treatment of the ARPA grant by recognizing revenue in the correct fiscal year. Intergovernmental revenue for the year ended June 30, 2022, decreased by \$4,055,477 as a result of this prior period adjustment.

<u>Accounts</u>	<u>June 30, 2022 Balance As Originally Reported</u>	<u>Impact of Restatement</u>	<u>June 30, 2022 Balance As Restated</u>
Grant advances	\$ -	\$ 4,055,477	\$ 4,055,477
Net position	33,502,838	(4,055,477)	29,447,361
Fund balance	4,055,477	(4,055,477)	-

REQUIRED SUPPLEMENTARY 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, 2023

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Municipal taxation				
General property taxes	\$ 800,000	\$ 800,000	\$ 915,262	\$ 115,262
State assessment property taxes	15,000	15,000	24,995	9,995
In lieu of property tax	9,000	9,000	24,891	15,891
Delinquent property taxes	10,000	10,000	8,685	(1,315)
Bank deposit taxes	90,000	104,000	104,100	100
Motor vehicle taxes	75,000	75,000	112,638	37,638
	<u>999,000</u>	<u>1,013,000</u>	<u>1,190,571</u>	<u>177,571</u>
Licenses, permits, billings				
Occupational license fees				
Insurance	1,200,000	1,200,000	1,333,224	133,224
Employee withholding	6,850,000	6,850,000	8,289,980	1,439,980
Net profits	850,000	850,000	1,224,437	374,437
Individual	60,000	60,000	74,296	14,296
Business	9,000	9,000	11,895	2,895
ABC	21,200	21,200	54,538	33,338
Utility franchise fees	1,078,000	1,078,000	1,337,407	259,407
Building permits	115,000	115,000	159,876	44,876
Electric permits	70,000	70,000	92,086	22,086
Street cut permits	1,000	1,000	1,525	525
	<u>10,254,200</u>	<u>10,254,200</u>	<u>12,579,264</u>	<u>2,325,064</u>
Charges for service				
Court costs & fees	15,000	15,000	18,319	3,319
Accident reports	2,500	2,500	3,769	1,269
Codes - plat review fee	7,000	7,500	12,750	5,250
Police special services	10,000	10,000	1,594	(8,406)
Demolition cleanup	-	9,700	9,690	(10)
Parks concessions	10,000	10,000	-	(10,000)
Pool concessions	10,000	10,000	21,677	11,677
Swimming pool fees	50,000	50,000	67,658	17,658
Administrative overhead - indirect	-	-	240,456	240,456
Miscellaneous	-	-	60	60
	<u>104,500</u>	<u>114,700</u>	<u>375,973</u>	<u>261,273</u>
Fines and forfeits				
Fingerprint charges	500	500	-	(500)
Court restitution	-	-	835	835
Codes violations	-	-	2,070	2,070
Penalties and interest	30,000	45,000	72,674	27,674
Parking fines	3,000	3,000	1,250	(1,750)
	<u>33,500</u>	<u>48,500</u>	<u>76,829</u>	<u>28,329</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, 2023

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Intergovernmental revenues				
County school-police contract	\$ 215,000	\$ 300,000	\$ 290,389	\$ (9,611)
Madison county grants	68,000	68,000	68,000	-
Other grants	1,406,000	480,000	204,759	(275,241)
Volunteer fire state aid	10,500	11,000	11,000	-
Police incentive pay	150,000	150,000	200,067	50,067
Fire incentive pay	120,000	120,000	156,107	36,107
	<u>1,969,500</u>	<u>1,129,000</u>	<u>930,322</u>	<u>(198,678)</u>
Other revenue				
Rental income	53,507	56,000	60,471	4,471
Insurance proceeds	-	38,000	88,899	50,899
Miscellaneous	18,000	71,000	37,920	(33,080)
	<u>71,507</u>	<u>165,000</u>	<u>187,290</u>	<u>22,290</u>
Total revenue	<u>13,432,207</u>	<u>12,724,400</u>	<u>15,340,249</u>	<u>2,615,849</u>
Expenses				
Administration				
General government				
Personnel	-	34,980	995	33,985
Utilities	69,500	69,500	73,044	(3,544)
Materials and supplies	21,000	21,000	11,075	9,925
Services and support	639,114	639,114	691,202	(52,088)
Other expenditures	7,279	7,279	2,280	4,999
Administration				
Personnel	335,500	339,400	358,992	(19,592)
Materials and supplies	13,000	13,000	8,590	4,410
Services and support	220,500	250,100	234,043	16,057
Other expenditures	14,500	15,500	12,609	2,891
City council				
Personnel	55,800	55,800	54,899	901
Services and support	61,000	61,000	59,196	1,804
Other expenditures	404,000	404,000	364,701	39,299
Finance office				
Personnel	694,300	694,300	331,638	362,662
Materials and supplies	17,300	20,300	11,464	8,836
Services and support	281,800	281,800	123,512	158,288
Other expenditures	15,000	15,000	5,555	9,445
Total Administration	<u>2,849,593</u>	<u>2,922,073</u>	<u>2,343,795</u>	<u>578,278</u>
Police				
Personnel	3,821,805	3,821,805	3,679,971	141,834
Utilities	29,700	29,700	21,273	8,427
Materials and supplies	327,000	351,000	328,817	22,183
Services and support	69,000	93,700	80,663	13,037
Other expenditures	87,200	101,200	67,508	33,692
Total police department	<u>4,334,705</u>	<u>4,397,405</u>	<u>4,178,232</u>	<u>219,173</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, 2023

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Fire				
Personnel	\$ 2,608,470	\$ 2,615,670	\$ 2,584,738	\$ 30,932
Utilities	12,450	12,450	9,838	2,612
Materials and supplies	114,250	114,250	84,635	29,615
Services and support	79,300	79,300	58,134	21,166
Other expenditures	10,500	18,000	10,593	7,407
Total fire department	2,824,970	2,839,670	2,747,938	91,732
Public works				
Personnel	1,491,230	1,491,230	1,411,482	79,748
Utilities	152,600	157,600	144,794	12,806
Materials and supplies	292,550	297,550	179,145	118,405
Services and support	380,000	380,000	225,351	154,649
Other expenditures	12,000	12,000	9,646	2,354
Total public works	2,328,380	2,338,380	1,970,418	367,962
Codes enforcement				
Personnel	482,500	489,500	427,373	62,127
Materials and supplies	21,500	26,500	16,183	10,317
Services and support	141,500	172,500	75,448	97,052
Other expenditures	10,500	10,500	6,080	4,420
Total codes enforcement	656,000	699,000	525,084	173,916
Parks and recreation				
Parks and recreation				
Personnel	404,500	404,500	374,528	29,972
Utilities	82,700	86,200	90,261	(4,061)
Materials and supplies	71,300	79,000	52,347	26,653
Services and support	115,000	115,000	76,101	38,899
Other expenditures	31,800	32,100	27,997	4,103
Pool				
Personnel	116,300	116,300	98,731	17,569
Utilities	19,500	24,500	20,004	4,496
Materials and supplies	49,650	52,650	66,546	(13,896)
Services and support	48,600	52,600	39,121	13,479
Other expenditures	3,000	3,000	1,058	1,942
Intergenerational center				
Utilities	-	-	1,216	(1,216)
Total parks and recreation	942,350	965,850	847,910	117,940

City of Berea, Kentucky
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
GIS/Surveying				
Personnel	\$ 129,900	\$ 129,900	\$ 83,211	\$ 46,689
Materials and supplies	6,600	6,600	1,070	5,530
Services and support	17,100	17,100	10,392	6,708
Other expenditures	14,700	14,700	218	14,482
Total GIS/surveying	168,300	168,300	94,891	73,409
Business development				
Personnel	99,400	99,400	99,375	25
Materials and supplies	5,850	5,850	1,505	4,345
Services and support	70,500	70,500	52,682	17,818
Other expenditures	15,750	15,750	2,931	12,819
Total business development	191,500	191,500	156,493	35,007
Information technology				
Personnel	193,800	193,800	187,245	6,555
Utilities	132,000	132,000	77,188	54,812
Materials and supplies	16,000	18,000	13,158	4,842
Services and support	22,550	35,550	30,014	5,536
Other expenditures	6,000	6,000	3,142	2,858
Total information technology	370,350	385,350	310,747	74,603
Capital outlay	1,945,000	1,062,100	611,261	450,839
Debt service	474,532	474,532	474,532	-
Total expenditures	17,085,680	16,444,160	14,261,301	2,182,859
Other financing sources (uses)				
Proceeds from sale of assets	-	-	30,448	30,448
Interest and investment income	53,000	53,000	290,217	237,217
Lease proceeds	-	-	131,253	131,253
Transfers in (out)	1,314,000	1,814,000	967,124	(846,876)
Total other financing sources (uses)	1,367,000	1,867,000	1,419,042	(447,958)
Net change in fund balance	\$ (2,286,473)	\$ (1,852,760)	\$ 2,497,990	\$ (14,968)

City of Berea, Kentucky
Tourism Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Municipal taxation				
Transient room tax	\$ 175,000	\$ 175,000	\$ 252,549	\$ 77,549
Restaurant tax	1,100,000	1,100,000	1,512,975	412,975
Total municipal taxation	1,275,000	1,275,000	1,765,524	490,524
Intergovernmental				
Grant revenues	13,000	183,000	216,632	33,632
Charges for service				
Workshop fees	60,000	60,000	59,829	(171)
Other revenue				
Miscellaneous	51,600	86,100	55,285	(30,815)
Total revenue	1,399,600	1,604,100	2,097,270	493,170
Tourism				
Personnel	412,400	414,400	377,255	37,145
Utilities	47,500	49,500	31,566	17,934
Materials and supplies	66,700	68,200	17,149	51,051
Services and support	369,500	370,500	302,407	68,093
Other expenditures	183,200	338,370	202,617	135,753
Total tourism	1,079,300	1,240,970	930,994	309,976
Capital outlay	445,000	595,000	94,474	500,526
Total expenditures	1,524,300	1,835,970	1,025,468	810,502
Other financing sources (uses)				
Transfers in (out)	(135,000)	(135,000)	-	135,000
Net change in fund balance	<u>\$ (259,700)</u>	<u>\$ (366,870)</u>	<u>\$ 1,071,802</u>	<u>\$ 1,438,672</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, 2023**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Intergovernmental				
Grant revenue	\$ -	\$ -	\$ 1,854,945	\$ 1,854,945
Other revenue				
Interest on checking	<u>1,320</u>	<u>1,320</u>	<u>2,426</u>	<u>1,106</u>
Total revenue	1,320	1,320	1,857,371	1,856,051
Program Expenses				
Public works	-	-	900,000	(900,000)
Capital outlay	<u>2,621,000</u>	<u>2,621,000</u>	<u>554,945</u>	<u>2,066,055</u>
Total expenditures	2,621,000	2,621,000	1,454,945	1,166,055
Other financing sources (uses)				
Transfers in (out)	<u>(400,000)</u>	<u>(400,000)</u>	<u>(400,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ (2,219,680)</u>	<u>\$ (2,219,680)</u>	<u>\$ 2,426</u>	<u>\$ 689,996</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, 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>	<u>June 30, 2023</u>
City's proportion of the net pension liability	0.223%	0.226%	0.220%	0.243%	0.251%	0.260%	0.267%	0.275%	0.170%
City's proportionate share of the net pension liability	\$ 7,241,715	\$ 9,697,588	\$ 11,301,398	\$ 14,197,959	\$ 15,273,694	\$ 18,260,809	\$ 20,461,192	\$ 17,564,140	\$ 12,299,878
City's covered 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
City's proportionate share of the net pension liability as a percentage of its covered payroll	138.63%	179.75%	200.50%	233.03%	239.76%	272.29%	303.19%	246.86%	255.90%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	55.50%	53.50%	53.54%	50.45%	47.81%	57.33%	52.42%

CERS - Hazardous

June 30, 2023

City's proportion of the net pension liability	0.353%
City's proportionate share of the net pension liability	\$ 10,769,051
City's covered-employee payroll	\$ 2,298,357
City's proportionate share of the net pension liability as a percentage of its covered payroll	468.55%
Plan fiduciary net position as a percentage of the total pension liability	47.11%

City of Berea, Kentucky
Schedule of the City's Pension Contributions
County Employees' Retirement System
Last Ten 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>	<u>June 30, 2023</u>
Contractually required contribution	\$ 717,733	\$ 687,771	\$ 700,074	\$ 849,923	\$ 922,430	\$ 1,087,794	\$ 1,341,103	\$ 1,373,220	\$ 1,094,924	\$ 1,085,910
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>1,094,924</u>	<u>1,085,910</u>
Contribution deficiency (excess)	<u>\$ -</u>									
City's covered 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	\$ 4,640,641
Contributions as a percentage of covered payroll	13.74%	12.75%	12.42%	13.95%	14.48%	16.22%	19.87%	19.30%	22.78%	23.40%

CERS Hazardous

	<u>June 30, 2022</u>	<u>June 30, 2023</u>
Contractually required contribution	\$ 818,215	\$ 1,524,218
Contributions in relation to the contractually required contribution	<u>818,215</u>	<u>1,524,218</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,298,357	\$ 3,560,425
Contributions as a percentage of covered payroll	35.60%	42.81%

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

	CERS Non-Hazardous					CERS Hazardous
	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023	June 30, 2023
City's proportion of the net OPEB liability	0.251%	0.260%	0.267%	0.275%	0.170%	0.350%
City's proportionate share of the net OPEB liability	\$ 4,452,496	\$ 4,336,271	\$ 6,440,260	\$ 5,272,721	\$ 6,361,894	\$ 3,004,572
City's covered payroll	\$ 6,370,339	\$ 6,706,498	\$ 6,948,720	\$ 6,748,720	\$ 7,115,130	\$ 2,298,357
City's proportionate share of the net OPEB Liability as a percentage of covered payroll	69.9%	64.7%	92.7%	78.1%	89.4%	130.7%
Plan fiduciary net position as a percentage of the total OPEB liability	57.6%	60.4%	51.7%	62.9%	61.0%	64.1%

City of Berea, Kentucky
Schedule of the City's OPEB Contributions
County Employees' Retirement System
Last Six 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>	<u>June 30, 2023</u>
Contractually required contribution	\$ 299,408	\$ 352,761	\$ 330,759	\$ 338,680	\$ 296,701	\$ 157,318
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>296,701</u>	<u>157,318</u>
Contribution deficiency (excess)	<u>\$ -</u>					
City's covered payroll	\$ 6,370,339	\$ 6,706,498	\$ 6,948,720	\$ 6,748,720	\$ 7,115,130	\$ 4,640,641
Contributions as a percentage of covered payroll	4.70%	5.26%	4.76%	5.02%	4.17%	3.39%

CERS Hazardous

	<u>June 30, 2022</u>	<u>June 30, 2023</u>
Contractually required contribution	\$ 200,647	\$ 241,397
Contributions in relation to the contractually required contribution	<u>200,647</u>	<u>241,397</u>
Contribution deficiency (excess)	<u>P</u>	<u>\$ -</u>
City's covered payroll	\$ 2,298,357	\$ 3,560,425
Contributions as a percentage of covered payroll	8.73%	6.78%

SUPPLEMENTARY INFORMATION

**City of Berea, Kentucky
Proprietary Fund
Budget Information
For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Berea Municipal Utilities				
Administration				
Personnel	\$ 781,600	\$ 606,100	\$ 775,915	\$ (169,815)
Utilities	72,200	76,200	69,985	6,215
Materials and supplies	45,800	45,800	42,248	3,552
Services and support	396,750	381,250	464,106	(82,856)
Other expenses	101,000	101,000	282,981	(181,981)
	<u>1,397,350</u>	<u>1,210,350</u>	<u>1,635,235</u>	<u>(424,885)</u>
Electric				
Personnel	764,800	764,800	538,364	226,436
Utilities	6,375	6,375	4,576	1,799
Materials and supplies	60,500	60,500	55,467	5,033
Services and support	7,963,500	8,013,500	7,206,648	806,852
Other expenditures	166,000	171,000	66,769	104,231
	<u>8,961,175</u>	<u>9,016,175</u>	<u>7,871,824</u>	<u>1,144,351</u>
Water				
Personnel	623,500	558,500	345,966	212,534
Utilities	298,800	318,800	339,605	(20,805)
Materials and supplies	189,300	229,300	210,543	18,757
Services and support	553,000	558,000	390,359	167,641
Other expenditures	61,950	61,950	18,389	43,561
	<u>1,726,550</u>	<u>1,726,550</u>	<u>1,304,862</u>	<u>421,688</u>
Sewer				
Personnel	749,500	749,500	550,987	198,513
Utilities	223,000	243,000	227,102	15,898
Materials and supplies	109,300	121,300	104,496	16,804
Services and support	543,500	563,500	444,587	118,913
Other expenditures	176,000	47,000	16,065	30,935
	<u>1,801,300</u>	<u>1,724,300</u>	<u>1,343,237</u>	<u>381,063</u>
Total expenses	<u><u>\$ 13,886,375</u></u>	<u><u>\$ 13,677,375</u></u>	<u><u>\$ 12,155,158</u></u>	<u><u>\$ 1,522,217</u></u>

City of Berea, Kentucky
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2023

	Municipal Road Aid Fund	Industrial Development Fund	Police Restricted Fund	Berea Craft Festival Fund	Opioid Abatement Fund	Urban Wildlife Preserve Fund	Total
ASSETS							
Cash and cash equivalents	\$ 532,986	\$ 282,263	\$ 95,996	\$ 87,678	\$ 65,755	\$ -	\$ 1,064,678
Investments	-	112,925	-	-	-	-	112,925
Accounts receivable	29,926	37	-	-	-	300,000	329,963
Grants receivable	-	115,076	-	-	-	-	115,076
Other assets	-	-	-	24,112	-	-	24,112
Due from other fund	18,918	-	-	-	-	-	18,918
Total Assets	<u>\$ 581,830</u>	<u>\$ 510,301</u>	<u>\$ 95,996</u>	<u>\$ 111,790</u>	<u>\$ 65,755</u>	<u>\$ 300,000</u>	<u>\$ 1,665,672</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE							
Accounts payable	\$ 301,101	\$ -	\$ -	\$ 34	\$ -	\$ -	\$ 301,135
Unearned revenue	-	-	-	34,517	-	-	34,517
Total Liabilities	301,101	-	-	34,551	-	-	335,652
Deferred inflows - unavailable revenue	-	-	-	-	-	300,000	300,000
Fund balance, nonspendable	-	-	-	24,112	-	-	24,112
Fund balance, restricted	280,729	-	95,996	-	65,755	-	442,480
Fund balance, assigned	-	510,301	-	53,127	-	-	563,428
Total Fund Balance	<u>280,729</u>	<u>510,301</u>	<u>95,996</u>	<u>77,239</u>	<u>65,755</u>	<u>-</u>	<u>1,030,020</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 581,830</u>	<u>\$ 510,301</u>	<u>\$ 95,996</u>	<u>\$ 111,790</u>	<u>\$ 65,755</u>	<u>\$ 300,000</u>	<u>\$ 1,665,672</u>

City of Berea, Kentucky
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Municipal Road Aid Fund	Industrial Development Fund	Police Restricted Fund	Berea Craft Festival Fund	Opioid Abatement Fund	Urban Wildlife Preserve Fund	Total
Revenues							
Intergovernmental revenues	\$ 283,956	\$ -	\$ 2,205	\$ -	\$ 65,733	\$ -	\$ 351,894
Charges for services	-	-	-	60,721	-	-	60,721
Other revenues	326	139,034	65	630	22	-	140,077
Total revenues	284,282	139,034	2,270	61,351	65,755	-	552,692
Expenditures							
General administrative	-	18,654	-	-	-	-	18,654
Police department	-	-	2,000	-	-	-	2,000
Public works	301,101	-	-	-	-	-	301,101
Tourism	-	-	-	70,222	-	-	70,222
Capital outlay	-	379,125	-	-	-	-	379,125
Total expenditures	301,101	397,779	2,000	70,222	-	-	771,102
Excess revenues over (under) expenditures before other sources (uses)	(16,819)	(258,745)	270	(8,871)	65,755	-	(218,410)
Fund balances July 1, 2022	297,548	769,046	95,726	86,110	-	-	1,248,430
Fund balances June 30, 2023	\$ 280,729	\$ 510,301	\$ 95,996	\$ 77,239	\$ 65,755	\$ -	\$ 1,030,020

City of Berea, Kentucky
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor Program Title	Assistance Listing Number	Pass Through Contract Number	Federal Expenditures
United States Department of Justice			
Public Safety Partnership and Community Policing Grants	16.710	n/a	\$ 93,531
VOCA Victim Assistance Formula Grant (see note 3)	16.575	VOCA-2019-Berea PD-00029	<u>79,897</u>
Total Department of Justice			173,428
United States Department of Agriculture			
Natural Resources Conservation Service	10.916	n/a	<u>58,983</u>
Federal Highway Administration			
Federal-aid Highway Program - cluster (see note 5)	20.205	PO2-625-1500002643	3,862
United States Department of Housing & Urban Development			
Community Development Block Grant/State's Program (see note 4)	14.228	n/a	20,000
United States Department of Treasury			
Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) (see note 4)	21.027	KY0019	1,854,945
Kentucky Department of Tourism	21.027		<u>12,725</u>
Total Department of the Treasury			1,867,670
United States Department of Conservation			
Economic Adjustment Assistance - Cluster	11.307	n/a	27,040
Total expenditures of federal awards			<u><u>\$ 2,150,983</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: Pass Through Grantor - KY Justice & Public Safety Cabinet

Note 4: Pass Through Grantor - KY Dept of Local Government

Note 5: 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 ("the City"), as of and for the year ended June 30, 2023, 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, 2023.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses 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 and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baldwin CPAs, PLLC

Baldwin CPAs, PLLC
Richmond, Kentucky
October 17, 2023

**INDEPENDENT AUDITOR'S 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 the 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 the City's major federal programs for the year ended June 30, 2023. 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, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the 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.

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City'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 the 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 the 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, 2023

City of Berea, Kentucky
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

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