VonLehman
CPA & ADVISORY FIRM

City of Independence, Kentucky

June 30, 2023

Financial Statements and Independent Auditors' Report
Including Required Supplementary Information

810 Wright's Summit Parkway, Suite 300, Fort Wright, KY 41011 859.331.3300 VLCPA.COM
9987 Carver Road, Suite 120, Blue Ash, OH 45242 513.891.5911
5975 Castle Creek Parkway North Drive, Suite 400, Indianapolis, IN 46250 317.469.0169

CITY OF INDEPENDENCE, KENTUCKY
TABLE OF CONTENTS

PAGE

City Officials

Independent Auditors' Report

Management's Discussion and Analysis (MD&A) Unaudited 1

Basic Financial Statements

Government-Wide Financial Statements

- Statement of Net Position 9
- Statement of Activities 10

Fund Financial Statements

- Balance Sheet – Governmental Funds 11
- Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position 12
- Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds 13
- Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds to the Statement of Activities 14
- Statement of Net Position – Proprietary Funds 15
- Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds 16
- Statement of Cash Flows – Proprietary Funds 17

Notes to the Financial Statements 18

Required Supplementary Information

- Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (with Variances) – General Fund 45
- Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (with Variances) – Municipal Road Aid Fund 46
- Schedule of the City's Proportionate Share of the Net Pension Liability 47
- Schedule of the City's Pension Contributions 48
- Notes to the Schedule of the City's Pension Contributions 49
- Schedule of the City's Proportionate Share of the Net OPEB Liability 50
- Schedule of the City's OPEB Contributions 51
- Notes to the Schedule of the City's OPEB Contributions 52

Required Regulatory Information

- Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 53

CITY OF INDEPENDENCE, KENTUCKY
CITY OFFICIALS

MAYOR

Chris Reinersman

COUNCIL MEMBERS

Tom Brinker	Dave Shafer
Greg Steffen	Chris Vogelpohl
Carol Franzen	Greg Waite

CITY ADMINISTRATOR

Chris Moriconi

LEGAL COUNSEL

Jack Gatlin

VonLehman
CPA & ADVISORY FIRM

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of the City Council
City of Independence, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Independence, 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, each major fund, and the aggregate remaining fund information of the City of Independence, Kentucky, as of June 30, 2023, and the respective changes in financial position 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Independence, Kentucky and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described in the notes to the financial statements, the City of Independence, KY restated its fund balance and net position as of July 1, 2022 for the correction of various errors. Our opinion is not modified with respect to those matters.

Responsibilities of Management for the Financial Statements

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

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

810 Wright's Summit Parkway, Suite 300, Fort Wright, KY 41011 859.331.3300 VLCPA.COM
9987 Carver Road, Suite 120, Blue Ash, OH 45242 513.891.5911
5975 Castle Creek Parkway North Drive, Suite 400, Indianapolis, IN 46250 317.469.0169

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 8, budgetary comparison information on pages 45 and 46, the City's pension schedules on pages 47 through 49, and the OPEB schedules on pages 50 through 52 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 6, 2023, on our consideration of the City of Independence, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Independence, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Independence, Kentucky's internal control over financial reporting and compliance.

VonLehman & Company Inc.

Fort Wright, Kentucky
November 6, 2023

CITY OF INDEPENDENCE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
UNAUDITED

Our discussion and analysis of the City of Independence, Kentucky's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with the City's basic financial statements that begin on page 9.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of net position and the statement of activities on pages 9 and 10, respectively, provide information about the activities of the City as a whole and present a fair view of the City's finances. Fund financial statements start on page 11. For government activities these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2023 are as follows:

- The assets and deferred outflows or resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $21,354,380 (net position).
- As of the close of the current fiscal year, the City's governmental funds reported an ending fund balance of $13,320,738, an increase of $687,467 from the prior year ending fund after restatement.
- As of June 30, 2023, unassigned fund balance for the General Fund was $12,910,934.
- The City's cash and cash equivalents decreased by $4,886,738 from $16,071,866 at June 30, 2022 to $11,185,128 at June 30, 2023.
- The City's total debt decreased by $276,019, including compensated absences but excluding net pension liability and net other postemployment benefit liability, during the current year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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 fiscal periods.

The government-wide financial statements outline functions of the City that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include general government, public safety, public works and streets, parks and recreation, and community and senior center. The internal service fund for Self-Insurance is also included in the governmental activities totals. Capital assets and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 9 and 10 of this report.

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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City has three governmental funds and one proprietary fund.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains individual governmental funds. Information is presented separately in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Municipal Road Aid Fund, and Police Forfeitures Fund. The City adopts an annual budget for each of its funds.

The basic governmental fund financial statements can be found on pages 11 through 14 of this report.

Proprietary Funds

The City maintains one type of proprietary fund, an internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its health insurance. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The internal service fund, although presented in the proprietary fund financial statements, is not considered a major fund.

The proprietary fund financial statements can be found on pages 15 through 17 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to 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 18 through 44 of this report.

Government-Wide Financial Analysis

The perspective of the statement of net position is of the City as a whole. Table 1 provides a summary of the City's net position for 2023 compared to 2022. The prior year balances in Tables 1, 2, and 3 do not include the impact of the prior period adjustments.

Table 1
Net Position

	Governmental Activities	
	2023	**2022**
Assets		
Current and Other Assets	$ 20,954,642	$ 21,017,242
Capital Assets, Net	20,642,784	17,762,523
Total Assets	41,597,426	38,779,765
Deferred Outflows of Resources	2,783,263	2,588,766
Liabilities		
Current Liabilities	5,764,039	6,446,531
Noncurrent Liabilities	14,991,211	15,344,942
Total Liabilities	20,755,250	21,791,473
Deferred Inflows of Resources	2,271,059	2,610,892
Net Position		
Net Investment in Capital Assets	19,432,784	16,267,523
Restricted for		
Municipal Road Aid	50,131	51,108
Police Forfeitures	41,857	94,322
Opioid Remediation	284,707	-
K-9 Program	28,409	23,089
Unrestricted	1,516,492	530,124
Total Net Position	**$ 21,354,380**	**$ 16,966,166**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows or resources exceeded liabilities and deferred inflows of resources by approximately $21.4 million as of June 30, 2023.

A large portion of the City's net position (approximately $19.4 million) reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. These assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (approximately $405,000) represents resources that are subject to restrictions on how they may be used. Restricted assets are composed of funds held for municipal road aid, police forfeitures, opioid remediation, and the K-9 program.

The City's financial position is the product of several financial transactions, including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The following points explain the major changes impacting net position as shown on the previous page:

1. Cash and cash equivalents decreased $4,886,738 from the previous year primarily due to moving $4.0 million into investments in the current year.

2. Investments increased by $4,335,282 during the year as the City invested $4.0 million cash into a new investment account.

3. The City recorded a receivable in the amount of $226,718 related to the National Opioid Settlement with the distributors and Janssen.

4. Net capital assets increased $2,880,261. During the fiscal year, the City purchased vehicles for the administrative, police, and public works departments; had several road projects; and completed the pickleball courts, shelter, and restrooms at Memorial Park. Total depreciation expense in the current year was approximately $1.1 million.

5. Accounts payable increased $1,014,414 from the prior year due to having payables of approximately $828,000 in large road projects.

6. Unearned revenue decreased $1,695,048 largely due to incurring eligible expenditures for the Coronavirus State and Local Fiscal Recovery Funds in the amount of $1,669,448.

7. Bonds payable decreased $285,000 due to normal payments on debt.

8. The City has $1,516,492 of unrestricted net position as of June 30, 2023.

Table 2 reflects the change in net position for fiscal years 2023 and 2022.

Table 2
Change in Net Position

	Governmental Activities Years Ended June 30, 2023	2022
Revenues		
General Revenues		
Property Taxes	$ 5,029,977	$ 4,811,687
Payroll Taxes	4,476,651	3,674,986
Bank Deposit Tax	63,613	57,322
Franchise Fees	1,132,921	1,060,177
Assessment Revenue	-	280
License Fees and Permits	127,449	148,460
Penalties and Interest on Taxes	28,974	25,853
Grants and Contributions, not Restricted	8,769	9,163
Investment Income	780,886	(265,846)
(Loss) Gain on Sale of Assets	(1,048)	62,288
Miscellaneous	406,208	16,589
Total General Revenues	12,054,400	9,600,959
Program Revenues		
Charges for Service	443,170	183,761
Operating Grants and Contributions	2,723,111	3,257,766
Capital Grants and Contributions	-	-
Total Program Revenues	3,166,281	3,441,527
Total Revenues	15,220,681	13,042,486
Program Expenses		
General Government	3,273,929	2,735,557
Public Safety	4,061,575	3,162,628
Public Works	2,162,011	1,651,698
Parks and Recreation	197,273	147,630
Community and Senior Center	104,067	93,983
Interest on Long Term Debt	30,288	35,888
Pension Expense	571,789	1,051,005
Other Postemployment Benefits Expense	307,305	325,321
Total Program Expenses	10,708,237	9,203,710
Change in Net Position	4,512,444	3,838,776
Net Position - Beginning of Year (As Originally Reported)	16,966,166	13,127,390
Prior Period Restatement	(124,230)	-
Net Position - End of Year	$ 21,354,380	$ 16,966,166

Governmental Activities

Governmental activities increased the City's net position by $4,512,444. Key changes in the statement of activities are as follows:

- Investment income increased $1,046,732 in the current year due to the City investing $4.0 million in the current year as well as the overall market performing better.
- Charges for services revenue increased $259,409 in the current year due to receiving the National Opioid Settlement. The City recognized $284,707 in revenue in the current year.
- Operating grants and contributions decreased by $534,655 primarily due to the City incurring $176,994 less in eligible expenditures related to the Coronavirus State and Local Fiscal Recovery Funds in the current year and incurring $209,367 less in eligible expenditures related to the Coronavirus Relief Funds.
- Total program expenses increased $1,504,527 due to an increase in salaries and related expenses.
- There were no other significant changes noted during the year.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $13,320,738, an increase of $687,467, in comparison to the prior year. This total consists of: General Fund, $13,228,750; Municipal Road Aid Fund, $50,131; and Police Forfeitures Fund, $41,857.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was $12,910,834. The total fund balance increased by $740,909.

The Municipal Road Aid Fund balance decreased by $977. There were no material changes when compared to the prior year.

The Police Forfeitures Fund balance decreased by $52,465. This decrease was largely due to incurring expenditures of $60,724 in the current year.

General Fund Budgeting Highlights

The City's budget is prepared according to City Charter and is based on accounting for certain transactions on the modified accrual basis of accounting. The General Fund beginning fund balance for the beginning of the fiscal year was $12,487,841 after restatement.

For the General Fund, actual revenues, in the amount of approximately $14.5 million were higher than budgeted revenues of approximately $12.4 million. This variance was largely due to payroll tax revenues being higher than expected due to overall economic growth.

Actual and budgeted expenditures were at approximately $10.9 million and $11.6 million, respectively. Parks and recreation was over budget by $18,057 due to additional expenditures incurred for Memorial Park.

Capital Assets

At the end of fiscal year 2023, the City had approximately $20.6 million in capital assets, all in governmental activities.

Table 3 reflects fiscal year 2023 balances compared to fiscal year 2022.

Table 3
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2023	**2022**
Land	$ 1,358,037	$ 1,358,037
Construction in Progress	113,057	430,303
Buildings	3,823,732	3,630,331
Park Improvements	1,201,110	629,345
Infrastructure	12,573,677	10,223,443
Equipment	305,704	278,303
Vehicles	1,267,467	1,212,761
	$ 20,642,784	**$ 17,762,523**

Significant additions in the current year include new vehicles, various road repairs, and completion of Memorial Park pickleball courts, shelter, and restrooms.

Long-Term Debt

At June 30, 2023, the City had a total of $1,210,000 in outstanding bonds. The proceeds from this bond were used to construct the City's municipal building. Additionally, compensated absences increased by $8,981 during the year ended June 30, 2023.

The following is a summary of the City's debt transactions during 2023:

Governmental Activities	**June 30, 2022**	**Additions**	**Repayments**	**June 30, 2023**
Bond Payable	$ 1,495,000	$ -	$ 285,000	$ 1,210,000
Compensated Absences	233,615	8,981	-	242,596
	$ 1,728,615	**$ 8,981**	**$ 285,000**	**$ 1,452,596**

Payments on the bond payable were made in accordance with payment schedules.

Economic Factors and Next Year's Budget

The City budgeted General Fund revenues of $13,850,417 for the year ending June 30, 2024, which is a decrease of approximately $851,000 from the June 30, 2023 budgeted General Fund revenues. This decrease is primarily due to a budgeted $600,000 worth of revenue that was attributed to an insurance reimbursement for repairs on the city building that occurred when the bursting of pipes caused flooding of part of the city building.

The City received $7.7 million in ARPA & Cares Act funding combined in FY22. The City spent a portion of these funds in FY 2023 for public safety. The City anticipates spending the remaining $3,998,947 over the next three years for public safety related expenses.

The City budgeted General Fund expenses of $13,700,116 for the year ending June 30, 2024, which is a decrease of approximately $1.08 Million from the June 30, 2023 budgeted General Fund expenses. The primary factors contributing to the decrease are a reduction in transfers to the Municipal Road Aid Fund, Capital Acquisitions Fund and the Health Insurance Fund of approximately $606,000 combined, and the completion of the repairs on the city building from the mentioned flooding of the city building that happened in FY2023.

Payroll tax and occupational license revenues for Fiscal Year 2023 represented an increase of 39% over the prior year. This increase was significantly more than annual increases reported in the past. This increase is the result of an increase in the tax base, rather than an increase in tax rates. These rates have remained the same, and the City does not anticipate any rate increases in the near future.

Assessed values for Personal Property for Fiscal Year 2023 tax bills reflected a 4.7% increase in valuation over the prior year. The city expects this increase to remain comparable in future years due to continued economic growth.

The City continues to invest in infrastructure. The City budget for Fiscal Year 2024 includes $2 million for street projects and improvements, all coming from the Municipal Road Aid Fund. The Special Projects Fund budget for Fiscal Year 2024 includes $650,000 for park improvements.

The Fiscal Year 2024 budget provides adequate resources for the continuation of services and programs at the present levels.

Requests for Information

This financial report is designed to provide a general overview of the City's financial condition for all of those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Administrator, Chris Moriconi at the City building at 5409 Madison Pike, Independence, KY 41051.

CITY OF INDEPENDENCE, KY
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities
Assets and Deferred Outflows of Resources	
Current Assets	
Cash and Cash Equivalents	$ 11,185,128
Investments	7,709,602
Accounts Receivable	
Taxes	1,336,257
Intergovernmental	142,907
Special Assessments	2,736
Other Receivables	127,373
National Opioid Settlement	7,498
Prepaid Expenses	223,921
Total Current Assets	20,735,422
Noncurrent Assets (Net of Current Portion)	
National Opioid Settlement Receivable	219,220
Capital Assets	
Non-Depreciable	1,471,094
Depreciable, Net	19,171,690
Total Capital Assets	20,642,784
Total Noncurrent Assets	20,862,004
Total Assets	41,597,426
Deferred Outflows of Resources	
Deferred Outflows Related to Pension	1,831,518
Deferred Outflows Related to Other Postemployment Benefits	951,745
Total Deferred Outflows of Resources	2,783,263
Total Assets and Deferred Outflows of Resources	44,380,689
Liabilities and Deferred Inflows of Resources	
Current Liabilities	
Accounts Payable	1,201,621
Accrued Expenses	158,990
Accrued Payroll and Withholdings	78,152
Unearned Revenues	4,012,847
Compensated Absences	17,429
Bonds Payable	295,000
Total Current Liabilities	5,764,039
Noncurrent Liabilities (Net of Current Portion)	
Compensated Absences	225,167
Bonds Payable	915,000
Net Pension Liability	10,841,237
Net Other Postemployment Benefit Liability	3,009,807
Total Noncurrent Liabilities	14,991,211
Total Liabilities	20,755,250
Deferred Inflows of Resources	
Deferred Inflows Related to Pension	1,096,975
Deferred Inflows Related to Other Postemployment Benefits	1,174,084
Total Deferred Inflows of Resources	2,271,059
Total Liabilities and Deferred Inflows of Resources	23,026,309
Net Position	
Net Investment in Capital Assets	19,432,784
Restricted for	
Municipal Road Aid	50,131
Police Forfeitures	41,857
Opioid Remediation	284,707
K-9 Program	28,409
Unrestricted	1,516,492
Total Net Position	$ 21,354,380

See accompanying notes.

CITY OF INDEPENDENCE, KY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position — Primary Government: Total Governmental Activities
Primary Government					
Governmental Activities					
General Government	$ 3,273,929	$ -	$ 1,679,448	$ -	$ (1,594,481)
Public Safety	4,061,575	314,694	371,775	-	(3,375,106)
Public Works and Streets	2,162,011	(1,631)	671,888	-	(1,491,754)
Parks and Recreation	197,273	97,918	-	-	(99,355)
Community and Senior Center	104,067	32,189	-	-	(71,878)
Interest on Long Term Debt	30,288	-	-	-	(30,288)
Pension Expense	571,789	-	-	-	(571,789)
Other Postemployment Benefits Expense	307,305	-	-	-	(307,305)
Total Primary Government	$ 10,708,237	$ 443,170	$ 2,723,111	$ -	(7,541,956)
General Revenues					
Property Taxes					5,029,977
Payroll Taxes					4,476,651
Bank Deposit Tax					63,613
Franchise Fees					1,132,921
License Fees and Permits					127,449
Penalties and Interest on Taxes					28,974
Grants and Contributions					8,769
Investment Income					780,886
Loss on Sale of Capital Assets					(1,048)
Miscellaneous					406,208
Total General Revenues					12,054,400
Change in Net Position					4,512,444
Net Position as of July 1, 2022 (As Originally Reported)					16,966,166
Prior Period Restatement					(124,230)
Net Position as of June 30, 2023					$ 21,354,380

See accompanying notes.

CITY OF INDEPENDENCE, KY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	Major Funds		Non-Major Fund	
	General Fund	**Municipal Road Aid Fund**	**Police Forfeitures Fund**	**Total Governmental Funds**
Assets				
Cash and Cash Equivalents	$ 9,684,919	$ -	$ 41,857	$ 9,726,776
Investments	7,709,602	-	-	7,709,602
Accounts Receivable				
Taxes	1,336,257	-	-	1,336,257
Intergovernmental	92,776	50,131	-	142,907
Special Assessments	2,736	-	-	2,736
Other Receivables	127,373	-	-	127,373
National Opioid Settlement	226,718			226,718
Prepaid Expenses	223,921	-	-	223,921
Total Assets	$ 19,404,302	$ 50,131	$ 41,857	$ 19,496,290
Liabilities				
Accounts Payable	$ 1,201,621	$ -	$ -	$ 1,201,621
Accrued Expenses	237,142	-	-	237,142
Unearned Revenue	4,012,847	-	-	4,012,847
Total Liabilities	5,451,610	-	-	5,451,610
Deferred Inflows of Resources				
Unavailable Revenues - Taxes	501,986	-	-	501,986
Unavailable Revenues - Special Assessments	2,735	-	-	2,735
Unavailable Revenues - Opioid Settlement	219,221			219,221
Total Deferred Inflows of Resources	723,942	-	-	723,942
Fund Balances				
Nonspendable				
Prepaid Expenses	223,921	-	-	223,921
Restricted for				
Municipal Road Aid	-	50,131	-	50,131
Police Forfeitures	-	-	41,857	41,857
Opioid Remediation	65,486	-	-	65,486
K-9 Program	28,409	-	-	28,409
Unassigned	12,910,934	-	-	12,910,934
Total Fund Balances	13,228,750	50,131	41,857	13,320,738
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 19,404,302	$ 50,131	$ 41,857	$ 19,496,290

See accompanying notes.

CITY OF INDEPENDENCE, KY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total Fund Balance - Governmental Funds		$ 13,320,738
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	$ 31,272,267	
Accumulated Depreciation	(10,629,483)	
		20,642,784
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		723,942
Compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(242,596)
Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources Related to Pension	1,831,518	
Deferred Outflows of Resources Related to Other Postemployment Benefits	951,745	
Deferred Inflows of Resources Related to Pension	(1,096,975)	
Deferred Inflows of Resources Related to Other Postemployment Benefits	(1,174,084)	
		512,204
Long-term liabilities, including net pension obligations, net other postemployment benefit obligations, and bonds payable, are not due and payable in the current period, and therefore, are not reported as liabilities in governmental funds.		
Bonds Payable	(1,210,000)	
Net Pension Liability	(10,841,237)	
Net Other Postemployment Benefit Liability	(3,009,807)	
		(15,061,044)
Internal Service Fund is used by management to charge the cost of health insurance to individual funds. The assets and liabilities are included in the governmental activities on the statement of net assets.		1,458,352
Net Assets of Governmental Activities in the Statement of Net Position		$ 21,354,380

See accompanying notes.

CITY OF INDEPENDENCE, KY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	Major Funds		Non-Major Fund	
	General Fund	**Municipal Road Aid Fund**	**Police Forfeiture Fund**	**Total Governmental Funds**
Revenues				
Property Taxes	$ 5,008,094	$ -	$ -	$ 5,008,094
Bank Deposit Tax	63,613	-	-	63,613
Payroll Taxes	4,725,242	-	-	4,725,242
Franchise Taxes	1,132,921	-	-	1,132,921
Licenses and Permits	127,449	-	-	127,449
Intergovernmental	2,116,709	671,888	-	2,788,597
Charges for Services	145,820	-	-	145,820
Fines and Forfeitures	61,050	-	6,545	67,595
Investment Income	728,557	-	1,714	730,271
Contributions and Donations	10,364	-	-	10,364
Miscellaneous	406,208	-	-	406,208
Total Revenues	14,526,027	671,888	8,259	15,206,174
Expenditures				
General Government	2,751,687	-	-	2,751,687
Public Safety	5,150,800	-	60,724	5,211,524
Public Works	1,998,667	2,756,766	-	4,755,433
Parks and Recreation	551,607	-	-	551,607
Community and Senior Center	134,028	-	-	134,028
Debt Service				
Principal	285,000	-	-	285,000
Interest	30,288	-	-	30,288
Total Expenditures	10,902,077	2,756,766	60,724	13,719,567
Excess (Deficit) of Revenues Over Expenditures	3,623,950	(2,084,878)	(52,465)	1,486,607
Other Financing Sources (Uses)				
Proceeds From Sale of Capital Assets	11,842	-	-	11,842
Transfers In	-	2,083,901	-	2,083,901
Transfers Out	(2,894,883)	-	-	(2,894,883)
Total Other Financing Sources (Uses)	(2,883,041)	2,083,901	-	(799,140)
Net Changes in Fund Balances	740,909	(977)	(52,465)	687,467
Fund Balance, July 1, 2022 (As Originally Reported)	13,926,214	51,108	94,322	14,071,644
Prior Period Restatement	(1,438,373)	-	-	(1,438,373)
Fund Balance, June 30, 2023	$ 13,228,750	$ 50,131	$ 41,857	$ 13,320,738

See accompanying notes.

CITY OF INDEPENDENCE, KY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Change in Fund Balances - Total Governmental Funds		$ 687,467
Amounts reported for governmental activities in the statement of net position are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceeded depreciation expense.		
Depreciation Expense	$ (1,147,027)	
Capital Outlays	4,036,877	
		2,889,850
The net effect of the disposal of capital assets is to decrease net position.		(12,890)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		285,000
Compensated absences not expected to be paid within the next fiscal year are not reported as liabilities in the fund, but are reported as liabilities in the statement of net position. This is the net change in compensated absences for the year.		(8,981)
Governmental funds report City other postemployment benefit contributions as expenditures. However, other postemployment benefit expense is reported in the statement of activities. This is the amount by which other postemployment benefit expense exceeded contributions.		
City Other Postemployment Benefit Contributions - June 30, 2022	(241,463)	
City Other Postemployment Benefit Contributions - June 30, 2023	198,975	
Change in Other Postemployment Benefit Liability	(65,842)	
		(108,330)
Governmental funds report City pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
City Pension Contributions - June 30, 2022	(804,201)	
City Pension Contributions - June 30, 2023	1,278,597	
Cost of Benefits Earned Net of Employee Contributions	232,412	
		706,808
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		(35,060)
Internal Service Funds are used by management to charge the cost of health insurance to individual funds. The net revenues (expenses) of this fund are reported with governmental activities.		108,580
Change in Net Position - Governmental Activities		$ 4,512,444

See accompanying notes.

CITY OF INDEPENDENCE, KY
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2023

	Governmental Activities - Internal Service Fund
	Self Insurance Fund
Assets and Deferred Outflows of Resources	
Current Assets	
Cash and Cash Equivalents	$ 1,458,352
Net Position	
Restricted for Self Insurance	$ 1,458,352

See accompanying notes.

CITY OF INDEPENDENCE, KY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2023

	Governmental Activities - Internal Service Fund
	Self Insurance Fund
Operating Expenses	
Insurance Claims	$ 753,017
Non-Operating Revenues	
Interest Income	50,615
Transfers	
Transfers from Other Funds	810,982
Change in Net Position	108,580
Net Position, July 1, 2022 (As Originally Reported)	-
Prior Period Restatement	1,349,772
Net Position June 30, 2023	$ 1,458,352

See accompanying notes.

CITY OF INDEPENDENCE, KY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2023

	Governmental Activities - Internal Service Fund Self Insurance Fund
Cash Flows From Operating Activities	
Payments for Claims	$ (753,017)
Cash Flows from Non-Capital Financing Activities	
Transfers from Other Funds	810,982
Cash Flows from Investing Activities	
Interest Income	50,615
Net Change in Cash	108,580
Cash and Cash Equivalents July 1, 2022	1,349,772
Cash and Cash Equivalents June 30, 2023	$ 1,458,352

See accompanying notes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

Kentucky Revised Statutes and Ordinances of the City Council of the City of Independence, Kentucky (the City) designate the purpose, function, and restrictions of the various funds. The financial statements included herein consist of the General Fund, Municipal Road Aid Fund, the Police Forfeitures Fund, and the Self-Insurance Fund.

The City, for financial purposes, includes all of the funds and account groups relevant to the operations of the City of Independence, Kentucky.

The City of Independence, Kentucky is a municipal corporation governed by an elected mayor and six-member City Council. The accompanying financial statements present the City's primary government. Component units are those over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). The City has no component units.

Basis of Presentation and Measurement Focus

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The City has no business-type activities.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements; therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the City‘s governmental activities. Direct expenses are those that are specifically associated with a service, program or department, and are therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements - Fund financial statements report detailed information about the City. The focus of fund financial statements is on major funds, rather than reporting funds by type. Each major fund is presented in a separate column. All remaining funds are aggregated and reported as other nonmajor funds. It is the intent of the City to allow the internal service funds to accumulate fund balance/net position in the fund statements. This fund balance/net position will be used to pay for health insurance claims.

The governmental fund financial statements are accounted for using a current financial resources measurement focus, whereby only current assets, liabilities, and deferred inflows of resources generally are included in the Balance Sheet, and the Statement of Revenues, Expenditures, and Changes in Fund Balances presents increases and decreases in those items.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City has the following governmental funds:

<u>Governmental Fund Types</u>

(A) The General Fund is the main operating fund of the City. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. The General Fund is a major fund.

(B) The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The Municipal Road Aid Fund is a major special revenue fund and Police Forfeitures Fund is a non-major special revenue fund.

Proprietary fund financial statements are accounted for using the economic resources measurement focus. Accordingly, all assets and liabilities (whether current or noncurrent) and deferred outflows of resources and deferred inflows of resources are included in the Statement of Net position. The Statement of Revenues, Expenses, and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position.

The City has one proprietary fund, the Self Insurance fund that is used to account for health insurance of the City's employee's through this internal service fund.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide and proprietary fund financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues From Exchange and Non-Exchange Transactions

Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of the fiscal year end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used, or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before they can be recognized.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The City considers demand deposits and short-term investments with an original maturity of ninety days or less, to be cash and cash equivalents.

Investments

Investments are reported at fair value based on quoted market prices.

Capital Assets

General capital assets are assets that generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or appraised value) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of $5,000. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset, or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for general capital assets:

Description	Governmental Activities Estimated Lives
Buildings	40 – 50 Years
Park Improvements	5 – 30 Years
Infrastructure	25 – 30 Years
Equipment	3 – 15 Years
Vehicles	7 – 10 Years

Accounts Receivable

Accounts receivable are presented, when considered necessary, net of an allowance for doubtful accounts. There was no allowance determined necessary as of June 30, 2023.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period, and therefore deferred until that time. The City recognized deferred outflows of resources related to pensions and other postemployment benefits on the government-wide financial statements.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and is therefore deferred until that time. The City recognizes deferred inflows of resources related to pensions and other postemployment benefits on the government-wide financial statements. In the governmental funds, certain revenue transactions have been reported as unavailable revenue. Revenue cannot be recognized until it has been earned and is available to finance expenditures of the current period. Revenue that is earned but not available is reported as a deferred inflow of resources until such time as the revenue becomes available.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits. There is a liability for unpaid accumulated vacation leave since the City does have a policy to pay specified amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Unearned Revenue

Unearned revenue represents the amount for which revenue recognition criteria has not been met. In subsequent periods, when the incurrence of qualifying expenditures has been made, the liability for unearned revenue is removed and the revenue is recognized.

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 the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net 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 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 are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

The government-wide financial statements utilize a net position presentation. Net position is displayed as three components:

- Net Investment in Capital Assets – Represents capital assets, net of accumulated depreciation, reduced by the outstanding balances of capital leases, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.

- Restricted Net Position – Consists of net position with constraints placed on their use by external groups such as creditors, grantors, contributors, or laws or regulations of other governments.

- Unrestricted Net Position – Represents the net position available for future operations.

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

- Non-Spendable – Amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.

- Restricted – Amounts that can only be used pursuant to constraints imposed by external sources; such as federal or state restrictions or funds restricted by the will of City voters. These include residual balances from the Municipal Road Aid Fund and Police Forfeitures Fund.

- Committed – Amounts that can only be used for specific purposes determined by a formal action by City Council ordinance or resolution.

- Assigned – Amounts that are designated by the Mayor for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval by the City Council.

- Unassigned – All amounts not included in other spendable classifications.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets), the City's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications-committed and then assigned fund balances before using unassigned fund balances.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires the use of estimates and assumptions regarding certain types of assets, liabilities, designated fund balances, revenues, and expenditures. Certain estimates relate to unsettled transactions and events as of the date of the financial statements. Other estimates relate to assumptions about the ongoing operations and may impact future periods. Accordingly, upon settlement, actual results could differ from estimated amounts.

Property Taxes

Property taxes include amounts levied on real property. Property taxes are levied as of October 1st and property values were assessed on January 1st. Billings are considered past due 90 days after the respective tax billing date, at which time the applicable penalties and interest are assessed.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standards

Public-Private and Public-Public Partnerships and Availability Payment Arrangements

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, was issued to improve financial reporting by addressing issues related to public-private and public-public parentship arrangements (PPPs) and provides accounting and financial reporting guidance for availability payment arrangements (APAs). The requirements of GASB Statement No. 94 are effective for fiscal years beginning after June 15, 2022. The City determined the adoption of this statement has no material impact on its financial statements.

Subscription-Based Information Technology Arrangements

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was issued to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. The requirements of GASB Statement ginning after June 15, 2022. The City determined the adoption of this statement has no material impact on its financial statements.

Subsequent Events

The City has evaluated subsequent events through November 6, 2023, which is the date the financial statements were available to be issued.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

a) In accordance with City ordinance, prior to June 1, the Mayor submits to the City Council a proposed operating budget on the modified accrual basis of accounting for the fiscal year commencing the following July 1. The operating budget includes the proposed expenditures and the means of financing them for the upcoming year.

b) A public meeting is conducted to obtain citizens' comments.

c) By July 1, the budget is legally enacted through passage of an ordinance.

d) The Mayor is required by Kentucky Revised Statutes to present a quarterly report to the Council explaining any variance from the approved budget.

e) Appropriations continue in effect until a new budget is adopted.

f) The Council may authorize supplemental appropriations during the year.

The General Fund had excess parks and recreations expenditures over budget due to additional expenditures incurred for Memorial Park. The project was a multiple year project and had more expenses than anticipated.

NOTE 3 - DEPOSITS AND INVESTMENTS

Investment Policy

It is the policy of the City to invest public funds in a manner that will provide the maximum security and highest investment of principle while meeting the daily cash flow demands of the City and conforming to both KRS 91A.060 and KRS 66.480. In accordance with KRS 66.480, the City is authorized to invest in the following:

A) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian.

B) U.S. Treasury and other U.S. government obligations that carry the full faith and credit guarantee of the United States for the payment of principal and interest.

C) C) Federal Agency or U.S. government-sponsored enterprises obligations, participations or other instruments.

D) CDs issued by or other interest-bearing accounts of any bank or savings and loan institution having a physical presence in Kentucky and that are insured by the Federal Deposit Insurance Corporation or similar entity or that are collateralized by any obligations, including surety bonds permitted by KRS 41.240. KRS 66.480(1)(d).

E) Uncollateralized CDs issued by any bank or savings and loan having a physical presence in Kentucky rated in one of three highest categories by a competent rating agency.

F) Bankers' acceptances, which must be rated in one of the three highest categories by a competent rating agency.

G) Commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1, or D-1 or higher) by a competent rating organization.

H) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities.

I) Investment-grade obligations of state or local governments or instrumentality thereof rated one of three highest categories by a competent rating agency.

J) Shares of mutual funds and exchange traded funds as identified by KRS 66.480(1)(j).

K) Individual equity securities if the funds are managed by a professional investment manager regulated by a federal regulatory agency and are included within the S&P 500 pursuant to KRS 66.480(1)(k).

L) Individual high-quality corporate bonds managed by a professional investment manager pursuant to KRS 66.480(1)(l).

Overall investments in (E), (F), (G), (K), and (L) investment types are restricted to 20% of total local government investments.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Deposits and Investments

Custodial Credit Risk - Deposits – For deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. The City maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository bank should always pledge securities along with FDIC insurance at least equal to the amount on deposit. As of June 30, 2023, the City's deposits are entirely insured and/or collateralized with securities held by the financial institutions on the City's behalf and the FDIC insurance.

Custodial Credit Risk - Investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City had no custodial credit risk at June 30, 2023.

Interest Rate Risk - Investments – For an investment, interest rate risk is the risk that interest rates will change and cause a decrease in the value of an entity's investments. The City does not have a formal investment maturities policy as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - Investments – For an investment, credit risk is the risk that issuers of securities owned by an entity will default or that other parties that owe the entity money will not fulfill its obligations. At June 30, 2023 the City's investments were held in funds established by the Kentucky League of Cities Investment Pool. These funds are not rated.

Investments as of June 30, 2023 that are subject to rating for credit risk and interest rate risk are summarized by maturity below:

	Investment Maturities (in Years)			
	Carrying Value	Less Than 1	1 - 5	Credit Rating
Cash and Equivalents	$ 5,609	$ 5,609	$ -	Not Rated
Fixed Income	4,082,089	4,082,089	-	Moodys = AAA
Kentucky League of Cities Investment Pool				
Dividend Focus Equity Pool	954,917	954,917	-	Not Rated
Government Bond Fund	844,588	844,588	-	Not Rated
Corporate Bond Fund	862,478	862,478	-	Not Rated
Equity S&P 500 Index Fund	959,921	959,921	-	Not Rated
	$ 7,709,602	$ 7,709,602	$ -	

Investment Valuation

The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City does not have any investments that are measured using Level 3 inputs.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

For those investments measured at fair value, the investments' fair value measurements are as follows at June 30, 2023:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable (Level 2)	Significant Unobservable (Level 3)	Total
Cash and Equivalents	$ 5,609	$ -	$ -	$ 5,609
US Treasury Notes	4,082,089	-	-	4,082,089
Total Investments at Fair Value	4,087,698	-	-	4,087,698
Kentucky League of Cities Investment Pool				
Dividend Focus Equity Pool	-	954,917	-	954,917
Government Bond Fund	-	844,588	-	844,588
Corporate Bond Fund	-	862,478	-	862,478
Equity S&P 500 Index Fund	-	959,921	-	959,921
Total Investments Measured at NAV	-	3,621,904	-	3,621,904
Total Investments	$ 4,087,698	$ 3,621,904	$ -	$ 7,709,602

Investments held in the Kentucky League of Cities Investment Pool (KLCIP) are measured at net asset value per share (NAV), determined by the pool. The KLCIP is administered by the Kentucky League of Cities, which is a nonprofit membership association established to serve Kentucky cities and municipal agencies. KLCIP is governed by a board of trustees and managed by an outside asset management company.

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the fiscal year ended June 30, 2023 was as follows:

	Balance June 30, 2022	Additions	Deductions	Balance June 30, 2023
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 1,358,037	$ -	$ -	$ 1,358,037
Construction in Progress	430,303	113,057	430,303	113,057
Total Capital Assets Not Being Depreciated	1,788,340	113,057	430,303	1,471,094
Depreciable Capital Assets				
Buildings	6,112,118	204,097	-	6,316,215
Parks Improvements	1,268,819	634,267	60,614	1,842,472
Infrastructure	14,747,705	2,943,233	-	17,690,938
Equipment	474,305	203,035	80,694	596,646
Vehicles	3,162,289	369,491	176,878	3,354,902
Total Depreciable Capital Assets	25,765,236	4,354,123	318,186	29,801,173
Total Capital Assets at Historical Cost	27,553,576	4,467,180	318,186	31,272,267
Less Accumulated Depreciation				
Buildings	2,478,486	13,997	-	2,492,483
Parks Improvements	639,474	54,446	52,558	641,362
Infrastructure	4,524,262	592,999	-	5,117,261
Equipment	196,002	175,634	80,694	290,942
Vehicles	1,949,528	309,951	172,044	2,087,435
Total Accumulated Depreciation	9,787,752	1,147,027	305,296	10,629,483
Depreciable Capital Assets, Net	15,977,484	3,207,096	12,890	19,171,690
Governmental Activities Capital Assets - Net	$ 17,765,824	$ 3,320,153	$ 443,193	$ 20,642,784

Depreciation was charged to functions as follows for the year ended June 30, 2023:

General Government	$ 99,609
Public Safety	233,226
Public Works and Street	718,863
Parks and Recreation	61,596
Community and Senior Center	33,733
Total	$ 1,147,027

NOTE 5 - LONG-TERM LIABILITIES

Bonds

General Obligation Refunding Bonds, Series 2012

In October 2012, the City issued $4,150,000 of general obligation refunding bonds, Series 2012 at interest rates ranging from 1.10% to 2.125%. The principal is due on January 1st each year and the issue's final maturity date is January 1, 2027. The bonds pay interest semi-annually on July 1st and January 1st. The outstanding balance on this bond at June 30, 2023 is $1,210,000. The bonds were issued for the purpose of refunding the general obligation project refunding bonds, Series 2003. The proceeds of which were used to finance all or a portion of the costs of the acquisition, construction, installation, and equipping, of a city administration building. Principal and interest requirements to maturity are as follows:

Years	Principal Amount	Interest Amount	Total Debt Service
2024	$ 295,000	$ 24,588	$ 319,588
2025	300,000	18,688	318,688
2026	305,000	12,688	317,688
2027	310,000	6,588	316,588
Total	$ 1,210,000	$ 62,552	$ 1,272,552

The bonds are general obligations of the City, and the full faith, credit, and taxing power of the City is irrevocably pledged to the payment of principal and interest on the bonds when due. The basic security for the general obligation bond debt of the City, is the City's ability to levy, and its pledge to levy, an annual tax to pay the interest on and principal of the bonds as and when they become due and payable.

Summary of Long-Term Liability Transactions

The following is a summary of the City's long-term liability transactions for the year ended June 30, 2023:

	June 30, 2022	Additions	Repayments	June 30, 2023	Amount Expected to be Paid Within One Year
Bonds Payable	$ 1,495,000	$ -	$ 285,000	$ 1,210,000	$ 295,000
Compensated Absences	233,615	8,981	-	242,596	17,429
Total	$ 1,728,615	$ 8,981	$ 285,000	$ 1,452,596	$ 312,429

NOTE 6 - PENSION PLAN

General Information about the Pension Plan

Plan description: County Employees Retirement System (CERS) consists of two plans, Nonhazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Public Pension Authority (KPPA) under the provisions of Kentucky Revised Statute Section 78.782 and 61.645. The plan was formerly administered by the Kentucky Retirement System (KRS). However, during the 2020 Legislative Session, House Bill 484 was passed establishing a new governance structure for the agency that operates the system. Effective April 1, 2021, KRS as an agency of the Commonwealth became known as the KPPA. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of each participating county, city, and any additional eligible local agencies electing to participate in CERS.

Benefits provided: These systems provide for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances.

<u>Non-hazardous Plan:</u>

Tier 1: Retirement Eligibility for Members Whose Participation Began Before 09/01/2008

Age	Years of Service	Allowance Reduction
65	1 month	None
Any	27	None
55	5	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.
Any	25	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.

Tier 2: Retirement Eligibility for Members Whose Participation Began On or After 09/01/2008 but Before 01/01/2014

Age	Years of Service	Allowance Reduction
65	5	None
57	Rule of 87	None
60	10	6.5% per year for first five years, and 4.5% for next five years before age 65 or Rule of 87 (age plus years of service

Tier 3: Retirement Eligibility for Members Whose Participation Began On or After 01/01/2014

Age	Years of Service	Allowance Reduction
65	5	None
57	Rule of 87	None

NOTE 6 – PENSION PLAN (Continued)

Benefit Formula for Tiers 1 & 2

Final Compensation X	Benefit Factor		X Years of Service
Average of the five highest years of compensation.	2.20% if:	Member begins participating prior to 08/01/2004.	Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program).
	2.00% if:	Member begins participating on or after 08/01/2004 and before 09/01/2008.	
Average of the last complete five years of compensation if	Increasing percent based on service at retirement up to 30 years* plus 2.00% for each year of service over 30 years if:	Member begins participating on or after 09/01/2008 but before 01/01/2014.	

*** Service** *(and Benefit Factor):* ***10 years or less*** *(1.10%);* ***10 - 20 years*** *(1.30%);* ***20 - 26 years*** *(1.50%);* ***26 - 30 years*** *(1.75%)*

Benefit Formula for Tiers 3

Accumulate Account Balance / Actuarial Factor = Monthly Life Annuity

Accumulate Account Balance				
Member Contributions	**Employer Contributions**	**Base Annual Interest**	**Upside Sharing Interest (FY 2021)**	**Actuarial Factor**
5.00%	4.00%	4.00%	5.68%	Various*

*See www.kyret.ky.gov for most recent Actuarial Factors.

Hazardous Plan:

Tier 1: Retirement Eligibility for Members Whose Participation Began Before 09/01/2008

Age	Years of Service	Allowance Reduction
55	1 month	None
Any	20	None
50	15	6.5% per year for first five years, and 4.5% for next five years before age 55 or 20 years of service.

Tier 2: Retirement Eligibility for Members Whose Participation Began On or After 09/01/2008 but before 01/01/2014

Age	Years of Service	Allowance Reduction
60	5	None
Any	25	None
50	15	6.5% per year for first five years, and 4.5% for next five years before age 60 or 25 years of service.

Tier 3: Retirement Eligibility for Members Whose Participation Began On or After 01/01/2014

Age	Years of Service	Allowance Reduction
60	5	None
Any	25	None

NOTE 6 - PENSION PLAN (Continued)

Benefit Formula for Tiers 1 & 2

Final Compensation X	Benefit Factor		X Years of Service
Average of the three highest years of compensation.	2.50% if:	Member begins participating before 09/01/2008.	Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program).
Average of the three highest complete years of compensation.	Increasing percent based on service at retirement* if:	Member begins participating on or after 09/01/2008 but before 01/01/2014.	

** **Service** (and Benefit Factor): **10 years or less** (1.30%); **10 - 20 years** (1.50%); **20 - 25 years** (2.25%); **25 + years** (2.50%)*

Benefit Formula for Tiers 3

Accumulate Account Balance / Actuarial Factor = Monthly Life Annuity

Accumulate Account Balance				
Member Contributions	**Employer Contributions**	**Base Annual Interest**	**Upside Sharing Interest (FY 2021)**	**Actuarial Factor**
8.00%	7.50%	4.00%	5.79%	Various*

*See www.kyret.ky.gov for most recent Actuarial Factors.

Non-hazardous and Hazardous Plans:

For disability benefits, members participating before August 1, 2004 may retire on account of disability provided the member has at least 60 months of service credit (requirement is waived if line of duty disability) and is not eligible for an unreduced benefit. Additional service credit may be added for computation of benefits under the benefit formula. Members participating on or after August 1, 2004 but before January 1, 2014 may retire on account of disability provided the member has at least 60 months of service credit. Benefits are computed at the greater of 20% for non-hazardous and 25% for hazardous of member's monthly final rate of pay or the amount calculated under the benefit formula based upon actual service. Members participating on or after January 1, 2014 may retire on account of disability provided the member has at least 60 months of service credit. The hypothetical account which includes member contributions, employer contributions, and interest credits can be withdrawn from the System as a lump sum or an annuity equal to the larger of 20% for non-hazardous and 25% for hazardous of the member's monthly final rate of pay or the annuitized hypothetical account into a single life annuity option. Members disabled in the line of duty may be eligible for special benefits.

For pre-retirement death benefits, the beneficiary of a deceased active member is eligible for a monthly benefit if the member died while in the line of duty with one month of service credit. The beneficiary of a deceased active member who did not die in the line of duty is eligible for a monthly benefit if the member was: (1) eligible for retirement at the time of death or, (2) under the age of 65 for non-hazardous members and under age 55 for hazardous with at least 60 months of service credit and currently working for a participating agency at the time of death or (3) no longer working for a participating agency but at the time of death had at least 144 months of service credit. If the beneficiary of a deceased active member is not eligible for a monthly benefit, the beneficiary will receive a lump sum payment of the member's contributions and any accumulated interest.

NOTE 6 - PENSION PLAN (Continued)

The Kentucky General Assembly has the authority to increase, suspend, or reduce Cost of Living Adjustments (COLAs). Senate Bill 2 of 2013 eliminated all future COLAs unless the State Legislature so authorizes on a biennial basis and either (1) the system is over 100.00% funded or (2) the Legislature appropriates sufficient funds to pay the increased liability for the COLA.

House Bill (HB) 297 passed during the 2022 legislative session and included language allowing the Systems to provide health insurance coverage through the Kentucky Employees Health Plan (KEHP) for retired reemployed retirees who are Medicare-eligible and affected by the Medicare Secondary Payer Act (MSPA). HB 1 exempts pay raises for public defenders and their staff from pension spiking provisions, while HB 49 adds two pension spiking exemptions on a broader scope: 1. The first one hundred (100) hours of mandated overtime required by an employer during a fiscal year, and 2. Any overtime performed by a local government which the Governor authorizes mobilization of the Kentucky National Guard. HB 76 creates an exception for members "bound by an educational contract prior to December 31, 2003" with the Department of Transportation, to use the start date of the contract to establish the membership date and to purchase service credit after August 1, 2004, allowing the service purchase(s) to apply toward retirement eligibility and health insurance vesting. SB 27 allows part-time adjunct instructors for the Kentucky Fire Commission, meeting specific conditions, to retire from CERS without terminating employment as part-time instructors. Lastly, SB 209 increases the non-Medicare eligible subsidy by $5 for each year worked beyond the defined career threshold for members eligible for the fixed-dollar retiree health subsidy. The annual increase will only occur if the most recent actuarial valuation determines the funding level of the retiree health benefits is at least 90% and will remain at that level for the year. Additionally, the bill allows members eligible for the fixed-dollar health subsidy to be reimbursed for health insurance premiums other than those administered by KPPA.

Contributions: The employee contribution rate is set by state statute. Plan members who began participating prior to September 1, 2008 are required to contribute 5.00% (non-hazardous) or 8.00% (hazardous) of their annual creditable compensation. These members are classified in the Tier 1 structure of benefits. Interest is paid each June 30th on members' accounts at a rate of 2.50%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest.

Tier 2 plan members, who began participating on or after September 1, 2008, and before January 1, 2014 are required to contribute 6.00% (non-hazardous) or 9.00% (hazardous) of their annual creditable compensation. Further, 1.00% of these contributions are deposited to an account created for the payment of health insurance benefits under 26 USC section 401(h) in the Insurance Fund. These members were classified in the Tier 2 structure of benefits. Interest is paid each June 30th on members' accounts at a rate of 2.50%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1.00% contribution to the 401(h) account is non-refundable and is forfeited.

Tier 3 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 contribute 5.00% (non-hazardous) or 8.00% (hazardous) of their monthly creditable compensation which is deposited into their account, and an additional 1.00% which is deposited to an account created for payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund, which is not refundable. Tier 3 member accounts are also credited with an employer pay credit in the amount of 4.00% (non-hazardous) or 7.50% (hazardous) of the members monthly creditable compensation. The employer pay credit amount is deducted from the total employer contribution rate paid on the member's monthly creditable compensation. If a vested (60 months of service) member terminates employment and applies to take a refund, the member is entitled to the members contributions (less HIC) plus employer pay credit plus interest (for both employee contributions and employer pay). If a non-vested (less than 60 months) member terminates the employee and applies to take a refund, the member is entitled to receive employee contributions (less HIC) plus interest (on employee contributions only).

NOTE 6 - PENSION PLAN (Continued)

Interest is paid into the Tier 3 member's account. The account currently earns 4.00% interest credit on the member's accumulated account balance as of June 30th of the previous year. The member's account may be credited with additional interest if the fund's five-year Geometric Average Net Investment Return (GANIR) exceeded 4.00%. If the member was actively employed and participating in the fiscal year, and if KPPA's GANIR for the previous five years exceeds 4.00%, then the member's account will be credited with 75.00% of the amount of returns over 4.00% on the account balance as of June 30th of the previous year (Upside Sharing Interest). It is possible that one fund in KPPA may get an Upside Sharing Interest, while another may not.

Local government participating employers are required to contribute an actuarially determined rate for CERS pension contributions, per the Kentucky Revised Statute Section 78.545(33). The CERS Board of Trustees establishes the employer contribution rate based on Kentucky Revised Statute section 78.454(33) each following the annual actuarial valuation as of July 1 and prior to July 1 of the succeeding fiscal year for local governments in Kentucky. House Bill 362 passed during the 2018 legislative session, which caps CERS employer contribute rate increases up to 12.00% per year over the prior fiscal year for a period of July 1, 2018 to June 30, 2028.

For the year ended June 30, 2023, participating employers contributed 26.79% (23.40% pension fund and 3.39% insurance fund) for the non-hazardous system of each employee's creditable compensation and 49.59% (42.81% pension fund and 6.78% insurance fund) for the hazardous system. The actuarially determined rates set by the Board for the fiscal years was a percentage of each employee's creditable compensation. Contributions to the pension fund from the City were $1,278,597 for the year ended June 30, 2023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, the City reported a liability of $10,841,237 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 June 30, 2021. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2022, using generally accepted actuarial principles. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2023, the City's proportion for the non-hazardous system was 0.034077% and for the hazardous system was 0.274551%, which was a decrease of 0.000182% and 0.044553% from its proportion measured for the non-hazardous and hazardous systems, respectively, as of June 30, 2022.

NOTE 6 - PENSION PLAN (Continued)

For the year ended June 30, 2023, the City recognized pension expense of $571,789. 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
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	$ 256,658	$ -
Difference Between Expected and Actual Experience	242,840	21,938
Changes of Assumptions	-	-
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	53,423	1,075,037
Contributions After Measurement Date	1,278,597	-
Total	$ 1,831,518	$ 1,096,975

The $1,278,597 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,	
2024	$ (177,427)
2025	(234,779)
2026	(330,934)
2027	199,086
Total	$ (544,054)

NOTE 6 - PENSION PLAN (Continued)

Actuarial assumptions: The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

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	30 years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30 to 10.30%, varies by service for non-hazardous; 3.55% to 19.05%, varies by service for hazardous
Investment Rate of Return	6.25% Net of pension plan investment expense including inflation

There have been no actuarial assumption or method changes since June 30, 2021.

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

The long-term (10-year) expected return on plan assets was determined by using a building-block method in which best estimated ranges of expected future real returns were developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Equity		
Public Equity	50.00 %	4.45 %
Private Equity	10.00	10.15
Fixed Income		
Core Fixed Income	10.00	0.28
Specialty Credit	10.00	2.28
Cash	-	(0.91)
Inflation Protected		
Real Estate	7.00	3.67
Real Return	13.00	4.07
Total	100.00 %	

NOTE 6 - PENSION PLAN (Continued)

Discount rate: The single discount rate used to measure the total pension liability was 6.25%. The single discount rate was based on the expected rate of return on pension plan investments for the system. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the pension plan's fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current plan member. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the system.

The projections of cash flows used to determine the single discount rate includes an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that each participating employer in CERS contributes the actuarially determined employer contribution rate each future year calculated in accordance with the current funding policy, as most recently revised by House Bill 8, passed during the 2021 Legislative Session. The assumed future employer contributions for CERS reflect the provisions of House Bill 362 (passed during the 2018 legislative session) which limit the increases to the employer contribution rates to 12.00% over the prior fiscal year through June 30, 2028.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the Bureau's proportionate share of the net pension liability using the discount rate of 6.25%, as well as what the Bureau'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%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease	Current Discount	1% Increase
Non-hazardous	$ 3,078,983	$ 2,463,431	$ 1,954,318
Hazardous	$ 10,435,929	$ 8,377,806	$ 6,701,593

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Kentucky Public Pensions Authority Annual Comprehensive Financial Report on the KPPA website at www.kyret.ky.gov.

401(a) Plan

The City also permits employees to participate in a 401(a) plan. The City will match up to 3% of employee contributions.

NOTE 7 - OPEB PLAN

General Information About the OPEB Plan

Plan description: County Employees Retirement System (CERS) consists of two plans, Nonhazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Public Pension Authority (KPPA) under the provisions of Kentucky Revised Statute Section 78.782 and 61.645. The plan was formerly administered by the Kentucky Retirement System (KRS). However, during the 2020 Legislative Session, House Bill 484 was passed establishing a new governance structure for the agency that operates the system. Effective April 1, 2021, KRS as an agency of the Commonwealth became known as the KPPA. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of each participating county, city, and any additional eligible local agencies electing to participate in CERS.

NOTE 7 - OPEB PLAN (Continued)

Benefits provided: The KRS' Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. KPPA submits the premium payments to DEI and Humana. The Insurance Plan pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The Insurance Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous members killed in the line of duty.

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after July 1, 2003, earn $10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after July 1, 2003 earn $15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives $10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5% based upon Kentucky Revised Statutes. This benefit is not protected under the inviolable contract provisions of KRS 61.692. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Portion Paid by Insurance Fund

Years of Service	Paid by Insurance Fund (%)
20 + Years	100.00%
15 - 19 Years	75.00%
10 - 14 Years	50.00%
4 - 9 Years	25.00%
Less Than 4 Years	0.00%

Contributions: The employee contribution rate is set by state statute. Plan members who began participating prior to September 1, 2008 are required to contribute 5.00% (non-hazardous) or 8.00% (hazardous) of their annual creditable compensation. These members are classified in the Tier 1 structure of benefits. Interest is paid each June 30th on members' accounts at a rate of 2.50%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest.

Tier 2 plan members, who began participating on or after September 1, 2008, and before January 1, 2014 are required to contribute 6.00% (non-hazardous) or 9.00% (hazardous) of their annual creditable compensation. Further, 1.00% of these contributions are deposited to an account created for the payment of health insurance benefits under 26 USC section 401(h) in the Insurance Fund. These members were classified in the Tier 2 structure of benefits. Interest is paid each June 30th on members' accounts at a rate of 2.50%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1.00% contribution to the 401(h) account is non-refundable and is forfeited.

NOTE 7 - OPEB PLAN (Continued)

Tier 3 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 contribute 5.00% (non-hazardous) or 8.00% (hazardous) of their monthly creditable compensation which is deposited into their account, and an additional 1.00% which is deposited to an account created for payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund, which is not refundable. Tier 3 member accounts are also credited with an employer pay credit in the amount of 4.00% (non-hazardous) or 7.50% (hazardous) of the members monthly creditable compensation. The employer pay credit amount is deducted from the total employer contribution rate paid on the member's monthly creditable compensation. If a vested (60 months of service) member terminates employment and applies to take a refund, the member is entitled to the members contributions (less HIC) plus employer pay credit plus interest (for both employee contributions and employer pay). If a non-vested (less than 60 months) member terminates the employee and applies to take a refund, the member is entitled to receive employee contributions (less HIC) plus interest (on employee contributions only).

Interest is paid into the Tier 3 member's account. The account currently earns 4.00% interest credit on the member's accumulated account balance as of June 30th of the previous year. The member's account may be credited with additional interest if the fund's five-year Geometric Average Net Investment Return (GANIR) exceeded 4.00%. If the member was actively employed and participating in the fiscal year, and if KPPA's GANIR for the previous five years exceeds 4.00%, then the member's account will be credited with 75.00% of the amount of returns over 4.00% on the account balance as of June 30th of the previous year (Upside Sharing Interest). It is possible that one fund in KPPA may get an Upside Sharing Interest, while another may not.

Local government participating employers are required to contribute an actuarially determined rate for CERS pension contributions, per the Kentucky Revised Statute Section 78.545(33). The CERS Board of Trustees establishes the employer contribution rate based on Kentucky Revised Statute section 78.454(33) each following the annual actuarial valuation as of July 1 and prior to July 1 of the succeeding fiscal year for local governments in Kentucky. House Bill 362 passed during the 2018 legislative session, which caps CERS employer contribute rate increases up to 12.00% per year over the prior fiscal year for the period of July 1, 2018 to June 30, 2028.

For the year ended June 30, 2022, participating employers contributed 26.79% (23.40% pension fund and 3.39% insurance fund) for the non-hazardous system of each employee's creditable compensation and 49.59% (42.81% pension fund and 6.78% insurance fund) for the hazardous system. The actuarially determined rates set by the Board for the fiscal years was a percentage of each employee's creditable compensation. Contributions to the pension fund from the City were $78,802 for the year ended June 30, 2023.

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

At June 30, 2023, the City reported a liability of $3,009,807 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end June 30, 2021, using generally accepted actuarial principles. The City's proportion of the net OPEB liability was based on the City's share of contributions to the OPEB plan relative to the contributions of all participating employers. At June 30, 2023, the City's proportion for the non-hazardous system was 0.034071% and for the hazardous system was 0.271143%, which was a decrease of 0.000180% and a decrease of 0.047960% from its proportion measured for the non-hazardous and hazardous systems, respectively, as of June 30, 2022.

NOTE 7 - OPEB PLAN (Continued)

For the year ended June 30, 2023, the City recognized OPEB expense of $307,305 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
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	$ 112,605	$ -
Difference Between Expected and Actual Experience	119,329	292,631
Changes of Assumptions	496,526	489,811
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	24,310	391,642
Contributions After Measurement Date	198,975	-
Total	$ 951,745	$ 1,174,084

$198,975 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30,	
2024	$ (64,500)
2025	(68,715)
2026	(151,144)
2027	(12,714)
2028	(124,241)
Total	$ (421,314)

NOTE 7 - OPEB PLAN (Continued)

Actuarial assumptions: The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2021
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll Amortization Method
Amortization Period	30 years, Closed
Asset Valuation Method	20% of the difference between the market value of assets
Payroll Growth Rate	2.00%
Inflation	2.30%
Salary Increase	3.30 to 10.30%, varies by service for non-hazardous' 3.55% to 19.05%, varies by service for hazardous
Investment Rate of Return	6.25%
Healthcare Cost Trend Rates (Pre-65)	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Healthcare Cost Trend Rates (Post-65)	Initial trend starting at 2.90% at January 1, 2022, and increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Mortality	
Pre-retirement	PUB - 2010 General Mortality Table, for the Non-hazardous Systems, Projected with the Ultimate Rates from the MP-2014 Mortality Improvement Scale Using a Base Year of 2010.
Post Retirement (non-disabled)	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.
Post Retirement (disabled)	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.

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 on 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, was determined using these updated provisions. There were no other material plan provision changes.

NOTE 7 - OPEB PLAN (Continued)

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

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Equity		
Public Equity	50.00 %	4.45 %
Private Equity	10.00	10.15
Fixed Income		
Core Fixed Income	10.00	0.28
Specialty Credit	10.00	2.28
Cash	-	(0.91)
Inflation Protected		
Real Estate	7.00	3.67
Real Return	13.00	4.07
Total	100.00 %	

Discount rate: The single discount rate used to measure the total OPEB liability was 5.70% for nonhazardous. The single discount rate was based on the expected rate of return on the 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 ended, the plan's insurance fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on Insurance Plan investments was applied to all periods of the projected benefit payments paid from the retirement plan. However, the cost associated with the implicit subsidy is not currently being included in the calculation of the system's actuarial determined contributions, and it is understood that any cost associated with the implicit subsidy will not be paid out of the plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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, as most recently revised by House Bill 8, passed during the 2021 legislative session. The assumed future employer contributions reflect the provisions of House Bill 362 (passed during the 2018 legislative session) which limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028, for the CERS plans.

NOTE 7 - OPEB PLAN (Continued)

Sensitivity of the City's proportionate share of the net OPEB liability to changes in the discount rate: The following present's the City's proportionate share of the net OPEB liability, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.70% for non-hazardous) or 1-percentage-point higher (6.70% for non-hazardous) than the current rate:

	1% Decrease	Current Discount	1% Increase
Non-hazardous	$ 898,886	$ 672,396	$ 485,164
Hazardous	$ 3,247,763	$ 2,337,411	$ 1,647,685

Sensitivity of the City's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates: The following present's the City's proportionate share of the net OPEB liability, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Non-hazardous	$ 499,911	$ 672,396	$ 879,517
Hazardous	$ 1,632,185	$ 2,337,411	$ 3,197,044

Other postemployment benefits plan fiduciary net position: Detailed information about the other postemployment benefits plan's fiduciary net position is available in the separately issued Kentucky Public Pensions Authority Annual Comprehensive Financial Report on the KPPA website at www.kyret.ky.gov.

NOTE 8 - TRANSFER OF FUNDS

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
General	Municipal Road Aid	To Fund Road Projects	$ 2,083,901
General	Self-Insurance Fund	To Fund Health Insurance	810,982
			$ 2,894,883

NOTE 9 - RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City has obtained insurance coverage through a commercial insurance company. In addition, the City has effectively managed risk through various employee education and prevention programs. All risk general liability management activities are accounted for in the general fund. Expenditures and claims are recognized when probable that a loss has occurred, and the amount of loss can be reasonably estimated.

Management estimates that the amount of actual or potential claims against the City as of June 30, 2023 will not materially affect the financial condition of the City. Therefore, the general fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

NOTE 10 - CLAIMS AND JUDGEMENTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

NOTE 11 - CONTINGENT LIABILITIES

The City is, from time to time, a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City’s attorney the resolution of these matters will not have a material adverse effect on the financial condition of the City.

NOTE 12 - CONDUIT DEBT

From time to time the City has issued bonds, notes, etc. to provide financial assistance to various entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the City of Independence, KY’s name as issuer, the City has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the City nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement. As of June 30, 2023, there are two series of industrial revenue bonds issued with an aggregate principal balance outstanding of $3,220,411.

NOTE 13 - RESTATEMENT OF ERRORS

For the year ended June 30, 2022, the City corrected several errors in the general fund and the government-wide financial statements. The City derecognized $75,000 in revenue that was received and earned in the year ended June 30, 2023. The City derecognized interest receivable in the amount of $13,601 that was for the period of July 2023. The City derecognized $38,930 in the Fowler Creek assessment receivable for payments that were received in prior fiscal years. Finally, the City added capital assets with a net book value of $3,301 that were previously excluded.

Additionally, the City reclassified $1,349,772 of the fund balance in the General Fund to the Self Insurance Fund, which is an internal service fund.

NOTE 13 - RESTATEMENT OF ERRORS (Continued)

These corrections had the following effects:

	June 30, 2022
General Fund Balance, As Originally Reported	$ 13,926,214
Restatement of Self Insurance Fund	(1,349,772)
Restatement of Cody Road Revenue	(75,000)
Restatement of Interest Receivable	(13,601)
Restated General Fund Balance	$ 12,487,841
Net Position, As Originally Reported	$ 16,966,166
Restatement of Cody Road Revenue	(75,000)
Restatement of Interest Receivable	(13,601)
Restatement of Fowler Creek Assessment Receivable	(38,930)
Restatement of Capital Assets	3,301
Restated Net Position	$ 16,841,936

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF INDEPENDENCE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts			Variance with Final Budget (Unfavorable)
	Original	Final	Actual	Favorable
Revenues				
Property Taxes	$ 4,934,235	$ 5,105,209	$ 5,008,094	$ (97,115)
Bank Deposit Tax	57,321	57,321	63,613	6,292
Payroll Taxes	3,400,000	3,400,000	4,725,242	1,325,242
Franchise Taxes	1,025,000	1,025,000	1,132,921	107,921
Licenses and Permits	143,158	149,558	127,449	(22,109)
Intergovernmental	4,053,846	2,031,968	2,116,709	84,741
Charges for Services	112,850	166,730	145,820	(20,910)
Fines and Forfeitures	10,000	5,000	61,050	56,050
Investment Income	22,000	399,500	728,557	329,057
Contributions and Donations	10,500	11,500	10,364	(1,136)
Miscellaneous	32,000	15,000	406,208	391,208
Total Revenues	13,800,910	12,366,786	14,526,027	2,159,241
Expenditures				
General Government	1,990,934	2,997,273	2,751,687	245,586
Public Safety	4,625,120	5,248,380	5,150,800	97,580
Public Works	2,635,542	2,393,933	1,998,667	395,266
Parks and Recreation	1,020,550	533,550	551,607	(18,057)
Community and Senior Center	146,000	146,000	134,028	11,972
Debt Service				
Principal	285,000	285,000	285,000	-
Interest	30,288	30,288	30,288	-
Total Expenditures	10,733,434	11,634,424	10,902,077	732,347
Excess of Revenues Over Expenditures	3,067,476	732,362	3,623,950	2,891,588
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	40,900	642,100	11,842	(630,258)
Transfers Out	(2,011,676)	(2,935,871)	(2,894,883)	40,988
Total Other Financing Sources (Uses)	(1,970,776)	(2,293,771)	(2,883,041)	(589,270)
Net Changes in Fund Balances	1,096,700	(1,561,409)	740,909	2,302,318
Fund Balance, July 1, 2022	12,487,841	12,487,841	12,487,841	-
Fund Balance, June 30, 2023	$ 13,584,541	$ 10,926,432	$ 13,228,750	$ 2,302,318

See accompanying notes.

CITY OF INDEPENDENCE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (WITH VARIANCES)
MUNICIPAL ROAD AID FUND
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts			Variance with Final Budget Favorable
	Original	**Final**	**Actual**	**(Unfavorable)**
Revenues				
Intergovernmental	$ 502,824	$ 652,824	$ 671,888	$ 19,064
Expenditures				
Public Works	1,744,500	2,818,695	2,756,766	61,929
Deficit of Revenues Over Expenditures	(1,241,676)	(2,165,871)	(2,084,878)	80,993
Other Financing Sources				
Transfers In	1,241,676	2,165,871	2,083,901	(81,970)
Net Changes in Fund Balances	-	-	(977)	(977)
Fund Balance, July 1, 2022	51,108	51,108	51,108	-
Fund Balance, June 30, 2023	$ 51,108	$ 51,108	$ 50,131	$ (977)

See accompanying notes.

CITY OF INDEPENDENCE, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2023

County Employees Retirement System
Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
City's Proportion of the Net Pension Liability - Non-hazardous	0.034077%	0.034259%	0.032167%	0.032871%	0.032744%	0.031953%	0.032301%	0.033308%	0.333878%
City's Proportion of the Net Pension Liability - Hazardous	0.274551%	0.319104%	0.325486%	0.331659%	0.338455%	0.328437%	0.353658%	0.365421%	0.354410%
City's Proportionate Share of the Net Pension Liability - Non-hazardous	$ 2,463,431	$ 2,184,280	$ 2,467,182	$ 2,311,832	$ 1,994,209	$ 1,870,307	$ 1,590,392	$ 1,431,199	$ 1,099,000
City's Proportionate Share of the Net Pension Liability - Hazardous	8,377,806	8,495,057	9,813,496	9,161,401	8,185,388	7,348,050	6,068,567	5,599,441	4,259,000
Total City's Proportionate Share of the Net Pention Liability	$ 10,841,237	$ 10,679,337	$ 12,280,678	$ 11,473,233	$ 10,179,597	$ 9,218,357	$ 7,658,959	$ 7,030,640	$ 5,358,000
City's Covered Payroll	$ 2,727,666	$ 2,781,011	$ 2,728,188	$ 2,714,120	$ 2,694,761	$ 2,580,908	$ 2,582,485	$ 2,650,490	$ 2,558,866
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	397.45%	384.01%	450.14%	422.72%	377.76%	357.17%	296.57%	265.26%	209.39%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability - Non-hazardous	52.42%	57.33%	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability - Hazardous	47.11%	52.26%	44.11%	46.63%	49.26%	49.78%	53.95%	57.52%	63.46%

**Only nine years of information available. Additional years' information will be displayed as it becomes available.*

See accompanying notes.

CITY OF INDEPENDENCE, KENTUCKY
SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS
JUNE 30, 2023

County Employees Retirement System
Last 10 Fiscal Years

Non-hazardous	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	$ 260,857	$ 199,166	$ 168,886	$ 159,527	$ 134,055	$ 117,207	$ 145,324	$ 131,585	$ 136,468	$ 146,816
Contributions in Relation to the Contractually Required Contribution	(260,857)	(199,166)	(168,886)	(159,527)	(134,055)	(117,207)	(145,324)	(131,585)	(136,468)	(146,816)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's Covered Payroll	$ 1,114,775	$ 940,794	$ 875,055	$ 826,565	$ 826,503	$ 809,388	$ 777,971	$ 770,552	$ 772,093	$ 763,799
Contributions as a Percentage of Covered Payroll	23.40%	21.17%	19.30%	19.30%	16.22%	14.48%	18.68%	17.08%	17.68%	19.22%

Hazardous	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	$ 1,017,740	$ 605,035	$ 572,930	$ 571,628	$ 469,360	$ 418,576	$ 559,863	$ 596,702	$ 754,717	$ 640,839
Contributions in Relation to the Contractually Required Contribution	(1,017,740)	(605,035)	(572,930)	(571,628)	(469,360)	(418,576)	(559,863)	(596,702)	(754,717)	(640,839)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's Covered Payroll	$ 2,377,340	$ 1,786,872	$ 1,905,956	$ 1,901,623	$ 1,887,617	$ 1,885,373	$ 1,802,937	$ 1,811,933	$ 1,878,397	$ 1,795,067
Contributions as a Percentage of Covered Payroll	42.81%	33.86%	30.06%	30.06%	24.87%	22.20%	31.05%	32.93%	40.18%	35.70%

See accompanying notes.

NOTE 1 - ACTUARIAL ASSUMPTIONS

The actuarially determined contribution effective for fiscal year ended 2022 that are documented in the schedule of the City's pension contributions, were calculated as of June 30, 2020. Separate contribution rates are determined for the non-hazardous fund and the hazardous fund based on the liabilities associated with the current active members, former inactive members, and members receiving benefits from each respective fund, as well as the separately maintained asset balance for each fund.

Based on the June 30, 2020 actuarial valuation report, the actuarial methods and assumptions used to calculate the required contributions are below:

Determined by the Actuarial Valuation as of:	June 30, 2020
Experience Study:	July 1, 2023 to June 30, 2018
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Method:	Level Percent of Pay
Amortization Period:	30-year, closed period at June 30, 2019, gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases.
Payroll Growth:	2.00%
Investment Return:	6.25%
Inflation:	2.30%
Salary Increase:	3.30% to 10.30%, for non-hazardous members, varies by service.
	3.55% to 19.05% for hazardous members, varies by service.
Mortality:	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.
Phase-in Provision:	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

CITY OF INDEPENDENCE, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
JUNE 30, 2023

County Employees Retirement System
Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018
City's Proportion of the Net OPEB Liability - Non-hazardous	0.034071%	0.034251%	0.032158%	0.032863%	0.032743%	0.031953%
City's Proportion of the Net OPEB Liability - Hazardous	0.271143%	0.319103%	0.325383%	0.331594%	0.338474%	0.328437%
City's Proportionate Share of the Net OPEB Liability - Non-hazardous	$ 672,396	$ 655,718	$ 776,518	$ 552,741	$ 581,345	$ 642,365
City's Proportionate Share of the Net OPEB Liability - Hazardous	2,337,411	2,580,137	3,006,882	2,453,331	2,413,182	2,715,095
Total City's Proportionate Share of the Net OPEB Liability	$ 3,009,807	$ 3,235,855	$ 3,783,400	$ 3,006,072	2,994,527	$ 3,357,460
City's Covered Payroll	$ 2,727,666	$ 2,781,011	$ 2,728,188	$ 2,714,120	$ 2,694,761	$ 2,580,908
City's Proportionate Share of the Net OPEB Liability as a Percentage of Its Covered Payroll	110.34%	116.36%	138.68%	110.76%	111.12%	130.09%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability - Non-hazardous	60.95%	62.91%	51.67%	60.44%	57.62%	52.39%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability - Hazardous	64.13%	66.81%	58.84%	64.44%	64.24%	58.99%

* *Only six years of information available. Additional years' information will be displayed* as it becomes available.

See accompanying notes.

CITY OF INDEPENDENCE, KENTUCKY
SCHEDULE OF THE CITY'S OPEB CONTRIBUTIONS
JUNE 30, 2023

County Employees Retirement System
Last 10 Fiscal Years*

Non-hazardous	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Contractually Required Contribution	$ 27,791	$ 54,378	$ 41,653	$ 39,344	$ 43,478	$ 38,034	$ 36,798
Contributions in Relation to the Contractually Required Contribution	(27,791)	(54,378)	(41,653)	(39,344)	(43,478)	(38,034)	(36,798)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's Covered Payroll	$ 819,794	$ 940,794	$ 875,055	$ 826,565	$ 826,503	$ 809,388	$ 777,971
Contributions as a Percentage of Covered Payroll	3.39%	5.78%	4.76%	4.76%	5.26%	4.70%	4.73%

Hazardous	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Contractually Required Contribution	$ 161,184	$ 187,085	$ 181,446	$ 181,035	$ 197,724	$ 176,260	$ 168,575
Contributions in Relation to the Contractually Required Contribution	(161,184)	(187,085)	(181,446)	(181,035)	(197,724)	(176,260)	(168,575)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's Covered Payroll	$ 2,377,345	$ 1,786,982	$ 1,905,956	$ 1,901,623	$ 1,887,617	$ 1,885,373	$ 1,802,937
Contributions as a Percentage of Covered Payroll	6.78%	10.47%	9.52%	9.52%	10.47%	9.35%	9.35%

** Only seven years of information available. Additional years' information will be displayed as it becomes available.*

See accompanying notes.

NOTE 1 – ACTUARIAL ASSUMPTIONS

The actuarially determined contribution effective for fiscal year 2022 that are documented in the schedule of the City's OPEB contributions, were calculated as of June 30, 2020. Separate contribution rates are determined for the non-hazardous fund and the hazardous fund based on the liabilities associated with the current active members, former inactive members, and members receiving benefits from each respective fund, as well as the separately maintained asset balance for each fund.

Based on the June 30, 2020 actuarial valuation report, the actuarial methods and assumptions used to calculate the required contributions are below:

Determined by the Actuarial Valuation as of:	June 30, 2020
Experience Study:	July 1, 2013 to June 30, 2018
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Method:	Level Percent of Pay
Amortization Period:	30-year, closed period at June 30, 2019, gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases.
Payroll Growth:	2.00%
Investment Return:	6.25%
Inflation:	2.30%
Salary Increase:	3.30% to 10.30%, for non-hazardous members, varies by service.
	3.55% to 19.05% for hazardous members, varies by service.
Mortality:	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.
Healthcare Trend Rates:	
Pre-65:	Initial trend starting at 6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65:	Initial trend starting at 6.30% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement. Additionally, Humana provided "Not to Exceed" 2022 Medicare premiums, which were incorporated and resulted in an assumed 2.90% increase in Medicare premiums at January 1, 2022.

REQUIRED REGULATORY INFORMATION

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

Honorable Mayor and
Members of the City Council
City of Independence, KY

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, each major fund and the aggregate remaining fund information of the City of Independence, KY (the City) as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Independence, KY's basic financial statements, and have issued our report thereon dated November 6, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Independence, KY'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 of Independence, KY's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Independence, KY'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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Independence, KY's financial statements are free of 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 determination of financial statement amounts. 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.*

810 Wright's Summit Parkway, Suite 300, Fort Wright, KY 41011 859.331.3300 VLCPA.COM
9987 Carver Road, Suite 120, Blue Ash, OH 45242 513.891.5911
5975 Castle Creek Parkway North Drive, Suite 400, Indianapolis, IN 46250 317.469.0169

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.

VonLehman & Company Inc.

Fort Wright, Kentucky
November 6, 2023