

CITY OF INDEPENDENCE, KENTUCKY

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2024

CITY OF INDEPENDENCE, KENTUCKY
ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2024

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CITY OF INDEPENDENCE, KENTUCKY

CITY OFFICIALS

As of June 30, 2024

Mayor

Chris Reinersman

Council Members

Tom Brinker

Greg Steffen

Carol Franzen

Chris Vogelpohl

Dave Shafer

Greg Waite

City Administrator

Chris Moriconi

INDEPENDENT AUDITOR'S REPORT

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

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, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Independence, Kentucky's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Independence, Kentucky as of June 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with accounting standards generally accepted in the United States of America. 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of 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.

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 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted 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, budgetary comparison schedules, and *Multiple Employer, Cost Sharing, Defined Benefit Pension and OPEB Plan* disclosures 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 the 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 September 30, 2024, 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 City of Independence, Kentucky's internal control over financial reporting and compliance.

Chamberlin Owen & Co., Inc.

Chamberlin Owen, & Co., Inc.

Erlanger, Kentucky
September 30, 2024

**CITY OF INDEPENDENCE, KENTUCKY
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Year Ended June 30, 2024**

Our discussion and analysis of the City of Independence, Kentucky's financial performance provides an overview and analysis of the City's financial activities during the fiscal year ended June 30, 2024. Please read this analysis in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's net position is \$26,485,179.
- During the year, the City's net position increased by \$5,130,799 compared to an increase of \$4,512,444 in the prior year.
- GASB No. 68 - Accounting and Financial Reporting for Pensions - requires the City to record its proportionate share of the County Employees' Retirement System (CERS) net pension liability. The City has recorded a net pension liability of \$11,524,206 as well as related deferred outflows and inflows of resources as a result of this standard.
- GASB No. 75 - Accounting and Financial Reporting for Other Post-Employment Health Insurance Benefits (OPEB) - requires the City to record its proportionate share of the County Employees' Retirement System (CERS) net OPEB liability. The City has recorded a net OPEB liability of \$404,924 as well as related deferred outflows and inflows of resources as a result of this standard.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements follow these statements. For governmental activities, these statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

REPORTING THE CITY AS A WHOLE

One of the most important questions asked about the City's finances is, "Is the City as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net positions and changes in them. You can think of the City's net position, the difference between assets and liabilities, as one way to measure the City's *financial health*, or financial position. Over time, increases or decreases in the City's net positions are one indicator of whether its financial health is improving or deteriorating. However, to assess the *overall health* of the City, you will need to consider other non-financial factors, such as improvements in services and capabilities.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements: A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City has three governmental funds and one proprietary fund.

CITY OF INDEPENDENCE, KENTUCKY
MANAGEMENT'S DISCUSSION & ANALYSIS (Continued)
For the Year Ended June 30, 2024

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 current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is more than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. 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 a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds.

Proprietary Funds: The City maintains one type of proprietary 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.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Independence, Kentucky, assets and deferred outflows exceeded liabilities and deferred inflows by \$26,485,179 as of June 30, 2024. A large portion of the City's net position reflects its investment in capital assets (e.g. land, buildings, infrastructure, vehicles and equipment); less any related debt used to acquire those assets that is still outstanding as well as the net pension liability. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The following is a comparison of net position at June 30, 2024 and 2023:

CITY OF INDEPENDENCE, KENTUCKY
MANAGEMENT'S DISCUSSION & ANALYSIS (Continued)
For the Year Ended June 30, 2024

Net Position	Governmental Activities	
	2024	2023
Current assets	\$ 20,469,539	\$ 20,954,642
Capital assets	22,217,801	20,642,784
Total assets	42,687,340	41,597,426
Deferred outflows of resources	4,421,320	2,783,263
Total assets and deferred outflows of resources	47,108,660	44,380,689
Current liabilities	2,464,277	5,764,039
Long-term liabilities	12,802,387	14,991,211
Total liabilities	15,266,664	20,755,250
Deferred inflows of resources	5,356,817	2,271,059
Total liabilities and deferred inflows of resources	20,623,481	23,026,309
Net investment in capital assets	21,302,801	19,432,784
Restricted	407,962	405,104
Unrestricted	4,774,416	1,516,492
Total Net Position	\$ 26,485,179	\$ 21,354,380

A portion of the City's net position represents resources that are subject to external restrictions on how they may be used. Restricted assets are composed of funds held for the K-9 program, amounts recognized for the opioid settlement, the municipal road aid, and police forfeitures. The remaining balance of unrestricted net position of \$4,774,416 may be used to meet the government's ongoing obligations to citizens and creditors.

The following is a comparison of the change in net position for 2024 and 2023:

CITY OF INDEPENDENCE, KENTUCKY
MANAGEMENT'S DISCUSSION & ANALYSIS (Continued)
For the Year Ended June 30, 2024

Changes in Net Position

	Governmental Activities	
	2024	2023
Revenues:		
Program revenues:		
Charges for services	\$ 414,852	\$ 443,170
Operating grants	4,509,927	2,723,111
Capital grants	-	-
General revenues:		
Property taxes	5,242,267	5,029,977
Payroll license fees	4,622,521	4,476,651
Bank deposit tax and franchise fee	1,166,541	1,196,534
License fees and permits	126,234	127,449
Penalties and interest on taxes	66,587	28,974
Grants and contributions, not restricted	3,370	8,769
(Loss) gain on sale of assets	(130,796)	(1,048)
Investment income	715,864	780,886
Other	93,307	406,208
Total revenues	<u>16,830,674</u>	<u>15,220,681</u>
Expenses:		
General government	2,650,873	3,273,929
Public safety	6,177,049	4,061,575
Public works	2,971,792	2,162,011
Parks and recreation	228,534	197,273
Community and senior center	121,254	104,067
Interest on long-term debt	24,588	30,288
Unallocated pension and OPEB expense	(474,215)	879,094
Total expenses	<u>11,699,875</u>	<u>10,708,237</u>
Change in net position	5,130,799	4,512,444
Net position-Beginning	21,354,380	16,966,166
Prior period restatement	-	(124,230)
Net position-End of year	<u>\$ 26,485,179</u>	<u>\$ 21,354,380</u>

The City's net position increased by \$5,130,799 during the current fiscal year; this increase includes both \$1,339,552 in non-cash depreciation expense and \$474,215 in non-cash actuarial pension benefit. These expenses were partially offset by \$3,311,777 in ARPA grants recognized during the year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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, *unreserved* fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported an unassigned balance of \$16,480,913 compared to \$12,910,934 in the prior year. This is available for spending for our citizens.

**CITY OF INDEPENDENCE, KENTUCKY
MANAGEMENT'S DISCUSSION & ANALYSIS (Continued)
For the Year Ended June 30, 2024**

GENERAL FUND BUDGET HIGHLIGHTS

City Council passed an original budget for 2023-2024 and made one amendment to the budget. Amended General Fund revenues were \$2,149,980 more than the amount budgeted. This was primarily due to payroll tax revenues being higher than expected due to overall economic growth.

Actual expenditures were \$1,532,508 less than budgeted expenditures and \$3,970,805 less than revenues received. The most significant variances were from transfers out to other funds, which were \$563,196 less than budgeted. Administration, Police, and Public Works, Parks and Recreation and Community and Senior Center all spent less than the amended budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: The City's investment in capital assets for its governmental activities as of June 30, 2024, amounts to \$22,217,801. The following table details the capital assets owned by the City in 2024 and 2023 and the corresponding change in capital assets in 2024:

Capital Assets

	Governmental Activities	
	2024	2023
Land	\$ 1,726,637	\$ 1,358,037
Construction in progress	1,659,072	113,057
Buildings	6,506,162	6,316,215
Infrastructure	18,022,886	17,690,938
Parks improvements	1,965,046	1,842,472
Equipment	612,983	596,646
Vehicles	3,543,032	3,354,902
Subtotals	<u>34,035,818</u>	<u>31,272,267</u>
Accumulated depreciation	(11,818,017)	(10,629,483)
Net Capital Assets	<u>\$ 22,217,801</u>	<u>\$ 20,642,784</u>

This year's major additions and deletions included:

Improvements to infrastructure	\$ 331,948
Construction in progress	1,659,072
Maintenance building - peach drive	146,824
5200 KY highway 17	368,600
Staggs park restroom/shelter	122,574
Vehicle purchases	346,436
Other miscellaneous additions	69,912
Removal of disposed assets	(130,797)
Net depreciation added	(1,339,552)
Net change in Net Capital Assets	<u>\$ 1,575,017</u>

Debt: At June 30, 2024 the City had a total of \$915,000 in outstanding bonds. The proceeds from this bond were used to construct the City's municipal building. Additionally, compensated absences increased by \$15,661 during the year ended June 30, 2024.

**CITY OF INDEPENDENCE, KENTUCKY
MANAGEMENT'S DISCUSSION & ANALYSIS (Continued)
For the Year Ended June 30, 2024**

The following is a summary of the City's debt transactions during 2024:

	Balance June 30, 2023	Additions	Retirements/ Repayments	Balance June 30, 2024
Bonds payable	\$ 1,210,000	\$ -	\$ (295,000)	\$ 915,000
Compensated absences	242,596	15,661	-	258,257
Total	<u>\$ 1,452,596</u>	<u>\$ 15,661</u>	<u>\$ (295,000)</u>	<u>\$ 1,173,257</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City budgeted General Fund revenues of \$12,998,505 for the year ending June 30, 2025, which is a decrease of approximately \$2.2 million from June 30, 2024 budgeted General Fund revenues. This decrease is primarily due to a budgeted \$2.6 million worth of revenue from ARPA funding recognized in fiscal year 2024.

The City budgeted General Fund expenses of \$10,007,658 for the year ending June 30, 2025, which is an increase of approximately \$236,000 from the June 30, 2024 budgeted General Fund expenses. The primary factors contributing to the increase is an increase in personnel and corresponding wages.

Payroll tax and occupational licenses fee revenues for fiscal year 2024 represented an increase of 23% over the prior fiscal year. 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 the fiscal year 2024 tax bills reflected a 4.16% increase in valuation over the prior fiscal 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 2025 includes \$2.5 million for street projects and improvements, all coming from the Municipal Road Aid Fund. The General Fund budget for fiscal year 2025 includes \$135,000 for park improvements.

The fiscal year 2025 budget provides adequate resources for the continuation of services and programs at the present level.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact City Administrator, City of Independence, Kentucky, 5409 Madison Pike, Independence, KY 41051.

CITY OF INDEPENDENCE, KENTUCKY STATEMENT OF NET POSITION June 30, 2024

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
Assets	
Current Assets	
Cash and cash equivalents	\$ 10,649,487
Investments	7,895,351
Receivables:	
Taxes	1,493,345
Intergovernmental	196,800
National opioid settlement	213,688
Other receivables	19,323
Prepaid expenses	1,545
Total Current Assets	<u>20,469,539</u>
Capital Assets, Net of Depreciation	<u>22,217,801</u>
Total Assets	42,687,340
Deferred Outflows of Resources	
Deferred outflows related to net pension and OPEB liabilities	<u>4,421,320</u>
Total Assets and Deferred Outflows of Resources	<u>47,108,660</u>
Liabilities	
Current Liabilities	
Accounts payable	545,441
Payroll related liabilities	249,496
Deferred revenue	1,369,340
Bonds payable - current portion	300,000
Total Current Liabilities	<u>2,464,277</u>
Long Term Liabilities	
Compensated absences	258,257
Bonds payable	615,000
Net pension liability	11,524,206
Net OPEB liability	404,924
Total Long Term Liabilities	<u>12,802,387</u>
Total Liabilities	15,266,664
Deferred Inflows of Resources	
Deferred inflows related to net pension and OPEB liabilities	<u>5,356,817</u>
Total Liabilities and Deferred Inflows of Resources	<u>20,623,481</u>
Net Position	
Invested in capital assets, net of related debt	21,302,801
Restricted	407,962
Unrestricted	4,774,416
Total Net Position	<u>\$ 26,485,179</u>

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

CITY OF INDEPENDENCE, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2024

Functions/Programs: Primary Government	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Government
					Governmental Activities
Governmental Activities:					
General government	\$ 2,650,873	\$ 41,235	\$ 3,381,985	\$ -	\$ 772,347
Public safety	6,177,049	234,904	433,085	-	(5,509,060)
Public works	2,971,792	35,943	694,857	-	(2,240,992)
Parks and recreation	228,534	66,876	-	-	(161,658)
Community and senior center	121,254	35,894	-	-	(85,360)
Interest	24,587	-	-	-	(24,587)
Loss on disposal of assets	130,796	-	-	-	(130,796)
Unallocated pension	(474,215)	-	-	-	474,215
Total Primary Government	\$ 11,830,671	\$ 414,852	\$ 4,509,927	\$ -	(6,905,892)
General Revenues:					
					5,242,267
					4,622,521
					1,166,541
					126,234
					66,587
					3,370
					715,864
					93,307
					<u>12,036,691</u>
					5,130,799
					<u>21,354,380</u>
					<u>\$ 26,485,179</u>

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

CITY OF INDEPENDENCE, KENTUCKY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2024

	Major Funds		Non-Major Fund	Total Governmental Funds
	General Fund	Municipal Road Aid Fund	Police Forfeiture Fund	
Assets				
Cash and cash equivalents	\$ 9,310,713	\$ -	\$ 52,732	\$ 9,363,445
Investments	7,895,351	-	-	7,895,351
Receivables:				
Taxes	1,493,345	-	-	1,493,345
Intergovernmental	130,363	66,437	-	196,800
Special assessments	2,736	-	-	2,736
Other receivables	9,087	-	7,500	16,587
National opioid settlement	213,688	-	-	213,688
Prepaid expenses	1,545	-	-	1,545
Total Assets	\$ 19,056,828	\$ 66,437	\$ 60,232	\$ 19,183,497
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 545,441	\$ -	\$ -	\$ 545,441
Accrued expenses	249,496	-	-	249,496
Deferred revenue	1,230,255	139,085	-	1,369,340
Total Liabilities	2,025,192	139,085	-	2,164,277
Deferred Inflows of Resources				
Unavailable revenues - from:				
Taxes	127,610	-	-	127,610
Special assessments	2,735	-	-	2,735
Opioid settlement	219,221	-	-	219,221
Total Deferred Inflows of Resources	349,566	-	-	349,566
Fund Balances				
Restricted				
Opioid settlement	109,645	-	-	109,645
K-9 program	18,864	-	-	18,864
Other	-	-	60,232	60,232
Unassigned	16,553,561	(72,648)	-	16,480,913
Total Fund Balances	16,682,070	(72,648)	60,232	16,669,654
Total Liabilities and Fund Balances	\$ 19,056,828	\$ 66,437	\$ 60,232	\$ 19,183,497

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

<p>CITY OF INDEPENDENCE, KENTUCKY RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION June 30, 2024</p>

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance per balance sheet	\$ 16,669,654
Capital assets of \$34,035,818, less accumulated depreciation of (\$11,818,017), used in governmental activities are not financial resources and, therefore, are not reported in the funds.	22,217,801
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds	349,566
Compensated absences are not due and payable in the current period and, therefore, are not reported in governmental funds.	(258,257)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, not reportable in the funds:	
Deferred outflows related to pension	3,348,119
Deferred outflows related to post-employment health insurance (OPEB)	1,073,201
Deferred inflows related to pension	(1,782,790)
Deferred inflows related to post-employment health insurance (OPEB)	(3,574,027)
Long-term liabilities, including net pension and OPEB liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds.	
Bonds payable	(915,000)
Net pension liability	(11,524,206)
Net post-employment health insurance (OPEB) liability	(404,924)
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.	<u>1,286,042</u>
Net position of governmental activities	<u><u>\$ 26,485,179</u></u>

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

CITY OF INDEPENDENCE, KENTUCKY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE For the Year Ended June 30, 2024
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	Major Funds		Non-Major Fund	Total Governmental Funds
	General Fund	Municipal Road Aid Fund	Police Forfeiture Fund	
Revenues				
Property taxes	\$ 5,248,203	\$ -	\$ -	\$ 5,248,203
Bank deposit tax	64,676	-	-	64,676
Payroll taxes	4,990,961	-	-	4,990,961
Franchise taxes	1,101,865	-	-	1,101,865
Licenses and permits	126,234	-	-	126,234
Fines and forfeitures	48,334	-	18,253	66,587
Intergovernmental	3,815,070	694,857	-	4,509,927
Charges for services	133,013	-	-	133,013
Investment income	645,390	-	2,314	647,704
Contributions and donations	3,370	-	-	3,370
Other revenues	93,307	-	-	93,307
Total Revenues	16,270,423	694,857	20,567	16,985,847
Expenditures				
General government	2,380,741	-	-	2,380,741
Public safety	5,102,643	-	2,192	5,104,835
Public works	1,081,155	892,848	-	1,974,003
Parks and recreation	132,210	-	-	132,210
Community and senior center	84,853	-	-	84,853
Debt service				
Principal	295,000	-	-	295,000
Interest	24,587	-	-	24,587
Capital outlay	1,735,610	1,309,755	-	3,045,364
Total Expenditures	10,836,799	2,202,602	2,192	13,041,593
Excess (Deficit) of Revenues Over (Under) Expenditures	5,433,624	(1,507,745)	18,375	3,944,254
Other Financing Sources (Uses)				
Transfers in	-	1,384,966	-	1,384,966
Transfers out	(1,980,304)	-	-	(1,980,304)
Total Other Financing Sources (Uses)	(1,980,304)	1,384,966	-	(595,338)
Change in Fund Balances	3,453,320	(122,779)	18,375	3,348,916
Fund Balances - Beginning	13,228,750	50,131	41,857	13,320,738
Fund Balances - Ending	\$ 16,682,070	\$ (72,648)	\$ 60,232	\$ 16,669,654

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

<p>CITY OF INDEPENDENCE, KENTUCKY RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2024</p>
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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - total governmental funds **\$ 3,348,916**

Governmental funds report capital outlays 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 depreciation exceeds capital outlays for the period, net of gain or losses on disposal:

Capital outlays	\$ 3,045,365	
Depreciation expense	<u>(1,339,552)</u>	1,705,813

Loss on disposal of assets (130,796)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 295,000

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. (15,663)

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. (172,310)

Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds (374,376)

Governmental funds report pension and other post-employment health insurance (OPEB) contributions as expenditures, however, in the statement of activities, the cost of the pension and OPEB benefits earned, net of employer contributions is reported as pension and OPEB expense:

Pension benefits earned	147,818	
Post-employment health insurance benefits (OPEB) earned	<u>326,397</u>	

Change in net position of governmental activities **\$ 5,130,799**

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

CITY OF INDEPENDENCE, KENTUCKY STATEMENT OF NET POSITION - PROPRIETARY FUNDS June 30, 2024
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ASSETS

Cash	<u>\$ 1,286,042</u>
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NET POSITION

Restricted for self insurance	<u>\$ 1,286,042</u>
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The accompanying notes are an integral part of the financial statements.

<p>CITY OF INDEPENDENCE, KENTUCKY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS For the Year Ended June 30, 2024</p>

OPERATING REVENUES	
Insurance premiums	\$ 281,839
OPERATING EXPENSES	
Insurance claims	<u>1,117,648</u>
Operating Income (Loss)	\$ (835,809)
NON-OPERATING REVENUES	
Interest income	68,160
TRANSFERS	
Transfers from other funds	<u>595,339</u>
Change in Net Position	(172,310)
Net Position - Beginning of year	<u>1,458,352</u>
Net Position - End of year	<u><u>\$ 1,286,042</u></u>

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

CITY OF INDEPENDENCE, KENTUCKY STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS For the Year Ended June 30, 2024
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	Governmental Activities - Internal Service Fund Self Insurance Fund
Cash Flows From Operating Activities	
Premiums received	\$ 281,839
Payments from claims	(1,117,648)
Net cash from operating activities	<u>(835,809)</u>
Cash Flows From Non-Capital Financing Activities	
Transfers from other funds	595,339
Cash Flows From Investing Activities	
Interest income	<u>68,160</u>
Net Change in Cash	(172,310)
Cash and Cash Equivalents - Beginning of Year	<u>1,458,352</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 1,286,042</u></u>

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

CITY OF INDEPENDENCE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Independence, Kentucky, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the City are described below.

REPORTING ENTITY – The City of Independence, Kentucky is a municipality governed by a mayor and six-member council. As defined by GAAP, and established by GASB, the financial reporting entity consists of the primary government (The City of Independence, Kentucky as legally defined). Potential component units were considered for inclusion in the financial reporting entity. Component units are separate organizations for which the elected officials of the primary government would be financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose its will is held by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. A component unit which is fiscally dependent upon the primary government even when the primary government does not have a voting majority of the component unit's board is also to be included in the statements of the primary government.

The City does not have any component units to be included in its financial report.

BASIS OF PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent, on fees and charges for services. The City has no business-type activities.

The statement of activities demonstrates the degree to which direct expenses of a given function or segments are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internal activity is eliminated in the statement of activities.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability rather than as an expenditure.

CITY OF INDEPENDENCE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2024

Fund Financial Statements

Separate financial statements are provided for governmental funds. 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.

The City uses funds to report on its financial position and the result of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Governmental funds are those through which most governmental functions typically are financed. The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities are accounted for through governmental funds. The City's major governmental funds are as follows:

General Fund – The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The Special Revenue Funds include:

- *Municipal Road Aid Fund* – to account for revenues and related expenses provided by the Commonwealth of Kentucky's Transportation Cabinet through the Department for Local Government.
- *Police Forfeitures Fund* – to account for revenues and related expenses from police forfeitures.

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's proprietary fund is as follows:

Self Insurance Fund - The self insurance fund is used to account for health insurance of the City's employees through this internal service fund.

BASIS OF ACCOUNTING – Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual – The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

CITY OF INDEPENDENCE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2024

Modified Accrual – The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due. Property taxes, license fees, interest, and other revenues associated with current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the government. No allowance for doubtful accounts is required for any receivables as of June 30, 2024.

CASH AND CASH EQUIVALENTS – Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity date within three months of the date acquired by the City.

INVESTMENTS – In accordance with Government Accounting Standards Board Statement No. 72, investments held are measured using quoted market prices in an active market for identical investments and/or using significant other observable inputs.

The City is authorized by state statute to invest in:

- Obligations of the United States and of its agencies and instrumentalities
- Certificates of deposits
- Bankers' acceptances
- Commercial paper
- Bonds of other state or local governments
- Mutual funds

PROPERTY TAXES AND TAX CALENDAR – Property taxes are levied as of October 1 on property values assessed on January 1. The taxes are billed in October and are considered due 90 days after the respective tax billing date, at which time penalties and interest may be assessed by the City and a lien may be placed on the property. Property tax rates for the year ended June 30, 2024, were \$0.22 per \$100 valuation for real property and \$.584 per \$100 valuation for personal property. The assessed value of property on which the levy for 2023 was based was \$2,109,530,650 for real property.

PREPAIDS – Payments made to vendors for services that will benefit periods reported as prepaid items under the purchases method.

INTERFUND ACTIVITY AND ADVANCE RECEIVABLE – Reciprocal interfund activity includes interfund loans – amounts provided with a requirement for repayment, reported as interfund receivables and payables in the respective funds and interfund services provided and used – sales and purchases of goods and services between funds for a price approximating their external exchange value, recorded as revenues and expenses in the respective funds. Unpaid amounts would be reported as receivables and payables in the respective funds. Nonreciprocal interfund activity includes interfund transfers – flows of assets without equivalent flows of assets in return, and interfund reimbursements – repayments by the responsible fund.

CITY OF INDEPENDENCE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2024

SHORT-TERM INTER-FUND RECEIVABLE/PAYABLES – During the course of operation, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from/to other funds” on the balance sheet. Short-term inter-fund loans are classified as “inter-fund receivables/payables”.

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES – Deferred outflows of resources represent a consumption of net assets that applies to future periods, and therefore deferred until that time. Independence recognizes deferred outflows of resources related to pensions and other postemployment benefits.

Deferred inflows of resources represent an acquisition of net assets that applies to future periods and is therefore deferred until that time. Independence recognizes deferred inflows of resources related to pensions and other postemployment benefits.

CAPITAL ASSETS – General capital assets are those assets not specifically related to activities in the proprietary fund. These assets are reported in the governmental activities column of the government-wide statement of net position.

The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide financial statements. Generally, capitalizable items with a cost of \$5,000 or more and two years of useful life are capitalized. Infrastructure such as streets, traffic signals and signs are capitalized. The valuation basis for general capital assets are historical costs, or where historical cost is not available, estimated historical cost based on replacement cost. Prior to July 1, 2004, governmental funds infrastructure assets had not previously been capitalized. The City has opted to not retroactively report its major general infrastructure assets. Infrastructure assets (starting July 1, 2004) have been valued at cost.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The range of lives used for depreciation purposes for each capital asset class is as follows:

Buildings	40-50	years
Infrastructure	25-30	years
Park Improvements	5-30	years
Vehicles	7-10	years
Machinery and Equipment	3-15	years

COMPENSTATED ABSENCES – The City reports compensated absences in accordance with GASB Statement No. 101, *Compensated Absences*. It is the government’s policy to permit employees to accumulate earned but unused vacation-pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the government funds only if they have matured, for example, as a result of employee resignations and retirements. The general fund has typically been used to liquidate compensated absences as they become due and payable.

CITY OF INDEPENDENCE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2024

LONG-TERM OBLIGATIONS – The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest as expenditures. The accounting for long-term debt of the proprietary fund is the same in the fund statements as it is in the government-wide statements.

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 Employee Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis of as they are reported by CERS. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

OTHER POST EMPLOYMENT BENEFITS (OPEB), HEALTH INSURANCE – 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 Employee Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis of as they are reported by CERS. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

FUND EQUITY – In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources.

Non-spendable fund balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form – long-term receivables and prepaid items; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

Restricted fund balance – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. The Municipal Road Aid Fund and the Police Forfeiture fund have restricted fund balances.

Committed fund balance – These amounts can only be used for specific purposes to constraints imposed by formal ordinances of the City Council (the government's highest level of decision-making authority). Those committed amounts cannot be used for any other purposes unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The City has no committed funds.

Assigned fund balance – This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes but are neither restricted nor committed. The City Council and City

CITY OF INDEPENDENCE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2024

Administrators have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed. The City has no assigned fund balances.

Unassigned fund balance – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds. The City Council has no General Fund minimum fund balance target as of June 30, 2024. No other fund balance policies exist.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources – committed, assigned and unassigned – in order as needed. The City has no outstanding encumbrances as of June 30, 2024.

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

NOTE B – 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, by June 1st, the Mayor submits to the City Council, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- B. A public meeting is conducted to obtain citizen comment.
- C. Prior to June 30, 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 City Council explaining any variance from the approved budget.
- E. Appropriations continue in effect until a new budget is adopted.
- F. The Council authorizes supplemental appropriations during the year.

Expenditures may not legally exceed budgeted appropriations at the department level. Any revisions to the budget that would alter total revenues and expenditures of any fund must be approved by the Council; however, with proper approval by the Council, budgetary transfers between departments can be made. The Council adopted two supplementary appropriation ordinances. All appropriations lapse at fiscal year-end. Annual budgets are adopted on a basis consistent with GAAP.

Deficit net position – The Municipal Road Aid Fund ended the fiscal year in a deficit net position.

CITY OF INDEPENDENCE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2024

NOTE C – DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits – The City’s cash deposits at June 30, 2024, were partially secured by Federal Depository Insurance. Deposits in excess of the Federal Depository Insurance limit are to be collateralized with securities held by the bank, its trust department or by its agent, but not in the City’s name. The carrying amount of the City’s deposits with financial institutions at June 30, 2024 was \$9,363,445. Of the total bank balance, \$250,000 was insured by the Federal Depository Insurance Corporation. The remainder is collateralized with securities held by the financial institution and pledged to collateralize the City’s deposits.

Kentucky Revised Statutes authorize cities to invest in obligations of the United States and its agencies, obligations of the Commonwealth of Kentucky and its agencies, shares in savings and loan associations insured by federal agencies, deposits in national or state charter banks insured by federal agencies, repurchase agreements, and larger amounts in such institutions providing such banks pledge as security obligations of the United States government or its agencies.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are fair market value at the end of the year; Level 3 inputs are significant unobservable inputs.

As of June 30, 2024, the City had the following recurring fair value measurements:

	June 30, 2024	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Observable Inputs Level 3
Cash and equivalents	\$ 4,199	\$ 4,199	\$ -	\$ -
Government obligations	7,891,152	7,891,152	-	-
Total fair value	<u>\$ 7,895,351</u>	<u>\$ 7,895,351</u>	<u>\$ -</u>	<u>\$ -</u>

Interest rate risk. In accordance with the City’s investment policy, interest rate risk is controlled thru maturity diversification by investing in public funds with the highest rate of return with the maximum security of principal. Investments are undertaken in a manner that seeks to ensure preservation of the capital in its portfolio.

Credit risk. State law limits the types of authorized investment instruments to obligations of the United States, its agencies, and instrumentalities. In addition, certificates of deposit or bonds of a bank or the Commonwealth of Kentucky, securities issued by a state or local government or shares of mutual funds are acceptable investments. The City’s investment policy limits its authorized investment instruments in these investments to one of the top three highest rated categories by a nationally rated agency. As of June 30, 2024, the City’s investment in government obligations and municipal bonds were rated Aaa by Moody’s and AA+ by Standard & Poor’s.

Concentration of credit risk. The City may not invest, at any one time, funds in any one of the above listed categories exceeding twenty percent of the total amount of funds invested on behalf of the City.

CITY OF INDEPENDENCE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2024

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 that are in the possession of an outside party. The policy permits investment in U.S. Treasury obligations and obligations backed by the full faith and credit of the United States and in the securities issued by certain associations and corporations established by the government of the United States.

NOTE D – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for governmental activities for the year ended June 30, 2024 is as follows:

	June 30, 2023	Additions	Retirements	June 30, 2024
Governmental activities:				
Assets not being depreciated				
Land	\$ 1,358,037	\$ 368,600	\$ -	\$ 1,726,637
Construction in progress	113,057	1,659,072	(113,057)	1,659,072
	<u>1,471,094</u>	<u>2,027,672</u>	<u>(113,057)</u>	<u>3,385,709</u>
Other capital assets				
Buildings	6,316,215	189,947	-	6,506,162
Infrastructure	17,690,938	331,948	-	18,022,886
Parks improvements	1,842,472	122,574	-	1,965,046
Vehicles	3,354,902	346,436	(158,306)	3,543,032
Equipment	596,646	26,789	(10,452)	612,983
Subtotal	<u>29,801,173</u>	<u>1,017,694</u>	<u>(168,758)</u>	<u>30,650,109</u>
Accumulated depreciation				
Buildings	(2,492,483)	(146,249)	-	(2,638,732)
Infrastructure	(5,117,261)	(716,489)	-	(5,833,750)
Parks improvements	(641,362)	(85,217)	-	(726,579)
Vehicles	(2,087,435)	(332,488)	147,708	(2,272,215)
Equipment	(290,942)	(59,109)	3,310	(346,741)
Subtotal	<u>(10,629,483)</u>	<u>(1,339,552)</u>	<u>151,018</u>	<u>(11,818,017)</u>
Other capital assets, less depreciation	<u>19,171,690</u>	<u>(321,858)</u>	<u>(17,740)</u>	<u>18,832,092</u>
Capital assets, net	<u><u>\$ 20,642,784</u></u>	<u><u>\$ 1,705,814</u></u>	<u><u>\$ (130,797)</u></u>	<u><u>\$ 22,217,801</u></u>

NOTE E – LONG-TERM DEBT

General Obligation Refunding Bonds, Series 2012

In October 2012, the City issued \$4,150,000 of general obligation bonds, Series 2012 at interest rates ranging from 1.10% to 2.125%. The principal is due on January 1 each year and the issue's final maturity is January 1, 2027. The bonds pay interest semi-annually on July 1 and January 1. The bonds were issued for the purpose of refunding the general obligation project bonds, Series 2003. The proceeds of

<p>CITY OF INDEPENDENCE, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2024</p>

which were used to finance all or a portion of the costs of the acquisition, construction, installation, and equipping of the City’s municipal building. Principal and interest requirements to maturity are as follows:

Year	Principal Amount	Interest Amount	Total Debt Service
2025	\$ 300,000	\$ 18,688	\$ 318,688
2026	305,000	12,688	317,688
2027	310,000	6,588	316,588
Total	<u>\$ 915,000</u>	<u>\$ 37,964</u>	<u>\$ 952,964</u>

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 Debt

The following is a summary of the City’s long-term debt transactions for the year ended June 30, 2024:

	Balance June 30, 2023	Additions	Retirements/ Repayments	Balance June 30, 2024	Amounts Due Within 1 Year
Bonds payable	\$ 1,210,000	\$ -	\$ (295,000)	\$ 915,000	\$ 300,000
Compensated absences	242,596	15,661	-	258,257	18,078
Total	<u>\$ 1,452,596</u>	<u>\$ 15,661</u>	<u>\$ (295,000)</u>	<u>\$ 1,173,257</u>	<u>\$ 318,078</u>

NOTE E – 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 through the efforts and cooperation of its risk manager and department heads. All general liability risk management activities are accounts for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred, and the amount of loss can be reasonable estimated.

NOTE F – INTERFUND TRANSFERS

The following interfund transfers occurred for the year ended June 30, 2024:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 1,980,305
Municipal Road Aid Fund	1,384,966	
Self-Insurance Fund	595,339	-
	<u>\$ 1,980,305</u>	<u>\$ 1,980,305</u>

Transfers are used to move funds from the fund that statute or budget requires such funds to be received into the fund that statute or budget requires such funds to be disbursed from. Transfers are also used to move unrestricted funds collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects;

<p>CITY OF INDEPENDENCE, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2024</p>

to provide additional resources for current operations or debt service; and to return money to fund from which it was originally provided once a project is completed.

NOTE G – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

Governmental fund balances as of June 30, 2023, consist of the following:

	General Fund	Municipal Road Fund	Minor Funds	Total
Restricted	\$ 52,456	\$ (72,648)	\$ 60,232	\$ 40,040
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	16,629,614	-	-	16,629,614
Total Fund Balance	<u>\$ 16,682,070</u>	<u>\$ (72,648)</u>	<u>\$ 60,232</u>	<u>\$ 16,669,654</u>

NOTE H – COUNTY EMPLOYEES’ RETIREMENT SYSTEM

Plan description – City employees are covered by CERS (County Employees’ Retirement System), a cost-sharing multiple-employer defined benefit pension and health insurance (Other Post-Employment Benefits; OPEB) plan administered by the Kentucky Public Pension Authority, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statue (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Public Pension Authority administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Public Pension Authority issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

The Plan is divided into both a **Pension Plan** and **Health Insurance Fund Plan** (Other Post-Employment Benefits; OPEB) and each Plan is further sub-divided based on **Non-Hazardous** duty and **Hazardous** duty covered-employee classifications. The City has both *Non-Hazardous* and *Hazardous Duty* employees.

Membership in CERS consisted of the following at June 30, 2023:

	Non-Hazardous		Hazardous	
	Pension	OPEB	Pension	OPEB
Active Plan Members	77,849	76,946	9,184	9,109
Inactive Plan Members	105,707	28,719	4,100	883
Retired Members	68,889	37,584	11,231	7,655
	<u>252,445</u>	<u>143,249</u>	<u>24,515</u>	<u>17,647</u>
Number of participating employers		<u>1,141</u>		<u>260</u>

PENSION PLAN

Non-Hazardous Pension Plan Description

Benefits Provided – CERS provides retirement, health insurance, death and disability benefits to non-

<p>CITY OF INDEPENDENCE, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2024</p>

hazardous plan employees and beneficiaries. Employees are vested in the plan after five years of service. For retirement purposes, employees are grouped into three tiers, based on hire date:

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

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

Contributions – Required pension contributions by the employee are based on the tier:

	<u>Required Contribution</u>
Tier 1	5%
Tier 2	5%
Tier 3	5%

Hazardous Pension Plan Description

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

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

<p>CITY OF INDEPENDENCE, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2024</p>

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	At least one month of hazardous duty service credit and 55 years old, or any age with 20 years of service.
	Reduced retirement	15 years service and 50 years old
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years of hazardous duty service credit and 60 years old or any age with 25 years of service.
	Reduced retirement	15 years service and 50 years old
Tier 3	Participation date	On or after January 1, 2014
	Unreduced retirement	At least 5 years of hazardous duty service credit and 60 years old or 25 or more years of service, with no age requirement
	Reduced retirement	Not available

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

Contributions – Required pension contributions by the employee are based on the tier:

	<u>Required Contribution</u>
Tier 1	8%
Tier 2	8%
Tier 3	8%

Contributions

For non-hazardous duty employees, the City contributed 23.34% of covered-employee's compensation, of which 23.34% was for the pension fund and 0.00% was for the health insurance fund.

For hazardous duty employees, the City contributed 43.69% of covered-employee's compensation, of which 41.11% was for the pension fund and 2.58% was for the health insurance fund.

The City made all required contributions for the non-hazardous plan pension obligation for the fiscal year in the amount of \$263,154, of which \$263,154 was for the pension fund and \$0 was for the health insurance fund.

The City made all required contributions for the hazardous plan pension obligation for the fiscal year in the amount of \$1,072,459, of which \$1,009,128 was for the pension fund and \$63,331 was for the health insurance fund.

<p>CITY OF INDEPENDENCE, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2024</p>

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

At June 30, 2024, the City reported a liability of \$11,929,130 (\$2,485,691 for the non-hazardous plan and \$9,038,515 for the hazardous plan) as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At the June 30, 2023 measurement year, the City's non-hazardous employer allocation proportion was 0.0387% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.3335% of the total CERS hazardous duty employees. For the year ended June 30, 2024, the City recognized a pension benefit of \$147,818 in addition to its \$1,272,282 pension contribution.

At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Non-Hazardous		Hazardous		Total	
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 128,679	\$ (6,754)	\$ 413,204	\$ -	\$ 541,883	\$ (6,754)
Net difference between projected actual earnings on plan investments	-	(33,906)	-	(90,673)	-	(124,579)
Changes of assump.	-	(227,815)	-	(705,882)	-	(933,697)
Changes in proportion, differences between contributions and proportionate share of contributions	213,730	(1,582)	1,320,223	(716,178)	1,533,953	(717,760)
Contributions subsequent to the measurement date	263,154	-	1,009,128	-	1,272,282	-
	<u>\$ 605,563</u>	<u>\$ (270,057)</u>	<u>\$ 2,742,555</u>	<u>\$ (1,512,733)</u>	<u>\$ 3,348,118</u>	<u>\$ (1,782,790)</u>

The City's contributions subsequent to the measurement date of \$1,272,282 will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<p>CITY OF INDEPENDENCE, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2024</p>

Measurement Year Ending June 30,	Net Deferral
2024	\$ 18,645
2025	(112,747)
2026	425,234
2027	(38,085)
2028	-
Thereafter	-
	<u>\$ 293,047</u>

Actuarial Methods and Assumptions for Determining the Net Pension Liability

For financial reporting, the actuarial valuation as of June 30, 2023, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2023, were based on an actuarial valuation date of June 30, 2022. The total pension liability was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2023, using generally accepted actuarial principles.

Changes of Assumptions

The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2023 and include a change in the investment return assumption from 6.25% to 6.50%. These assumptions are documented in the report titled "2022 Actuarial Experience Study for the Period Ending June 30, 2022." The Total Pension Liability as of June 30, 2023, is determined using these updated assumptions.

House Bill 506 passed during the 2023 legislative session and reinstated the Partial Lump Sum Option form of payment for members who retire on and after January 1, 2024, with the lump-sum options expanded to include 48 or 60 times the member's monthly retirement allowance. Since this optional form of payment results in a reduced, actuarial equivalent, monthly retirement allowance for members who elect a partial lump-sum option, this provision does not have a fiscal impact to the total pension liability.

House Bill 506 also adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month under all circumstances. This is a minimal change for members in the hazardous plans, as the minimum separation period was already one month for members who became reemployed on a full-time basis in a hazardous position. The requirement was previously three months only for members who became reemployed on a part-time basis or in any nonhazardous position. GRS believes this provision of House Bill 506 will have an insignificant impact on the retirement pattern of hazardous members and therefore reflected no fiscal impact to the total pension liability of the hazardous plan.

Similarly, this is a relatively small change for future retirees in the non-hazardous plans. But as the minimum separation period was previously three months in almost every circumstance, GRS assumed that there would be a one percent (1%) increase in the rate of retirement for each of the first two years a non-hazardous member becomes retirement eligible under the age of 65 in order to reflect a shift in the retirement pattern. The total pension liability as of June 30, 2023, for the non-hazardous plans in determined using these updated benefits provisions.

There have been no other plan provision changes that would materially impact the total pension liability since June 30, 2022. It is GRS's opinion that these procedures for determining the information

<p>CITY OF INDEPENDENCE, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2024</p>

contained in this report are reasonable, appropriate, and comply with applicable requirements under GASB No. 68.

The actuarial assumptions are:

Inflation	2.50%
Payroll Growth Rate	2.0% for CERS Non-hazardous and Hazardous
Salary Increases	3.30% to 10.30%, varies by service for CERS Non-hazardous 3.55% to 19.05%, varies by service for CERS Hazardous
Investment Rate of Return	6.50% for CERS Non-hazardous and Hazardous

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-hazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

Discount Rate

The projection of cash flows used to determine the discount rate of 6.50% for CERS non-hazardous and hazardous systems assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute, as amended by House Bill 362, (passed in 2018) over the remaining 28 years (closed) amortization period of the unfunded actuarial accrued liability.

Actuarial Methods and Assumptions used to determine the Actuarial Determined Contributions for Fiscal Year 2023

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2023:

Valuation Date	June 30, 2021
Experience Study	July 1, 2018 to June 30, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%
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%

<p>CITY OF INDEPENDENCE, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2024</p>

Salary Increases	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%
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

Plan Target Allocation

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	CERS Pensions Non-Hazardous and Hazardous Target Allocation	Long Term Expected Nominal Return
Public equity	50.00%	5.90%
Private equity	10.00%	11.73%
Core bonds	10.00%	2.45%
Specialty credit / high yield	10.00%	3.65%
Cash	0.00%	1.39%
Real estate	7.00%	4.99%
Real return	13.00%	5.15%
Expected Real Return	100.00%	5.75%
Long-Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		8.25%

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	Proportionate Share of Net Pension Liability		
	1% Decrease 5.50%	Current Rate 6.50%	1% Increase 7.50%
	Non-hazardous	\$ 3,138,335	\$ 2,485,691
Hazardous	11,413,282	9,038,515	7,098,869
Total	\$ 14,551,617	\$ 11,524,206	\$ 9,042,188

<p>CITY OF INDEPENDENCE, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2024</p>

HEALTH INSURANCE – OTHER POST-EMPLOYMENT BENEFITS

Non-Hazardous OPEB Plan Description

Benefits Provided – CERS provides retirement, health insurance, death and disability benefits to non-hazardous duty Plan employees and beneficiaries. Health insurance coverage is provided through payment/partial payment of insurance premiums for both non-Medicare-eligible and Medicare-eligible retirees.

Tier 1	Participation date	Before July 1, 2003
	Benefit eligibility	Recipient of a retirement allowance
	Percentage of member premium paid by the plan	< 4 years service - 0% 4-9 years service - 25% 10-14 years service - 50% 15-19 years service - 75% 20 or more years service - 100%
Tier 2	Participation date	July 1, 2003 - August 31, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 120 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2016, the contribution was \$12.99 per month.
Tier 3	Participation date	On or after September 1, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 180 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2016, the contribution was \$12.99 per month.

Contributions – Required health insurance Plan contributions by the employee are based on the tier:

	<u>Required Contribution</u>
Tier 1	None
Tier 2	1%
Tier 3	1%

Hazardous OPEB Plan Description

Benefits Provided – CERS provides retirement, health insurance, death and disability benefits to hazardous duty Plan employees and beneficiaries. Health insurance coverage is provided through payment/partial payment of insurance premiums for both non-Medicare-eligible and Medicare-eligible retirees.

<p>CITY OF INDEPENDENCE, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2024</p>

Tier 1	Participation date	Before July 1, 2003
	Benefit eligibility	Recipient of a retirement allowance
	Percentage of member premium paid by the plan	< 4 years service - 0% 4-9 years service - 25% 10-14 years service - 50% 15-19 years service - 75% 20 or more years service - 100%
Tier 2	Participation date	July 1, 2003 - August 31, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 120 months of service at retirement
	Member premium paid by the plan	\$15/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2018, the contribution was \$20.07 per month.
Tier 3	Participation date	On or after September 1, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 180 months of service at retirement
	Member premium paid by the plan	\$15/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2018, the contribution was \$20.07 per month.

Contributions – Required health insurance Plan contributions by the employee are based on the tier:

	<u>Required Contribution</u>
Tier 1	None
Tier 2	1%
Tier 3	1%

Contributions

Contribution requirements for covered employees and participating governmental entities are established and may be amended by the KPPA Trustees.

For non-hazardous employees, the City contributed 0.00% of covered employees’ compensation for the health insurance fund.

For hazardous duty employees, the City contributed 2.58% of covered employees’ compensation for the health insurance fund.

The City was not required to contribute for the non-hazardous plan OPEB obligation for the fiscal year.

The City made all required contributions for the hazardous plan OPEB obligation for the fiscal year in the amount of \$63,331.

These contributions are actuarially determined as an amount that is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2024, the City recognized an OPEB benefit of \$326,397 in

CITY OF INDEPENDENCE, KENTUCKY
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Year Ended June 30, 2024

addition to its \$63,331 OPEB contribution.

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

At June 30, 2024, the City reported a liability of \$404,924 as its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB Plan relative to the projected contributions of all governmental entities, actuarially determined. At the June 30, 2023 measurement year, the City's non-hazardous employer allocation proportion was 0.0387% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.3350% of the total CERS hazardous duty employees.

In addition, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Non-Hazardous		Hazardous		Total	
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 37,287	\$ (759,423)	\$ 41,462	\$ (1,889,877)	\$ 78,749	\$ (2,649,300)
Net difference between projected actual earnings on plan investments	-	(12,412)	-	(63,131)	-	(75,543)
Changes of assump.	105,253	(73,351)	313,003	(477,868)	418,256	(551,219)
Changes in proportion, differences between contributions and proportionate share of contributions	90,224	(6,543)	422,641	(291,422)	512,865	(297,965)
Contributions subsequent to the measurement date	-	-	63,331	-	63,331	-
	<u>\$ 232,764</u>	<u>\$ (851,729)</u>	<u>\$ 840,437</u>	<u>\$ (2,722,298)</u>	<u>\$ 1,073,201</u>	<u>\$ (3,574,027)</u>

The City's contributions subsequent to the measurement date of \$63,331 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<p>CITY OF INDEPENDENCE, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2024</p>

Measurement Year Ending June 30,	Net Deferral
2024	\$ (556,754)
2025	(654,791)
2026	(489,887)
2027	(609,370)
2028	(253,355)
Thereafter	-
	<u>\$ (2,564,157)</u>

Actuarial Methods and Assumptions to Determine the Net OPEB Liability

For financial reporting, the actuarial valuation as of June 30, 2023, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2023, were based on an actuarial valuation date of June 30, 2022. The total OPEB liability was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2023, using the generally accepted actuarial principles.

The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2023:

Inflation	2.50%
Payroll Growth Rate	2.0% for CERS Non-hazardous and Hazardous
Salary Increase	3.30% to 10.30%, varies by service for CERS Non-hazardous 3.55% to 19.05%, varies by service for CERS Hazardous
Investment Rate of Return	6.50%
Health Care Trend Rates	
Pre-65	Initial trend starting at 6.80% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 8.50% in 2025, 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, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.
Post-retirement (nondisabled)	System-specific mortality table based on mortality experience from 2013-2022 projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year 2010.

The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2023. These assumptions are documented in the report titled "2022 Actuarial Experiences Study for the Period Ending June 30, 2022". Additionally, the single discount rates used to calculate the total OPEB liability within each plan

<p>CITY OF INDEPENDENCE, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2024</p>

changed since the prior year. Additional information regarding the single discount rates is provided below. The Total OPEB Liability as of June 30, 2023, is determined using these updated assumptions.

House Bill 506 passed during the 2023 legislative session reinstated the Partial Lump Sum Option form of payment for members who retire on and after January 1, 2024 and adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month for all circumstances.

This is a minimal change for members in the hazardous plans, as the minimum separation period was already one month for members who became reemployed on a full-time basis in a hazardous position. The requirement was previously three months only for members who became reemployed on a part-time basis in any nonhazardous position. GRS believes this provision of House Bill 506 will have an insignificant impact on the retirement pattern of hazardous members and therefore have reflected no fiscal impact to the total OPEB liability of the hazardous plan.

Similarly, this is a relatively small change for future retirees in the non-hazardous plan. But as the minimum separation period was previously three months in almost every circumstance, GRS assumed that there would be a one percent (1%) increase in the rate of retirement for each of the first two years a non-hazardous member becomes retirement eligible under the age of 65, in order to reflect a shift in the retirement pattern. The total OPEB liability as of June 30, 2023, for the non-hazardous plan is determined using these updated benefit provisions.

There have been no other plan provision changes that would materially impact the total OPEB liability since June 30, 2022. It is GRS's opinion that these procedures are reasonable and appropriate and comply with applicable requirements under GASB Statement No. 75.

Actuarial Methods and Assumptions used to determine the Actuarial Determined Contribution for Fiscal Year 2023

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for the fiscal year ending June 30, 2023:

Valuation Date	June 30, 2021
Experience Study	July 1, 2018 to June 30, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%
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 Increases	3.30% to 10.30%, varies by service for Non-hazardous 3.55% to 19.05%, varies by service for Hazardous

<p>CITY OF INDEPENDENCE, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2024</p>

Investment Rate of Return	6.25%
Healthcare 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. The 2022 premiums were known at the time of the valuation and were included into the liability measurement.
Post - 65	Initial trend starting at 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were included into the liability measurement.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-hazardous Systems, and the PUB2010 Public Safety Mortality table for the 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 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, 2023, is determined using these updated benefit provisions. There were no other material plan provision changes.

Changes of Assumptions

The discount rates used to calculate the total OPEB liability increased from 5.70% to 5.93%. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2023 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. There were no other material assumption changes.

CITY OF INDEPENDENCE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2024

Discount Rate

Single discount rates of 5.93% for CERS non-hazardous and 5.97% for CERS hazardous were used to measure the total OPEB liability as of June 30, 2023. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.50%, and a municipal bond rate of 3.86%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2023. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The 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.

Plan Target Allocation

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	CERS Pensions Non-Hazardous and Hazardous Target Allocation	Long Term Expected Nominal Return
Public equity	50.00%	5.90%
Private equity	10.00%	11.73%
Core bonds	10.00%	2.45%
Specialty credit /high yield	10.00%	3.65%
Cash	0.00%	1.39%
Real estate	7.00%	4.99%
Real return	13.00%	5.15%
Expected Real Return	100.00%	5.75%
Long-Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		8.25%

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the proportionate share of the net OPEB liability calculated using the discount rates of 5.93% for the Non-hazardous plan and the 5.97% for the hazardous plan, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

CITY OF INDEPENDENCE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2024

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount Rate, Non-Hazardous	4.93%	5.93%	6.93%
Net OPEB liability, Non-Haz	\$ 100,370	\$ (53,484)	\$ (182,318)
Discount Rate, Hazardous	4.97%	5.97%	6.97%
Net OPEB liability, Haz	\$ 1,159,320	\$ 458,408	\$ (125,639)
Total	\$ 1,259,690	\$ 404,924	\$ (307,957)

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

The following presents the proportionate share of the net OPEB liability, as well as what the 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:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Healthcare cost trend rate			
Net OPEB liability, Non-hazardous	\$ (171,426)	\$ (53,484)	\$ 91,397
Net OPEB liability, Hazardous	5,223	458,408	1,005,722
Total	\$ (166,203)	\$ 404,924	\$ 1,097,119

Plan Fiduciary Net Position

Both the Pension Plan and the Health Insurance Plan issue publicly available financial report that include financial statements and required supplementary information, and detailed information about each Plan's fiduciary net position. These reports may be obtained, in writing, from the Kentucky Public Pension Authority, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601 or online at www.kyret.ky.gov.

NOTE I – 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 J – CONDUIT DEBT OBLIGATION / CAPITAL LEASE (LESSOR) AGREEMENT

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 provide 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 statements. As of June 30, 2024, there are two series of industrial revenue bonds issued with an aggregate principal outstanding balance of \$53,421,853

CITY OF INDEPENDENCE, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2024
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NOTE K – STATE AND LOCAL FISCAL RECOVERY FUNDS

In response to the COVID-19 Global Pandemic, the City has qualified and was approved for funding from the American Rescue Plan Act. This funding has been designated to help city governments respond to the pandemic and its negative economic impacts. The City has received these funds and recognized \$3,311,777 as income during the year ended June 30, 2024. The remaining \$687,170 is Unearned Revenue at June 30, 2024.

NOTE L – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Statement No. 99 – *Omnibus 2020* – FY 2023 – This standard has no significant impact on the City.

Statement No. 100 – *Accounting Changes and Error Corrections* – This standard has no significant impact on the City.

Statement No. 101 – *Compensated Absences* – This standard has no significant impact on the City.

NOTE M – FUTURE ACCOUNTING STANDARDS

Statement No. 102 – *Certain Risk Disclosures* – Implementation in FY 2025

Statement No. 103 – *Financial Reporting Model Improvements* – Implementation in FY 2026

NOTE N – SUBSEQUENT EVENTS

Management has evaluated events through September 30, 2024, the date on which the financial statements were available for issue. The City had no events, subsequent to June 30, 2024 through September 30, 2024, to disclose.

CITY OF INDEPENDENCE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Budgetary fund balance, July 1	\$ 12,644,301	\$ 12,644,301	\$ 13,228,750	\$ 584,449
Resources (inflows):				
Property taxes	5,189,766	5,199,000	5,248,203	49,203
Bank deposit tax	67,321	64,000	64,676	676
Payroll taxes	3,600,000	4,500,000	4,990,961	490,961
Franchise taxes	1,000,000	1,015,000	1,101,865	86,865
Licenses and permits	142,100	137,500	126,234	(11,266)
Fines and forfeitures	10,000	5,000	48,334	43,334
Intergovernmental	3,370,529	3,706,677	3,815,070	108,393
Charges for services	115,500	136,200	133,013	(3,187)
Investment income	285,000	417,000	645,390	228,390
Contributions and donations	6,250	2,500	3,370	870
Other revenues	73,950	39,500	93,307	53,807
Amounts Available for Appropriation	<u>26,504,717</u>	<u>27,866,678</u>	<u>29,499,173</u>	<u>1,632,495</u>
Charges to Appropriations (outflows):				
General government	2,140,744	2,900,219	2,770,378	129,841
Public safety	5,593,791	5,838,266	5,375,091	463,175
Public works	878,558	1,652,389	1,440,504	211,885
Parks and recreation	106,650	945,650	813,475	132,175
Community and senior center	125,000	150,000	117,764	32,236
Debt service				
Principal	295,000	295,000	295,000	-
Interest	24,587	24,587	24,587	-
Interfund transfers	2,543,500	2,543,500	1,980,304	563,196
Total Charges to Appropriations:	<u>11,707,830</u>	<u>14,349,611</u>	<u>12,817,103</u>	<u>1,532,508</u>
Budgetary Fund Balance, June 30	<u>\$ 14,796,887</u>	<u>\$ 13,517,067</u>	<u>\$ 16,682,070</u>	<u>\$ 3,165,003</u>

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

CITY OF INDEPENDENCE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (WITH VARIANCES)
MUNICIPAL ROAD AID FUND
For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Budgetary fund balance, July 1	\$ 50,131	\$ 50,131	\$ 50,131	\$ -
Resources (inflows):				
Intergovernmental	502,824	675,000	694,857	19,857
Interfund transfers	-	-	1,384,966	1,384,966
Amounts Available for Appropriation	<u>552,955</u>	<u>725,131</u>	<u>2,129,954</u>	<u>1,404,823</u>
Charges to Appropriations (outflows):				
Public works	2,497,500	2,683,500	2,202,602	480,898
Interfund transfers	-	-	-	-
Total Charges to Appropriations:	<u>2,497,500</u>	<u>2,683,500</u>	<u>2,202,602</u>	<u>480,898</u>
Budgetary Fund Balance, June 30	<u>\$ (1,944,545)</u>	<u>\$ (1,958,369)</u>	<u>\$ (72,648)</u>	<u>\$ 1,885,721</u>

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

CITY OF INDEPENDENCE, KENTUCKY
MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT PENSION PLAN DISCLOSURE - NON-HAZARDOUS
Last Ten Fiscal Years

Schedule of the City's Proportionate Share of the Net Pension Liability
County Employees' Retirement System (CERS)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of net pension liability	0.03874%	0.03408%	0.03426%	0.03217%	0.03287%	0.03274%	0.03195%	0.03230%	0.03331%	0.03339%
Proportionate share of the net pension liability (asset)	\$ 2,485,691	\$ 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
Covered payroll in year of measurement	\$ 1,114,775	\$ 940,794	\$ 875,055	\$ 826,565	\$ 826,503	\$ 809,388	\$ 777,971	\$ 770,552	\$ 772,093	\$ 763,799
Share of the net pension liability (asset) as a percentage of its covered payroll	222.98%	261.85%	249.62%	298.49%	279.71%	246.38%	240.41%	206.40%	185.37%	143.89%
Plan fiduciary net position as a percentage of total pension liability	57.48%	52.42%	57.33%	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%

Schedule of the City's Contributions
County Employees' Retirement System (CERS)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 263,154	\$ 102,244	\$ 78,149	\$ 77,596	\$ 71,361	\$ 70,493	\$ 63,060	\$ 43,557	\$ 33,565	\$ 44,267
Actual contribution	263,154	102,244	78,149	77,596	71,361	70,493	63,060	43,557	33,565	44,267
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	\$ 1,127,481	\$ 1,114,775	\$ 940,794	\$ 875,055	\$ 826,565	\$ 826,503	\$ 809,388	\$ 777,971	\$ 770,552	\$ 771,093
Contributions as a percentage of employee payroll	23.34%	23.40%	21.17%	19.30%	19.30%	16.22%	14.48%	18.68%	17.08%	17.68%

Notes to Required Supplementary Information
for the Year Ended June 30, 2024

The net pension liability as of June 30, 2024, is based on the June 30, 2023, actuarial valuation.. The changes to the elements of the pension expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE H in the Notes to the Financial Statements.

CITY OF INDEPENDENCE, KENTUCKY
MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT PENSION PLAN DISCLOSURE - HAZARDOUS
Last Ten Fiscal Years

Schedule of the City's Proportionate Share of the Net Pension Liability
County Employees' Retirement System (CERS)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of net pension liability	0.3353%	0.2746%	0.3191%	0.325486%	0.3317%	0.3385%	0.3284%	0.3537%	0.3654%	0.3544%
Proportionate share of the net pension liability (asset)	\$ 9,038,515	\$ 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
Covered payroll in year of measurement	\$ 2,377,345	\$ 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
Share of the net pension liability (asset) as a percentage of its covered payroll	380.19%	468.85%	445.71%	516.06%	485.34%	434.15%	407.56%	334.92%	298.10%	237.26%
Plan fiduciary net position as a percentage of total pension liability	52.96%	47.11%	52.26%	44.11%	46.63%	49.26%	49.80%	57.52%	53.95%	63.46%

Schedule of the City's Contributions
County Employees' Retirement System (CERS)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,009,128	\$ 1,017,740	\$ 605,035	\$ 572,930	\$ 571,628	\$ 469,360	\$ 418,576	\$ 559,863	\$ 596,702	\$ 754,717
Actual contribution	1,009,128	1,017,740	605,035	572,930	571,628	469,360	418,576	559,863	596,702	754,717
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	\$ 2,377,345	\$ 2,377,345	\$ 1,786,872	\$ 1,905,956	\$ 1,901,623	\$ 1,887,617	\$ 1,885,373	\$ 1,802,937	\$ 1,811,933	\$ 1,878,397
Contributions as a percentage of covered payroll	41.11%	42.81%	33.86%	30.06%	30.06%	24.87%	22.20%	21.71%	20.26%	22.95%

Notes to Required Supplementary Information
for the Year Ended June 30, 2024

The net pension liability as of June 30, 2024, is based on the June 30, 2023, actuarial valuation.. The changes to the elements of the pension expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE H in the Notes to the Financial Statements.

CITY OF INDEPENDENCE, KENTUCKY

MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT OPEB PLAN DISCLOSURE - NON-HAZARDOUS

Last Ten Fiscal Years

**Schedule of the City's Proportionate Share of the Net OPEB Liability
County Employees' Retirement System (CERS)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of net OPEB liability	0.0387%	0.0341%	0.0343%	0.0322%	0.0329%	0.0327%	0.3195%			
Proportionate share of the net OPEB liability (asset)	\$ (53,484)	\$ 672,396	\$ 655,718	\$ 776,518	\$ 552,741	\$ 581,345	\$ 642,365			
Covered payroll in year of measurement	\$ 1,114,775	\$ 940,794	\$ 875,055	\$ 826,565	\$ 826,503	\$ 809,388	\$ 777,971			
Share of the net OPEB liability (asset) as a percentage of its covered payroll	-4.80%	71.47%	74.93%	93.95%	66.88%	71.83%	82.57%			
Plan fiduciary net position as a percentage of total OPEB liability	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%			

**Schedule of the City's Contributions
County Employees' Retirement System (CERS)**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ -	\$ 14,812	\$ 21,337	\$ 19,138	\$ 17,600	\$ 22,860	\$ 20,468	\$ 14,769		
Actual contribution	-	14,812	21,337	19,138	17,600	22,860	20,468	14,769		
Contribution deficiency (excess)	-	-	-	-	-	-	-	-		
Covered payroll	\$ 1,127,482	\$ 1,114,775	\$ 940,794	\$ 875,055	\$ 826,565	\$ 826,503	\$ 509,388	\$ 777,971		
Contributions as a percentage of covered payroll	0.00%	3.39%	5.78%	4.76%	4.76%	5.26%	4.70%	4.73%		

**Notes to Required Supplementary Information
for the Year Ended June 30, 2024**

The net OPEB liability as of June 30, 2024, is based on the June 30, 2023, actuarial valuation.. The changes to the elements of the OPEB expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE H in the Notes to the Financial Statements.

CITY OF INDEPENDENCE, KENTUCKY
MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT OPEB PLAN DISCLOSURE - HAZARDOUS
Last Ten Fiscal Years

Schedule of the City's Proportionate Share of the Net OPEB Liability
County Employees' Retirement System (CERS)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of net OPEB liability	0.3350%	0.2714%	0.3191%	0.3254%	0.3316%	0.3385%	0.3284%			
Proportionate share of the net OPEB liability (asset)	\$ 458,408	\$ 2,155,861	\$ 2,331,893	\$ 2,416,721	\$ 1,752,772	\$ 1,604,408	\$ 1,856,018			
Covered payroll in year of measurement	\$ 2,377,345	\$ 1,786,982	\$ 1,905,956	\$ 1,901,623	\$ 1,887,617	\$ 1,885,373	\$ 1,802,937			
Share of the net OPEB liability (asset) as a percentage of its covered payroll	19.28%	120.64%	122.35%	127.09%	92.86%	85.10%	102.94%			
Plan fiduciary net position as a percentage of total liability	92.27%	64.13%	66.81%	58.84%	64.44%	64.24%	59.00%			

Schedule of the City's Contributions
County Employees' Retirement System (CERS)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 63,331	\$ 161,184	\$ 187,085	\$ 181,446	\$ 181,035	\$ 197,724	\$ 176,260	\$ 168,575		
Actual contribution	63,331	161,184	187,085	181,446	181,035	197,724	176,260	168,575		
Contribution deficiency (excess)	-	-	-	-	-	-	-	-		
Covered payroll	\$ 2,454,702	\$ 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	2.58%	6.78%	10.47%	9.52%	9.52%	10.47%	9.35%	9.35%		

Notes to Required Supplementary Information
for the Year Ended June 30, 2024

The net OPEB liability as of June 30, 2024, is based on the June 30, 2023, actuarial valuation.. The changes to the elements of the OPEB expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE H in the Notes to the Financial Statements.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Independence, Kentucky as of June 30, 2024 and the related notes to the financial statements which collectively comprise the City of Independence, Kentucky's financial statements, and have issued our report thereon dated September 30, 2024.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.

Erlanger, Kentucky
September 30, 2024