

CITY OF ELSMERE, KENTUCKY
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
For the Year Ended June 30, 2023

CITY OF ELSMERE, KENTUCKY

FINANCIAL STATEMENTS

For the Year Ended June 30, 2023

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CITY OF ELSMERE, KENTUCKY

CITY OFFICIALS

For the Year Ended June 30, 2023

Mayor

Marty Lenhof

Council

Serena Owen

Joanne Barnett-Smith

Malcolm Daniels

Missy Tester

Gloria Grubbs

Maria Vogt

City Administrator

Matt Dowling

Legal Counsel

Greg D. Voss

INDEPENDENT AUDITOR'S REPORT

**To the Honorable Mayor and
Members of the Council of the
City of Elsmere, 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 Elsmere, Kentucky, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Elsmere, 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 Elsmere, Kentucky as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the years 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 Elsmere, 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 Elsmere, 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 Elsmere, 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 Elsmere, 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, major funds 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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Elsmere, Kentucky's basic financial statements. The combining minor governmental fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining minor governmental fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2024, on our consideration of the City of Elsmere, 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 Elsmere, 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 Elsmere, Kentucky's internal control over financial reporting and compliance.

Chamberlin Owen & Co., Inc.

Chamberlin Owen, & Co., Inc.
Erlanger, Kentucky
January 5, 2024

**CITY OF ELSMERE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Our discussion and analysis of City of Elsmere, Kentucky's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with the City's basic financial statements.

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. 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 financially significant funds.

Financial Highlights

Key financial highlights for the fiscal year 2023 are as follows:

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$14,251,395 (net position).
- As of the close of the current fiscal year, the City's governmental funds reported an ending fund balance of \$6,907,674, a decrease of \$217,224 from the prior year.
- As of June 30, 2023, unassigned fund balance for the General Fund was \$5,146,650.
- The City's cash and cash equivalents decreased by \$1,484,131 from \$8,558,344 at June 30, 2022 to \$7,074,213 at June 30, 2023.
- The City's accounts receivable increased by \$97,606 from \$986,048 at June 30, 2022 to \$1,083,654 at June 30, 2023.
- The City's total debt decreased by \$138,284, including compensated absences, but excluding net pension liability and net other postemployment benefit liability.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

**CITY OF ELSMERE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023 (Continued)**

The government-wide financial statements outline functions of the City that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include general government, public safety, public works and streets, general services, planning and inspection, waste collection, and recreation. Capital assets and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 11-12 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City are governmental funds with the exception of the FSA/HRA Fund, which is a fiduciary fund.

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

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

The City maintains individual governmental funds. Information is presented separately in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Street Tax Fund, City Building Bond Fund, Municipal Road Aid Fund, Citywide Rehabilitation Fund, Turkeyfoot Acres Fund and Capital Outlay Fund.

The basic government fund financial statements can be found on pages 13-16 of this report.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside of the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for government-wide financial statements.

The basic fiduciary fund financial statements can be found on pages 17-18 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-40 of this report.

**CITY OF ELSMERE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023 (Continued)**

GOVERNMENT WIDE FINANCIAL ANALYSIS

For the years ended June 30, 2023 and 2022, net position for all governmental activities changed as follows:

	Governmental Activities	
	2023	2022
Current Assets	\$ 8,157,867	\$ 9,544,392
Capital Assets, Net	18,525,399	17,062,255
Total Assets	26,683,266	26,606,647
Deferred Outflow of Resources	1,466,024	1,620,088
Total Assets and Deferred Outflows	28,149,290	28,226,735
Current Liabilities	1,511,640	2,668,345
Noncurrent Liabilities	11,723,962	13,939,806
Total Liabilities	13,235,602	16,608,151
Deferred Inflow of Resources	662,323	1,289,726
Total Liabilities and Deferred Inflows	13,897,925	17,897,877
Net Investment in Capital Assets	13,722,044	12,108,445
Restricted for		
Road and Building Projects	1,587,560	1,245,565
Unrestricted	(1,058,209)	(356,807)
Total Net Position	\$ 14,251,395	\$ 12,997,203

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$14.2 million as of June 30, 2023.

A large portion of the City's net position (approximately \$13.7 million) reflects its investment in capital assets (e.g. land and improvements, buildings and improvements, vehicles, furniture and equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. These assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (approximately \$1.6 million) represents resources that are subject to restrictions on how they may be used. Restricted assets are composed of funds held for the Street Tax Fund, City Building Bond Fund, and Municipal Road Aid Fund.

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

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

- Cash and cash equivalents decreased almost \$1.5 million due to expenditure toward construction of new city administration building.
- Net capital assets increased approximately \$1.5 million. The majority of the cost is related to the construction of the new city administration building. Additionally, the city purchased a Kubota RTV for approximately \$47 thousand, vehicles for approximately \$131 thousand, and

**CITY OF ELSMERE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023 (Continued)**

miscellaneous other equipment for approximately \$27 thousand. Total depreciation expense in the current year was approximately \$680 thousand.

- Deferred liabilities decreased \$1 million due to ARPA funds recognized.
- Deferred outflows of resources decreased by \$154 thousand largely due to a decrease in changes in proportion and difference between employer contributions and proportionate share contributions for the net pension and net OPEB liabilities.
- Noncurrent liabilities increased \$452,501 from the previous year. There was a \$150,455 decrease due to payments on the general obligation bonds issued in the prior year and a payment on the sweeper loan. Changes in the proportionate share of the net pension and net OPEB liabilities resulted in an increase of \$603,666.
- The city has (\$1,058,209) of unrestricted net position as of June 30, 2023.

The following reflects the change in revenues for fiscal years 2023 and 2022.

	Governmental Activities	
	June 30, 2023	June 30, 2022
Revenues		
General Revenues		
Property Taxes	\$ 1,630,429	\$ 1,458,527
Payroll Taxes	2,082,876	1,723,297
Insurance Premium Taxes	1,316,468	1,212,208
Other Taxes	444,529	617,173
Penalties and Interest on Taxes	100,802	58,807
Rehabilitation Loan Interest Payments	3,746	288
Earnings on Deposits	244,112	20,215
Other Revenue	119,150	99,774
Total General Revenues	5,942,112	5,190,289
Program Revenues		
Charges for Services	23,506	72,193
Operating Grants and Contributions	1,162,199	428,719
Capital Grants and Contributions	176,542	172,804
Total Program Revenues	1,362,247	673,716
 Total Revenues	 \$ 7,304,359	 \$ 5,864,005

The following reflects the change in expenditures and net position for fiscal year 2023 and 2022.

**CITY OF ELSMERE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023 (Continued)**

	Governmental Activities	
	June 30, 2023	June 30, 2022
Total Revenues	\$ 7,304,359	\$ 5,864,005
Program Expenses		
General Government	1,477,119	\$ 1,172,160
Public Safety	2,378,008	2,025,469
Public Works and Street	1,144,527	1,102,963
Planning and Inspection	71,367	79,726
Waste Collection	276	138
Recreation	38,045	36,613
Interest Expense	118,463	115,581
Pension and OPEB Expense	130,327	293,714
Depreciation	679,864	547,022
Compensated Absences	12,171	15,109
Total Expenses	6,050,167	5,388,495
 Change in Net Position	 \$ 1,254,192	 \$ 475,510

Governmental activities increased the City's net position by \$1,254,192. Key elements of this increase are as follows:

- American Rescue Plan Act funds of \$1,047,571 were recognized in income this year.
- Property tax collections increased \$171,902 from the prior year.
- Payroll taxes increased by \$359,579 from the prior year.
- Interest income increased by \$223,897 due to favorable interest rates.
- General government expenses increased \$304,959 due to an increase in personnel costs and an increase in contractual services.
- Public safety expense increased \$352,539 due to increases in personnel and benefits costs.

Governmental Funds

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

At the end of the fiscal year, the City's governmental funds reported combined ending fund balances of \$6,907,674, a decrease of (\$217,224) compared to the prior year. This total consists of: General Fund, \$5,146,650; Street Tax Fund, \$1,411,738; Municipal Road Aid Fund, \$117,047; and all other non-major funds, \$232,239.

The General Fund is the chief operating fund of the City. At the end of the fiscal year, unassigned fund balance of the General Fund was \$5,146,650. The total fund balance decreased (\$526,846).

The Street Tax Fund balance increased by \$478,140. This increase is the result of a decrease in capital street projects during the year.

The Municipal Road Aid Fund balance increased \$62,747. This decrease was due to a decrease in capital projects during the year.

**CITY OF ELSMERE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023 (Continued)**

All other funds balances decreased \$29,932. This decrease is primarily due to an increase in expenditure in the City Building Bond Fund.

Fiduciary Funds

The City has one fiduciary fund, the FSA/HRA Fund. This fund had an increase in net position of \$1,487 as a result of contributions exceeding benefits paid.

CAPITAL ASSETS

The capital assets were reported for the fiscal years ended as follows:

	Governmental Activities	
	2023	2022
Land	\$ 2,497,801	\$ 1,844,759
Construction in Progress	-	5,919,869
Buildings	7,451,734	575,507
Infrastructure	7,569,447	7,841,243
Equipment	733,322	590,723
Vehicles	273,095	290,153
Totals	\$ 18,525,399	\$ 17,062,254

LONG-TERM DEBT

At June 30, 2023, the City had a total of \$4,635,000 in outstanding bonds. The proceeds from these bonds are being used to finance the construction of the city administration building. At June 30, 2023 the City had a \$168,355 capital lease payable for a street sweeper. Additionally, the City had an obligation of approximately \$101,000 in unused vacation time for employees. The following is a summary of the City's debt transactions during 2023:

	June 30, 2022	Additions	Repayments	June 30, 2023
Bonds Payable	\$ 4,760,000	\$ -	\$ 125,000	\$ 4,635,000
Capital Lease	193,810	-	25,455	168,355
Compensated Absences	88,741	12,171	-	100,912
Totals	\$ 5,042,551	\$ 12,171	\$ 150,455	\$ 4,904,267

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's elected officials consider many factors when setting the fiscal year 2024 budget. Some of the factors are the local economy, expected grant monies and anticipated tax revenues. The fiscal year 2024 budget provides adequate resources for the continuation of services and care will be taken that all expenditures are prudent.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances. If you have questions about this report or need additional financial information, contact the City Administrator, Matt Dowling, at (859) 342-7911 or at the city building at 318 Garvey Avenue, Elsmere, KY 41018.

CITY OF ELSMERE, KENTUCKY STATEMENT OF NET POSITION June 30, 2023

Assets	Governmental Activities
Current Assets	
Cash and cash equivalents	\$ 7,074,213
Receivables	
Taxes	954,957
Waste collection	23,763
Other	104,934
Total Current Assets	<u>8,157,867</u>
Noncurrent Assets	
Capital Assets	
Land and construction in progress	2,497,801
Infrastructure	10,858,242
Buildings	8,297,830
Equipment	1,162,156
Vehicles	1,315,315
Furniture and fixtures	266,182
Less: accumulated depreciation	<u>(5,872,127)</u>
Net Capital Assets	<u>18,525,399</u>
Total Assets	26,683,266
Deferred Outflows of Resources	
Deferred outflows related to pension and post employment health insurance	<u>1,466,024</u>
Total Assets and Deferred Outflows of Resources	<u>28,149,290</u>
Liabilities	
Current Liabilities	
Accounts payable	4,501
Accrued liabilities	71,659
Accrued interest payable	9,340
Compensated absences	100,912
Deferred revenues	1,174,033
Current portion of bonds and leases payable	151,165
Total Current Liabilities	<u>1,511,610</u>
Noncurrent Liabilities	
Bonds and leases payable	4,652,190
Net pension and post employment health insurance liability	<u>7,071,772</u>
Total Noncurrent Liabilities	<u>11,723,962</u>
Total Liabilities	13,235,572
Deferred Inflow of Resources	
Deferred inflows related to pension and post employment health insurance	<u>662,323</u>
Total Liabilities and Deferred Inflow of Resources	<u>13,897,895</u>
Net Position	
Net investment in capital assets	13,722,044
Restricted for:	
Road and building projects	1,587,560
Unrestricted	<u>(1,058,209)</u>
Total Net Position	<u>\$ 14,251,395</u>

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

CITY OF ELSMERE, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Primary Government					
Governmental Activities					
General government	\$ 1,477,119	\$ 7,975	\$ 1,061,980	\$ -	\$ (407,164)
Public safety	2,378,008	11,532	100,219	-	(2,266,257)
Public works and street	1,144,527	-	-	176,542	(967,985)
Planning and inspection	71,367	-	-	-	(71,367)
Waste collection	276	3,999	-	-	3,723
Recreation	38,045	-	-	-	(38,045)
Interest expense	118,463	-	-	-	(118,463)
Pension and OPEB expense	130,327	-	-	-	(130,327)
Depreciation	679,864	-	-	-	(679,864)
Compensated absences	12,171	-	-	-	(12,171)
Total Governmental Activities	\$ 6,050,167	\$ 23,506	\$ 1,162,199	\$ 176,542	(4,687,920)

General Revenues: Taxes

Property taxes	1,630,429
Payroll tax	2,082,876
Insurance premium taxes	1,316,468
Other taxes	438,829
Licenses and permits	5,700
Fines and forfeitures	100,802
Interest income	247,858
Miscellaneous	119,150
Total general revenues	5,942,112
Change in net position	1,254,192
Net position, beginning	12,997,203
Net position, ending	\$ 14,251,395

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

CITY OF ELSMERE, KENTUCKY BALANCE SHEET - GOVERNMENTAL FUNDS June 30, 2023

	<u>General Fund</u>	<u>Street Tax Fund</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 5,314,596	\$ 1,410,331	\$ 349,286	\$ 7,074,213
Receivables				
Taxes	920,430	34,527	-	954,957
Waste collection	23,763	-	-	23,763
Other	80,081	-	24,853	104,934
Due from other funds	-	1,407	-	1,407
Total Assets	<u>\$ 6,338,870</u>	<u>\$ 1,446,265</u>	<u>\$ 374,139</u>	<u>\$ 8,159,274</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 4,501	\$ -	\$ -	\$ 4,501
Accrued liabilities	71,659	-	-	71,659
Deferred revenue	1,114,653	34,527	24,853	1,174,033
Due to other funds	1,407	-	-	1,407
Total Liabilities	<u>1,192,220</u>	<u>34,527</u>	<u>24,853</u>	<u>1,251,600</u>
Fund Balances				
Restricted	-	1,411,738	175,822	1,587,560
Committed	-	-	133,546	133,546
Assigned	-	-	39,918	39,918
Unassigned	5,146,650	-	-	5,146,650
Total Fund Balances	<u>5,146,650</u>	<u>1,411,738</u>	<u>349,286</u>	<u>6,907,674</u>
Total Liabilities and Fund Balances	<u>\$ 6,338,870</u>	<u>\$ 1,446,265</u>	<u>\$ 374,139</u>	<u>\$ 8,159,274</u>

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

<p>CITY OF ELSMERE, KENTUCKY RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION June 30, 2023</p>

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

Total fund balance per balance sheet	\$ 6,907,674
Capital assets of \$24,397,526, less accumulated depreciation of (\$5,872,127), used in governmental activities are not financial resources and, therefore, are not reported in the funds.	18,525,399
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, not reportable in the funds:	
Deferred outflow of resources	1,466,024
Deferred inflow of resources	(662,323)
Long-term liabilities, including leases payable and compensated absences, may not be due and payable in the current period in the funds and therefore are not reported as liabilities in the governmental funds.	
Bonds and leases payable	(4,803,355)
Accrued interest payable on long-term debt	(9,340)
Net pension liability	(7,071,772)
Compensated absences	<u>(100,912)</u>
Net position of governmental activities	<u>\$ 14,251,395</u>

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

CITY OF ELSMERE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	General Fund	Street Tax Fund	Other Funds	Total Governmental Funds
Revenues				
Property tax	\$ 993,469	\$ 636,960	\$ -	\$ 1,630,429
Payroll tax	2,082,876	-	-	2,082,876
Insurance premium tax	1,166,468	-	150,000	1,316,468
Other taxes	438,829	-	-	438,829
Licenses and permits	5,700	-	-	5,700
Fines, forfeitures, penalties	100,802	-	-	100,802
Charges for services	3,999	-	-	3,999
Intergovernmental	1,173,730	-	176,542	1,350,272
Rehabilitation loan payments	-	-	7,975	7,975
Interest income	207,749	28,148	11,961	247,858
Miscellaneous	119,046	-	-	119,046
Total Revenues	<u>6,292,668</u>	<u>665,108</u>	<u>346,478</u>	<u>7,304,254</u>
Expenditures				
Current Expenditures				
General government	1,477,119	-	-	1,477,119
Public safety	2,378,008	-	-	2,378,008
Public works and streets	867,518	186,968	90,041	1,144,527
Planning and inspection	71,367	-	-	71,367
Waste collection	276	-	-	276
Recreation	38,045	-	-	38,045
Capital outlay	1,748,850	-	394,160	2,143,010
Debt service	-	-	269,126	269,126
Total Expenditures	<u>6,581,183</u>	<u>186,968</u>	<u>753,327</u>	<u>7,521,478</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(288,515)</u>	<u>478,140</u>	<u>(406,849)</u>	<u>(217,224)</u>
Other Financing Sources (Uses)				
Operating transfers in (out)	(238,331)	-	238,331	-
Total Other Financing Sources (Uses)	<u>(238,331)</u>	<u>-</u>	<u>238,331</u>	<u>-</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(526,846)</u>	<u>478,140</u>	<u>(168,518)</u>	<u>(217,224)</u>
Fund Balance, beginning	<u>5,673,496</u>	<u>933,598</u>	<u>517,804</u>	<u>7,124,898</u>
Fund Balance, ending	<u>\$ 5,146,650</u>	<u>\$ 1,411,738</u>	<u>\$ 349,286</u>	<u>\$ 6,907,674</u>

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

<p>CITY OF ELSMERE, KENTUCKY RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2023</p>

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

Net change in fund balance - total governmental funds	\$ (217,224)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense</p>	
Capital asset purchases capitalized	2,143,010
Depreciation expense	(679,864)
<p>Compensated absences not expected to be paid within this 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 changes in compensated absences for the year.</p>	
	(12,066)
<p>Accrued interest on long-term debt is reported in the government-wide financial statements and not reported in the governmental funds. This is the change in interest accrued through year end</p>	
	208
<p>Governmental funds report City pension and post employment health benefit contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employer contributions is reported as an expense</p>	
Costs of pension benefits earned	(3,156)
Costs of post employment health insurance benefits earned	(127,171)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position</p>	
	<u>150,455</u>
Change in net position of governmental activities	<u><u>\$ 1,254,192</u></u>

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

CITY OF ELSMERE, KENTUCKY STATEMENT OF FIDUCIARY NET POSITION June 30, 2023

Assets	FSA/HRA Fund
Current Assets	
Cash and cash equivalents	\$ 10,781
Total Assets	\$ 10,781
Net Position	
Restricted for other employee benefits	-
Total Net Position	\$ 10,781

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

CITY OF ELSMERE, KENTUCKY STATEMENT OF CHANGES IN FIDUCIARY NET POSITION June 30, 2023

	FSA/HRA Fund
Additions	
Employer Contributions	\$ 16,150
Employee Contributions	16,392
Interest income	238
Total Additions	<u>32,780</u>
Deductions	
Benefits paid	<u>31,293</u>
Change in Net Position	1,487
Net position, beginning	<u>9,294</u>
Net position, ending	<u><u>\$ 10,781</u></u>

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

CITY OF ELSMERE, KENTUCKY

Notes to Financial Statements

June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Elsmere is a municipal corporation governed by an elected Mayor and six-member City Council. As defined by GAAP, and established by GASB, the financial reporting entity consists of the primary government (The City of Elsmere, 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.

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government. Fiduciary activities of the City are not included in these statements. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The City has not business-type activities.

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

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

Fund Financial Statements

Fund financial statements report detailed information about the City. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non major funds are aggregated and presented in a single column.

CITY OF ELSMERE, KENTUCKY Notes to Financial Statements June 30, 2023

Governmental Funds

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balance for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus. Accordingly, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in the current assets.

Fiduciary Funds

Fiduciary fund financial statements include a statement of net position and a statements of changes in net position. The City’s fiduciary funds include the FSA/HRA fund. Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations or other governments. The fiduciary funds are accounted for on a spending or economic resources measurement focus.

The City reports on the following funds:

Governmental Fund Types

General Fund - The general fund is the City’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 - The special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The Street Tax fund is a major special revenue funds of the City. The Citywide Rehabilitation fund, Turkeyfoot Acres fund, and Municipal Road Aid fund are non-major special revenue funds.

Capital Project Funds – The capital project funds are used to account for capital outlays financed with general obligation debt and capital outlays for general capital assets purchased from financial resources that are restricted, committed, or assigned by the City. The Capital Outlay Fund is a non-major capital project fund.

Fiduciary Fund Types

Fiduciary Funds – The fiduciary fund types consist of the FSA/HRA fund which is used to account for financial resources related to the Flexible Spending and Health Reimbursement Accounts for employee tax exempt benefits purposes. The FSA/HRA fund is an other employee benefit trust fund.

Basis of Accounting

The government-wide financial statements and the fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a

CITY OF ELSMERE, KENTUCKY
Notes to Financial Statements
June 30, 2023

liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay the liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is 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 to be 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, 2023.

Assets, Liabilities and Equity

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits as well as short-term investments with an initial maturity date within three months of the date acquired by the City. The City is authorized by state statute to invest in:

1. Obligations of the United States and of its agencies and instrumentalities.
2. Certificates of deposit.
3. Bankers' acceptances.
4. Commercial paper.
5. Bonds of other states or local governments.
6. Mutual funds.

Receivables

No allowance for doubtful accounts is required.

Property Taxes Receivable

Property taxes are levied as of November 1 on property values assessed on January 1. The billings are considered past due 60 days after the respective tax billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed.

Short-Term Inter-fund Receivables/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."

<p>CITY OF ELSMERE, KENTUCKY Notes to Financial Statements June 30, 2023</p>

Capital Assets

General capital assets are those assets not specifically related to activities reported in the propriety 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 (recorded and accounted for) in the Capital Outlay fund. 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.

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 fixed asset class is as follows:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings	50 Years
Buildings improvements	Remaining life of building
Public domain infrastructure	40 Years
Light vehicles	5 Years
Furniture and fixtures	7 Years
Equipment	5 - 7 Years

Compensated Absences

It is the City’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 specified amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest reported as expenditures.

CITY OF ELSMERE, KENTUCKY Notes to Financial Statements June 30, 2023

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 balances consist of amounts that are not in spendable form or amounts that are legally or contractually required to be maintained intact.

Restricted fund balances are amounts that can only be used pursuant to constraints imposed by external sources; such as state government restrictions or the funds restricted by the will of the City's voters. These include residual balances from the Kentucky Municipal Aid Road Fund, Street Tax Fund, Turkeyfoot Acres Fund and the City Building Bond Fund.

Committed fund balances are amounts that can only be used for specific purposes as stipulated internally by the City Council. These items can only be changed or lifted by the Council taking the same formal action that imposed the restraint. These include residual balances from the Citywide Rehabilitation Fund.

Assigned fund balances consist of funds that are set aside with the intent to be used for a specific purpose by the City's highest level of decision-making authority or a body or official that has been given the authority to assign funds. These include residual balances from the Capital Outlay Fund.

Unassigned fund balances consist of all residual funds not included in other spendable classifications.

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.

Revenues, Expenditures and Expenses – Inter-fund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

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 (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits – Health Insurance Plan

For purposes of measuring the net liability for other post-employment benefits – health insurance plan (OPEB), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System and additions to/deductions from fiduciary net position have been determined on the same basis as they are

CITY OF ELSMERE, KENTUCKY Notes to Financial Statements June 30, 2023

reported by the OPEB. For this purpose, benefit payments are recognized when due and payable. In accordance with the benefit terms. Investments are reported at fair value

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Pervasiveness of Estimates

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

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

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

1. In accordance with City ordinance, prior to June 1, 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.
2. A public meeting is conducted to obtain taxpayer comment.
3. Prior to June 30, the budget is legally enacted through passage of an ordinance.
4. The Mayor is required by Kentucky Revised Statutes to present a quarterly report to the City Council explaining any variance from the approved budget.
5. Appropriations continue in effect until a new budget is adopted.
6. The City Council may authorize supplemental appropriations during the year.

Expenditures may not legally exceed budgeted appropriations at the departmental level. Any revisions to the budget that would change revenues and expenditures of any fund must be approved by the City Council.

NOTE C – DEPOSITS AND INVESTMENTS

Cash and Cash Equivalents – The carrying amount of the City’s cash equivalents (bank deposits, money market accounts and certificates of deposit with less than 90 days maturity) with financial institutions was \$7,074,213 at June 30, 2023.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. Deposits in financial institutions, reported as a component of cash and certificates of deposit are insured by depository insurance or secured with collateral held by the financial institutions in the City’s name.

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 City had no custodial credit risk at June 30, 2023.

CITY OF ELSMERE, KENTUCKY
Notes to Financial Statements
June 30, 2023

NOTE D – RISK MANAGEMENT

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

Management estimates that the amount of actual or potential claims against the City as of June 30, 2023 will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims.

NOTE E – CAPITAL ASSETS

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

	Balance at June 30, 2022	Additions	Deletions	Balance at June 30, 2023
Governmental Activities				
Capital Assets not Depreciated				
Land	\$ 1,844,759	\$ 653,042	\$ -	\$ 2,497,801
Construction in progress	5,919,869	-	(5,919,869)	-
Total Capital Assets Not Being Depreciated	<u>7,764,628</u>	<u>653,042</u>	<u>(5,919,869)</u>	<u>2,497,801</u>
Depreciable Capital Assets				
Infrastructure	10,858,242	-	-	10,858,242
Buildings	1,337,302	6,960,528	-	8,297,830
Vehicles	1,183,948	131,367	-	1,315,315
Equipment	1,087,907	74,249	-	1,162,156
Furniture and fixtures	22,490	243,692	-	266,182
Total Depreciable Capital Assets	<u>14,489,889</u>	<u>7,409,836</u>	<u>-</u>	<u>21,899,725</u>
Total Capital Assets at Historical Cost	<u>22,254,517</u>	<u>8,062,878</u>	<u>(5,919,869)</u>	<u>24,397,526</u>
Less Accumulated Depreciation				
Infrastructure	(3,016,999)	(271,796)	-	(3,288,795)
Buildings	(761,795)	(84,301)	-	(846,096)
Vehicles	(893,795)	(148,425)	-	(1,042,220)
Equipment	(497,184)	(159,096)	-	(656,280)
Furniture and fixtures	(22,490)	(16,246)	-	(38,736)
Total Accumulated Depreciation	<u>(5,192,263)</u>	<u>(679,864)</u>	<u>-</u>	<u>(5,872,127)</u>
Depreciable Capital Assets, Net	<u>9,297,626</u>	<u>6,729,972</u>	<u>-</u>	<u>16,027,598</u>
Total Capital Assets, Net	<u>\$ 17,062,254</u>	<u>\$ 7,383,014</u>	<u>\$ (5,919,869)</u>	<u>\$ 18,525,399</u>

CITY OF ELSMERE, KENTUCKY Notes to Financial Statements June 30, 2023

Depreciation was charged to functions as follows:

<u>Governmental Activities</u>	<u>Amount</u>
General government	\$ 155,962
Public safety	148,425
Public works	101,989
Public Works-Infrastructure	271,796
Recreation	1,692
Total Depreciation	<u>\$ 679,864</u>

NOTE F – LONG-TERM DEBT

General Obligation Bonds, Series 2019

In January 2020, the City issued \$5,000,000 of general obligation bonds, Series 2019 at coupon interest rates ranging from 2.00% to 2.75%. Principal is due December 1 each year and the issue's final maturity is December 1, 2049. The bonds pay interest semi-annually on June 1 and December 1. The bonds were issued to finance all or a portion of costs of the acquisition, construction, installation and equipping of a city administration building. Principal and interest requirements to maturity are as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Debt Service</u>
2024	\$ 125,000	\$ 110,831	\$ 235,831
2025	130,000	108,281	238,281
2026	130,000	105,681	235,681
2027	135,000	103,031	238,031
2028	135,000	103,031	238,031
2028-2033	730,000	458,355	1,188,355
2034-2038	810,000	374,675	1,184,675
2039-2043	925,000	269,397	1,194,397
2044-2048	1,050,000	141,032	1,191,032
2049-2050	465,000	248,669	713,669
Total	<u>\$ 4,635,000</u>	<u>\$ 2,022,983</u>	<u>\$ 6,657,983</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.

Equipment Lease – 2022

In March 2022, the City entered into a capital lease agreement to finance the purchase of street sweeper in the amount of \$193,810. The lease carries an interest rate of 2.79% per annum with interest calculated on a 360-day year. Lease payments of \$30,862 are due annually on March 15 of each year. The lease matures on March 15, 2029. There is no buy-out payment required at the end of the lease. The street sweeper will serve as collateral for the debt. Principal and interest requirements to maturity are as follows:

CITY OF ELSMERE, KENTUCKY
Notes to Financial Statements
June 30, 2023

Year	Principal Amount	Interest Amount	Total Debt Service
2024	\$ 26,165	\$ 4,697	\$ 30,862
2025	26,895	3,967	30,862
2026	27,645	3,217	30,862
2027	28,417	2,445	30,862
2028	29,209	1,653	30,862
2029	30,024	838	30,862
Total	\$ 168,355	\$ 16,817	\$ 185,172

Summary of Long-Term Debt

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

	Balance June 30, 2022	Additions	Retirements/ Repayments	Balance June 30, 2023	Amounts Due Within 1 Year
Bonds payable	\$ 4,760,000	\$ -	\$ (125,000)	\$ 4,635,000	\$ 125,000
Capital lease	193,810.00	-	(25,455)	168,355	26,165
Total	\$ 4,953,810	\$ -	\$ (150,455)	\$ 4,803,355	\$ 151,165

Conduit Debt Obligations

The City has issued \$45,000,000 in Industrial Building Revenue Bonds to provide financial assistance to private-sector entities for the purchase or addition of property including land and a building. The bonds are secured by the properties financed and are payable solely from the private-sector entities. 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 a liability in the accompanying financial statements. As of June 30, 2023, there was one Industrial Building Revenue Bonds outstanding with principal amounts payable totaling \$45,000,000.

NOTE G – COMPENSATED ABSENCE LIABILITY

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

June 20, 2022	Additons/ Subtractions	June 30, 2023	Amounts Due Within 1 Year
\$ 88,741	\$ 12,171	\$ 100,912	\$ 20,182

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 Statute ("KRS") Section

CITY OF ELSMERE, KENTUCKY Notes to Financial Statements June 30, 2023

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 employees.

Membership in CERS consisted of the following at June 30, 2022

	Non-Hazardous		Hazardous	
	Pension	OPEB	Pension	OPEB
Active Plan Members	77,367	76,946	9,173	9,109
Inactive Plan Members	100,738	28,719	2,895	883
Retired Members	67,206	37,584	10,858	7,655
	<u>245,311</u>	<u>143,249</u>	<u>22,926</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-Hazardous duty 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 the health insurance benefit after at least 180 months or 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

<p>CITY OF ELSMERE, KENTUCKY Notes to Financial Statements June 30, 2023</p>

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 plan 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 duty 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	At least one month of hazardous duty service credit or 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 the health insurance benefit after at least 180 months or 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 plan contributions by the employee are based on the tier:

CITY OF ELSMERE, KENTUCKY Notes to Financial Statements June 30, 2023

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

Contributions

For non-hazardous duty employees, the City contributed 26.79% of covered-employee’s compensation, of which 23.40% was for the pension fund and 3.39% was for the health insurance fund. For hazardous duty employees, the City contributed 49.59% of covered-employee’s compensation, of which 42.81% was for the pension fund and 6.78% 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 \$164,440, of which \$143,632 was for the pension fund and \$20,808 was for the health insurance fund. The City also made all required contributions for the hazardous Plan pension obligation for the fiscal year in the amount of \$483,808, of which \$417,661 was for the pension fund and \$66,147 was for the health insurance fund.

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

At June 30, 2023, the City reported a liability of \$5,536,126 (\$1,478,695– non-hazardous and \$4,057,431– hazardous) as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2022, the City's non-hazardous employer allocation proportion was 0.02046% of the total CERS non-hazardous duty employees and 0.132967% of the total CERS hazardous duty employees. For the year ended June 30, 2023, the City recognized pension expense of \$3,156 in addition to its \$561,293 pension contribution.

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF ELSMERE, KENTUCKY Notes to Financial Statements June 30, 2023

	Non-Hazardous		Hazardous		Total	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 1,581	\$ (13,168)	\$ 116,334	\$ -	\$ 117,915	\$ (13,168)
Net difference between projected actual earnings on plan investments	37,908	-	93,715	-	131,623	-
Changes of assumptions	-	-	-	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	35,557	(68,875)	79,523	(94,829)	115,080	(163,704)
Contributions subsequent to the measurement date	143,632	-	417,661	-	561,293	-
	<u>\$ 218,678</u>	<u>\$ (82,043)</u>	<u>\$ 707,233</u>	<u>\$ (94,829)</u>	<u>\$ 925,911</u>	<u>\$ (176,872)</u>

The City's contributions subsequent to the measurement date of \$561,293 will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ending June 30,	Net Deferral
2023	\$ 78,481
2024	859
2025	(32,057)
2026	140,463
2027	-
Thereafter	-
	<u>\$ 187,746</u>

Actuarial Methods and Assumptions for Determining the Total Pension Liability and Net Pension Liability

For financial reporting, the actuarial valuation as of June 30, 2022, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2022 were based on an actuarial valuation date of June 30, 2021. The total pension liability was rolled forward from the valuation date (June 30, 2021) to the plan's fiscal year ending date of June 30, 2022, using generally accepted actuarial principles.

There have been no actuarial assumption or method changes since June 30, 2021. Additionally, there have been no plan provision changes that would materially impact the total pension liability since June 30, 2012.

<p>CITY OF ELSMERE, KENTUCKY Notes to Financial Statements June 30, 2023</p>

House Bill 1 passed during the 2022 legislative session and included a provision that provided an approximate 8% across-the-board salary increase for KERS members effective July 1, 2022, for eligible State employees. While this salary increase may produce an actuarial loss with respect to the liability attributable to Tier 1 and Tier 2 active members (i.e., a higher total pension liability than expected based on current actuarial assumptions), there was not sufficient information available at the time the roll forward Total Pension Liability was calculated to make a reasonable adjustment to reflect these anticipated salary increases. It is GRS's opinion that these procedures for determining the information contained in this report are reasonable, appropriate, and comply with applicable requirements under GASB No. 68.

The actuarial assumptions for CERS Non-Hazardous and CERS Hazardous plans are as follows:

Valuation Date	June 30, 2020
Experience Study	July 1, 2013 to June 30, 2018
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
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 active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

Changes of Assumptions

There have been no changes in actuarial assumptions since June 30, 2021.

Discount Rate

The projection of cash flows used to determine the discount rate of 6.25% for CERS Non-hazardous and CERS Hazardous 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,

CITY OF ELSMERE, KENTUCKY Notes to Financial Statements June 30, 2023

(passed in 2018) over the remaining 29 years (closed) amortization period of the unfunded actuarial accrued liability.

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 Target Allocation	Long Term Expected Nominal Return
Public equity	50.00%	4.45%
Private equity	10.00%	10.15%
Core bonds	10.00%	0.28%
Specialty credit / high yield	10.00%	2.28%
Cash	0.00%	-0.91%
Real estate	7.00%	3.67%
Real return	13.00%	4.07%
Expected Real Return	100.00%	4.28%
Long-Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.58%

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

The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	Proportionate Share of Net Pension Liability		
	1% Decrease	Current Rate	1% Increase
	5.25%	6.25%	7.25%
Non-hazardous	\$ 1,848,185	\$ 1,478,695	\$ 1,173,096
Hazardous	5,054,195	4,057,431	3,245,629
Total	\$ 6,902,380	\$ 5,536,126	\$ 4,418,725

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.

CITY OF ELSMERE, KENTUCKY Notes to Financial Statements June 30, 2023

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.

CITY OF ELSMERE, KENTUCKY Notes to Financial Statements June 30, 2023

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	\$10/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 3.39% of covered employees' compensation for the health insurance fund. For hazardous duty employees, the City contributed 6.78% of the covered employees' compensation for the health insurance fund.

The City made all required contributions for the non-hazardous plan OPEB obligation for the fiscal year in the amount of \$20,808. The City made all required contributions for the hazardous plan OPEB obligation for the fiscal year in the amount of \$66,147

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, 2023, the City recognized OPEB expense of \$127,171 in addition to its \$86,955 OPEB contribution.

CITY OF ELSMERE, KENTUCKY Notes to Financial Statements June 30, 2023

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

At June 30, 2023, the City reported a liability of \$1,535,646 as its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of 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, 2022 measurement year, the City's non-hazardous employer allocation proportion was .02045% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.13290% 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 of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 40,628	\$ (92,560)	\$ 25,013	\$ (67,045)	\$ 65,641	\$ (159,605)
Net difference between projected actual earnings on plan investments	16,382	-	41,318	-	57,700	-
Changes of assumptions	63,836	(52,600)	188,968	(194,781)	252,804	(247,381)
Changes in proportion and differences between contributions and proportionate share of contributions	34,126	(34,301)	42,888	(44,164)	77,014	(78,465)
Contributions subsequent to the measurement date	20,808	-	66,147	-	86,955	-
	<u>\$ 175,780</u>	<u>\$ (179,461)</u>	<u>\$ 364,334</u>	<u>\$ (305,990)</u>	<u>\$ 540,114</u>	<u>\$ (485,451)</u>

The City's contributions subsequent to the measurement date of \$86,955 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Measurement Year Ending	Net
June 30,	Deferral
2023	\$ 24,267
2024	10,263
2025	(45,442)
2026	14,853
2027	(36,233)
Thereafter	-
	<u>\$ (32,292)</u>

CITY OF ELSMERE, KENTUCKY Notes to Financial Statements June 30, 2023

Actuarial Methods and Assumptions to Determine the Total OPEB Liability and the Net OPEB Liability

For financial reporting, the actuarial valuation as of June 30, 2022, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2022, were based on an actuarial valuation date of June 30, 2021. The total OPEB liability was rolled-forward from the valuation date (June 30, 2021) to the plan's fiscal year ending date of June 30, 2022, using the generally accepted actuarial principles.

The actuarial assumptions for CERS Non-Hazardous and CERS Hazardous plans are as follows:

Valuation Date	June 30, 2020
Experience Study	July 1, 2013 to June 30, 2018
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
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post - 65	Initial trend starting at 9.00% in 2024, 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 Nonhazardous 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

CITY OF ELSMERE, KENTUCKY
Notes to Financial Statements
June 30, 2023

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

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

The total OPEB liability as of June 30, 2022, 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 5.20% to 5.70% for the non-hazardous Plan and from 5.05% to 5.61% for the hazardous Plan. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2022 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.

Discount Rate

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

The 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:

CITY OF ELSMERE, KENTUCKY
Notes to Financial Statements
June 30, 2023

Asset Class	CERS Pensions	
	Non-Hazardous Target Allocation	Long Term Expected Nominal Return
Public equity	50.00%	4.45%
Private equity	10.00%	10.15%
Core bonds	10.00%	0.28%
Specialty credit/high yield	10.00%	2.28%
Cash	0.00%	-0.91%
Real estate	7.00%	3.67%
Real return	13.00%	4.07%
Expected Real Return	100.00%	4.28%
Long-Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.58%

Sensitivity of the City's 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 5.70% for the non-hazardous Plan and 5.61% 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:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount Rate, Non-Hazardous	4.70%	5.70%	6.70%
Net OPEB liability, Non-Haz	\$ 539,580	\$ 403,623	\$ 291,232
Discount Rate, Hazardous	4.61%	5.61%	6.61%
Net OPEB liability, Haz	\$ 1,572,913	\$ 1,132,023	\$ 773,939
Total	\$ 2,112,493	\$ 1,535,646	\$ 1,065,171

Sensitivity of the City's 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:

Healthcare cost trend rate	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Net OPEB liability, non-hazardous	\$ 300,085	\$ 403,623	\$ 527,953
Net OPEB liability, hazardous	790,478	1,132,023	1,548,349
Total	\$ 1,090,563	\$ 1,535,646	\$ 2,076,302

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

CITY OF ELSMERE, KENTUCKY Notes to Financial Statements June 30, 2023

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 – CLAIMS AND JUDGMENTS

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

NOTE J – AMERICAN RESCUE PLAN ACT (ARPA) FUNDING

As another response to the COVID-19 Pandemic, the City was eligible to receive \$2,261,327 in American Rescue Plan Act (ARPA) funding from the federal government. These funds passed through the Commonwealth of Kentucky's Department for Local Government and were received in two (2) tranches. The first tranche was received in September 2021 and the City recognized \$269,846 of revenue at June 30, 2022. The second tranche was received in June 2022 and the City recognized \$1,047,571 as revenue in the fiscal year ending June 30, 2023. The remaining \$907,270 remains as deferred revenue at June 30, 2023.

NOTE K – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Statement No. 91 – *Conduit Debt Obligations* – Implementation in FY 2023 – This Standard has no impact on the City.

Statement No. 94 – *Public-Private and Public-Public Partnerships* – FY 2023 – This Standard has no impact on the City.

Statement No. 96 – *Subscription-Based Information Technology Arrangements* – FY 2023 – This Standard has no impact on the City.

Statement No. 99 – *Omnibus 2020* – FY 2023 – This Standard affected a portion of Statements No. 87, 91, 94, and 96.

NOTE L – FUTURE ACCOUNTING STANDARDS

Statement No. 100 – *Accounting Changes and Error Corrections* – Implementation in FY 2024

Statement No. 101 – *Compensated Absences* – Implementation in FY 2024

NOTE M – SUBSEQUENT EVENTS

Management has evaluated events through January 5, 2024, the date on which the financial statements were available for issue. The City did not have any events subsequent to June 30, 2023 through January 5, 2024 to disclose.

CITY OF ELSMERE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL (WITH VARIANCES) - GENERAL FUND
For the Year Ended June 30, 2023

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
Budgetary fund balance, July 1	\$ 5,600,000	\$ -	\$ 5,600,000	\$ 5,673,496	\$ 73,496
Resources (inflows):					
Taxes	4,213,900	43,904	4,257,804	4,681,642	423,838
Licenses and permits	5,700	-	5,700	5,700	-
Intergovernmental	123,219	38,799	162,018	126,159	(35,859)
Fines, forfeitures, penalties	52,000	19,700	71,700	100,802	29,102
Charges for services	2,000	1,510	3,510	3,999	489
Interest income	7,000	184,600	191,600	207,749	16,149
Miscellaneous	1,274,576	(1,136,776)	137,800	119,046	(18,754)
Designated ARPA Funds	-	-	-	1,047,571	1,047,571
Amounts available for appropriator	<u>11,278,395</u>	<u>(848,263)</u>	<u>10,430,132</u>	<u>11,966,164</u>	<u>1,536,032</u>
Charges to appropriations (outflows):					
General government	977,253	122,000	1,099,253	751,008	348,245
Public safety	2,422,357	-	2,422,357	2,378,008	44,349
Public works	897,400	-	897,400	867,518	29,882
Planning and inspection	71,100	-	71,100	71,367	(267)
Waste collection	500	-	500	276	224
Recreation	52,000	-	52,000	38,045	13,955
Capital projects	844,700	2,422,940	3,267,640	2,474,961	792,679
Miscellaneous	50,000	(50,000)	-	-	-
Total charges to appropriations	<u>5,315,310</u>	<u>2,494,940</u>	<u>7,810,250</u>	<u>6,581,183</u>	<u>1,229,067</u>
Transfer in (out)					
Transfers	-	-	-	(238,331)	(238,331)
Total General Fund Expenses	<u>5,315,310</u>	<u>2,494,940</u>	<u>7,810,250</u>	<u>6,819,514</u>	<u>990,736</u>
Budgetary fund balance, June 30	<u>\$ 5,963,085</u>	<u>\$ (3,343,203)</u>	<u>\$ 2,619,882</u>	<u>\$ 5,146,650</u>	<u>\$ 2,526,768</u>

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

CITY OF ELSMERE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (WITH VARIANCES) - STREET TAX FUND
For the Year Ended June 30, 2023

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
Budgetary fund balance, July 1	\$ 930,000	\$ -	\$ 930,000	\$ 933,598	\$ 3,598
Resources (inflows):					
Steet tax	500,000	135,550	635,550	636,960	1,410
Interest	2,000	-	2,000	28,148	26,148
Total resources (inflows)	<u>502,000</u>	<u>135,550</u>	<u>637,550</u>	<u>665,108</u>	<u>27,558</u>
Amounts available for appropriation	<u>1,432,000</u>	<u>135,550</u>	<u>1,567,550</u>	<u>1,598,706</u>	<u>31,156</u>
Charges to appropriations (outflows):					
Street repair	150,000	150,000	300,000	186,968	113,032
Capital projects	<u>504,000</u>	-	<u>504,000</u>	-	<u>504,000</u>
Total expenses (outflows)	<u>654,000</u>	<u>150,000</u>	<u>804,000</u>	<u>186,968</u>	<u>617,032</u>
Budgetary fund balance, June 30	<u>\$ 778,000</u>	<u>\$ (14,450)</u>	<u>\$ 763,550</u>	<u>\$ 1,411,738</u>	<u>\$ 648,188</u>

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

CITY OF ELSMERE, 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)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of net pension liability	0.0205%	0.0220%	0.0210%	0.0175%	0.0183%	0.0191%	0.0184%	0.0175%	0.0170%	0.0%
Proportionate share of the net pension liability (asset)	\$ 1,478,695	\$ 1,402,418	\$ 1,611,987	\$ 1,228,462	\$ 1,113,490	\$ 1,118,743	\$ 905,036	\$ 752,754	\$ 551,393	\$ -
Covered payroll in year of measurement	553,157	559,155	538,351	444,205	453,143	394,771	357,159	350,524	327,058	-
Share of the net pension liability (asset) as a percentage of its covered payroll	267.32%	250.81%	299.43%	406.85%	356.55%	329.09%	283.49%	242.32%	199.07%	0.0%
Plan fiduciary net position as a percentage of total pension liability	5242.00%	57.33%	47.18%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%	0.0%

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 143,632	\$ 117,103	\$ 107,917	\$ 103,902	\$ 72,050	\$ 65,615	\$ 55,087	\$ 44,359	\$ 44,692	\$ 44,939
Actual contribution	(143,632)	(117,103)	(107,917)	(103,902)	(72,050)	(65,615)	(55,087)	(44,359)	(44,692)	(44,939)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
City's covered payroll	613,812	553,157	559,155	538,351	444,205	453,143	394,771	357,159	350,524	327,058
Contributions as a percentage of covered payroll	23.40%	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%

Notes to Required Supplementary Information

The net pension liability as of June 30, 2023, is based on the June 30, 2022, 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, 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 ELSMERE, 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)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of net pension liability	0.1330%	0.1338%	0.1400%	0.1300%	0.1162%	0.1294%	0.1324%	0.1277%	0.1324%	
Proportionate share of the net pension liability (asset)	\$ 4,057,431	\$ 3,562,635	\$ 4,220,165	\$ 3,590,735	\$ 2,809,256	\$ 2,896,134	\$ 2,271,711	\$ 1,960,770	\$ 1,591,600	
Covered payroll in year of measurement	869,261	804,467	817,670	740,319	647,067	825,225	769,303	769,303	749,420	
Share of the net pension liability (asset) as a percentage of its covered payroll	466.77%	442.86%	516.12%	406.85%	356.55%	329.09%	283.49%	242.32%	199.07%	
Plan fiduciary net position as a percentage of total pension liability	47.11%	52.26%	44.11%	46.63%	49.26%	49.78%	53.95%	57.52%	63.46%	

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 417,661	\$ 294,332	\$ 241,823	\$ 245,791	\$ 184,095	\$ 143,649	\$ 166,825	\$ 154,674	\$ 176,555	\$ 163,149
Actual contribution	(417,661)	(294,332)	(241,823)	(245,791)	(184,095)	(143,649)	(166,825)	(154,674)	(176,555)	(163,149)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
City's covered payroll	975,615	869,261	804,467	817,670	740,319	647,067	825,225	763,445	769,303	749,420
Contributions as a percentage of covered employee payroll	42.81%	33.86%	30.06%	30.06%	24.87%	22.20%	20.22%	20.26%	22.95%	21.77%

Notes to Required Supplementary Information

The net pension liability as of June 30, 2023, is based on the June 30, 2022, 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 ELSMERE, 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)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of net OPEB liability	0.0205%	0.0220%	0.0210%	0.0175%	0.0183%	0.0191%				
Proportionate share of the net OPEB liability (asset)	\$ 403,623	\$ 421,007	\$ 507,352	\$ 293,720	\$ 324,593	\$ 384,237				
Covered payroll in year of measurement	553,157	559,155	538,351	444,205	453,143	394,771				
Share of the net OPEB liability (asset) as a percentage of its covered payroll	72.97%	75.29%	94.24%	105.97%	104.78%	119.21%				
Plan fiduciary net position as a percentage of total OPEB liability	60.95%	62.91%	51.67%	60.44%	57.62%	52.39%				

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 20,808	\$ 31,972	\$ 26,616	\$ 25,625	\$ 23,365	\$ 21,298	\$ 18,678			
Actual contribution	(20,808)	(31,972)	(26,616)	(25,625)	(23,365)	(21,298)	(18,678)			
Contribution deficiency (excess)	-	-	-	-	-	-	-			
City's covered payroll	613,812	553,157	559,155	538,351	444,205	453,143	394,771			
Contributions as a percentage of covered payroll	3.39%	5.78%	4.76%	4.76%	5.26%	4.70%	4.73%			

Notes to Required Supplementary Information

The net OPEB liability as of June 30, 2023, is based on the June 30, 2022, 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 ELSMERE, 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)**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of net OPEB liability	0.1329%	0.1338%	0.1399%	0.1300%	0.1162%	0.1294%				
Proportionate share of the net OPEB liability (asset)	\$ 1,132,023	\$ 1,082,046	\$ 1,293,073	\$ 961,559	\$ 828,210	\$ 1,070,118				
Covered payroll in year of measurement	869,261	804,467	817,670	740,319	647,067	825,225				
Share of the net OPEB liability (asset) as a percentage of its covered payroll	130.23%	134.50%	158.14%	105.97%	104.78%	119.21%				
Plan fiduciary net position as a percentage of total OPEB liability	64.13%	66.81%	58.84%	64.44%	64.24%	58.99%				

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 66,147	\$ 91,012	\$ 76,585	\$ 77,843	\$ 77,533	\$ 60,500	\$ 71,848			
Actual contribution	(66,147)	(91,012)	(76,585)	(77,843)	(77,533)	(60,500)	(71,848)			
Contribution deficiency (excess)	-	-	-	-	-	-	-			
City's covered payroll	975,615	869,261	804,467	817,670	740,319	647,067	825,225			
Contributions as a percentage of covered payroll	6.78%	10.47%	9.52%	9.52%	10.47%	9.35%	8.71%			

Notes to Required Supplementary Information

The net OPEB liability as of June 30, 2023, is based on the June 30, 2022, 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, 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 ELSMERE, KENTUCKY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2023

	Municipal Road Aid Fund	City Building Bond Fund	City wide Rehabilitation Fund	Turkey foot Acres Fund	Capital Outlay Fund	Total Non-Major Funds
Assets						
Cash and cash equivalents	\$ 117,047	\$ 890	\$ 133,546	\$ 57,885	\$ 39,918	\$ 349,286
Accounts receivable	-	-	24,853	-	-	24,853
Due from other funds	-	-	-	-	-	-
Total Assets	\$ 117,047	\$ 890	\$ 158,399	\$ 57,885	\$ 39,918	\$ 374,139
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	-	24,853	-	-	24,853
Total Liabilities	-	-	24,853	-	-	24,853
Fund Balances						
Restricted	117,047	890	-	57,885	-	175,822
Committed	-	-	133,546	-	-	133,546
Assigned	-	-	-	-	39,918	39,918
Total Fund Balances	117,047	890	133,546	57,885	39,918	349,286
Total Liabilities and Fund Balances	\$ 117,047	\$ 890	\$ 158,399	\$ 57,885	\$ 39,918	\$ 374,139

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

CITY OF ELSMERE, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	Municipal Road Aid Fund	City Building Bond Fund	City wide Rehabilitation Fund	Turkey foot Acres Fund	Capital Outlay Fund	Total Non-Major Funds
Revenues						
Loan repayments	\$ -	\$ -	\$ 7,975	\$ -	\$ -	\$ 7,975
Intergovernmental revenue	176,542	-	-	-	-	176,542
FSA/HRA contributions	-	-	-	-	-	-
Insurance premium taxes	-	-	-	-	150,000	150,000
Loan proceeds	-	-	-	-	-	-
Transfers from other funds	-	238,331	-	-	-	238,331
Interest	2,822	2,004	3,746	1,551	1,838	11,961
Total Revenues	179,364	240,335	11,721	1,551	151,838	584,809
Expenditures						
FSA/HRA reimbursements	-	-	-	-	-	-
Road repair	86,322	-	-	-	3,719	90,041
Capital outlay	-	202,447	-	-	191,713	394,160
Debt service	30,295	238,331	-	-	500	269,126
Engineering expense	-	-	-	-	-	-
City wide loan program	-	-	-	-	-	-
Total Expenditures	116,617	440,778	-	-	195,932	753,327
Excess (Deficit) of Revenues Over Expenditures	62,747	(200,443)	11,721	1,551	(44,094)	(168,518)
Fund Balance, beginning	54,300	201,333	121,825	56,334	84,012	517,804
Fund Balance, ending	\$ 117,047	\$ 890	\$ 133,546	\$ 57,885	\$ 39,918	\$ 349,286

The accompanying notes are an integral part of 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**

**Honorable Mayor and
Members of the City Council
City of Elsmere, 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, and the aggregate remaining fund information of the City of Elsmere, Kentucky as of and for the year ended June 30, 2023 and the related notes to the financial statements which collectively comprise the City of Elsmere, Kentucky's financial statements, and have issued our report thereon dated January 5, 2024.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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 have not been 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 Elsmere, Kentucky's, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. 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 is 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
January 5, 2024