

**CITY OF BERA  
Berea, Kentucky**



**FINANCIAL STATEMENTS  
June 30, 2024**

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## INDEPENDENT AUDITORS' REPORT

Honorable Bruce Fraley, Mayor  
And the City Council  
City of Berea, Kentucky

### Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Berea, Kentucky as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Berea, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Berea, Kentucky, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Berea, Kentucky, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

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

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

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Berea, 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 Berea, Kentucky's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and other postemployment benefit schedules on pages 4-19 and 59-76 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Berea, Kentucky's basic financial statements. The accompanying major proprietary budget information, combining nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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, major proprietary budget information, combining nonmajor fund financial statements and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2024, on our consideration of the City of Berea, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Berea, 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 Berea, Kentucky's internal control over financial reporting and compliance.

**RFH**

RFH, PLLC  
Lexington, Kentucky  
October 11, 2024

**City of Berea, Kentucky  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2024**

Our discussion and analysis of the City of Berea's financial performance provides a narrative overview of the City's financial activities for the fiscal year ended June 30, 2024. Readers are encouraged to consider the information presented here in conjunction with the auditors' report on pages 1-3 and the City's financial statements beginning on page 20.

**FINANCIAL HIGHLIGHTS**

- At June 30, 2024, the government-wide assets and deferred outflow of resources of the City exceeded its liabilities and deferred inflows by \$96.3 million compared with \$88.2 million in the previous year.
- The City's total net position increased by \$8.1 million from prior year, approximately 9%, compared to \$8.8 million in the prior year.
- A prior period adjustment increased FY2023 net position by a net of \$126,175. This adjustment includes the addition of a receivable in the amount of \$255,582 for funds from multiple opioid settlements that will be received over the next 15 years. Also included is a reduction of \$129,407 of ARPA grant revenue that was recognized in the wrong period. Additional information can be found in Note 21 on page 58.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$25.7 million, an increase of \$2.6 million in comparison with the prior year. Approximately 42% or \$10.8 million of the total combined ending fund balance is available for spending at the City's discretion (unassigned fund balance).
- The City's total debt from bonds and notes decreased by 2.0 million or 12.6% during the current fiscal year.
- The City's investment income totaled \$2,123,115, an increase of \$1.5 million from prior year.

**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. This report also contains other supplemental information in addition to the basic financial statements.

**Government-Wide Financial Statements**

The government-wide statements report information about the City as a whole, using accounting methods similar to those used by private-sector companies. The statements are designed to provide both long-term and short-term information about the City's overall financial status. There are two government-wide statements.

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

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

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

The government-wide financial statements can be found on pages 22-23.

### **Fund Financial Statements**

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

*Governmental Funds*— Governmental funds report basic services, which focus on near-term inflows and outflows of available resources and their balances at year-end. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The differences are reconciled between government-wide activities (reported in the statement of net position and the statement of activities) and governmental funds on separate schedules following the respective governmental funds. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

The City maintains several individual governmental funds organized according to their purpose. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, American Rescue Plan Act (ARPA) Fund, and Tourism Fund, which are considered major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements included in the Supplemental Information section of this report on pages 78-79.

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

The basic governmental fund financial statements can be found on pages 24-25 of this report.

## **Notes to the Financial Statements & Other Information**

The notes to the financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-58 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information including a budget to actual analysis, as well as detailed information concerning the City's proportionate share of the cost-sharing, multiple-employer pension plan's net pension liability and other post-employment benefits (OPEB) liability. Required supplementary information can be found on pages 66-76 of this report. The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 78-79 of this report.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

#### **Net Position**

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. For the City, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$96.3 million and \$88.2 million at the close of the fiscal years 2024 and 2023, respectively. The City-wide net position increased by 9 percent (\$8.1 million) from the prior fiscal year, which is a combination of a \$4.4 million increase in governmental activities net position from the restated fiscal year 2023 net position and a \$3.7 million increase in business-type activities net position. The restatement of the fiscal year 2023 net position is related to an error in the accounting treatment of ARPA funds resulting in a \$129,407 decrease in net position, along with an increase in net position of \$255,582 related to the omission of opioid settlement revenue. See Note 21 on page 58 for additional information. Comparative information provided in the analysis below is based on the restated figures provided for fiscal year 2023.

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



**Table 1  
Net Position**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>2024 Total Primary Government</b>	<b>Restated 2023 Total Primary Government</b>
Current Assets	\$ 26,935,178	\$ 25,292,757	\$ 52,227,935	\$ 47,560,250
Capital Assets	40,977,010	37,672,596	78,649,606	76,651,688
Other Noncurrent Assets	2,673,940	7,650,422	10,324,362	9,173,781
Total Assets	<u>70,586,128</u>	<u>70,615,775</u>	<u>141,201,903</u>	<u>133,385,719</u>
Deferred Outflows of Resources	<u>18,616,346</u>	<u>1,603,658</u>	<u>20,220,004</u>	<u>19,718,967</u>
Total Assets and Deferred Outflow of Resources	<u>89,202,474</u>	<u>72,219,433</u>	<u>161,421,907</u>	<u>153,104,686</u>
Current Liabilities	3,890,060	6,425,916	10,315,976	8,547,165
Long-term Liabilities	34,208,039	3,250,676	37,458,715	44,376,369
Total Liabilities	<u>38,098,099</u>	<u>9,676,592</u>	<u>47,774,691</u>	<u>52,923,534</u>
Deferred Inflows of Resources	<u>13,177,887</u>	<u>4,157,840</u>	<u>17,335,727</u>	<u>11,954,461</u>
Net Position:				
Invested in Capital Assets				
Net of Related Debt	31,191,818	33,978,255	65,170,073	61,115,249
Restricted	952,572	5,873,362	6,825,934	5,612,532
Unrestricted	5,782,098	18,533,384	24,315,482	21,498,910
Total Net Position	<u>\$ 37,926,488</u>	<u>\$ 58,385,001</u>	<u>\$ 96,311,489</u>	<u>\$ 88,226,691</u>
Total Liabilities and Net Position	<u>89,202,474</u>	<u>72,219,433</u>	<u>161,421,907</u>	<u>153,104,686</u>

By far the largest portion of the City's net position (67%) reflects its investment of \$65.2 million in capital assets less any related debt used to acquire or construct those assets that are still outstanding. The City uses these capital assets to provide services to the public. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$6.8 million (7%), represents resources that are subject to restrictions as to how they may be used. The remaining balance of unrestricted net position, \$24.3 million (26%), may be used to meet the City's on-going obligations to the public and creditors.

**Governmental activities.** The governmental activities' \$4.4 million increase in net position accounted for 55 percent of the total improvement in net position. *Key elements of this increase include:*

- There was an increase of \$4.3 million in total assets. Included in this increase is \$2.4 million increase in cash, cash equivalents and restricted cash. Also included is a \$2.8 million increase in capital assets, net of depreciation.

- There was a \$0.8 million increase in deferred outflows of resources related to pensions and other post-employment benefits.
- There was a decrease of \$3.8 million in total liabilities. Contributing to this was a \$1.7 million increase in net pension liability but was offset with a \$4.4 million decrease in net OPEB liability.
- There was a total increase of \$4.5 million in deferred inflows of resources, related to pension and OPEB expenses.

**Business-type Activities.** Business-type activities' net position increased by \$3.7 million (7%), which accounted for 45 percent of the total improvement in net position. *Key elements of this increase are as follows:*

- There was an increase of \$3.5 million in total assets. Of this, was a \$1.9 million increased accumulation of cash as operating revenue exceeds operating and capital expenditures. Additionally, there was a \$0.9 million net OPEB asset resulting from changes in the proportionate share of the net OPEB liability.
- Current liabilities showed a \$2.5 million increase related to a one-time, \$2.2 million payment due to the new purchase power provider for a rate stabilization provision of the power supply contract which went into effect on May 1, 2024.
- Long-term liabilities showed a total decrease of \$3.8 million. Debt service payments of \$1.9 million towards bonds and notes payable contributed to the total decrease. Additionally, the net pension and OPEB liability decreased by \$1.9 million.
- There was an increase of \$0.8 million in deferred inflows of resources related to pension and OPEB expenses.

Further details of the changes in net position between fiscal years 2023 and 2024 can be observed in Table 2.

**Table 2  
Changes in Net Position**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>2024 Total Primary Government</b>	<b>Restated 2023 Total Primary Government</b>
<u>Revenues</u>				
Program Revenues				
Charges for Services	\$ 286,259	\$ 18,965,037	\$ 19,251,296	\$ 19,051,052
Operating Grants & Contributions	1,246,733		1,246,733	3,703,136
Capital Grants & Contributions	1,644,317	684,497	2,328,814	2,631,931
General Revenue				
Taxes	3,064,791		3,064,791	2,956,095
License fees	13,512,978		13,512,978	12,325,777
Permits	278,558		278,558	253,487
Investment Earnings	1,038,238	1,084,877	2,123,115	650,319
Other Revenues	495,969		495,969	642,944
<b>Total Revenues</b>	<b>21,567,843</b>	<b>20,734,411</b>	<b>42,302,254</b>	<b>42,214,741</b>
<u>Program Expenses</u>				
General Government	1,118,973		1,118,973	3,405,304
Public Safety - Police	6,403,821		6,403,821	5,874,096
Public Safety - Fire	4,424,488		4,424,488	3,851,233
Public Works	2,398,607		2,398,607	2,525,452
Codes enforcement	340,265		340,265	447,513
Parks and Recreation	994,705		994,705	981,948
GIS/Surveying	42,406		42,406	78,648
Business Development	129,014		129,014	130,757
Tourism	1,447,865		1,447,865	994,795
Information Technology	209,981		209,981	247,151
Interest on Long-term Debt	322,856		322,856	310,271
Utilities		16,539,721	16,539,721	14,416,044
<b>Total Program Expenses</b>	<b>17,832,981</b>	<b>16,539,721</b>	<b>34,372,702</b>	<b>33,263,212</b>
Transfers	563,808	(563,808)	-	-
Gain/(Loss) on Sale of Property	110,736	44,510	155,246	(5,328)
<b>Change in Net Position</b>	<b>\$ 4,409,406</b>	<b>\$ 3,675,392</b>	<b>8,084,798</b>	<b>\$ 8,946,201</b>

As stated previously, the City's net position increased by \$8.1 million compared to an increase in net position of \$8.8 million in fiscal year 2023. City-wide revenue remained consistent, with an increase of less than \$100k from the restated fiscal year 2023 revenue. Program expenses increased by roughly \$1.1 million (3%).

**Governmental Activities.** Governmental activities increased the City's total net position by \$4.4 million. Overall, governmental revenue was down slightly by \$770,000 (3%) from the previous year. *Key elements of this increase are as follows:*

- License fees increased by \$1.2 million (10%), which is mainly attributed to increased revenue from occupational license fees on wages.
- Investment earnings increased by \$709,000 (215%) due to higher interest rates on cash and investments.
- Operating and capital grants and contributions decreased by \$2.7 million. Of this, \$1.9 million was ARPA funding that was recognized as revenue in fiscal year 2023 after the funds had been spent on eligible projects. Additionally, the City received \$2.0 million in contributed infrastructure and other real property in the prior year compared to \$1.4 million in fiscal year 2024.

Governmental program expenses increased by \$1.0 million (5%). Contributing to this total was a \$1.0 million increase in police and fire pension and OPEB costs. Because the measurement date for the net pension and net OPEB liabilities lags by one year, this is the first full year of participation in the hazardous retirement system that is reflected in the government-wide statements. Increases were also seen across all departments because of increased wages and inflation on goods and services. Also contributing to the overall change from the prior year was a decrease of \$1.7 million in ARPA funds spending.

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

Total revenue showed a slight decrease (4%) from the prior year. *Key elements of this increase are as follows:*

- The sale of electric, water and sewer service remained level, with less than a 1% increase. There were no rate changes during FY2024.
- Investment income increased by \$764,000 as the City has benefited from higher interest rates on short term U.S. Treasury securities and certificates of deposits.
- Grant revenue of \$684,000 was recognized in FY2024 for capital projects. Revenue from grant funding will vary each year depending on the active projects and the funding available. In total, capital grants increased by \$627,000 as design on the Owsley Fork Dam project ramps up.

Total operating expenses for business-type activities increased by \$2.1 million (14%). The business-type activity saw an \$847,000 decrease in pension expense that related to a large credit adjustment to pension expense from the change in the proportionate share of net pension and OPEB liabilities. Additionally, a \$2.2 million, one-time expense was incurred when the new purchase power contract went into effect.

Looking at expenses without the effects of the pension expense credit or one-time payment, overall expenses increased by just over \$797,000 (5%). The electric division increased by \$606,000 (8%) due to the increased cost of purchase power at the end of the fiscal year. The water and administrative divisions increased by a combined total of \$107,000 (7%) due to increases in wages and costs of goods. The sewer division decreased by \$226,000 (16%) as the prior year had included major repairs at the wastewater treatment plant. Depreciation expense decreased by \$309,000 (15%) as older equipment is becoming fully depreciated at a rate greater than new equipment is being added.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

Similar to the restatement of net position noted above, fiscal year 2023 fund statements have been restated to correct an error in the accounting treatment of ARPA funds. This correction resulted in a \$129,407 decrease in the fiscal year 2023 ending fund balance. See Note 21 on page 58 for additional information. Comparative information provided in the analysis below is based on the restated figures provided for fiscal year 2023.

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

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

	<b>2024</b>	<b>Restated 2023</b>
<b>Revenues</b>		
Taxes	\$ 3,064,791	\$ 2,956,095
Licenses and permits	13,791,536	12,579,264
Charges for Services	540,043	496,653
Fines & Forfeits	78,201	80,296
Intergovernmental	1,506,630	3,224,421
Other Revenues	1,642,995	671,665
<b>Total Revenues</b>	<u>20,624,196</u>	<u>20,008,394</u>
<b>Expenditures</b>		
General Government	2,023,420	2,362,449
Public Safety - Police	4,223,981	4,180,232
Public Safety - Fire	2,850,856	2,747,938
Public Works	2,462,419	3,171,519
Codes Enforcement	567,556	525,084
Parks and Recreation	893,957	847,910
GIS/Surveying	66,166	94,891
Business Development	178,865	156,493
Information Technology	302,629	310,747
Tourism	1,048,406	1,001,218
Capital Outlay	3,596,439	1,639,805
Debt Service	619,367	474,532
<b>Total Expenditures</b>	<u>18,834,061</u>	<u>17,512,818</u>
Excess revenues over (under) before other sources (uses)	<u>1,790,135</u>	<u>2,495,576</u>
<b>Other Financing Sources (Uses)</b>		
Proceeds from sale of assets	110,736	30,448
Financing proceeds	180,522	131,253
Transfers (to)/from other funds	563,809	567,124
<b>Total Other Financing Sources (Uses)</b>	<u>855,067</u>	<u>728,825</u>
<b>Net Change in Fund Balance</b>	<u>2,645,202</u>	<u>3,224,401</u>
Fund balances - beginning	<u>23,077,214</u>	<u>19,852,813</u>
Fund balances - ending	<u>25,722,416</u>	<u>23,077,214</u>

Total fund balance for all governmental funds has increased by \$2.6 million from the prior year.

The General Fund saw an increase of \$1.8 million in fund balance. General Fund revenue increased by \$2.1 million, largely due to a nearly \$1.2 million increase in occupational license fees from wages and an increase of nearly \$520,000 in investment gains. Revenue also increased, to a lesser degree, from property taxes, franchise fees and investment income. General Fund grant revenue decreased by \$62,000 as there were fewer grant funded projects taking place in fiscal year 2024.

General Fund expenditures increased by \$1.3 million. This is resulting from increased personnel costs of nearly \$718,000, which resulted from wage and benefit increases, as well as the addition of several full time positions.

The American Rescue Plan Act Fund (ARPA) showed expenditures of a little over \$118,000. As an expenditure-driven grant, revenue is recognized once the underlying expenditure has been made. As such, the ARPA fund showed corresponding revenue of 183,000 including bank interest. There is a balance of \$2.2 million in ARPA funds available for future use.

The Tourism Fund increased fund balance by \$435,000. Tourism fund revenue increased by \$91,000. The majority of the increase results from increased interest rates on cash accounts and CDs. Restaurant tax and transient room tax increased by a combined \$35,000 (2%).

Total Tourism Fund expenditures increased by \$604,000. Of this total, \$519,000 is attributable to the remodeling of the future Berea Gallery and Event Center (formerly known as the Mitchell Tolle Gallery). In addition, personnel expenditures increased by nearly \$65,000 due to the addition of staff.

The Municipal Road Aid Fund, Craft Festival Fund, and Police Restricted Fund each saw increases in fund balance from normal operations. The Opioid Abatement Fund fund balance increased by the amount of settlement funds received. The City has committed to allow this balance to accumulate for several years before identifying eligible uses for these funds. The Urban Wildlife Preserve Fund increased fund balance by \$308,000. This results from a one-time \$300,000 endowment received to provide upkeep of the nature preserve land that was received in the prior fiscal year. The Industrial Development fund balance decreased by \$155,000 as some funds received in prior years was utilized in the current year to prepare industrial land for future sale.

## **BUDGET HIGHLIGHTS**

The City adopts an annual appropriated budget for all funds. Over the course of the fiscal year, the City amended the budget two times. Budget amendments are made to adjust the estimates that are used to prepare the original budget ordinance once more information is available; to recognize new funding amounts from external sources, such as federal and state grants; and to increase appropriations that become necessary to maintain services. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget and can be found beginning on page 59. Tables 4 and 5 below show a condensed version of this comparison statement.

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

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
Taxes	\$ 1,114,000	\$ 1,264,234	\$ 150,234
Licenses, Permits & Billings	11,169,000	13,791,536	2,622,536
Charges for Services	360,500	415,987	55,487
Fines & Forfeitures	37,500	73,805	36,305
Intergovernmental	3,471,374	868,038	(2,603,336)
Other Revenue	406,900	986,542	579,642
<b>Total Revenues</b>	<b>\$ 16,559,274</b>	<b>\$ 17,400,142</b>	<b>\$ 840,868</b>

**Table 5**  
**General Fund Expenditures**  
**Budget to Actual**

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
Administration	\$ 2,896,343	\$ 2,015,526	\$ (880,817)
Police	4,442,200	4,223,981	(218,219)
Fire	2,947,710	2,850,856	(96,854)
Public Works	2,587,450	2,195,189	(392,261)
Codes Enforcement	665,400	567,556	(97,844)
Parks & Recreation	1,082,850	893,957	(188,893)
GIS/Surveying	153,700	66,166	(87,534)
Information Technology	378,850	302,629	(76,221)
Business Development	210,850	178,865	(31,985)
Capital Outlay	5,594,831	2,593,600	(3,001,231)
Debt Service	497,146	617,749	120,603
<b>Total Expenditures</b>	<b>\$ 21,457,330</b>	<b>\$ 16,506,074</b>	<b>\$ (4,951,256)</b>

The City historically budgets revenue conservatively to guard against the impact of an unexpected downturn of economic conditions throughout the year. As a result, revenue exceeded budgeted amounts by approximately \$841,000. Taxes and licenses and permits exceeded budgets by \$150,000 and \$2.6 million, respectively. Fines & Forfeitures, Charges for Services and Other Revenue exceeded budget by a total of nearly \$92,000. Intergovernmental revenue failed to meet the budgeted expectations by \$2.6 million due to delays on grant-funded projects.

The City budgets expenditures based on realistic estimates of expenses but makes concerted efforts to eliminate unnecessary expenditures and reduce costs whenever possible. All functional areas within the General Fund ended the fiscal year under budgeted amounts, leading to an overall favorable budget variance of nearly \$5.0 million. The majority of this variance is \$3.0 million in capital outlay that was not expended due to delays on major construction projects.



## CAPITAL ASSETS

The City of Berea's investments in capital assets for its governmental and business-type activities as of June 30, 2024, amounts to \$78.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment and infrastructure. The total increase in the City's investment in capital assets for the current fiscal year was 2.6%. Increases occur when capital additions exceed depreciation and disposals.

The following reconciliation summarizes the change in capital assets, which is presented in detail on page 40 of the Notes to the Financial Statements.

	Governmental Activities	Business-type Activities	Total
Beginning Balance	38,175,184	38,476,504	76,651,688
Additions	4,537,954	729,554	5,267,508
Retirements (net)	-	-	-
Current Year Depreciaton	2,022,716	2,126,766	4,149,482
Change in CIP	286,588	593,304	879,892
Ending Balance	40,977,010	37,672,596	78,649,606

Major capital asset additions during the year include:

- Purchase of a 2024 E-ONE 95' Rear Mount Aerial Platform Quint for \$1,562,353 for use by the Fire Department.
- Completion of the Mayde Road Lot 7 stormwater and waterline installation project, with a total project cost of \$649,879, of which \$270,754 was expended in FY24.
- Acceptance of 1,350 linear feet of streets, including curbs, gutters, sidewalks and stormwater piping and infrastructure, in the Vinyard subdivision, valued at \$540,000.
- Acceptance of 1,295 linear feet of streets, including curbs, gutters, sidewalks and stormwater piping and infrastructure, in the Central Park subdivision, valued at \$518,000.
- Acceptance of a stormwater pond, at the Villages of Beaumont subdivision, valued at \$350,000.
- Purchase of three (3) police vehicles for a total of \$177,760.
- Purchase of a 2023 Caterpillar Backhoe for use by the Sewer Division of Berea Municipal Utilities for a total of \$136,467.
- Purchase of two (2) 2024 Dodge Ram 2500s for use by the Public Works Department for a total of \$99,039.
- Building improvements at Fire Station 2 on Glades Road, with a total cost of \$90,700, which included the removal of the hose tower and replacement of the bay doors.
- Purchase of 2023 Bobcat T66 compact truck loader with attachment kit for use by the Public Works Department for a total of \$77,101.
- Purchase of thirty (30) Axon Taser 10s for \$76,611.90 for use by the Police Department.
- Upgrade of streetlights to LED bulbs for a total of \$60,369.
- Purchase of extrication equipment for \$50,503 for use by the Fire Department.
- New electric service additions and electric system upgrades totaling \$112,514.
- Completion of the Glades Street Waterline Replacement project, with a total project cost of \$79,011, of which \$28,828 was expended in FY24.

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

**Table 6  
Capital Assets**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>2024 Total Primary Government</b>	<b>2023 Total Primary Government</b>
Land, Buildings & Improvements	\$ 26,987,556	\$ 3,166,455	\$ 30,154,011	\$ 29,938,730
Construction in Progress	965,781	3,382,606	4,348,387	3,468,495
Infrastructure/Utility Plant	23,406,446	71,764,582	95,171,028	92,727,173
Vehicles, Equipment & Other	13,377,551	4,208,316	17,585,867	15,667,814
Total Capital Assets	<u>64,737,334</u>	<u>82,521,959</u>	<u>147,259,293</u>	<u>141,802,212</u>
Less Accumulated Depreciation	(23,760,324)	(44,849,363)	(68,609,687)	(65,150,524)
Total Net Capital Assets	<u>\$ 40,977,010</u>	<u>\$ 37,672,596</u>	<u>\$ 78,649,606</u>	<u>\$ 76,651,688</u>

In addition to purchased capital assets, the City leases capital assets. The net investment in leased assets is approximately \$210,000. Table 7 shows summary totals for the City's leased capital assets.

**Table 7  
Leased Assets**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>2024 Total Primary Government</b>	<b>2023 Total Primary Government</b>
Vehicles, Equipment & Other	612,121	7,912	\$ 620,033	\$ 623,530
Less Accumulated Amortization	<u>(403,427)</u>	<u>(6,857)</u>	<u>\$ (410,284)</u>	<u>\$ (316,317)</u>
Total Net Investment in Leased Assets	<u>\$ 208,694</u>	<u>\$ 1,055</u>	<u>\$ 209,749</u>	<u>\$ 307,213</u>

**DEBT**

The City's long-term debt at June 30, 2024, totaled \$15.4 million, which was a \$2.1 million (12%) decrease during the fiscal year. The City made \$2.0 million in debt service principal payments on bonds and loans. The City's compensated absences liability decreased slightly (\$73,000) due to the retirement of several long-time employees.

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

### Long Term Debt

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>2024 Total Primary Government</b>	<b>2023 Total Primary Government</b>
Bonds Payable	9,788,100	1,412,270	11,200,370	12,693,700
Loans Payable	62,467	2,281,928	2,344,395	2,808,196
Lease Liability	166,512	1,197	167,709	257,838
Software Agreement Liability	179,527	-	179,527	110,192
Compensated Absences	1,157,950	358,686	1,516,636	1,589,265
Total Debt Outstanding	<u>11,354,556</u>	<u>4,054,081</u>	<u>15,408,637</u>	<u>17,459,191</u>

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The economy of the City is impacted by regional industry and business, including major manufacturers, healthcare, government services, and education. Many residents of Berea live within the City and commute elsewhere in the County or region to work. Berea is known for a high-quality of life and desirable schools. The City is home to some of the county's larger industrial employers. These employers contribute to the economy in Berea based on the number of full time jobs and ongoing capital investments. The City is also working actively to attract new industrial employers into the industrial park. A project that was started in fiscal year 2022 was completed in fiscal year 2024 and provides a pre-engineered 150,000-square-foot, pad-ready site. The project included initial road infrastructure, utility extensions and tree clearing on a 35-acre parcel in the 87-acre industrial park. This will provide an option for a prospective company to locate in Berea and get up and running more quickly, as opposed to purchasing land, then construction of a workspace.

The expansion of the Central Kentucky Regional Airport (CKRA) is a joint project between county and two city governments that will have profound economic impact to the region. The project that is set to begin construction in early fiscal year 2025 will expand existing water and sewer infrastructure, allowing the airport to provide better fire suppression capacity and to serve a proposed airport terminal at the site. Plans continue to build a new terminal building, as well as a two-story learning annex to serve the growing aviation program offered by Eastern Kentucky University. The CKRA is within a 30-minute drive of nine industrial centers in central Kentucky, but because the state plans to build a new access road to the facility, and the city of Richmond has purchased 600 acres for industrial/commercial development near Duncannon Lane, the airport is poised to serve an even greater role in the region's future economic growth.

Berea's economic outlook is also expected to be positively impacted by a recently approved county-wide measure allowing alcohol sales. FY2024 saw increased revenue as alcohol licenses were issued. Revenue is expected to continue increasing through FY2025 as the liquor stores are now fully established in the community. It has been widely believed that the limited ability to serve or sell alcohol has been a prohibiting factor in attracting chain restaurants or major grocery stores. Residential development is also seeing a surge in the region. Several residential developments have recently been approved which will provide additional supply to meet the growing demand for housing in Berea. The completion of the Berea Bypass Phase II will continue to provide opportunities for future development of both residential and commercial development.

Overall, the economy in the City seems relatively stable with a reason for optimism that the City will grow at an exciting rate. The fiscal year 2025 budget is indicative of this optimism, but maintains a conservative approach, allowing for economic uncertainties. The 2025 budget illustrates the financial strength and progressive nature of the City and its leaders. It demonstrates the strength and operational support for our personnel, infrastructure improvements, capital purchases, and day-to-day maintenance and operational monies for all departments of the City. The following are highlights of the FY2025 Budget.

### **General Fund**

The City continues to see strong general fund revenues going into the FY2025. The total projected General Fund Revenue is \$21.2 million compared to \$17.17 million for FY2024. This includes increases in taxes of about \$200k, licenses and permits of over \$500k, and an increase in investment income of nearly \$100k. However, the bulk of the FY2025 projected revenue increase can be attributed to Intergovernmental Revenue, which includes \$5.4 million in grant proceeds.

Budgeted expenditures for FY2025 are \$24.2 million compared to \$21.5 million for FY2024. The bulk of this increase can be attributed to personnel. As our city continues to see growth, it takes more people to meet the demands that growth brings. For FY2025, six new positions have been added to the budget. In addition, the budget includes a portion of an employee in each department to allow for responsible succession planning for retirements or other departures. A 3.5% cost of living adjustment is included in the personnel line for inflation, and finally, personnel costs have been impacted greatly by a 19.6% increase to health insurance costs. This is due to another year of higher-than-normal health insurance claims.

### **Tourism**

The primary sources of revenue for the Tourism Fund are the transient room tax and the restaurant tax. Tourism Fund revenues for FY2025 remain steady and strong. The Tourism Commission has budgeted total revenue of \$1.4 million for FY 2025. Expenditures for the Tourism Fund are budgeted to increase this fiscal year. The bulk of the increase is due to the continued costs of the Tolle building remodel, the need to change and update wayfinding signs throughout town, and personnel costs.

### **Berea Municipal Utilities**

The Utilities Fund is a proprietary fund that accounts for the operations of Berea Municipal Utilities. Revenue is derived from charging for electric, water, and sewer services. Revenues for FY2025 are projected at \$29.5 million compared to \$20.7 million in FY2024. An electric cost of service and rate study will be conducted in early FY2025 and is expected to result in increased electric rates for the latter part of the fiscal year. However, the primary driver of the budgeted revenue is \$9.1 million grant revenue budgeted for a number of large-scale infrastructure projects.

Budgeted expenses in the Utility Fund for FY2025 are \$21.7 million compared to \$17.8 million in the prior year. As with the other funds, personnel cost increases are a major component of the overall increase in Utility expenses. Additionally, a new agreement for the purchase of power will be in effect for the entire fiscal year and will result in increased costs.

## **Concluding Comments**

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

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the citizens, taxpayers, customers, investors, and creditors with a general overview of the City's Finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Susan Helton or Rose Beverly, at 212 Chestnut Street, Berea, Kentucky 40403.

**CITY OF BEREA, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**June 30, 2024**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 9,118,491	\$ 5,276,408	\$ 14,394,899
Investments	15,016,257	16,549,629	31,565,886
Receivables, net	2,292,524	2,858,837	5,151,361
Other receivables	538,284	428,963	967,247
Lease receivable - current	36,461	-	36,461
Accrued interest receivable	62,241	48,080	110,321
Internal balances	(130,840)	130,840	-
Other assets	1,760	-	1,760
Total current assets	<u>26,935,178</u>	<u>25,292,757</u>	<u>52,227,935</u>
Noncurrent assets			
Restricted cash and cash equivalents	2,161,640	5,873,362	8,035,002
Inventory	-	956,454	956,454
Long-term lease receivable	100,886	-	100,886
Intangible right-to-use assets	208,694	1,055	209,749
Intangible right-to-use software	202,720	-	202,720
Capital assets	40,977,010	37,672,596	78,649,606
Net OPEB asset	-	819,551	819,551
Total noncurrent assets	<u>43,650,950</u>	<u>45,323,018</u>	<u>88,973,968</u>
Total assets	<u>70,586,128</u>	<u>70,615,775</u>	<u>141,201,903</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows - defeasance	-	83,054	83,054
Deferred outflows - pension	13,693,133	1,065,271	14,758,404
Deferred outflows - OPEB	4,923,213	455,333	5,378,546
Total deferred outflows of resources	<u>18,616,346</u>	<u>1,603,658</u>	<u>20,220,004</u>
Total assets and deferred outflows of resources	<u>\$ 89,202,474</u>	<u>\$ 72,219,433</u>	<u>\$ 161,421,907</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 273,437	\$ 3,377,548	\$ 3,650,985
Accrued payroll	458,393	49,315	507,708
Accrued taxes and other liabilities	2,642	164,457	167,099
Accrued interest payable	152,939	1,902	154,841
Unearned revenue	2,197,361	-	2,197,361
Customer deposits	-	786,143	786,143
Compensated absences	430,136	101,798	531,934
Current portion of lease obligations	108,862	937	109,799
Current portion of SBITAs	85,980	-	85,980
Current portion of long-term obligations	180,310	1,943,816	2,124,126
Total current liabilities	<u>3,890,060</u>	<u>6,425,916</u>	<u>10,315,976</u>
Noncurrent liabilities			
Compensated absences	727,814	256,888	984,702
Noncurrent bonds and notes payable	9,670,257	1,750,383	11,420,640
Noncurrent portion of lease obligations	57,650	260	57,910
Noncurrent portion of SBITAs	93,547	-	93,547
Net OPEB liability	1,300,018	-	1,300,018
Net pension liability	22,358,753	1,243,145	23,601,898
Total noncurrent liabilities	<u>34,208,039</u>	<u>3,250,676</u>	<u>37,458,715</u>
Total liabilities	<u>38,098,099</u>	<u>9,676,592</u>	<u>47,774,691</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflow of resources - leases	137,347	-	137,347
Deferred inflows - pension	5,555,543	2,064,940	7,620,483
Deferred inflows - OPEB	7,484,997	2,092,900	9,577,897
Total deferred inflows of resources	<u>13,177,887</u>	<u>4,157,840</u>	<u>17,335,727</u>
<b>NET POSITION</b>			
Net invested in capital assets	31,191,818	33,978,255	65,170,073
Restricted	952,572	5,873,362	6,825,934
Unrestricted	5,782,098	18,533,384	24,315,482
Total net position	<u>37,926,488</u>	<u>58,385,001</u>	<u>96,311,489</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 89,202,474</u>	<u>\$ 72,219,433</u>	<u>\$ 161,421,907</u>

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

**CITY OF BEREA, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
for the year ended June 30, 2024

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
						Governmental Activities	Business-type Activities	Total
<b>Primary government</b>								
<b>Governmental activities</b>								
General government	\$ 1,380,219	\$ (261,246)	\$ -	\$ 1,000	\$ -	\$ (1,117,973)	\$ -	\$ (1,117,973)
Public safety-Police	6,403,821	-	7,020	609,635	-	(5,787,166)	-	(5,787,166)
Public safety-Fire	4,424,488	-	-	230,491	15,000	(4,178,997)	-	(4,178,997)
Public works	2,398,607	-	-	342,986	1,418,733	(636,888)	-	(636,888)
Codes enforcement	340,265	-	34,123	-	-	(306,142)	-	(306,142)
Parks and recreation	994,705	-	121,060	-	109,221	(764,424)	-	(764,424)
GIS/Surveying	42,406	-	-	-	-	(42,406)	-	(42,406)
Business development	129,014	-	-	2,000	101,363	(25,651)	-	(25,651)
Tourism	1,395,975	51,890	124,056	60,621	-	(1,263,188)	-	(1,263,188)
Information technology	209,981	-	-	-	-	(209,981)	-	(209,981)
Interest on long-term debt	322,856	-	-	-	-	(322,856)	-	(322,856)
Total governmental activities	18,042,337	(209,356)	286,259	1,246,733	1,644,317	(14,655,672)	-	(14,655,672)
<b>Business-type activities</b>								
Electric	11,507,031	69,785	12,691,155	-	-	-	1,114,339	1,114,339
Water	2,316,432	69,785	3,254,777	-	684,497	-	1,553,057	1,553,057
Sewer	2,506,902	69,785	3,019,105	-	-	-	442,418	442,418
Total business-type activities	16,330,365	209,356	18,965,037	-	684,497	-	3,109,813	3,109,813
<b>Total primary government</b>	<b>\$ 34,372,702</b>	<b>\$ -</b>	<b>\$ 19,251,296</b>	<b>\$ 1,246,733</b>	<b>\$ 2,328,814</b>	<b>(14,655,672)</b>	<b>3,109,813</b>	<b>(11,545,859)</b>

**General revenues**

<b>Taxes:</b>				
Property taxes, levied for general purposes		1,264,234	-	1,264,234
Transient room tax		231,099	-	231,099
Restaurant tax		1,569,458	-	1,569,458
<b>License fees:</b>				
Franchise		1,303,153	-	1,303,153
Payroll		8,762,288	-	8,762,288
Insurance premiums		1,655,667	-	1,655,667
Net profits		1,605,200	-	1,605,200
ABC		186,670	-	186,670
<b>Permits:</b>				
Building		169,196	-	169,196
Electric		109,187	-	109,187
Other		175	-	175
Investment earnings		1,038,238	1,084,877	2,123,115
Miscellaneous		495,969	-	495,969
Total general revenues		18,390,534	1,084,877	19,475,411
Gain (loss) on disposal of capital assets		110,736	44,510	155,246
Transfers in (out)		563,808	(563,808)	-
<b>Change in Net Position</b>		4,409,406	3,675,392	8,084,798
Net position, beginning, as originally stated		33,390,907	54,709,609	88,100,516
Prior period adjustment		126,175	-	126,175
Net position, beginning, as restated		33,517,082	54,709,609	88,226,691
<b>NET POSITION-ENDING</b>		<b>\$ 37,926,488</b>	<b>\$ 58,385,001</b>	<b>\$ 96,311,489</b>

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

**CITY OF BEREA, KENTUCKY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2024**

	<b>General</b>	<b>ARPA Funds</b>	<b>Tourism</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 5,693,107	\$ -	\$ 2,138,494	\$ 1,286,890	\$ 9,118,491
Restricted cash and cash equivalents	-	2,161,640	-	-	2,161,640
Investments	13,602,710	-	1,298,077	115,470	15,016,257
Receivables, net	1,979,195	-	313,329	-	2,292,524
Other receivables	64,600	-	13,597	460,087	538,284
Lease receivables	137,347	-	-	-	137,347
Interest receivable	51,899	-	9,240	1,102	62,241
Other assets	-	-	-	1,760	1,760
Due from other funds	211,183	-	-	-	211,183
Total assets	<u>\$ 21,740,041</u>	<u>\$ 2,161,640</u>	<u>\$ 3,772,737</u>	<u>\$ 1,865,309</u>	<u>\$ 29,539,727</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 178,347	\$ 12,100	\$ 78,669	\$ 4,321	\$ 273,437
Accrued payroll and related liabilities	451,836	-	6,557	-	458,393
Accrued taxes and other liabilities	1,642	-	1,000	-	2,642
Unearned revenue	-	2,082,178	82,383	32,800	2,197,361
Due to other funds	328,023	-	14,000	-	342,023
Total liabilities	<u>959,848</u>	<u>2,094,278</u>	<u>182,609</u>	<u>37,121</u>	<u>3,273,856</u>
<b>DEFERRED INFLOWS</b>					
Deferred Inflows - unavailable revenue	<u>137,347</u>	<u>-</u>	<u>-</u>	<u>406,108</u>	<u>543,455</u>
<b>Fund balances</b>					
Nonspendable	-	-	-	1,760	1,760
Restricted	-	-	-	952,572	952,572
Committed	7,200,000	-	-	-	7,200,000
Assigned	2,628,272	67,362	3,590,128	467,748	6,753,510
Unassigned	10,814,574	-	-	-	10,814,574
Total fund balances	<u>20,642,846</u>	<u>67,362</u>	<u>3,590,128</u>	<u>1,422,080</u>	<u>25,722,416</u>
Total liabilities and fund balances	<u>\$ 21,740,041</u>	<u>\$ 2,161,640</u>	<u>\$ 3,772,737</u>	<u>\$ 1,865,309</u>	<u>\$ 29,539,727</u>

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



**CITY OF BEREA, KENTUCKY**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**GOVERNMENTAL FUNDS**  
**for the year ended June 30, 2024**

	<b>2024</b>
Total Governmental Fund Balance	\$ 25,722,416
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital and leased assets are not reported in the fund financial statements because they are not current financial resources, but they are reported in the Statement of Net Position.	41,388,424
Long-term receivables related to the opioid settlement are reported as unavailable revenue in the fund financial statements because they are not current financial resources.	406,108
Certain liabilities are not reported in the fund financial statements because they are not due and payable, but these liabilities are included in the Statement of Net Position.	
Long-term lease and SBITA liabilities and bonds payable	(10,196,606)
Long-term compensated absences liability	(1,157,950)
Accrued interest on long-term debt	(152,939)
Net deferred inflows/outflows related to the long-term net pension and OPEB liability	5,575,806
Long-term net pension and OPEB liability	(23,658,771)
Net Position of Governmental Activities	\$ 37,926,488

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

**CITY OF BEREA, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**for the year ended June 30, 2024**

	<u>General</u>	<u>ARPA Funds</u>	<u>Tourism</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Taxes	\$ 1,264,234	\$ -	\$ 1,800,557	\$ -	\$ 3,064,791
Licenses and permits	13,791,536	-	-	-	13,791,536
Intergovernmental revenue	868,038	118,354	60,621	459,617	1,506,630
Charges for services	415,987	-	50,628	73,428	540,043
Fines and forfeits	73,805	-	4,396	-	78,201
Other revenues	<u>986,542</u>	<u>64,936</u>	<u>142,227</u>	<u>449,290</u>	<u>1,642,995</u>
Total revenues	<u>17,400,142</u>	<u>183,290</u>	<u>2,058,429</u>	<u>982,335</u>	<u>20,624,196</u>
<b>EXPENDITURES</b>					
Current					
General administration	2,015,526	-	-	7,894	2,023,420
Public safety-police	4,223,981	-	-	-	4,223,981
Public safety-fire	2,850,856	-	-	-	2,850,856
Public works	2,195,189	-	-	267,230	2,462,419
Codes enforcement	567,556	-	-	-	567,556
Parks and recreation	893,957	-	-	-	893,957
Tourism	-	-	1,014,009	34,397	1,048,406
GIS/Surveying	66,166	-	-	-	66,166
Business development	178,865	-	-	-	178,865
Information technology	302,629	-	-	-	302,629
Capital outlay	2,593,600	118,354	613,731	270,754	3,596,439
Debt service - long term debt	471,456	-	-	-	471,456
Debt service - lease and SBITA	<u>146,293</u>	<u>-</u>	<u>1,618</u>	<u>-</u>	<u>147,911</u>
Total expenditures	<u>16,506,074</u>	<u>118,354</u>	<u>1,629,358</u>	<u>580,275</u>	<u>18,834,061</u>
Excess of revenues over (under) expenditures	<u>894,068</u>	<u>64,936</u>	<u>429,071</u>	<u>402,060</u>	<u>1,790,135</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of assets	104,741	-	5,995	-	110,736
Financing proceeds	62,467	-	-	-	62,467
Lease and SBITA proceeds	118,055	-	-	-	118,055
Transfers in (out)	<u>573,809</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>563,809</u>
Total other financing sources and (uses)	<u>859,072</u>	<u>-</u>	<u>5,995</u>	<u>(10,000)</u>	<u>855,067</u>
Net change in fund balances	<u>1,753,140</u>	<u>64,936</u>	<u>435,066</u>	<u>392,060</u>	<u>2,645,202</u>
Fund Balance, beginning, as originally stated	18,889,706	2,426	3,284,469	1,030,020	23,206,621
Prior period adjustment	<u>-</u>	<u>-</u>	<u>(129,407)</u>	<u>-</u>	<u>(129,407)</u>
Fund Balance, beginning, as restated	<u>18,889,706</u>	<u>2,426</u>	<u>3,155,062</u>	<u>1,030,020</u>	<u>23,077,214</u>
<b>Fund Balance, end of year</b>	<u>\$ 20,642,846</u>	<u>\$ 67,362</u>	<u>\$ 3,590,128</u>	<u>\$ 1,422,080</u>	<u>\$ 25,722,416</u>

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

**CITY OF BERE, KENTUCKY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**for the year ended June 30, 2024**

	<b>2024</b>
Net Change in Fund Balances - Total Governmental Funds	\$ 2,645,202
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital assets expenditures capitalized	3,596,439
Depreciation expense	(2,022,716)
Contributed capital	1,408,000
Gain (loss) on sale of assets	110,736
Proceeds from disposal of assets	(110,736)
Governmental funds report lease payments as expenditures while principal reduces the lease and SIBITA liability in the statement of net position. Governmental activities report amortization expense to allocate those expenditures over the life of the lease:	
Amortization expense	(214,899)
Governmental funds report receipts from leases as revenue while governmental activities recognize the revenue over the life of the lease.	
	(31,029)
Prior year receivables that were not in the period of availability were collected during the current year and reported on the governmental fund financial statements.	
	(300,000)
Long-term compensated absences are not reported in the fund financial statements because they are not due in the current period, but they are presented as long-term liabilities in the statement of net position.	
	79,389
Debt proceeds provide current financial resources to Governmental Funds but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
Proceeds from issuance of long-term debt	(62,467)
Debt service expenditures - principal payments	160,600
Changes in accrued interest on long-term debt	(1,158)
Repayment of lease liability is an expenditure in the Governmental Funds, but the repayment reduces lease liability in the Statement of Net Position.	
Proceeds from lease liabilities	(22,577)
Proceeds from SBITA liabilities	(95,478)
Lease liability expenditures - principal payments	110,928
Lease liability SBITAs expenditures - principal payments	26,143
Opioid settlement revenue earned and recorded on the Statement of Activities but considered unavailable for fund purposes.	
Increase in long-term receivable for opioid settlement	235,655
Opioid current period receipts	(85,129)
The net pension and OPEB expense are long-term liabilities and do not require the use of current financial resources and are excluded as an expenditure in governmental funds. Additionally, since the current year contributions to the pension and OPEB plans will be included in subsequent year's pension expense calculations, those contributions should not be considered in the government-wide statements.	
	(1,017,497)
Change in Net Position of Governmental Activities	\$ 4,409,406

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

**CITY OF BERA, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
June 30, 2024

	<u>Business-Type Activities Utilities 2024</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 5,276,408
Investments	16,549,629
Receivables, net	2,858,837
Grant receivables	400,649
Other receivables	28,314
Interest receivable	48,080
Due from other funds	<u>328,023</u>
Total current assets	<u>25,489,940</u>
Noncurrent assets	
Restricted cash and cash equivalents	5,873,362
Inventory	956,454
Net OPEB asset	819,551
Net investment in leased assets	1,055
Capital assets	
Construction in progress	3,382,606
Land and easements	264,243
Land improvements	132,874
Buildings and improvements	2,769,338
Plant and electric equipment	15,661,822
Plant and water equipment	19,457,407
Plant and sewer equipment	36,645,353
Vehicles and equipment	4,208,316
Less accumulated depreciation	<u>(44,849,363)</u>
Total noncurrent assets	<u>45,323,018</u>
Total assets	<u>70,812,958</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows - pension	1,065,271
Deferred outflows - OPEB	455,333
Defeasance on refunding	<u>83,054</u>
Total deferred outflows of resources	<u>1,603,658</u>
Total assets and deferred outflows of resources	<u>\$ 72,416,616</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	\$ 3,377,548
Accrued payroll and related liabilities	49,315
Accrued taxes and other liabilities	164,457
Accrued interest payable	1,902
Customer deposits	786,143
Lease liability - current	937
Compensated absences - current	101,798
Bonds, notes, and loans payable - current	1,943,816
Due to other funds	<u>197,183</u>
Total current liabilities	<u>6,623,099</u>
Noncurrent liabilities	
Compensated absences	256,888
Bonds, notes, and loans payable	1,750,383
Net OPEB liability	-
Net pension liability	1,243,145
Lease liability	<u>260</u>
Total noncurrent liabilities	<u>3,250,676</u>
Total liabilities	<u>9,873,775</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows - pension	2,064,940
Deferred inflows - OPEB	<u>2,092,900</u>
Total deferred inflows of resources	<u>4,157,840</u>
<b>NET POSITION</b>	
Net invested in capital assets	33,978,255
Restricted for debt service	1,110,358
Restricted for depreciation reserve	4,763,004
Unrestricted	<u>18,533,384</u>
Total net position	<u>58,385,001</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 72,416,616</u>

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

**CITY OF BERA, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**for the year ended June 30, 2024**

	<b>Business-type Activities Utilities 2024</b>
<b>Operating revenues</b>	
Electric service	\$ 12,068,967
Water service	3,236,234
Sewer service	2,938,855
Other revenues	<u>618,956</u>
Total operating revenues	<u>18,863,012</u>
<b>Operating expenses</b>	
Administration	1,460,789
Electric	10,444,133
Water	1,170,394
Sewer	1,175,293
Depreciation and amortization	<u>2,128,346</u>
Total operating expenses	<u>16,378,955</u>
Operating income	<u>2,484,057</u>
<b>Nonoperating revenues (expenses)</b>	
Interest and investment revenue	1,084,877
Interest expense	(160,766)
Gain (loss) on disposal of capital assets	<u>44,510</u>
Total nonoperating revenue (expense)	<u>968,621</u>
Income before capital contributions and transfers	3,452,678
Capital contributions	
Electric, water and sewer connection fees	102,025
Grant revenues	684,497
Transfers in (out)	<u>(563,808)</u>
<b>Change in net position</b>	3,675,392
Net Position, beginning	<u>54,709,609</u>
<b>Net Position, ending</b>	<u>\$ 58,385,001</u>

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

**CITY OF BEREA, KENTUCKY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
for the year ended June 30, 2024**

	<b>Business-type Activities Utilities 2024</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 18,714,769
Payments to suppliers	(10,483,417)
Payments for employee services and benefits	(3,061,995)
Net cash provided by operating activities	<u>5,169,357</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Operating transfers	(563,808)
Due to/from other funds	(298,432)
Net cash (used by) noncapital financing activities	<u>(862,240)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Electric, water, and sewer connection fees	102,025
Grants received	342,831
Principal paid on lease liability	(1,778)
Principal paid on capital debt	(1,876,269)
Purchases of capital assets and construction in progress	(1,297,734)
Proceeds from sale of capital assets	44,510
Interest paid on capital debt	(95,419)
Net cash (used by) capital and related financing activities	<u>(2,781,834)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment activity, net	(740,222)
Interest and dividends	1,068,745
Net cash provided by investing activities	<u>328,523</u>
Net increase in cash and cash equivalents	1,853,806
Cash and cash equivalents at beginning of year	<u>9,295,964</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 11,149,770</u></b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income	\$ 2,484,057
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation and amortization	2,128,346
Change in assets and liabilities:	
Receivables, net	(150,765)
Inventory	(93,857)
Accounts payable	2,428,081
Accrued payroll and related taxes	2,663
Accrued taxes and other liabilities	35,668
Customer deposits	(33,146)
Accrued vacation, sick and holiday	6,767
Net pension and OPEB liability	(1,638,457)
Net cash provided by operating activities	<u>\$ 5,169,357</u>
Supplemental disclosures of cash flow information:	
Noncash capital and related financing activities:	
Payables for capital items, net	\$ 25,123
Amortization expense	<u>\$ 65,784</u>

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

**CITY OF BEREA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**for the year ended June 30, 2024**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Berea, Kentucky (the “City”) operates under the City Council form of government and provides the following services as authorized by its charter: public safety, public works, recreation, community development, and electric, water, and sewer services. The accounting policies of the City of Berea conform to generally accepted accounting principles applicable to governmental units. The following is a summary of the more significant accounting policies.

**A. Reporting Entity**

The financial statements of the City of Berea, Kentucky include the funds, account groups and entities over which the Mayor and Council exercise significant oversight responsibility. Oversight responsibility, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, was determined on the basis of the City's ability to significantly influence operation, select the governing body, participate in fiscal management and the scope of public service. The Berea Tourism Commission and the Berea Industrial Authority are included in the financial statements because of these criteria.

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

The Berea Industrial Development Authority (the Authority) was created by Ordinance No. 18.86, adopted November 25, 1986, pursuant to KRS 154.50-316. The Authority was created to promote the gainful employment, business and economic development opportunities and general welfare of the citizens and residents of the City of Berea. The Authority is authorized to acquire real estate for use as manufacturing, processing and assembling sites, and to develop such sites for occupancy, use, lease or conveyance to industrial entities. The Authority is composed of six members, one of which is the Mayor. The other five members are appointed by the Mayor for four-year terms. The City Council approves the Authority's annual operating budget in conjunction with the City's annual budget authorization.

**B. Basis of Presentation**

**Government-wide Financial Statements**

The government-wide financial statements include a statement of net position and the statement of activities. These statements display information about the City as a whole. The statements distinguish between governmental and business-type activities of the City. These financial statements include the financial activities of the City except for fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. The government-wide statement of activities reflects costs of government by function for governmental activities and business-type activities. Program revenues include charges paid by recipient for the goods or services offered by the program and grants or contributions that are restricted to the program. Revenues which are not classified as program revenues are presented as general revenues of the City.

**CITY OF BEREA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**for the year ended June 30, 2024**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Presentation (continued)**

**Fund Financial Statements**

Fund financial statements report detailed information about the City. The accounts of the City are organized on the basis of funds, each of which is considered to be a separate fiscal and accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that is comprised of its assets, liabilities, fund balance or net position, revenues and expenditures or expenses.

Governmental funds are those through which most governmental functions are financed. The governmental fund measurement focus is upon determination of financial position and budgetary control over revenues and expenditures. Proprietary fund types are used to account for operations that are financed and operated in a manner similar to business enterprises, where the intent of the governing body is that costs of providing services are to be financed or recovered primarily through user charges.

The following funds are used by the City of Berea:

Governmental Funds

**General Fund** - The general operating fund of the City is used to account for all financial resources except those required to be accounted for in another fund. Most of the essential governmental services such as police and fire protection, community services and general administration are reported in this fund.

**Special Revenue Funds** - The special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are restricted by law to be expended for specific purposes. The City maintains the following special revenue funds:

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

**American Rescue Plan Act (ARPA) Fund** - A special revenue fund for the money received from federal sources related to the ARPA. The ARPA fund is a major fund.

**Tourism Fund** - A special revenue fund that receives money from hotel/motel and restaurant taxes and accounts for related expenditures for operations of the Tourism Commission. The Tourism Fund is a major fund.

**Industrial Development Fund** - A special revenue fund used to account for industrial development activities conducted by the Berea Industrial Development Authority.

**Police Restricted Fund** - A special revenue fund established pursuant to Kentucky Revised Statutes enabling property seized in drug related arrests to be retained or sold and the proceeds used for further drug enforcement efforts.

**Berea Craft Festival** - A special revenue fund used to account for the activities of the annual Berea Craft Festival.



**CITY OF BEREA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**for the year ended June 30, 2024**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Presentation (continued)**

Governmental Funds, continued

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

**Urban Wildlife Preserve Fund** – A special revenue fund for a restricted contribution to maintain and improve the property bequeathed to the City at 188 East Haiti Road and 190 East Haiti Road, Berea, Kentucky.

Proprietary Funds

Enterprise funds are established to account for the acquisition, operations and maintenance of the City's facilities and services which are entirely or predominantly self-supported by user charges or where the City has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The accounts are maintained on the accrual basis of accounting. The City's enterprise operations include the Berea Municipal Utilities, a department of the City that provides electric, water, and sewer services to the residents of the City of Berea.

**C. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for individual funds.

Fund Financial Statements

The financial transactions of the City are recorded in individual funds. Their focus is on individual funds rather than reporting funds by type. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet.

**CITY OF BEREA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**for the year ended June 30, 2024**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basis of Accounting (continued)**

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City has defined "Available" as received within 45 days of year end. Expenditures, other than interest on long-term debt, are typically recorded when the liability is incurred. Permits, fines and forfeits, and miscellaneous revenues (except for investment earnings) are recorded as revenues when received because they are generally not measurable until actually received. Investment earnings are recorded when earned since they are measurable and available in all funds.

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

**D. Budgeting**

The City follows the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles.

Budgeted amounts in the financial statements are adopted by ordinance of the City and have been revised for amendments authorized during the year.

**E. Cash and Investments**

The City considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents. The City considers all cash, both restricted and unrestricted, as cash for purposes of the statement of cash flows.

The City has restricted cash and investments to satisfy bond issue requirements, including cash and investments restricted for bond payments.

Investments of the City consist of certificates of deposits and are reported at cost and United States treasuries that are reported at fair market value. These funds are invested for periods that comply with cash flow requirements of bond ordinances and general government services.

**F. Accounts Receivable and Revenues**

Accounts receivable is stated net of an allowance for doubtful accounts. The allowance is based upon historical trends and the periodic aging of accounts receivable.

Proprietary funds report all revenue and expenses as operating, except interest income, interest expense, amortization expense and capital contributions.

**CITY OF BEREA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**for the year ended June 30, 2024**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Capital Assets**

Depreciation of capital assets is provided over the estimated useful lives of the respective assets using the straight-line basis. The estimated useful lives are as follows:

Infrastructure	5-40 years
Buildings	25-40 years
Improvements	10-40 years
Vehicles, furniture and equipment	5-20 years

Capital assets acquired are recorded at cost or estimated cost. Contributed assets are recorded at fair value at the date of donation.

**H. Leases and Subscription-based Information Technology Arrangements**

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

**I. Internal Balances**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due from/to other funds". These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**J. Compensated Absences**

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees are allowed to carry over 40 or 72 hours from one calendar year to the next (depending on class of employee). Employees who resign, retire, or are permanently separated from employment (after one year of service) with the City shall receive payment for all of their accumulated vacation leave upon separation with the City, including any vacation leave credits accumulated during the current year of employment. Employees working 40-hour workweeks are allowed to accumulate a maximum of 1,040 hours of sick leave, and 56-hour employees are allowed to accumulate a maximum of 1,456 of sick leave. Employees who have accumulated at least 90% of the maximum amount of sick leave may request a cash conversion of the remaining sick leave hours. The conversion is calculated based on a ratio of two (2) hours of sick leave for one (1) hour of the employee's regular hourly salary. Employees who resign or retire from employment with the City may be paid for a portion of their accumulated sick leave, based on the number of years employed by the City.

**CITY OF BEREA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**for the year ended June 30, 2024**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Estimates**

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

**L. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees' Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments, (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms; the liability was measured at June 30, 2023.

**M. Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the City's OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CERS' Insurance Fund and additions to/deductions from the Insurance Fund's fiduciary net position have been determined on the same basis as they are reported by the Insurance Fund. For this purpose, the Insurance Fund recognizes benefit payments when due and payable in accordance with the benefit terms; the liability was measured on June 30, 2023.

**N. Deferred Outflows and Inflows of Resources**

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

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

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

**CITY OF BEREA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
for the year ended June 30, 2024

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**O. Fund Balances**

Fund balances of the governmental funds are classified as follows:

*Nonspendable* — amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted* — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

*Committed* — amounts that can be spent only for specific purposes determined by a formal action of the City Council. The Council is the highest level of decision-making authority for the City of Berea. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Council.

*Assigned* — amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the City Administrator, Finance Director or Audit and Finance Committee may assign amounts for specific purposes.

*Unassigned* — all other spendable amounts.

As of June 30, 2024, fund balances are composed of the following:

	<b>General Fund</b>	<b>ARPA Fund</b>	<b>Tourism Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Nonspendable	\$ -	\$ -	\$ -	\$ 1,760	\$ 1,760
Restricted:					
Law enforcement	-	-	-	123,119	123,119
Road surface repairs	-	-	-	361,410	361,410
Opioid abatement	-	-	-	159,797	159,797
Preserve maintenance	-	-	-	308,246	308,246
Committed:					
Capital sinking fund	3,450,000	-	-	-	3,450,000
Fund balance reserve	3,750,000	-	-	-	3,750,000
Assigned:					
Other purposes	2,628,272	67,362	3,590,128	467,748	6,753,510
Unassigned	<u>10,814,574</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,814,574</u>
Total fund balances	<u>\$ 20,642,846</u>	<u>\$ 67,362</u>	<u>\$ 3,590,128</u>	<u>\$ 1,422,080</u>	<u>\$ 25,722,416</u>

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

**CITY OF BEREA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**for the year ended June 30, 2024**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**P. Other Accounting Policies**

Inventory is recorded at average cost.

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

**Q. Upcoming Authoritative Accounting Guidance**

Statement No. 101 - In June 2022, the GASB issued Statement No. 101 *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The City continues to evaluate the impact of this statement on the City Financial statements.

**R. Management's Review of Subsequent Events**

The City has evaluated and considered the need to recognize or disclose subsequent events through October 11, 2024, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2024, have not been evaluated by the City.

**2. CASH AND INVESTMENTS**

Under Kentucky Revised Statute 66.480, the City is allowed to invest in obligations of the U.S. and of its agencies, obligations backed by the full faith and credit of the U.S. or a U.S. government agency, obligations of any corporation of the U.S. government, certificates of deposit or other interest-bearing accounts issued by institutions insured by the Federal Deposit Insurance Corporation (FDIC) or similarly collateralized institutions, and bonds and securities of states, local governments, or related agencies in the U.S. rated in one of the three highest categories by a nationally recognized rating agency.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City's investment policy states that unless matched to a specific cash flow need, the City's funds should not, in general, be invested in securities maturing more than 30 months from the date of purchase.

Custodial Credit Risk

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

**CITY OF BEREA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
for the year ended June 30, 2024

**2. CASH AND INVESTMENTS (CONTINUED)**

Custodial Credit Risk (continued)

At June 30, 2024, the City's bank balances were entirely covered by federal depository insurance or by collateral held by the custodial banks in the City's name. The City's bank balances totaled \$41,435,581 at June 30, 2024. At June 30, 2024, federal depository insurance or certificate of deposit account registry services covered \$6,857,653 of the City's bank balances. The remainder is covered by \$38,464,293 of collateral pledged in the City's name by the custodial banks and an \$85,000 letter of credit in the City's name held by a custodial bank.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's policy is that, with the exception of fully insured or fully collateralized investments and for authorized investment pools, no more than 30% of the City's total investment portfolio shall be invested in a single security type or with a single financial institution.

**3. FAIR VALUE OF INVESTMENTS**

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

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

The City's investments at June 30, 2024, consist of certificates and deposits and United States treasuries with maturities of one year or less.

Governmental activities:

<u>Investments</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
		<u>Inputs</u>	<u>Inputs</u>	<u>Inputs</u>
Money market fund	\$ 153,878	\$ -	\$ 153,878	\$ -
United States treasuries	<u>5,824,445</u>	<u>-</u>	<u>5,824,445</u>	<u>-</u>
Total investments by fair value level	<u>\$ 5,978,323</u>	<u>\$ -</u>	<u>\$ 5,978,323</u>	<u>\$ -</u>
Cash	520,705			
Certificates of deposit	<u>8,517,229</u>			
Total investments	<u>\$ 15,016,257</u>			

**CITY OF BEREA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
for the year ended June 30, 2024

**3. FAIR VALUE OF INVESTMENTS (CONTINUED)**

Business-type activities:

<u>Investments</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u> <u>Inputs</u>	<u>Level 2</u> <u>Inputs</u>	<u>Level 3</u> <u>Inputs</u>
Money market fund	\$ 136,673	\$ -	\$ 136,673	\$ -
United States treasuries	<u>6,114,524</u>	<u>-</u>	<u>6,114,524</u>	<u>-</u>
Total investments by fair value level	<u>\$ 6,251,197</u>	<u>\$ -</u>	<u>\$ 6,251,197</u>	<u>\$ -</u>
Cash	262,156			
Certificates of deposit	<u>10,036,276</u>			
Total investments	<u>\$ 16,549,629</u>			

During 2024, the City realized a net gain of \$267,198 for governmental activities and \$259,813 for business-type activities from sale of investments. The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net increase (decrease) in the fair value of investments during 2024 was (\$410,689) for governmental activities and \$740,222 for business-type activities. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized gain on investments held at year-end was \$57,455 for governmental activities and \$67,558 for business-type activities.

**4. RECEIVABLES**

Receivables are recognized when earned. Receivables at year end of the City's major individual funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	<u>General</u> <u>Fund</u>	<u>ARPA</u> <u>Fund</u>	<u>Tourism</u> <u>Fund</u>	<u>Nonmajor</u> <u>Fund</u>	<u>Governmental</u> <u>Funds</u>
Governmental Funds:					
Taxes	\$ 104,252	\$ -	\$ 313,329	\$ -	\$ 417,580
Licenses, permits, billings	1,917,486	-	-	-	1,917,486
Intergovernmental	49,696	-	13,597	460,087	523,380
Other	<u>51,361</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,361</u>
Gross receivables	2,122,795	-	326,926	460,087	2,909,808
Less: allowance for uncollectible	<u>(79,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(79,000)</u>
Net receivables	<u>\$ 2,043,795</u>	<u>\$ -</u>	<u>\$ 326,926</u>	<u>\$ 460,087</u>	<u>\$ 2,830,808</u>
Business-type Activities:					
Customer	\$ 2,923,837				
Less: allowance for uncollectible	<u>(65,000)</u>				
Net receivables	<u>\$ 2,858,837</u>				



**CITY OF BEREA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
for the year ended June 30, 2024

**5. LEASE RECEIVABLES**

The City is reporting leases receivables of \$137,347 at June 30, 2024. For fiscal year 2024, the City reported lease revenue of \$40,076 and interest revenue of \$4,107 related to lease payments received. These leases are summarized as follows:

<b>Lease</b>	<b>Lease Receivable</b>	<b>Lease Revenue</b>	<b>Lease Interest Revenue</b>
Cell Tower	\$ 75,786	\$ 9,665	\$ 2,432
Menelaus Road Farm	-	12,272	368
Discovery Learning Center	36,787	10,164	732
Community Action Council	<u>24,774</u>	<u>7,975</u>	<u>575</u>
<b>Total</b>	<u>\$ 137,347</u>	<u>\$ 40,076</u>	<u>\$ 4,107</u>

Cell Tower Lease – In October 2005, the City entered into a 25-year lease agreement with a company for the lease of a cell phone tower. Based on this agreement, the City is receiving monthly payments through November 2030.

Menelaus Road Farm Lease - In May 2020, the City entered into a five-year lease agreement with an individual for the lease of real property. Based on this agreement, the City was receiving monthly payments through May 2024.

Discovery Learning Center Lease – In November 2023, the City entered into a three-year lease agreement with a company for the lease of real property. Based on this agreement, the City is receiving monthly payments through October 2026.

Community Action Council Lease – In October 2023, the City entered into a three-year lease agreement with a company for the lease of real property. Based on this agreement, the City is receiving monthly payments through September 2026.

The present value of expected future minimum lease payments are as follows:

<b>June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2025	\$ 36,461	\$ 3,623	\$ 40,084
2026	37,820	2,510	40,330
2027	19,597	1,538	21,135
2028	11,953	1,142	13,095
2029	12,582	774	13,356
2030-2031	<u>18,934</u>	<u>431</u>	<u>19,365</u>
	<u>\$ 137,347</u>	<u>\$ 10,018</u>	<u>\$ 147,365</u>

**CITY OF BEREA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
for the year ended June 30, 2024

**6. CAPITAL ASSETS**

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

	<u>July 1, 2023</u> <u>Balance</u>	<u>Additions/</u> <u>Transfers</u>	<u>Retirements/</u> <u>Transfers</u>	<u>June 30, 2024</u> <u>Balance</u>
Governmental activities:				
Capital assets not depreciated				
Land	\$ 5,859,904	\$ -	\$ -	\$ 5,859,904
Construction in progress	<u>679,193</u>	<u>954,359</u>	<u>(667,771)</u>	<u>965,781</u>
Total	<u>6,539,097</u>	<u>954,359</u>	<u>(667,771)</u>	<u>6,825,685</u>
Capital assets being depreciated				
Buildings and improvements	19,792,978	166,607	-	19,959,585
Land improvements	1,168,067	-	-	1,168,067
Software	313,022	-	-	313,022
Vehicles and equipment	11,292,289	2,283,617	(511,377)	13,064,529
Infrastructure assets	<u>21,318,716</u>	<u>2,087,730</u>	<u>-</u>	<u>23,406,446</u>
Total depreciable assets	<u>53,885,072</u>	<u>4,537,954</u>	<u>(511,377)</u>	<u>57,911,649</u>
Less accumulated depreciation				
Buildings and Improvements	(7,216,988)	(550,756)	-	(7,767,744)
Land improvements	(544,395)	(46,934)	-	(591,329)
Software	(303,843)	(9,180)	-	(313,023)
Vehicles and equipment	(7,457,403)	(687,971)	511,377	(7,633,997)
Infrastructure assets	<u>(6,726,356)</u>	<u>(727,875)</u>	<u>-</u>	<u>(7,454,231)</u>
Total	<u>(22,248,985)</u>	<u>(2,022,716)</u>	<u>511,377</u>	<u>(23,760,324)</u>
Depreciable capital assets, net	<u>31,636,087</u>	<u>2,515,238</u>	<u>-</u>	<u>34,151,325</u>
Total capital assets, net	<u>\$ 38,175,184</u>	<u>\$ 3,469,597</u>	<u>\$ (667,771)</u>	<u>\$ 40,977,010</u>
Business-type activities:				
Capital assets not depreciated				
Land and easements	\$ 264,243	\$ -	\$ -	\$ 264,243
Construction in progress	<u>2,789,302</u>	<u>745,538</u>	<u>(152,234)</u>	<u>3,382,606</u>
Total	<u>3,053,545</u>	<u>745,538</u>	<u>(152,234)</u>	<u>3,646,849</u>
Capital assets being depreciated				
Land improvements	84,200	48,674	-	132,874
Buildings and improvements	2,769,338	-	-	2,769,338
Electric system	15,488,939	172,883	-	15,661,822
Water system	19,355,987	115,820	(14,400)	19,457,407
Plant and sewer system	36,563,531	81,822	-	36,645,353
Vehicles and equipment	<u>4,062,503</u>	<u>310,355</u>	<u>(164,542)</u>	<u>4,208,316</u>
Total	<u>78,324,498</u>	<u>729,554</u>	<u>(178,942)</u>	<u>78,875,110</u>
Less accumulated depreciation				
	<u>(42,901,539)</u>	<u>(2,126,766)</u>	<u>178,942</u>	<u>(44,849,363)</u>
Depreciable capital assets, net	<u>35,422,959</u>	<u>(1,397,212)</u>	<u>-</u>	<u>34,025,747</u>
Total capital assets, net	<u>\$ 38,476,504</u>	<u>\$ (651,674)</u>	<u>\$ (152,234)</u>	<u>\$ 37,672,596</u>

**CITY OF BEREA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
for the year ended June 30, 2024

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**6. CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to the governmental activities as follows:

General government	\$	508,930
Police		279,343
Fire		124,023
Public works		789,115
Parks and recreation		219,270
Codes enforcement		13,271
GIS/Surveying		10,771
Tourism		<u>7,993</u>
 Total depreciation expense	 \$	 <u>2,022,716</u>

**7. CONSTRUCTION IN PROGRESS**

The City has the following projects in progress at June 30, 2024:

<b>Business-type Activities</b>		
Raw Water – Owsley	\$	3,340,098
Raw Water – Cowbell		10,883
Hwy 595 Sewage Lift Station Replacement		8,625
Brushy Fork Sewer Rehab		16,500
Pauley Court Sewer line Extension		<u>6,500</u>
Total construction in progress	\$	<u>3,382,606</u>
 <b>Governmental Activities</b>		
Ellipse Street Shared Use Path	\$	59,199
Scaddolf Cane Shared Use Path		150,213
Rash Road Drainage		13,730
Tolle Building Design/Construction		637,280
BPD Firing Range		34,875
Kenway Extension Design		37,133
Concession Stand Design		9,788
Pool Deck Design		<u>23,563</u>
Total construction in progress	\$	<u>965,781</u>

At June 30, 2024, the City's commitment to construction projects and purchase materials consisted of \$77,986 committed for the Tolle Building design and construction project.

**CITY OF BEREA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
for the year ended June 30, 2024

**8. LEASED ASSETS AND LIABILITIES**

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024
Governmental Activities:				
Leased Assets by Group				
Office equipment	\$ 84,006	\$ 22,577	\$ 26,074	\$ 80,509
Vehicles	167,162	-	-	167,162
Police equipment	<u>364,450</u>	<u>-</u>	<u>-</u>	<u>364,450</u>
Total leased assets	<u>615,618</u>	<u>22,577</u>	<u>26,074</u>	<u>612,121</u>
Less accumulated amortization				
Office equipment	(50,509)	(12,437)	26,074	(36,872)
Vehicles	(78,008)	(33,432)	-	(111,440)
Police equipment	<u>(182,225)</u>	<u>(72,890)</u>	<u>-</u>	<u>(255,115)</u>
Total accumulated amortization	<u>(310,742)</u>	<u>(118,759)</u>	<u>26,074</u>	<u>(403,427)</u>
Total leased assets, net	<u>\$ 304,876</u>	<u>\$ (96,182)</u>	<u>\$ -</u>	<u>\$ 208,694</u>
Business-type Activities:				
Leased Assets by Group				
Office equipment	\$ 7,912	\$ -	\$ -	\$ 7,912
Total leased assets	<u>7,912</u>	<u>-</u>	<u>-</u>	<u>7,912</u>
Less accumulated amortization				
Office equipment	<u>(5,275)</u>	<u>(1,582)</u>	<u>-</u>	<u>(6,857)</u>
Total accumulated amortization	<u>(5,275)</u>	<u>(1,582)</u>	<u>-</u>	<u>(6,857)</u>
Total leased assets, net	<u>\$ 2,637</u>	<u>\$ (1,582)</u>	<u>\$ -</u>	<u>\$ 1,055</u>

Governmental Activities:

Group Description	Number of Leases in Group	Date Range of Lease	Range of Lease Terms	Annual Payment Amount	Annual Interest Rate	Total Original Lease Liability	Lease Balance at June 30, 2024
Office equipment	8	Oct. 2018 – May 2029	5 years	\$1,416- \$4,552	2.12%- 11.00%	\$ 80,510	\$ 44,919
Vehicles	3	Mar. 2022 – Feb. 2027	5 years	\$10,716- \$13,056	3.56%- 3.67%	167,162	57,817
Police equipment	1	Jan. 2022 – Dec. 2025	3 years	\$63,779	0%	364,450	<u>63,776</u>
Total							<u>\$ 166,512</u>

**CITY OF BEREA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
for the year ended June 30, 2024

**8. LEASED ASSETS AND LIABILITIES (CONTINUED)**

Business-type Activities:

Group Description	Number of Leases in Group	Date Range of Lease	Range of Lease Terms	Annual Payment Amount	Annual Interest Rate	Total Original Lease Liability	Lease Balance at June 30, 2024
Office equipment	2	Dec. 2019 – Nov. 2026	5 years	\$206- \$1,677	2.12%- 9.80%	\$ 7,911	\$ 1,197

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

Governmental Activities:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 108,862	\$ 8,299	\$ 117,161
2026	40,885	5,566	46,451
2027	6,433	1,461	7,894
2028	4,945	892	5,837
2029	<u>5,387</u>	<u>317</u>	<u>5,704</u>
Total	<u>\$ 166,512</u>	<u>\$ 16,535</u>	<u>\$ 183,047</u>

Business-type Activities:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 937	\$ 26	\$ 963
2026	<u>260</u>	<u>3</u>	<u>263</u>
Total	<u>\$ 1,197</u>	<u>\$ 29</u>	<u>\$ 1,226</u>

**9. SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS**

In September 2022, the City entered into a 5-year subscription-based information technology arrangement involving cloud-based software to streamline governmental accounting. The software will help with budgeting and planning, permitting and licensing, reporting and transparency, and asset management. Based on this arrangement, the City is making annual payments of \$30,000 until September 2026. The City has imputed an interest rate of 3.50% to determine the present value of the intangible right-to-use asset and SBITA liability.

In July 2023, the City entered into a 3-year subscription-based information technology arrangement for government community cloud-based services and software licenses. Based on this arrangement, the City is making annual payments of \$29,860 until July 2025. The City has imputed an interest rate of 3.50% to determine the present value of the intangible right-to-use asset and SBITA liability.

**CITY OF BEREA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**for the year ended June 30, 2024**

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**9. SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS (CONTINUED)**

In January 2024, the City entered into a 5-year subscription-based information technology arrangement for police taser software licensing. Based on this arrangement, the City is making annual payments increasing each year until January 2028. The City has imputed an interest rate of 4.00% to determine the present value of the intangible right-to-use asset and SBITA liability.

In March 2024, the City entered into a 2-year subscription-based information technology arrangement for software licensing allowing audio, video, image and recording data footage to be created, viewed, searched and archived. Based on this arrangement, the City is making annual payments of \$30,000 until March 2025. The City has imputed an interest rate of 3.50% to determine the present value of the intangible right-to-use asset and SBITA liability.

The total of the City's subscriptions assets are recorded at a cost of \$334,498, less accumulated amortization of \$131,778, at June 30, 2024.

The future subscription payments under SBITA agreements are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>
2025	\$ 85,980	\$ 5,942
2026	58,999	3,004
2027	31,215	1,015
2028	<u>3,333</u>	<u>-</u>
Total	<u>\$ 179,527</u>	<u>\$ 9,961</u>

**10. BUSINESS-TYPE ACTIVITIES - LONG-TERM DEBT**

**BONDS AND NOTES PAYABLE**

On January 1, 2005, the City of Berea issued \$16,445,000 of Series 2005-A Combined Utilities Revenue Bonds and \$3,740,000 of Series 2005-B Combined Utilities Revenue Bonds to fund the purchase of the Berea College water and electric utilities. The Series 2005-A Bonds bear interest of 3-4.375%. The Series 2005-A bonds mature on January 1, 2025 and the series 2005-B Bonds matured in 2010. Interest on the Series 2005-A Bonds is paid semiannually, with principal due on January 1 of each year. A portion of the 2005-A Bonds were advance refunded on April 11, 2013. The 2005-A bonds had a balance of \$5,000 at June 30, 2024.

On July 1, 2004, the City of Berea entered into a loan assistance agreement, not to exceed \$5,000,000, with the Kentucky Infrastructure Authority (KIA) for a federally assisted Wastewater Revolving Loan Fund Program Fund A loan for the improvement of the wastewater system. As of June 30, 2024, the City had a balance of \$546,321 on the loan. Interest payments began within six months from the first draw of funds at a rate of 1%, and full principal and interest payments commenced within one year of initiation of operation. The loan calls for a \$250,000 repairs and maintenance reserve.

On January 1, 2009, the City of Berea entered into a loan assistance agreement, not to exceed \$5,000,000, with Kentucky Infrastructure Authority for a federally assisted expansion to the existing Water Treatment Plant. As of June 30, 2024, the City had a balance of \$1,735,607 on the loan. The note bears interest at a rate of 1% and principal and interest payments are due in December and June of each fiscal year. The loan calls for a \$100,000 repairs and maintenance reserve.

**CITY OF BEREA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
for the year ended June 30, 2024

**10. BUSINESS-TYPE ACTIVITIES - LONG-TERM DEBT (CONTINUED)**

On April 11, 2013, the City issued \$9,520,000 of Utility System Refunding Revenue Bonds, Series 2013. The proceeds were used to partially advance refund previously issued Utility System Revenue Bonds, Series 2005-A. The net proceeds of \$9,575,192 (after payment of underwriting fees, insurance and other issuance costs) were used to fund the escrow account. The escrow account was used to purchase US government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for a portion of the future debt service payments on the 2005-A Series bonds. As a result, a portion of the 2005-A Series bonds are considered to be defeased and the liability for those bonds has been removed from the long-term debt. The new issue reduced debt service payments by \$675,126 and had a net economic gain of \$600,693. The defeased bonds outstanding at June 30, 2024, were \$1,425,000. As of June 30, 2024, the City had a balance of \$1,390,000 on the Series 2013 Bonds. The Series 2013 Bonds bear interest of 2-3%. The bonds mature on January 1, 2025.

A summary of changes in business-type activities long-term debt follows:

	June 30, 2023	Additions	Deletions	June 30, 2024
Revenue bonds	\$ 2,745,000	\$ -	\$ (1,350,000)	\$ 1,395,000
Bond premium	34,541	-	(17,271)	17,270
Direct borrowing and placements:				
KIA loans	2,808,196	-	(526,268)	2,281,928
Other obligations:				
Lease liability	2,975	-	(1,778)	1,197
Compensated absences	351,926	6,760	-	358,686
Total other obligations	<u>354,901</u>	<u>6,760</u>	<u>(1,778)</u>	<u>359,883</u>
 Total debt outstanding	 <u>\$ 5,942,638</u>	 <u>\$ 6,760</u>	 <u>\$ (1,895,317)</u>	 <u>\$ 4,054,081</u>
Less current portion of:				
Revenue bond				1,395,000
KIA loans				531,545
Unamortized premium				17,271
Lease liability				937
Compensated absences				101,798
Total current portion				<u>2,047,000</u>
 Total long-term obligations				 <u>\$ 2,007,081</u>

The following are the principal and interest maturities for the bonds and notes outstanding as of June 30, 2024:

	Principal	Interest	Service Fee	Total
2025	\$ 1,943,816	\$ 63,412	\$ 5,133	\$ 1,995,090
2026	536,874	16,165	3,938	556,977
2027	264,891	11,474	2,869	279,234
2028	267,637	8,818	2,205	278,660
2029	270,320	6,135	1,534	277,989
2030-2031	<u>410,660</u>	<u>4,113</u>	<u>1,028</u>	<u>415,802</u>
Total	<u>\$ 3,694,198</u>	<u>\$ 110,117</u>	<u>\$ 16,707</u>	<u>\$ 3,803,752</u>

**CITY OF BEREA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**for the year ended June 30, 2024**

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**10. BUSINESS-TYPE ACTIVITIES - LONG-TERM DEBT (CONTINUED)**

COMPLIANCE WITH RESERVE REQUIREMENTS

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

Depreciation Fund – The bond ordinance requires the creation of a depreciation fund that shall be available and shall be utilized to make repairs and replacements to the system and to pay the costs of constructing additions, extensions, betterments, and improvements to the System which will either increase income and revenues or provide a higher degree of service. There are no required monthly deposits or balance to maintain in the depreciation fund account. The KIA loans call for the creation of a repairs and maintenance reserve of \$350,000. At June 30, 2024, the depreciation fund had a balance of \$4,763,004.

Debt Service Fund – The debt service fund is maintained for the payment of principal and interest on bonds. The City is required to make a monthly transfer to the reserve of 1/6 of the next interest due and 1/12 of the next principal. These monthly transfers are to be made until the balance reaches the lesser of 1) the maximum debt service requirement in any fiscal year, 2) 10% of the proceeds of any series bonds or 3) 125% of the average annual debt service requirement. As of June 30, 2024, the debt service fund had a balance of \$946,199 and the City held a municipal bond debt service reserve insurance policy with Assured Guaranty Corporation.

**11. GOVERNMENTAL ACTIVITIES - LONG-TERM DEBT**

BONDS AND NOTES PAYABLE

Tasers

In January 2024, the City of Berea entered into a contract to finance the purchase of tasers for the police department. The contract also contained components for taser software, which is recorded as a subscription-based information technology arrangement, and an annual warranty and support expense. The financed purchase totaled \$62,467 at origination and no payments were made on the financed portion during the year ended June 30, 2024. The financed purchase loan calls for annual payments due in January each year with a scheduled maturity date of January 2028. The financed purchase loan has an imputed interest rate of 4.0% that is included in the annual payment terms.

The schedule below shows the City’s total financed purchase debt service:

	<b>Principal</b>
2025	\$ 14,710
2026	15,299
2027	15,911
2028	<u>16,547</u>
Total	<u>\$ 62,467</u>

General Obligation Public Project Bond, Series 2018

On March 19, 2018, the City of Berea issued \$10,402,000 of Series 2018 General Obligation Bonds to fund the construction of City Hall. The Series 2018 Kentucky General Obligation Public Project Bonds bear interest at 3.125%. The Series 2018 bond matures on January 1, 2058. Interest on the Series 2018 bond is paid semiannually, with principal due on January 1 each year.



**CITY OF BEREA, KENTUCKY**  
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**11. GOVERNMENTAL ACTIVITIES - LONG-TERM DEBT (CONTINUED)**

The schedule below shows the City's total general obligation debt service:

	Principal	Interest	Total
2025	\$ 165,600	\$ 305,878	\$ 471,478
2026	170,800	300,702	471,502
2027	176,200	295,365	471,565
2028	181,600	289,859	471,459
2029	187,300	284,184	471,484
2030-2034	1,028,300	1,329,355	2,357,655
2035-2039	1,199,200	1,158,334	2,357,534
2040-2044	1,398,700	958,881	2,357,581
2045-2049	1,631,400	726,228	2,357,628
2050-2054	1,902,700	454,889	2,357,589
2055-2058	<u>1,746,300</u>	<u>138,467</u>	<u>1,884,767</u>
<b>Total</b>	<b><u>\$9,788,100</u></b>	<b><u>\$ 6,242,142</u></b>	<b><u>\$16,030,242</u></b>

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

	June 30, 2023	Additions	Deletions	June 30, 2024
General obligation bond	\$ 9,948,700	\$ -	\$ (160,600)	\$ 9,788,100
Financed purchase loan	-	62,467	-	62,467
Other obligations:				
Lease liability	254,863	22,575	(110,926)	166,512
Software agreement liability	110,192	95,478	(26,143)	179,527
Compensated absences	<u>1,237,339</u>	-	<u>(79,389)</u>	<u>1,157,950</u>
Total other obligations	<u>1,602,394</u>	<u>118,053</u>	<u>(216,458)</u>	<u>1,503,989</u>
<b>Total debt outstanding</b>	<b><u>\$ 11,551,094</u></b>	<b><u>\$ 180,520</u></b>	<b><u>\$ (377,058)</u></b>	<b><u>\$ 11,354,556</u></b>
Less current portion of:				
General obligation bond				165,600
Financed purchase loan				14,710
Lease liability				108,862
Software agreement liability				85,980
Compensated absences				<u>430,136</u>
Total current portion				<u>805,288</u>
<b>Total long-term obligations</b>				<b><u>\$ 10,549,268</u></b>

**12. CONDUIT DEBT**

In December 2010, the City Council authorized issuance of Industrial Building Revenue Bonds totaling \$7,500,000 for the purpose of assisting Berea College in the refinancing of certain outstanding industrial building and educational building revenue bonds that were issued for the acquisition, construction, renovation and equipping of an educational building within the City. The bonds are secured by various assets of the borrower. The amount of bonds outstanding at June 30, 2024 is not readily available.

**CITY OF BEREA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**for the year ended June 30, 2024**

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**12. CONDUIT DEBT (CONTINUED)**

In May 2015, the City Council authorized issuance of Educational Facilities Revenue Refunding Bonds of approximately \$6,435,000 for the purpose of assisting Berea College in refunding certain outstanding educational facilities revenue bonds. The amount of bonds outstanding at June 30, 2024 is not readily available.

The City has no liability for any of the conduit debt in the event of default by the borrowers. Accordingly, the bonds are not reported as liabilities in the City's financial statements.

**13. TRANSFERS**

The following transfers were made during the year:

<b>Fund</b>	<b>Transfers In</b>	<b>Transfers Out</b>
General Fund	\$ 573,808	\$ -
Berea Craft Festival	-	(10,000)
Utilities Fund	<u>-</u>	<u>(563,808)</u>
 Total	 <u>\$ 573,808</u>	 <u>\$ (573,808)</u>

The purpose of the transfer from Berea Craft Festival to General Fund was to reimburse a portion of salaries for employees assisting with the operation of the craft festival. The purpose of the transfer from Proprietary Fund to General Fund was to provide a payment in lieu of taxes (PILOT) equal to three percent of the prior year's operating revenue.

**14. INTERFUND RECEIVABLES AND PAYABLES**

Short-term interfund receivables and payables within governmental activities and business-type activities eliminated for purposes of government-wide financial statements as of June 30, 2024 are as follows:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
Utilities Fund	General Fund	\$ 328,023
General Fund	Utilities Fund	\$ 197,183
General Fund	Tourism Fund	\$ 14,000

**15. RETIREMENT PLAN**

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

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

**CITY OF BEREA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**for the year ended June 30, 2024**

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**15. RETIREMENT PLAN (CONTINUED)**

*Contributions* – For the year ended June 20, 2024, plan members were required to contribute 5% of wages for non-hazardous job classifications and 8% of wages for hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium.

The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2024, participating employers contributed 23.34% of each employee’s wages for non-hazardous job classifications and 43.69% of each employee’s wages for hazardous job classifications. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 16. Plan members’ contributions were allocated 23.34% to the pension trust for non-hazardous job classifications and 41.11% to the pension trust for hazardous job classifications. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account for non-hazardous job classifications and 8% of wages to their own account for hazardous classifications. Plan members also contribute 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member’s salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member’s account. Each member’s account is credited with a 4% employer pay credit for non-hazardous members, and a 7.5% pay credit for hazardous members. The employer pay credit represents a portion of the employer contribution.

For the year ended June 30, 2024, the City contributed \$1,111,281 or 100% of the required contribution for non-hazardous job classifications, and \$1,482,386, for the year ended June 30, 2024, or 100% of the required contribution for hazardous job classifications, to the same pension trust.

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

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

Tier 1	Participation date Unreduced retirement Reduced retirement	Before September 1, 2008 27 years service or 65 years old and 4 years service At least 5 years service and 55 years old or 25 years service and any age
Tier 2	Participation date Unreduced retirement  Reduced retirement	September 1, 2008 - December 31, 2013 At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+ At least 10 years service and 60 years old
Tier 3	Participation date Unreduced retirement  Reduced retirement	After December 31, 2013 At least 5 years service and 65 years old or age 57+ and sum of service years plus age to equal 87+ Not available

**CITY OF BEREA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
for the year ended June 30, 2024

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**15. RETIREMENT PLAN (CONTINUED)**

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

*Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources* – At June 30, 2024, the City reported a liability for its proportionate share of the net pension liability as follows:

<b>Total Net Pension Liability</b>	<b>Non-hazardous</b>	<b>Hazardous</b>
<u>\$ 23,601,898</u>	<u>\$ 9,919,923</u>	<u>\$ 13,681,975</u>

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022, and rolled forward using generally accepted actuarial procedures. 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. The City's proportionate share at June 30, 2023, was as follows:

<b>Non-hazardous</b>	<b>Hazardous</b>
0.1546%	0.5075%

The proportionate share at June 30, 2023 relative to June 30, 2022 decreased for non-hazardous by .0154% and increased for hazardous by .1545%.

For the year ended June 30, 2024, the City recognized pension expense of \$2,399,793. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ 1,139,020	\$ 26,955
Changes of assumptions	-	1,977,691
Net difference between projected and actual earnings on Plan investments	2,290,065	2,562,634
Changes in proportion and differences between City contributions and proportionate share of contributions	8,735,653	3,053,203
City contributions subsequent to the measurement date	<u>2,593,666</u>	<u>-</u>
<b>Total</b>	<u><b>\$ 14,758,404</b></u>	<u><b>\$ 7,620,483</b></u>

**CITY OF BEREA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**15. RETIREMENT PLAN (CONTINUED)**

The \$2,593,666 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<b>Year ending June 30,</b>		
2025	\$	260,486
2026	\$	2,366,949
2027	\$	1,939,521
2028	\$	(22,701)

*Actuarial Assumptions* – The total pension liability reported at June 30, 2023, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

**Non-hazardous**

Inflation	2.50%
Salary increases	3.30% to 10.30%, varies by service, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation

**Hazardous**

Inflation	2.50%
Salary increases	3.55 to 19.05%, varies by service, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 Mortality Improvement Scale using a base year of 2023. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from MP-2020 Mortality Improvement Scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2023, actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2022. The total pension liability was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2023.

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

**CITY OF BEREA, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
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**15. RETIREMENT PLAN (CONTINUED)**

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>Equity</b>	<b>60.00%</b>	
Public Equity	50.00%	5.90%
Private Equity	10.00%	11.73%
<b>Liquidity</b>	<b>20.00%</b>	
Core Fixed Income	10.00%	2.45%
Specialty Credit	10.00%	3.65%
Cash	0.00%	1.39%
<b>Inflation Protected</b>	<b>20.00%</b>	
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
<b>Total</b>	<b>100.00%</b>	<b>5.75%</b>
<b>Long term inflation assumption</b>		<b>2.50%</b>
<b>Expected nominal return for portfolio</b>		<b>8.25%</b>

*Discount Rate* – The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the closed 30-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

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

	<b>Non-hazardous</b>		<b>Hazardous</b>	
	<b>Discount rate</b>	<b>City's proportionate share of net pension liability</b>	<b>Discount rate</b>	<b>City's proportionate share of net pension liability</b>
1% decrease	5.50%	\$ 12,524,501	5.50%	\$ 17,276,759
Current discount rate	6.50%	\$ 9,919,923	6.50%	\$ 13,681,975
1% increase	7.50%	\$ 7,755,419	7.50%	\$ 10,745,852

**CITY OF BEREA, KENTUCKY**  
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**16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

*Plan Description* – As more fully described in Note 15, the City of Berea participates in the County Employees’ Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

*Contributions* – As more fully described in Note 15, plan members contribute to CERS for non-hazardous and hazardous job classifications. For the year ending June 30, 2024, the employer’s contribution was 0.00% to the insurance trust for non-hazardous job classifications and 2.58% to the insurance trust for hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

For the year ended June 30, 2024, the City contributed \$0, or 100% of the required contribution for non-hazardous job classifications, and \$93,032, or 100% of the required contribution for hazardous job classifications.

*Benefits* – CERS provides health insurance benefits to Plan employees and beneficiaries.

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

Tier 1	Participation date Insurance eligibility Benefit	Before July 1, 2003 10 years of service credit required Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 1	Participation date Insurance eligibility Benefit	Before September 1, 2008 but after July 1, 2003 10 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 2	Participation date Insurance eligibility Benefit	After September 1, 2008 and before December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 3	Participation date Insurance eligibility Benefit	After December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually

**CITY OF BEREA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
for the year ended June 30, 2024

**16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

*OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources* – At June 30, 2024, the City reported a liability for its proportionate share of the net OPEB liability (asset) as follows:

<b>Total Net OPEB Liability (Asset)</b>	<b>Non-hazardous</b>	<b>Hazardous</b>
<u>\$ 480,467</u>	<u>\$ (213,444)</u>	<u>\$ 693,911</u>

The net OPEB liability was measured as of June 30, 2023 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022 and rolled forward using generally accepted actuarial procedures. 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 participating entities, actuarially determined. The City's proportionate share at June 30, 2023 was as follows:

<b>Non-hazardous</b>	<b>Hazardous</b>
0.1546%	0.5072%

The proportionate share at June 30, 2023 relative to June 30, 2022 for non-hazardous decreased by .0155% and hazardous increased by .1545%.

For the year ended June 30, 2024, the City recognized OPEB expense of \$(361,681). At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ 211,565	\$ 5,891,484
Changes of assumptions	893,850	1,016,098
Net difference between projected and actual earnings on Plan investments	1,030,993	1,176,095
Changes in proportion and differences between City contributions and proportionate share of contributions	3,085,840	1,494,220
City contributions subsequent to the measurement date	<u>156,298</u>	<u>-</u>
Total	<u>\$ 5,378,546</u>	<u>\$ 9,577,897</u>

The \$156,298 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2025. This includes adjustments of \$69,716 for the nonhazardous implicit subsidy and \$(6,449) for the hazardous implicit subsidy, which are required to be recognized as deferred outflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<b>Year ending June 30,</b>	
2025	\$ (1,023,114)
2026	\$ (1,324,447)
2027	\$ (910,660)
2028	\$ (791,113)
2029	\$ (306,315)



**CITY OF BEREA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**for the year ended June 30, 2024**

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**16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

*Actuarial Assumptions* – The total OPEB liability reported at June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**Non-hazardous**

Inflation	2.50%
Salary increases	3.30 to 10.30%, varies by service, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation
Healthcare trend	

Pre – 65: Initial trend starting at 6.80% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

Post – 65: Initial trend starting at 8.50% in January 1, 2025, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

**Hazardous**

Inflation	2.50%
Salary increases	3.55 to 19.05%, varies by service, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation
Healthcare trend	

Pre – 65: Initial trend starting at 6.80% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

Post – 65: Initial trend starting at 8.50% at January 1, 2025, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 Mortality Improvement Scale using a base year of 2023. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from MP-2020 Mortality Improvement Scale using a base year of 2010.

The actuarial assumption used in the June 30, 2023, valuation was based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2022. The total OPEB liability was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2023.

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

**CITY OF BEREA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
for the year ended June 30, 2024

**16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>Equity</b>	<b>60.00%</b>	
Public Equity	50.00%	5.90%
Private Equity	10.00%	11.73%
<b>Liquidity</b>	<b>20.00%</b>	
Core Fixed Income	10.00%	2.45%
Specialty Credit	10.00%	3.65%
Cash	0.00%	1.39%
<b>Inflation Protected</b>	<b>20.00%</b>	
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
<b>Total</b>	<b>100.00%</b>	<b>5.75%</b>
<b>Long term inflation assumption</b>		<b>2.50%</b>
<b>Expected nominal return for portfolio</b>		<b>8.25%</b>

*Discount Rate* – The discount rate used to measure the total OPEB liability was 5.93% and 5.97% for non-hazardous and hazardous classifications, respectively. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.50%, and a municipal bond rate of 3.86%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index” as of June 30, 2023. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

*Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate* – The following presents the City’s proportionate share of the net OPEB liability calculated using the discount rate as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<b>Non-hazardous</b>		<b>Hazardous</b>	
	<b>Discount rate</b>	<b>City’s proportionate share of net OPEB liability (asset)</b>	<b>Discount rate</b>	<b>City’s proportionate share of net OPEB liability (asset)</b>
1% decrease	4.93%	\$ 400,553	4.97%	\$ 1,754,913
Current discount rate	5.93%	\$ (213,444)	5.97%	\$ 693,911
1% increase	6.93%	\$ (727,592)	6.97%	\$ (190,186)

**CITY OF BEREA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
for the year ended June 30, 2024

**16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

*Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate* – The following presents the City's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Non-hazardous	Hazardous
	<b>City's proportionate share of net OPEB liability (asset)</b>	<b>City's proportionate share of net OPEB liability (asset)</b>
1% decrease	\$ (684,126)	\$ 7,906
Current trend rate	\$ (213,444)	\$ 693,911
1% increase	\$ 364,744	\$ 1,522,404

*OPEB plan fiduciary net position* – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report.

**17. PROPERTY TAX RATES AND CALENDAR**

Property taxes for fiscal year 2024 were levied in November 2023 on the assessed property located in the City of Berea as of the preceding January 1. The rate for real and personal property was 9.5 cents per one hundred dollars of assessed value. The assessments are determined by the County Property Valuation Administrator in accordance with Kentucky Revised Statutes. The due date collection periods for all taxes exclusive of vehicle taxes are as follows:

Description	Date Per K.R.S. 134.015
1. Due date for payment, 2% discount	November 30
2. Face value payment period	December 1 – December 31
3. Past due date, 10% penalty	January 1
4. Interest charge	12% per annum from Jan 1

Vehicle taxes are collected by the County Clerk of Madison County and are due and collected in the birth month of the vehicle's licensee.

**18. RISK MANAGEMENT**

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

Effective July 1, 2022, the City began participating in a self-funded insurance consortium to minimize the cost of insurance and related administrative expenses. The self-funded plan provides coverage for up to \$50,000 for each claim. The City purchases stop-loss insurance for claims in excess of coverage provided. The City records estimated liabilities for such claims filed or estimated to be filed for incidents that have occurred above the stop-loss insured amount. As of June 30, 2024, all unpaid claims are covered by stop-loss insurance.

**CITY OF BEREA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**for the year ended June 30, 2024**

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**19. RELATED ORGANIZATION**

Organizations for which a primary government is accountable because it appoints a voting majority of the board, but is not financially accountable, are considered related organizations. The Housing Authority of Berea is a related organization of the City. The City appoints a voting majority of the Housing Authority's board but has no further accountability. The Housing Authority was established to provide public housing for certain families within City limits. The Housing Authority does not meet the definition of a component unit but is considered a related party of the City.

**20. TAX ABATEMENTS**

The City negotiates tax abatement agreements on an individual basis. The City has tax abatement agreements with two companies, Hitachi Automotive and Stemco LP, which were entered into via cooperation with the Kentucky Economic Development Finance Authority. The agreement with Hitachi Automotive is to offer incentives for the company to utilize the premises previously occupied by Panasonic Manufacturing Company on Mayde Road within City limits. The agreement with Stemco LP is to provide incentives for the company to renovate and expand an existing manufacturing facility located at 159 Glades Road within City limits. Both tax abatements call for the City to forgo 1% of the occupational license fee imposed on certain employees of the companies. KRS 154.32-090 permits the City to forego 1% of any occupational license fee imposed via credits against the City's occupational license fee for employees of an eligible company as an additional incentive. During 2024, no revenue was abated on either agreement due to ineligibility.

**21. RESTATEMENT OF NET POSITION**

During the year ended June 30, 2023, the City recorded ARPA grant revenue for the Tourism Fund in error before the eligibility requirements were met for revenue recognition. The grant is an expenditure-driven grant and revenue should be recognized when expenditures have been identified and incurred under the grant. The prior period adjustment corrects the accounting treatment of the ARPA grant by recognizing revenue in the correct fiscal year. Intergovernmental revenue for the year ended June 30, 2023, decreased by \$129,407 as a result of this prior period adjustment.

In addition, for the year ended June 30, 2023, the City did not evaluate and record future expected revenue from the national opioid settlement. At June 30, 2023 the City was scheduled to receive \$255,582 in opioid settlement funds that was considered earned for government wide purposes but was considered to be outside the period of availability for governmental fund purposes. The prior period adjustment corrects the accounting treatment of the future opioid settlement revenue by recognizing revenue and a receivable on the government-wide statement of net position and government-wide statement of activities.

**SUPPLEMENTAL INFORMATION**

**CITY OF BERA, KENTUCKY**  
**REQUIRED SUPPLEMENTAL BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2024**

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>MUNICIPAL TAXATION</b>				
General property taxes	\$ 875,000	\$ 900,000	\$ 953,549	\$ 53,549
State assessment property taxes	15,000	15,000	20,863	5,863
In lieu of property tax	9,000	9,000	26,939	17,939
Delinquent property taxes	10,000	10,000	17,321	7,321
Bank deposit taxes	90,000	90,000	100,183	10,183
Motor vehicle taxes	90,000	90,000	145,379	55,379
	<u>1,089,000</u>	<u>1,114,000</u>	<u>1,264,234</u>	<u>150,234</u>
<b>LICENSES, PERMITS, BILLINGS</b>				
Occupational license fees				
Insurance	1,200,000	1,200,000	1,655,667	455,667
Employee withholding	7,500,000	7,500,000	8,762,288	1,262,288
Net profits	1,000,000	1,000,000	1,530,041	530,041
Individual	60,000	60,000	59,507	(493)
Business	10,000	10,000	15,652	5,652
ABC	26,200	60,000	186,670	126,670
Utility franchise fees	1,128,000	1,128,000	1,303,153	175,153
Building permits	120,000	130,000	169,196	39,196
Electric permits	70,000	80,000	109,187	29,187
Street cut permits	1,000	1,000	175	(825)
	<u>11,115,200</u>	<u>11,169,000</u>	<u>13,791,536</u>	<u>2,622,536</u>
<b>CHARGES FOR SERVICE</b>				
Court costs & fees	15,000	15,000	18,062	3,062
Accident reports	3,000	3,000	3,655	655
Codes - plat review fee	7,500	12,000	15,300	3,300
Police special services	1,500	1,500	3,365	1,865
Pool concessions	10,000	10,000	27,960	17,960
Swimming pool fees	50,000	50,000	86,398	36,398
Softball fees	-	-	-	-
Administrative overhead - indirect	269,000	269,000	261,247	(7,753)
Miscellaneous	-	-	-	-
	<u>356,000</u>	<u>360,500</u>	<u>415,987</u>	<u>55,487</u>
<b>FINES AND FORFEITS</b>				
Codes violations	-	-	18,823	18,823
Penalties and interest	35,000	35,000	53,912	18,912
Parking fines	2,500	2,500	1,070	(1,430)
	<u>37,500</u>	<u>37,500</u>	<u>73,805</u>	<u>36,305</u>

**CITY OF BEREA, KENTUCKY**  
**REQUIRED SUPPLEMENTAL BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2024**

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>INTERGOVERNMENTAL REVENUES</b>				
County school-police contract	\$ 300,000	\$ 300,000	\$ 325,809	\$ 25,809
Madison County grants	68,000	68,000	68,000	-
Other grants	2,377,374	2,742,374	100,422	(2,641,952)
Volunteer fire state aid	11,000	11,000	11,500	500
Police incentive pay	200,000	200,000	211,316	11,316
Fire incentive pay	150,000	150,000	150,991	991
	<u>3,106,374</u>	<u>3,471,374</u>	<u>868,038</u>	<u>(2,603,336)</u>
<b>OTHER REVENUE</b>				
Rental income	60,900	60,900	74,057	13,157
Interest and investment income	203,000	275,000	810,126	535,126
Insurance proceeds	38,000	38,000	23,140	(14,860)
Miscellaneous	33,000	33,000	79,219	46,219
	<u>334,900</u>	<u>406,900</u>	<u>986,542</u>	<u>579,642</u>
<b>TOTAL REVENUE</b>	<u>16,038,974</u>	<u>16,559,274</u>	<u>17,400,142</u>	<u>840,868</u>
<b>ADMINISTRATION</b>				
General Government				
Utilities	77,000	77,000	72,167	(4,833)
Materials and supplies	21,000	21,000	13,576	(7,424)
Services and support	584,393	679,393	391,330	(288,063)
Other expenditures	10,000	10,000	7,501	(2,499)
Administration				
Personnel	351,000	355,200	350,109	(5,091)
Materials and supplies	18,200	21,700	20,099	(1,601)
Services and support	220,100	220,100	134,233	(85,867)
Other expenditures	16,500	18,500	16,019	(2,481)
City Council				
Personnel	54,400	54,400	54,256	(144)
Services and support	61,000	61,000	59,196	(1,804)
Other expenditures	553,000	903,000	427,570	(475,430)
Finance Office				
Personnel	123,200	142,000	347,077	205,077
Materials and supplies	20,300	20,300	5,080	(15,220)
Services and support	290,750	295,750	113,059	(182,691)
Other expenditures	17,000	17,000	4,254	(12,746)
<b>Total Administration</b>	<u>2,417,843</u>	<u>2,896,343</u>	<u>2,015,526</u>	<u>(880,817)</u>

**CITY OF BEREA, KENTUCKY**  
**REQUIRED SUPPLEMENTAL BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2024**

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>POLICE</b>				
Personnel	\$ 3,905,500	\$ 3,938,700	\$ 3,798,149	\$ (140,551)
Utilities	29,700	29,700	24,040	(5,660)
Materials and supplies	299,000	299,000	267,537	(31,463)
Services and support	77,500	87,500	65,028	(22,472)
Other expenditures	<u>87,300</u>	<u>87,300</u>	<u>69,227</u>	<u>(18,073)</u>
Total Police Department	<u>4,399,000</u>	<u>4,442,200</u>	<u>4,223,981</u>	<u>(218,219)</u>
<b>FIRE</b>				
Personnel	2,606,700	2,620,550	2,589,745	(30,805)
Utilities	10,100	10,100	9,669	(431)
Materials and supplies	174,500	189,500	163,753	(25,747)
Services and support	88,560	88,560	68,000	(20,560)
Other expenditures	<u>39,000</u>	<u>39,000</u>	<u>19,689</u>	<u>(19,311)</u>
Total Fire Department	<u>2,918,860</u>	<u>2,947,710</u>	<u>2,850,856</u>	<u>(96,854)</u>
<b>PUBLIC WORKS</b>				
Personnel	1,710,900	1,730,500	1,637,129	(93,371)
Utilities	162,600	162,600	144,463	(18,137)
Materials and supplies	306,850	306,850	211,893	(94,957)
Services and support	368,500	368,500	188,287	(180,213)
Other expenditures	<u>19,000</u>	<u>19,000</u>	<u>13,417</u>	<u>(5,583)</u>
Total Public Works	<u>2,567,850</u>	<u>2,587,450</u>	<u>2,195,189</u>	<u>(392,261)</u>
<b>CODES ENFORCEMENT</b>				
Personnel	485,400	491,900	469,183	(22,717)
Materials and supplies	22,000	22,000	13,590	(8,410)
Services and support	130,500	140,500	79,452	(61,048)
Other expenditures	<u>11,000</u>	<u>11,000</u>	<u>5,331</u>	<u>(5,669)</u>
Total Codes Enforcement	<u>648,900</u>	<u>665,400</u>	<u>567,556</u>	<u>(97,844)</u>
<b>PARKS AND RECREATION</b>				
Parks and Recreation				
Personnel	434,300	438,900	392,354	(46,546)
Utilities	87,200	87,200	83,862	(3,338)
Materials and supplies	79,200	79,200	56,946	(22,254)
Services and support	171,300	180,300	93,375	(86,925)
Other expenditures	<u>35,200</u>	<u>35,200</u>	<u>29,647</u>	<u>(5,553)</u>
Subtotal Parks and Recreation	<u>807,200</u>	<u>820,800</u>	<u>656,184</u>	<u>(164,616)</u>



**CITY OF BERA, KENTUCKY**  
**REQUIRED SUPPLEMENTAL BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2024**

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>PARKS AND RECREATION (Continued)</b>				
Pool				
Personnel	\$ 116,300	\$ 116,300	\$ 119,696	\$ 3,396
Utilities	24,500	24,500	18,764	(5,736)
Materials and supplies	65,650	65,650	61,197	(4,453)
Services and support	52,600	52,600	36,769	(15,831)
Other expenditures	<u>3,000</u>	<u>3,000</u>	<u>1,347</u>	<u>(1,653)</u>
Total Parks and Recreation	<u>1,069,250</u>	<u>1,082,850</u>	<u>893,957</u>	<u>(188,893)</u>
<b>GIS/SURVEYING</b>				
GIS/Land Surveying				
Personnel	106,800	106,800	49,761	(57,039)
Materials and supplies	5,600	5,600	868	(4,732)
Services and support	26,600	26,600	57	(26,543)
Other expenditures	<u>14,700</u>	<u>14,700</u>	<u>15,480</u>	<u>780</u>
Total GIS/Surveying	<u>153,700</u>	<u>153,700</u>	<u>66,166</u>	<u>(87,534)</u>
<b>BUSINESS DEVELOPMENT</b>				
Business Development				
Personnel	107,800	108,500	105,488	(3,012)
Materials and supplies	5,100	5,100	160	(4,940)
Services and support	65,500	65,500	51,022	(14,478)
Other expenditures	<u>31,750</u>	<u>31,750</u>	<u>22,195</u>	<u>(9,555)</u>
Total Business Development	<u>210,150</u>	<u>210,850</u>	<u>178,865</u>	<u>(31,985)</u>
<b>INFORMATION TECHNOLOGY</b>				
Personnel	196,400	197,800	198,161	361
Utilities	123,000	123,000	70,349	(52,651)
Materials and supplies	14,500	14,500	7,585	(6,915)
Services and support	35,550	35,550	25,732	(9,818)
Other expenditures	<u>8,000</u>	<u>8,000</u>	<u>802</u>	<u>(7,198)</u>
Total Information Technology	<u>377,450</u>	<u>378,850</u>	<u>302,629</u>	<u>(76,221)</u>

**CITY OF BEREA, KENTUCKY**  
**REQUIRED SUPPLEMENTAL BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2024**

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>CAPITAL OUTLAY</b>	\$ 3,887,831	\$ 5,594,831	\$ 2,593,600	\$ (3,001,231)
<b>DEBT SERVICE</b>				
Debt service - long term debt	497,146	497,146	471,456	(25,690)
Debt service - lease and SBITA	<u>-</u>	<u>-</u>	<u>146,293</u>	<u>146,293</u>
Total Debt Service	<u>497,146</u>	<u>497,146</u>	<u>617,749</u>	<u>120,603</u>
<b>TOTAL EXPENDITURES</b>	<u>19,147,980</u>	<u>21,457,330</u>	<u>16,506,074</u>	<u>(4,951,256)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of assets	-	85,000	104,741	19,741
Financing proceeds	386,200	454,200	62,467	(391,733)
Lease and SBITA proceeds	-	-	118,055	118,055
Transfers in (out)	<u>715,000</u>	<u>715,000</u>	<u>573,809</u>	<u>(141,191)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>1,101,200</u>	<u>1,254,200</u>	<u>859,072</u>	<u>(395,128)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (2,007,806)</u>	<u>\$ (3,643,856)</u>	<u>\$ 1,753,140</u>	<u>\$ 5,396,996</u>

NOTE: Debt service for lease and SBITA payments was budgeted within their respective departments.

**CITY OF BEREA, KENTUCKY  
REQUIRED SUPPLEMENTAL  
BUDGETARY COMPARISON TOURISM FUND  
for the year ended June 30, 2024**

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>MUNICIPAL TAXATION</b>				
Transient room tax	\$ 200,000	\$ 200,000	\$ 231,099	\$ 31,099
Restaurant tax	<u>1,300,000</u>	<u>1,300,000</u>	<u>1,569,458</u>	<u>269,458</u>
Total Municipal Taxation	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,800,557</u>	<u>300,557</u>
<b>INTERGOVERNMENTAL</b>				
Grant revenues	<u>13,000</u>	<u>13,000</u>	<u>60,621</u>	<u>47,621</u>
<b>CHARGES FOR SERVICE</b>				
Workshop fees	<u>65,000</u>	<u>65,000</u>	<u>50,628</u>	<u>(14,372)</u>
<b>FINES AND FORFEITS</b>				
Penalties and interest	<u>1,000</u>	<u>1,000</u>	<u>4,396</u>	<u>3,396</u>
<b>OTHER REVENUE</b>				
Miscellaneous revenue	<u>45,900</u>	<u>45,900</u>	<u>142,227</u>	<u>96,327</u>
<b>TOTAL REVENUE</b>	<u>1,624,900</u>	<u>1,624,900</u>	<u>2,058,429</u>	<u>433,529</u>
<b>TOURISM</b>				
Personnel	588,200	594,800	442,007	(152,793)
Utilities	42,500	43,500	31,860	(11,640)
Materials and supplies	122,600	222,600	38,816	(183,784)
Services and support	401,100	431,100	328,413	(102,687)
Other expenditures	<u>366,825</u>	<u>366,825</u>	<u>172,913</u>	<u>(193,912)</u>
Total Tourism	<u>1,521,225</u>	<u>1,658,825</u>	<u>1,014,009</u>	<u>(644,816)</u>
<b>CAPITAL OUTLAY</b>	<u>750,000</u>	<u>850,000</u>	<u>613,731</u>	<u>(236,269)</u>
<b>DEBT SERVICE - LEASE AND SBITA</b>	<u>-</u>	<u>-</u>	<u>1,618</u>	<u>1,618</u>
<b>TOTAL EXPENDITURES</b>	<u>2,271,225</u>	<u>2,508,825</u>	<u>1,629,358</u>	<u>(879,467)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of assets	-	-	5,995	5,995
Transfers in (out)	<u>(135,000)</u>	<u>(135,000)</u>	<u>-</u>	<u>135,000</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(135,000)</u>	<u>(135,000)</u>	<u>5,995</u>	<u>140,995</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (781,325)</u>	<u>\$ (1,018,925)</u>	<u>\$ 435,066</u>	<u>\$ 1,453,991</u>

**CITY OF BERA, KENTUCKY  
REQUIRED SUPPLEMENTAL  
BUDGETARY COMPARISON AMERICAN RESCUE PLAN ACT FUND  
for the year ended June 30, 2024**

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>INTERGOVERNMENTAL</b>				
Grant revenues	\$ -	\$ 2,000,000	\$ 118,354	\$ (1,881,646)
<b>OTHER REVENUE</b>				
Interest on checking	1,500	1,500	64,936	63,436
<b>TOTAL REVENUE</b>	<u>1,500</u>	<u>2,001,500</u>	<u>183,290</u>	<u>(1,818,210)</u>
<b>CAPITAL OUTLAY</b>	<u>2,000,000</u>	<u>2,000,000</u>	<u>118,354</u>	<u>(1,881,646)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (1,998,500)</u>	<u>\$ 1,500</u>	<u>\$ 64,936</u>	<u>\$ 63,436</u>

**CITY OF BERA, KENTUCKY**  
**REQUIRED SUPPLEMENTARY SCHEDULE OF**  
**PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NONHAZARDOUS**  
**Last Ten Fiscal Years**

<b>Report Date Measurement Date</b>	<b>2015 (2014)</b>	<b>2016 (2015)</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>	<b>2021 (2020)</b>	<b>2022 (2021)</b>	<b>2023 (2022)</b>	<b>2024 (2023)</b>
City's proportion of the net pension liability	0.2230%	0.2260%	0.2200%	0.2430%	0.2510%	0.2600%	0.2670%	0.2750%	0.1700%	0.1546%
City's proportionate share of the net pension liability (asset)	\$ 7,241,715	\$ 9,697,588	\$ 11,301,398	\$ 14,197,959	\$ 15,273,694	\$ 18,260,809	\$ 20,461,192	\$ 17,564,140	\$ 12,299,878	\$ 9,919,923
City's covered employee payroll	\$ 5,223,674	\$ 5,394,952	\$ 5,636,670	\$ 6,092,638	\$ 6,370,339	\$ 6,706,498	\$ 6,748,720	\$ 7,115,130	\$ 4,806,514	\$ 4,617,020
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	138.63%	179.75%	200.50%	233.03%	239.76%	272.29%	303.19%	246.86%	255.90%	214.86%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	55.50%	53.50%	53.54%	50.45%	47.81%	57.33%	52.42%	57.48%

**CITY OF BEREA, KENTUCKY  
 REQUIRED SUPPLEMENTARY SCHEDULE OF  
 PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - HAZARDOUS  
 Last Two Fiscal Years**

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<b>Report Date Measurement Date</b>	<b>2023 (2022)</b>	<b>2024 (2023)</b>
City's proportion of the net pension liability	0.3530%	0.5075%
City's proportionate share of the net pension liability (asset)	\$ 10,769,051	\$ 13,681,975
City's covered employee payroll	\$ 2,298,357	\$ 3,603,574
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	468.55%	379.68%
Plan fiduciary net position as a percentage of the total pension liability	47.11%	52.96%

The above schedule will present 10 years of historical data, once available.

**CITY OF BERA, KENTUCKY**  
**REQUIRED SUPPLEMENTARY SCHEDULE OF**  
**PENSION CONTRIBUTIONS - NONHAZARDOUS**  
**Last Ten Fiscal Years**

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Contractually required employer contribution	\$ 687,771	\$ 700,074	\$ 849,923	\$ 922,430	\$ 1,087,794	\$ 1,341,103	\$ 1,373,220	\$ 1,094,924	\$ 1,085,910	\$ 1,111,281
Contributions relative to contractually required employer contribution	<u>687,771</u>	<u>700,074</u>	<u>849,923</u>	<u>922,430</u>	<u>1,087,794</u>	<u>1,341,103</u>	<u>1,373,220</u>	<u>1,094,924</u>	<u>1,085,910</u>	<u>1,111,281</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 5,394,952	\$ 5,636,670	\$ 6,092,638	\$ 6,370,339	\$ 6,706,498	\$ 6,748,720	\$ 7,115,130	\$ 4,806,514	\$ 4,640,641	\$ 4,617,020
Employer contributions as a percentage of covered-employee payroll	12.75%	12.42%	13.95%	14.48%	16.22%	19.87%	19.30%	22.78%	23.40%	24.07%

**CITY OF BEREA, KENTUCKY  
 REQUIRED SUPPLEMENTARY SCHEDULE OF  
 PENSION CONTRIBUTIONS - HAZARDOUS  
 Last Three Fiscal Years**

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	<b>2022</b>	<b>2023</b>	<b>2024</b>
Contractually required employer contribution	\$ 818,215	\$ 1,524,218	\$ 1,482,386
Contributions relative to contractually required employer contribution	<u>818,215</u>	<u>1,524,218</u>	<u>1,482,386</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 2,298,357	\$ 3,560,425	\$ 3,603,574
Employer contributions as a percentage of covered-employee payroll	35.60%	42.81%	41.14%

The above schedule will present 10 years of historical data, once available.



**CITY OF BEREA, KENTUCKY**  
**REQUIRED SUPPLEMENTARY SCHEDULE OF**  
**PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - NON-HAZARDOUS**  
**Last Six Fiscal Years**

<b>Report Date Measurement Date</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>	<b>2021 (2020)</b>	<b>2022 (2021)</b>	<b>2023 (2022)</b>	<b>2024 (2023)</b>
City's proportion of the net pension liability	0.2510%	0.2600%	0.2670%	0.2750%	0.1700%	0.1546%
City's proportionate share of the net pension liability (asset)	\$ 4,452,496	\$ 4,336,271	\$ 6,440,260	\$ 5,272,721	\$ 6,361,894	\$ (213,444)
City's covered employee payroll	\$ 6,370,339	\$ 6,706,498	\$ 6,948,720	\$ 6,748,720	\$ 7,115,130	\$ 4,806,514
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	69.90%	64.70%	92.70%	78.10%	89.40%	-4.44%
Plan fiduciary net position as a percentage of the total pension liability	57.60%	60.40%	51.70%	62.90%	61.00%	104.23%

**CITY OF BEREA, KENTUCKY  
 REQUIRED SUPPLEMENTARY SCHEDULE OF  
 PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - HAZARDOUS  
 Last Two Fiscal Years**

<b>Report Date Measurement Date</b>	<b>2023 (2022)</b>	<b>2024 (2023)</b>
City's proportion of the net pension liability	0.3500%	0.5072%
City's proportionate share of the net pension liability (asset)	\$ 3,004,572	\$ 693,911
City's covered employee payroll	\$ 2,298,357	\$ 2,298,357
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	130.70%	30.19%
Plan fiduciary net position as a percentage of the total pension liability	64.10%	92.27%

**CITY OF BERA, KENTUCKY  
REQUIRED SUPPLEMENTARY SCHEDULE OF  
OPEB CONTRIBUTIONS - NONHAZARDOUS  
Last Seven Fiscal Years**

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Contractually required employer contribution	\$ 299,408	\$ 352,761	\$ 330,759	\$ 338,680	\$ 296,701	\$ 157,318	\$ -
Contributions relative to contractually required employer contribution	<u>299,408</u>	<u>352,761</u>	<u>330,759</u>	<u>338,680</u>	<u>296,701</u>	<u>157,318</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 6,370,339	\$ 6,706,498	\$ 6,948,720	\$ 6,748,720	\$ 7,115,130	\$ 4,640,641	\$ 4,617,020
Employer contributions as a percentage of covered-employee payroll	4.70%	5.26%	4.76%	5.02%	4.17%	3.39%	0.00%

**CITY OF BEREA, KENTUCKY  
 REQUIRED SUPPLEMENTARY SCHEDULE OF  
 OPEB CONTRIBUTIONS - HAZARDOUS  
 Last Three Fiscal Years**

	<b>2022</b>	<b>2023</b>	<b>2024</b>
Contractually required employer contribution	\$ 200,647	\$ 241,397	\$ 93,032
Contributions relative to contractually required employer contribution	<u>200,647</u>	<u>241,397</u>	<u>93,032</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 2,298,357	\$ 3,560,425	\$ 3,603,574
Employer contributions as a percentage of covered-employee payroll	8.73%	6.78%	2.58%

**CITY OF BEREA, KENTUCKY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**for the year ended June 30, 2024**

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**1. GENERAL INFORMATION**

Contributions

Contractually required employer contributions reported on the Schedule of Pension Contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The insurance contributions are reported on the Schedule of OPEB Contributions.

Payroll

The City's covered payroll reported on the Proportionate Share of the Net Pension Liability and the Proportionate Share of the Net OPEB Liability Schedules is one year prior to the City's fiscal year payroll as reported on the Schedule of Contributions for Pension and OPEB.

**2. CHANGES OF ASSUMPTIONS**

June 30, 2023 – Pension and OPEB Hazardous and Nonhazardous

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2023, for pension:

- The rate of inflation was increased from 2.30% to 2.50%.
- The salary productivity assumption was reduced by .20%, resulting in no change in the salary increase assumption for long-service employees of 3.30% in the non-hazardous funds.
- The individual rates of salary increases were increased during the select period for the CERS funds.
- The investment return assumption was increased from 6.25% to 6.50%.
- The Tier 3 cash balance interest crediting rate assumption was increased to 6.75% for the CERS pension funds.

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2023, for OPEB:

- The rate of inflation was increased from 2.30% to 2.50%.
- The salary productivity assumption was reduced by .20%, resulting in no change in the salary increase assumption for long-service employees of 3.30% in the non-hazardous funds.
- The individual rates of salary increases were increased during the select period for the CERS funds.
- The investment return assumption was increased from 6.25% to 6.50%.
- The initial healthcare trend rate for pre-65 was changed from 6.20% to 6.8%. The initial healthcare trend rate for post-65 was changed from 9.00% to 8.50%.

June 30, 2022 – Pension and OPEB Hazardous and Nonhazardous

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.30% to 6.40%. The initial healthcare trend rate for post-65 was changed from 6.30% to 9.00%

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for pension.

**CITY OF BEREA, KENTUCKY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**for the year ended June 30, 2024**

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**2. CHANGES OF ASSUMPTIONS (CONTINUED)**

June 30, 2021 – Pension and OPEB - Nonhazardous

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.40% to 6.30%. The initial healthcare trend rate for post-65 was changed from 2.90% to 6.30%.

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for pension.

June 30, 2020 – Pension and OPEB - Nonhazardous

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 7% to 6.40%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years. The initial healthcare trend rate for post-65 was changed from 5% to 2.90%, which increases to 6.30% in 2023 and then gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years.

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for pension.

June 30, 2019 – Pension and OPEB - Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for both pension and OPEB:

- The assumed rate of salary increases was increased from 3.05% to 3.3% to 10.3% on average for non-hazardous and 3.05% to 3.55% to 19.05% on average for hazardous.

June 30, 2018 – Pension and OPEB – Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018 for either pension or OPEB.

June 30, 2017 – Pension – Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017, for pension:

- The assumed rate of return was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.3%.
- Payroll growth assumption was reduced from 4% to 2%

June 30, 2016 – Pension – Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016 for pension.

**CITY OF BEREA, KENTUCKY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**for the year ended June 30, 2024**

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**2. CHANGES OF ASSUMPTIONS (CONTINUED)**

June 30, 2015 – Pension – Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

- The assumed rate of return was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.5% to 3.25%.
- The assumed rate of wage inflation was reduced from 1% to .75%.
- Payroll growth assumption was reduced from 4.5% to 4%.
- Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females).
- For Disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.

June 30, 2014 – Pension –Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2014.

**CITY OF BEREA, KENTUCKY  
BUDGETARY COMPARISON  
PROPRIETARY FUND  
for the year ended June 30, 2024**

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>BEREA MUNICIPAL UTILITIES</b>				
Administration				
Personnel	\$ 656,700	\$ 699,200	\$ 640,243	\$ (58,957)
Utilities	81,200	81,200	70,762	(10,438)
Materials and supplies	46,300	46,300	46,120	(180)
Services and support	357,750	309,750	405,560	95,810
Other expenses	911,000	914,000	298,104	(615,896)
	<u>2,052,950</u>	<u>2,050,450</u>	<u>1,460,789</u>	<u>(589,661)</u>
Electric				
Personnel	776,500	745,000	243,648	(501,352)
Utilities	7,175	7,175	4,968	(2,207)
Materials and supplies	65,500	65,500	46,461	(19,039)
Services and support	8,588,500	8,638,500	10,091,131	1,452,631
Other expenses	158,500	158,500	57,925	(100,575)
	<u>9,596,175</u>	<u>9,614,675</u>	<u>10,444,133</u>	<u>829,458</u>
Water				
Personnel	621,500	624,500	165,784	(458,716)
Utilities	319,800	349,800	313,153	(36,647)
Materials and supplies	236,800	236,800	207,357	(29,443)
Services and support	558,000	628,000	461,381	(166,619)
Other expenses	58,000	58,000	22,719	(35,281)
	<u>1,794,100</u>	<u>1,897,100</u>	<u>1,170,394</u>	<u>(726,706)</u>
Sewer				
Personnel	776,700	779,800	383,293	(396,507)
Utilities	248,000	248,000	205,682	(42,318)
Materials and supplies	122,800	122,800	96,013	(26,787)
Services and support	624,500	664,500	467,569	(196,931)
Other expenses	45,000	50,000	22,736	(27,264)
	<u>1,817,000</u>	<u>1,865,100</u>	<u>1,175,293</u>	<u>(689,807)</u>
Total expenses	<u>\$ 15,260,225</u>	<u>\$ 15,427,325</u>	<u>\$ 14,250,609</u>	<u>\$ (1,176,716)</u>



**CITY OF BEREA, KENTUCKY  
COMBINING BALANCE SHEET  
ALL NONMAJOR FUNDS  
June 30, 2024**

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	Municipal Road Aid Fund	Industrial Development Fund	Police Restricted Fund	Berea Craft Festival Fund	Opioid Abatement Fund	Urban Wildlife Preserve Fund	2024 Total
<b>ASSETS</b>							
Cash and cash equivalents	\$ 333,219	\$ 240,316	\$ 123,119	\$ 145,160	\$ 136,732	\$ 308,344	\$ 1,286,890
Investments	-	115,470	-	-	-	-	115,470
Other receivables	30,914	-	-	-	429,173	-	460,087
Accrued interest receivable	-	1,102	-	-	-	-	1,102
Other assets	-	-	-	1,760	-	-	1,760
Due from other fund	-	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 364,133</u>	<u>\$ 356,888</u>	<u>\$ 123,119</u>	<u>\$ 146,920</u>	<u>\$ 565,905</u>	<u>\$ 308,344</u>	<u>\$ 1,865,309</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>							
Liabilities							
Accounts payable	\$ 2,723	\$ 1,500	\$ -	\$ -	\$ -	\$ 98	\$ 4,321
Unearned revenue	-	-	-	32,800	-	-	32,800
Due to other fund	-	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	2,723	1,500	-	32,800	-	98	37,121
<b>DEFERRED INFLOWS</b>							
Deferred inflows - unavailable revenue	<hr/>	<hr/>	<hr/>	<hr/>	406,108	<hr/>	<hr/>
	-	-	-	-	-	-	406,108
Fund balances	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	361,410	355,388	123,119	114,120	159,797	308,246	1,422,080
Total liabilities and fund balances	<u>\$ 364,133</u>	<u>\$ 356,888</u>	<u>\$ 123,119</u>	<u>\$ 146,920</u>	<u>\$ 565,905</u>	<u>\$ 308,344</u>	<u>\$ 1,865,309</u>

**CITY OF BEREA, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**ALL NONMAJOR FUNDS**  
**for the year ended June 30, 2024**

	Municipal Road Aid Fund	Industrial Development Fund	Police Restricted Fund	Berea Craft Festival Fund	Opioid Abatement Fund	Urban Wildlife Preserve Fund	2024 Total
<b>REVENUES</b>							
Intergovernmental revenues	\$ 334,674	\$ 101,363	\$ 23,580	\$ -	\$ -	\$ -	\$ 459,617
Charges for services	-	-	-	73,428	-	-	73,428
Other revenues	<u>13,237</u>	<u>21,782</u>	<u>3,543</u>	<u>7,850</u>	<u>94,042</u>	<u>308,836</u>	<u>449,290</u>
Total revenues	<u>347,911</u>	<u>123,145</u>	<u>27,123</u>	<u>81,278</u>	<u>94,042</u>	<u>308,836</u>	<u>982,335</u>
<b>EXPENDITURES</b>							
Current							
General administration	-	7,304	-	-	-	590	7,894
Police department	-	-	-	-	-	-	-
Public works	267,230	-	-	-	-	-	267,230
Tourism	-	-	-	34,397	-	-	34,397
Capital outlay	<u>-</u>	<u>270,754</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>270,754</u>
Total expenditures	<u>267,230</u>	<u>278,058</u>	<u>-</u>	<u>34,397</u>	<u>-</u>	<u>590</u>	<u>580,275</u>
Excess revenues over (under) expenditures before other sources (uses)	80,681	(154,913)	27,123	46,881	94,042	308,246	402,060
<b>Other financing sources</b>							
Proceeds from sale of assets	-	-	-	-	-	-	-
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>
<b>Excess revenues and other sources over (under) expenditures</b>	80,681	(154,913)	27,123	36,881	94,042	308,246	392,060
Fund balances, July 1, 2023	<u>280,729</u>	<u>510,301</u>	<u>95,996</u>	<u>77,239</u>	<u>65,755</u>	<u>-</u>	<u>1,030,020</u>
<b>Fund Balance, June 30, 2024</b>	<u>\$ 361,410</u>	<u>\$ 355,388</u>	<u>\$ 123,119</u>	<u>\$ 114,120</u>	<u>\$ 159,797</u>	<u>\$ 308,246</u>	<u>\$ 1,422,080</u>



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

To the Mayor and City Council  
City of Berea, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Berea, Kentucky as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise City of Berea, Kentucky's basic financial statements and have issued our report thereon dated October 11, 2024.

**Report on Internal Control over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Berea, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of This Report**

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

**RFH**

RFH, PLLC  
Lexington, Kentucky  
October 11, 2024



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Mayor and City Council  
City of Berea, Kentucky

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited City of Berea, Kentucky's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Berea, Kentucky's major federal programs for the year ended June 30, 2024. City of Berea, Kentucky's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Berea, Kentucky complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

***Basis for Opinion on Each Major Federal Program***

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

We are required to be independent of City of Berea, Kentucky and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Berea, Kentucky's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

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

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

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Berea, Kentucky's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Berea, Kentucky's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Berea, Kentucky's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Berea, Kentucky's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Berea, Kentucky's internal control over compliance. Accordingly, no such opinion is expressed.

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

#### **Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-001 to be a significant deficiency.

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

*Government Auditing Standards* requires the auditor to perform limited procedures on City of Berea, Kentucky's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. City of Berea, Kentucky's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

**RFH**

RFH, PLLC  
Lexington, Kentucky  
October 11, 2024

**CITY OF BERA, KENTUCKY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**for the year ended June 30, 2024**

GRANTOR/PROGRAM TITLE	Federal AL Number	Pass/Through Contract Number	Passed Through to Subrecipients	Expenditures
U.S. Department of Agriculture Natural Resource Conservation Service	10.916	N/A	\$ -	\$ 674,139
U.S. Economic Development Administration Passed through Kentucky Department of Tourism Economic Adjustment Assistance - Cluster	11.307	PON2-860-2200002558	-	285
U.S. Department of Justice Public Safety Partnership and Community Policing Grants	16.710	N/A	-	2,378
Passed through Kentucky Justice and Public Safety Cabinet VOCA Victim Assistance Formula Grant	16.575	VOCA-2019-Berea PD-00029	-	66,463
<b>Total U.S. Department of Justice</b>			<b>-</b>	<b>68,841</b>
U.S. Department of Treasury Passed through Kentucky Department for Local Government Coronavirus Relief Fund	21.019	KY0019	-	118,354
Passed through Kentucky Department of Tourism Coronavirus Relief Fund	21.019	2300000050	-	47,024
<b>Total U.S. Department of Treasury</b>			<b>-</b>	<b>165,378</b>
<b>Total federal awards expended</b>			<b>\$ -</b>	<b>\$ 908,643</b>

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Berea, Kentucky and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in, or used in the preparation of, the basic financial statements may differ from these numbers.

**Note 2 - Indirect Cost Rates**

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



**CITY OF BEREA, KENTUCKY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**for the year ended June 30, 2024**

**I. SUMMARY OF AUDITORS' RESULTS**

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified \_\_Yes XNo  
 Significant deficiencies identified that are not  
 considered to be material weaknesses \_\_Yes XNone reported

Non-compliance material to financial statements noted \_\_Yes XNo

Federal Awards:

Internal control over major programs:

Material weaknesses identified \_\_Yes XNo  
 Significant deficiencies identified that are not  
 considered to be material weaknesses XYes \_\_None reported

Type of auditors' report issued on compliance for major programs:

Unmodified for all major programs.

Any audit findings disclosed that are required to be reported in  
 accordance with 2 CFR 200.516(a)? \_\_Yes XNo

**Major Programs:**

<u>AL Number</u>	<u>Name of Federal Program or Cluster</u>
10.916	Watershed Rehabilitation Program

Dollar threshold used to distinguish between type A  
 and type B programs: \$ 750,000

Auditee qualified as a low-risk auditee? XYes \_\_No

**II. FINDINGS RELATED TO FINANCIAL STATEMENTS**

NONE

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**2024-01 – Significant Deficiency – Reimbursement Request**

Criteria: The City is required to have internal controls in place that enable it to submit allowable direct costs consisting of proper payments for reimbursement in accordance with generally accepted accounting standards and in accordance with the Uniform Guidance at 2 CFR part 200.

Condition: The City requested and received \$10,358 more than the allowed amount on the Watershed Rehabilitation Program. This was a result of the City requesting reimbursement for the same expenditure twice.

Cause: The City failed to have internal controls to properly identify expenditures qualifying for federal reimbursement and to exclude expenditures previously requested.

**CITY OF BEREA, KENTUCKY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**for the year ended June 30, 2024**

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**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)**

**2024-01 – Significant Deficiency – Reimbursement Request (Continued)**

Effect: The City overstated Watershed Rehabilitation Program expenditures on the schedule of expenditure of federal awards (SEFA) by \$10,358. The SEFA has been corrected for the error. In addition, the City received \$10,358 over the allowed expenditures.

Recommendation: We recommend management review their procedures for reconciling federal grant expenditures to construction in progress expenditures for the Owsley Fork Reservoir project. We also recommend that the City implement additional review procedures before submitting requests for reimbursement, paying special attention to invoice amounts and dates to avoid duplication. In addition, we recommend the City contact the federal agency overseeing the grant to determine the appropriate steps to remediate the overdrawn funds, which may include reducing a future draw or paying the funds back.

Response: Management agrees with the auditors' recommendations, and the following actions will be taken to prevent similar problems in the future. We will provide improved review of grant draw requests prepared by third-party grant administrators. We will verify all costs included in the draw request have been paid by reconciliation with the Springbrook ERP System. We will ensure that grant draws are prepared and submitted at regular intervals to simplify the reconciliation process.

**IV. PRIOR AUDIT FINDINGS**

NONE