VonLehman
CPA & ADVISORY FIRM

City of Alexandria, Kentucky

June 30, 2023

Financial Statements and Independent Auditors' Report
Including Supplementary Information

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CITY OF ALEXANDRIA, KENTUCKY
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CITY OF ALEXANDRIA, KENTUCKY
CITY OFFICIALS

MAYOR

Andrew Schabell

COUNCIL MEMBERS

Stacey Graus	Tom Baldridge
Susan Vanlandingham	Kyle Sparks
Robert Strong	Joe Anderson

DEPARTMENT HEADS

City Administrator	David Plummer
City Clerk	Stephanie Tarter
City Treasurer	JoAnn Hackworth
City Attorney	Michael Duncan
Public Works Superintendent	Doug DeJaco
Chief of Police	Lucas Cooper

VonLehman
CPA & ADVISORY FIRM

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of City Council
City of Alexandria, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Alexandria, Kentucky (the City) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Alexandria, 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 these 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 Alexandria, 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' Responsibility 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 Alexandria, 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 Alexandria, Kentucky's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1–9, general fund budgetary comparison information on page 41, the City's pension schedules on pages 42-44, and the OPEB schedules on pages 45-47 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 Alexandria, Kentucky's basic financial statements. The budgetary comparison schedules for the municipal road aid fund and sewer fund and the combining nonmajor fund schedules are presented for purposes of additional analysis and is 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 This information has been subjected to the auditing procedures applied in the audit of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule for the municipal road aid fund and sewer fund and the combining fund schedules 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 19, 2023, on our consideration of the City of Alexandria, Kentucky 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 Alexandria, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Alexandria, Kentucky's internal control over financial reporting and compliance.

VonLehman & Company Inc.

Fort Wright, Kentucky
October 19, 2023

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

Our discussion and analysis of the City of Alexandria, Kentucky's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with the City's basic financial statements that begin on page 10.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (on pages 10 and 11) provide information about the activities of the City as a whole and present a fair view of the City's finances. Fund financial statements start on page 12. For government activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2023 are as follows:

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $8,507,604 (net position).
- The City's total net position increased by $2,947,491.
- As of the close of the current fiscal year, the City's governmental funds reported ending fund balances of $10,973,479, an increase of $2,870,249. $10,685,737 is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was $10,685,737 or 191.7% of the total general fund expenditures.
- The City's total debt decreased by $42,286 (5.1%), including compensated absences but excluding net pension liability and net other postemployment benefit liability, during the current year.
- The City's cash and cash equivalents increased by $1,937,069, from $8,346,892 at June 30, 2022 to $10,283,961 at June 30, 2023.
- The City's investment account increased by $76,057.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

The government-wide financial statements outline functions of the City that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include general government, police, fire, public works, parks and recreation. Capital assets and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund Financial Statements

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

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

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

The City maintains individual governmental funds. Information is presented separately in the governmental fund statement of revenues, expenditures and changes in fund balance for the General Fund and in the combining statement of revenues, expenditures and changes in fund balance – nonmajor governmental funds for the Municipal Road Aid Fund, Area Referral Connection (ARC) Fund, and Sewer Fund.

The City adopts an annual budget for each of its funds except the Area Referral Connection Fund. A budgetary comparison statement has been provided for each fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 12–15 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16–40 of this report.

Government-Wide Financial Analysis

The perspective of the statement of net position is of the City as a whole. Table 1 provides a summary of the City's net position for 2023 compared to 2022:

Table 1
Net Position

	Governmental Activities	
	2023	2022
Assets		
Current Assets	$ 12,489,713	$ 10,322,249
Capital Assets	5,582,878	5,549,198
Other Noncurrent Assets	293,259	132,502
Total Assets	18,365,850	16,003,949
Deferred Outflows of Resources	1,388,286	1,540,580
Liabilities		
Current Liabilities	1,555,508	2,142,700
Noncurrent Liabilities	8,807,269	8,203,705
Total Liabilities	10,362,777	10,346,405
Deferred Inflows of Resources	883,755	1,638,011
Net Position		
Net Investment in Capital Assets	5,137,389	5,118,295
Restricted for		
Municipal Road Aid	85,911	94,500
Area Referral Connection	2,736	3,301
Sewer Fund Debt Service	206,569	78,394
Police Forfeiture	37,129	9,977
Opioid Remediation	244,990	-
Unrestricted	2,792,880	255,646
Total Net Position	**$ 8,507,604**	**$ 5,560,113**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately $8.5 million as of June 30, 2023.

The largest portion of the City's net position (approximately $5.1 million) reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure, vehicles, equipment, and furniture and fixtures); less any related debt used to acquire those assets that are still outstanding. 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 (approximately $577,000) represents resources that are subject to restrictions on how they may be used. Restricted assets are composed of funds held for road aid purposes, area referral connection program, sewer assessment debt payments, police forfeiture, and opioid remediation.

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

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

- Cash and cash equivalents increased $1,937,069 from the previous year primarily due to the City having cash receipts in excess of cash disbursements.
- Other receivables increased $198,386 in the current year due to the City receiving their projected allocations from the Distributor and Janssen national opioid settlements.
- Financed purchases increased $46,840 in the current year. The City entered into agreements to purchase three police vehicles for a total of $133,215. This increase was offset by payments of $86,375.
- Unearned revenue decreased $498,400 as the City incurred eligible expenses related to the Coronavirus State and Local Fiscal Recovery Funds. Thus, that amount was recognized into revenue in the current year.
- The net pension liability increased $627,275 due to an increase in the overall total pension liability.
- Restricted net position increased $391,163 from the prior year. The largest portion of this is related to the revenue recognized on the national opioid settlements. This revenue is restricted for opioid remediation purposes and no eligible expenditures have been incurred as of June 30, 2023.
- The City has $2,792,880 of unrestricted net position as of June 30, 2023.

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

Table 2
Change in Net Position

	Governmental Activities Years Ended June 30, 2023	Governmental Activities Years Ended June 30, 2022
Revenues		
General Revenues		
Taxes	$ 6,451,816	$ 5,622,856
Licenses and Permits	18,405	34,683
Fines and Forfeitures	12,387	25,263
Investment Income (Loss)	94,451	(89,525)
Gain on Sale of Capital Assets	7,240	11,715
Miscellaneous	82,170	94,131
Total General Revenues	6,666,469	5,699,123
Program Revenues		
Charges for Service	850,330	858,828
Operating Grants and Contributions	895,776	954,277
Capital Grants and Contributions	173,322	167,805
Total Program Revenues	1,919,428	1,980,910
Total Revenues	8,585,897	7,680,033
Program Expenses		
General Government	892,261	834,260
Police	1,661,961	1,895,558
Public Works	1,175,179	857,595
Waste Collection	822,964	797,042
Planning and Inspection	109,392	94,593
Parks and Recreation	12,147	15,947
Miscellaneous	320	334
Interest on Long-Term Debt	1,600	1,920
Pension Expense	437,236	548,462
Other Postemployment Benefit Expense	205,729	169,267
Depreciation	319,617	310,866
Total Program Expenses	5,638,406	5,525,844
Change in Net Position	**$ 2,947,491**	**$ 2,154,189**

Governmental Activities

Governmental activities increased the City's net position by $2,947,491. Key elements of this increase are as follows:

- General tax revenue increased approximately $829,000 due to continued economic growth of the City and increase in property assessments.
- Police expenditures decreased $233,597 due to several retirements and open positions during the year. As such, all payroll related expenditures also decreased.
- Public works expenditures increased $317,584 largely due to the city having more road repairs in the current year.

Governmental Funds

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $10,973,479, an increase of $2,870,249, in comparison to the prior year. This total consists of: General Fund - $10,810,193; Municipal Road Aid Fund - $85,911; Sewer Fund - $74,639; and ARC Fund - $2,736.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was $10,685,737. The total fund balance increased by $2,883,158. This increase is largely the result of the continued economic growth and increase in property assessments as noted above.

The Municipal Road Aid Fund balance decreased by $8,589. There were no material changes in this fund.

The Sewer Fund balance decreased $3,755 as a result of normal payments of debt.

The ARC Fund balance decreased $565. There were no material changes in this fund.

General Fund Budgeting Highlights

The City's budget is prepared according to the City Charter and is based on accounting for certain transactions on the modified accrual basis of accounting. The beginning fund balance for the fiscal year was approximately $7.9 million.

For the general fund, budgeted revenues were budgeted at $6.5 million. Actual revenues were approximately $8.3 million. Actual revenues exceeded budgeted revenues largely due to an increase in general tax revenue and receiving the national opioid settlement that was not budgeted for.

Expenditures were budgeted at approximately $6.8 million, while actual expenditures were approximately $5.6 million. Actual expenditures were less than budgeted largely due to salaries and related expenses being less than anticipated due to retirements and turnover.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2023, the City had approximately $5.6 million invested in capital assets (net of depreciation), all in governmental activities.

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

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

	Governmental Activities	
	2023	**2022**
Land	$ 1,769,496	$ 1,769,496
Construction in Progress	135,691	55,637
Buildings	300,673	316,486
Improvements	223,065	200,125
Infrastructure	2,460,607	2,558,377
Vehicles	428,957	360,989
Equipment	222,212	249,231
Furniture and Fixtures	42,177	38,857
	$ 5,582,878	**$ 5,549,198**

Major capital asset events during the current fiscal year included construction in progress on the new campus and the park shelter as well as purchasing three new police vehicles.

Long-Term Debt

At June 30, 2023, the City had approximately $784,000 in outstanding long-term debt.
The following is a summary of the City's long-term debt transactions during 2023.

	June 30, 2022	Additions	Repayments	June 30, 2023
Compensated Absences	$ 394,900	$ -	$ 56,872	$ 338,028
Financed Purchases	262,869	133,215	86,375	309,709
Notes Payable	168,034	-	32,254	135,780
	$ 825,803	**$ 133,215**	**$ 175,501**	**$ 783,517**

The City's long-term debt decreased $42,286 during the fiscal year due to $118,629 in financed purchases and notes payable payments. The City also financed the purchase of the three police vehicles for $133,215. Additionally, compensated absences decreased by $56,872 due to retirement payouts during the year.

Economic Factors in Next Year's Budget

The City remains in a solid financial position. The latest Census saw the population grow approximately 22% to 10,341 residents. In 2023, the City collected $2,429,021 in property revenue leaving only $10,442 (0.4%) outstanding. This reflects 4,402 paid and 45 unpaid residents. Overall, general fund revenue exceeded expectations by $1,799,597, and total expenses came in $1,218,726 under budget. Even with this surplus, the city hired its first full-time administrator, and also saw the hiring of several new police recruits.

In addition, legacy single-family developments like Arcadia are finishing their build out. New communities like Riffle Ridge are only starting construction but will continue the trend of patio and high dollar value homes. Elevation Apartments, a complex expected to have 450 units, is half built out with rumblings of commercial out lots on the horizon.

For the 2024 Fiscal Year, the City proposed the property tax rate be lowered slightly to $0.140 per $100 of valuation from $0.172 per $100. This rate includes an additional 4.0% of revenue over the calculated compensating rate. This new rate will produce $1,709,024 of revenue, a testament to the increasing housing stock and value of property seen in the Cincinnati region.

Additionally, the City expects to start the planning process for the new city campus which will sit upon 9.8 acres to the south which was purchased two years ago. This will be about a 9-month design process, and as such, the city will begin making the first of many payments over design, architecture and planning for this project. Construction could start in late 2024 once the council provides direction.

Infrastructure projects will begin to have significant importance. SR 536 is expected to be extended to SR 9 to the east in the next several years. With improvements to SR 536 in Kenton County, the city will have direct access to the facilities and amenities of Florence/Union in a 20-minute timeframe without touching the congested I-275 corridor. The City expects residential and commercial growth to continue trending in positive directions as a result of this new state highway. With increased residential growth, these new routes of public right of way will naturally stress our current infrastructure. To help plan for the City's future expenses, the city will embark upon a study of all our public streets. The City's aim is to create a Property Condition Index (PCI) of all roadways to which a ranking will be applied. The streets with the lowest rating will be the focus in short term infrastructure upgrades. Ideally, this should put the City on a 20 year rotation maximizing dollars towards the most needed problem areas.

Contacting the City for Financial Management Information

This financial report is designed to provide the citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to reflect the City's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to the City Treasurer, JoAnn Hackworth, at the City of Alexandria, 8236 W. Main Street, Alexandria, Kentucky, 41001.

CITY OF ALEXANDRIA, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities
Assets and Deferred Outflows of Resources	
Current Assets	
Cash and Cash Equivalents	$ 10,283,961
Investments	997,328
Accounts Receivable	
Property Taxes	40,447
Insurance Taxes	463,880
Payroll and Occupational Taxes	615,727
Other Receivables - Current Portion	81,871
Prepaid Expenses	6,499
Total Current Assets	12,489,713
Noncurrent Assets	
Other Receivables	293,259
Capital Assets	
Land	1,769,496
Construction in Progress	135,691
Depreciable Capital Assets	7,536,001
Less Accumulated Depreciation	(3,858,310)
Total Capital Assets	5,582,878
Total Noncurrent Assets	5,876,137
Total Assets	18,365,850
Deferred Outflows of Resources	
Deferred Outflows Related to Pension	833,987
Deferred Outflows Related to Other Postemployment Benefits	554,299
Total Deferred Outflows of Resources	1,388,286
Total Assets and Deferred Outflows of Resources	19,754,136
Liabilities and Deferred Inflows of Resources	
Current Liabilities	
Accounts Payable and Accrued Expenses	67,499
Accrued Payroll and Withholdings	50,924
Compensated Absences	44,410
Financed Purchases	80,223
Notes Payable	32,577
Unearned Revenue	1,279,875
Total Current Liabilities	1,555,508
Noncurrent Liabilities (Less Current Portion)	
Compensated Absences	293,618
Financed Purchases	229,486
Notes Payable	103,203
Net Pension Liability	6,404,322
Net Other Postemployment Benefit Liability	1,776,640
Total Noncurrent Liabilities	8,807,269
Total Liabilities	10,362,777
Deferred Inflows of Resources	
Deferred Inflows Related to Pension	284,038
Deferred Inflows Related to Other Postemployment Benefits	599,717
Total Deferred Inflows of Resources	883,755
Total Liabilities and Deferred Inflows of Resources	11,246,532
Net Position	
Net Investment in Capital Assets	5,137,389
Restricted for	
Municipal Road Aid	85,911
Area Referral Connection	2,736
Sewer Fund Debt Service	206,569
Police Forfeitures	37,129
Opioid Remediation	244,990
Unrestricted	2,792,880
Total Net Position	$ 8,507,604

See accompanying notes.

CITY OF ALEXANDRIA, KENTUCKY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Functions	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position – Primary Government: Total Governmental Activities
Primary Government					
Governmental Activities					
General Government	$ 892,261	$ 4,868	$ 551,373	$ -	$ (336,020)
Police	1,661,961	4,261	324,304	-	(1,333,396)
Public Works	1,175,179	-	-	173,322	(1,001,857)
Waste Collection	822,964	798,861	-	-	(24,103)
Planning and Inspection	109,392	39,668	-	-	(69,724)
Parks and Recreation	12,147	2,672	20,099	-	10,624
Miscellaneous	320	-	-	-	(320)
Interest on Long-Term Debt	1,600	-	-	-	(1,600)
Pension Expense	437,236	-	-	-	(437,236)
Other Postemployment Benefit Expense	205,729	-	-	-	(205,729)
Depreciation	319,617	-	-	-	(319,617)
Total Primary Government	$ 5,638,406	$ 850,330	$ 895,776	$ 173,322	(3,718,978)
	General Revenues				
	Taxes				6,451,816
	Investment Income				94,451
	Licenses and Permits				18,405
	Fines and Forfeitures				12,387
	Gain on Sale of Assets				7,240
	Miscellaneous				82,170
	Total General Revenues				6,666,469
	Change in Net Position				2,947,491
	Net Position July 1, 2022				5,560,113
	Net Position June 30, 2023				$ 8,507,604

See accompanying notes.

CITY OF ALEXANDRIA, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and Cash Equivalents	$ 10,139,382	$ 144,579	$ 10,283,961
Investments	997,328	-	997,328
Accounts Receivable			
Property Taxes	40,447	-	40,447
Insurance Taxes	463,880	-	463,880
Payroll and Occupational Taxes	615,727	-	615,727
Other Receivables	224,493	150,637	375,130
Prepaid Expenses	6,499	-	6,499
Total Assets	$ 12,487,756	$ 295,216	$ 12,782,972
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts Payable	$ 35,455	$ -	$ 35,455
Accrued Payroll and Withholdings	82,968	-	82,968
Unearned Revenue	1,279,875	-	1,279,875
Total Liabilities	1,398,298	-	1,398,298
Deferred Inflows of Resources			
Unavailable Revenue - Taxes	279,265	-	279,265
Unavailable Revenue - Sewer Assessments	-	131,930	131,930
Total Deferred Inflows of Resources	279,265	131,930	411,195
Fund Balances			
Non-Spendable			
Prepaid Expenses	6,499	-	6,499
Restricted for			
Municipal Road Aid	-	85,911	85,911
Area Referral Connection	-	2,736	2,736
Sewer Fund Debt Service	-	74,639	74,639
Police Forfeitures	37,129	-	37,129
Opioid Remediation	56,351	-	56,351
Assigned			
Insurance Fund	24,477	-	24,477
Unassigned	10,685,737	-	10,685,737
Total Fund Balances	10,810,193	163,286	10,973,479
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 12,487,756	$ 295,216	$ 12,782,972

See accompanying notes.

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

Total Fund Balance - Governmental Funds		$ 10,973,479
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	$ 9,441,188	
Accumulated Depreciation	(3,858,310)	
		5,582,878
Other assets are not available to pay for current period expenditures, and therefore, are deferred in the governmental funds.		411,195
Compensated absences are not due and payable in the current period, and therefore, are not reported in the governmental funds.		(338,028)
Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources Related to Pension	833,987	
Deferred Outflows of Resources Related to Other Postemployment Benefits	554,299	
Deferred Inflows of Resources Related to Pension	(284,038)	
Deferred Inflows of Resources Related to Other Postemployment Benefits	(599,717)	
		504,531
Long-term liabilities, including notes payable, net pension obligation, and net other postemployment benefit obligations are not due and payable in the current period, and therefore, are not reported as liabilities in governmental funds.		
Financed Purchases		(309,709)
Notes Payable		(135,780)
Net Pension Liability		(6,404,322)
Net Other Postemployment Benefit Liability		(1,776,640)
Net Position of Governmental Activities in the Statement of Net Position		$ 8,507,604

See accompanying notes.

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

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Taxes	$ 6,558,788	$ -	$ 6,558,788
Licenses and Permits	18,405	-	18,405
Fines and Forfeitures	12,387	-	12,387
Other Revenue	85,847	694	86,541
Investment Income	90,892	3,559	94,451
Intergovernmental Revenue	709,559	173,322	882,881
Charges for Services	849,654	26,952	876,606
Total Revenues	8,325,532	204,527	8,530,059
Expenditures			
General Government	982,543	-	982,543
Police	2,143,546	1,263	2,144,809
Public Works	1,059,814	182,000	1,241,814
Waste Collection	822,964	-	822,964
Planning and Inspection	114,548	-	114,548
Parks and Recreation	12,147	-	12,147
Miscellaneous	-	319	319
Debt Service			
Principal	86,375	32,254	118,629
Interest	4,437	1,600	6,037
Capital Outlay	349,215	-	349,215
Total Expenditures	5,575,589	217,436	5,793,025
Excess (Deficit) of Revenues Over (Under) Expenditures	2,749,943	(12,909)	2,737,034
Other Financing Sources			
Proceeds from Financed Purchase	133,215	-	133,215
Net Change in Fund Balance	2,883,158	(12,909)	2,870,249
Fund Balance July 1, 2022	7,927,035	176,195	8,103,230
Fund Balance June 30, 2023	$ 10,810,193	$ 163,286	$ 10,973,479

See accompanying notes.

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

Change in Fund Balances - Total Governmental Funds		$ 2,870,249
Amounts reported for governmental activities in the statement of net position are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceed depreciation expense.		
Depreciation Expense	$ (319,617)	
Capital Outlays	355,477	
		35,860
The net effect of various transactions involving capital assets is to increase net position as follows:		
Proceeds from the Sale of Capital Assets	(9,420)	
Loss on Sale of Capital Assets	7,240	
		(2,180)
Compensated absences not expected to be paid within the next fiscal year are not reported as liabilities in the fund, but are reported as liabilities in the statement of net position. This is the net change in compensated absences for the year.		56,872
Governmental funds report City other postemployment benefit contributions as expenditures. However, other postemployment benefit expense is reported in the statement of activities. This is the amount by which postemployment benefit expense		
City Other Postemployment Benefit Contributions - June 30, 2022	(142,243)	
City Other Postemployment Benefit Contributions - June 30, 2023	78,802	
Change in Other Postemployment Benefit Liability	(63,486)	
		(126,927)
Governmental funds report City pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
City Pension Contributions - June 30, 2022	(477,860)	
City Pension Contributions - June 30, 2023	510,655	
Cost of Benefits Earned Net of Employee Contributions	40,624	
		73,419
Repayments of long-term debt are reported as expenditures in governmental funds. However, it is reported as a decrease in liabilities in the Statement of Net Position.		118,629
Issuance of long-term debt provides current fianancial resources to governmental funds. However, it is reported as an increase in liabilities in the Statement of Net Position.		(133,215)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		54,784
Change in Net Position - Governmental Activities		$ 2,947,491

See accompanying notes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

Kentucky Revised Statutes and Ordinances of the City Council of the City of Alexandria, Kentucky (the City) designate the purpose, function, and restrictions of the various funds. The financial statements included herein consist of the General Fund, the Municipal Road Aid Fund, the Area Referral Connection (ARC) Fund, and the Sewer Fund.

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

The City of Alexandria, Kentucky is a charter city, in which citizens elect the mayor at large and six council members. The accompanying financial statements present the City's primary government. Component units are those over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). The City has no component units.

Basis of Presentation and Measurement Focus

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

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

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

Fund Financial Statements – Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds, rather than reporting funds by type. Each major fund is presented in a separate column.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balance, which reports on the changes in net total position. Fiduciary funds are reported using the economic resources measurement focus.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City has the following funds:

Governmental Fund Types

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

B) The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The City has two special revenue funds; Municipal Road Aid Fund and ARC Fund.

C) The Debt Service Fund is used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt. The City has one debt service fund; Sewer Fund.

Basis of Accounting

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

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

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

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

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

Cash and Cash Equivalents

The City considers demand deposits, money market funds, and other investments with an original maturity of ninety days or less, to be cash equivalents.

Investments

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

Accounts Receivable

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

All capital assets are capitalized at cost (or appraised value) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of $1,000. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset, or materially extend an asset's life are not.

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

Description	Governmental Activities Estimated Lives
Buildings	40 Years
Building Improvements	20 Years
Public Domain Infrastructure	25 Years
Vehicles	7 Years
Machinery and Equipment	5 Years
Furniture and Fixtures	5 Years

Deferred Outflows and Inflows of Resources

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

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

Compensated Absences

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

Accrued Liabilities and Long-Term Obligations

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

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

- Net Investment in Capital Assets – Represents capital assets, net of accumulated depreciation, reduced by the outstanding balances of capital leases, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted Net Position – Consists of net position with constraints placed on their use by external groups such as creditors, grantors, contributors, or laws or regulations of other governments.
- Unrestricted Net Position – Represents the net position available for future operations.

Governmental Fund Balances

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

- Non-Spendable – Amounts that cannot be spent, either because they are in a non-spendable form, or because they are legally or contractually required to be maintained intact.
- Restricted – Amounts that can be spent only for specific purposes because of the City Charter, the City Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed – Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance, or resolution.
- Assigned – Amounts that are designated by the Mayor for a particular purpose but are not spendable until a budget ordinance is passed, or there is a majority vote approval (for capital projects or debt service) by the City Council.
- Unassigned – All amounts not included in other spendable classifications.

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

Use of Estimates

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental activities’ column of the statement of net position.

Property Taxes

Property taxes include amounts levied on real property. Property values were assessed on January 1st and property taxes were due on October 31st.

Adoption of New Accounting Standards

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

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

Subscription-Based Information Technology Arrangements

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

Subsequent Events

The City has evaluated subsequent events through October 19, 2023, which is the date the financial statements were available to be issued.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

A) In accordance with City ordinance, by May 31, the Mayor submits to the City Council, a proposed operating budget on the modified accrual basis of accounting for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.

B) A public meeting is conducted to obtain citizen comments.

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

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

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

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

Expenditures may not legally exceed budgeted appropriations at the function level. Any revisions to the budget that would alter total revenues and expenditures of any fund must be approved by the Council. The Council adopted two supplementary appropriation ordinances. All appropriations lapse at fiscal year-end.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A formal budget is not adopted for the Area Referral Connection fund.

The General Fund had excess principal expenditures over budget of $61,625 due to payments related to the financed purchases of land, body cameras, and vehicles not being budgeted for. Capital outlay was over budget by $188,812. The largest portion of this was related to the purchase of vehicles through debt in the amount of $133,215 that was not budgeted for.

NOTE 3 - DEPOSITS AND INVESTMENTS

Investment Policy

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

In accordance with KRS 66.480, the City is authorized to invest in the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Deposits and Investments

Custodial credit risk – deposits. For deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. The City maintains deposits with financial institutions insured by the FDIC. As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2023, $250,000 of the City's deposits were covered by FDIC insurance and the remaining balance was collateralized with securities held by the financial institutions on the City's behalf.

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

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

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

Investment Valuation

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

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

Investments	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable (Level 2)	Significant Unobservable (Level 3)	Total
Kentucky League of Cities				
Investment Pool				
Money Market Fund	$ -	$ 47,677	$ -	$ 47,677
Dividend Focus Equity Pool	-	398,551	-	398,551
Government Bond Fund	-	143,499	-	143,499
Corporate Bond Fund	-	145,890	-	145,890
Equity S&P 500 Index Fund	-	261,711	-	261,711
Total Investments at Fair Value	$ -	$ 997,328	$ -	$ 997,328

NOTE 4 - CAPITAL ASSETS

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

	Balance June 30, 2022	Additions	Deductions	Balance June 30, 2023
Governmental Activities				
Capital Assets Not Being Depreciated Depreciated				
Land	$ 1,769,496	$ -	$ -	$ 1,769,496
Construction in Progress	55,637	80,054	-	135,691
Total Capital Assets Not Being Depreciated	1,825,133	80,054	-	1,905,187
Depreciable Capital Assets				
Buildings	632,530	-	-	632,530
Improvements	437,669	40,282	-	477,951
Infrastructure	3,910,780	-	-	3,910,780
Vehicles	1,165,137	168,708	(107,511)	1,226,334
Equipment	1,139,352	53,179	(4,100)	1,188,431
Furniture and Fixtures	86,721	13,254	-	99,975
Total Depreciable Capital Assets	7,372,189	275,423	(111,611)	7,536,001
Total Capital Assets at Historical Cost	9,197,322	355,477	(111,611)	9,441,188
Less Accumulated Depreciation				
Buildings	316,044	15,813	-	331,857
Improvements	237,544	17,342	-	254,886
Infrastructure	1,352,403	97,770	-	1,450,173
Vehicles	804,148	98,560	(105,331)	797,377
Equipment	890,121	80,198	(4,100)	966,219
Furniture and Fixtures	47,864	9,934	-	57,798
Total Accumulated Depreciation	3,648,124	319,617	(109,431)	3,858,310
Depreciable Capital Assets, Net	3,724,065	(44,194)	(2,180)	3,677,691
Governmental Activities Capital Assets - Net	$ 5,549,198	$ 35,860	$ (2,180)	$ 5,582,878

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

NOTE 5 - LONG-TERM DEBT

Notes From Direct Borrowings

Kentucky Infrastructure Authority Loan F05-03

In June 2007, the City entered into an agreement with the Kentucky Infrastructure Authority (KIA) for the improvement of the sewer lines on Viewpoint Drive. The full amount of allowable funds is $426,220 at an interest rate of 1.0%, maturing in December 2026. As of December 31, 2010, all funds had been received. This note will be repaid over a period of 20 years, with payments due on the first of both December and June of each year. The note will be repaid with funds collected from residents of Viewpoint Drive. These funds will be collected by the Sanitation District Number 1 of Northern Kentucky as an additional surcharge on owners' quarterly sewer sanitation bills and remitted to the City quarterly.

The Kentucky Infrastructure Authority Loan F05-03 is scheduled to mature as follows:

Years	Principal Amount	Interest Amount	Fees Amount	Total Debt Service
2024	$ 22,814	$ 752	$ 150	$ 23,716
2025	23,043	523	105	23,671
2026	23,274	292	58	23,624
2027	11,724	59	12	11,795
Total	$ 80,855	$ 1,626	$ 325	$ 82,806

Kentucky Infrastructure Authority Loan F07-05

In June 2009, the City entered into an agreement with the Kentucky Infrastructure Authority (KIA) for the improvement of the sewer lines on Douglas James Drive. The full amount of allowable funds is $186,073 at an interest rate of 1.0%, maturing in December 2028. As of December 31, 2010, all funds had been received. This note will be repaid over a period of 20 years, with payments due on the first of both December and June of each year. The note will be repaid with funds collected from residents of Douglas James Drive. These funds will be collected by the Sanitation District Number 1 of Northern Kentucky as an additional surcharge on owners' quarterly sewer sanitation bills and remitted to the City quarterly.

The Kentucky Infrastructure Authority Loan F07-05 is scheduled to mature as follows:

Years	Principal Amount	Interest Amount	Fees Amount	Total Debt Service
2024	$ 9,763	$ 525	$ 105	$ 10,393
2025	9,861	427	85	10,373
2026	9,960	328	67	10,355
2027	10,059	228	46	10,333
2028	10,161	127	25	10,313
2029	5,121	26	5	5,152
Total	$ 54,925	$ 1,661	$ 333	$ 56,919

Financed Purchases From Direct Borrowings

In September 2020, the City entered into an agreement for the purchase of land. The agreement charges interest at 2.12% and expires in October 2030. At the conclusion of the financed purchase, ownership passes to the City.

NOTE 5 - LONG-TERM DEBT (Continued)

The financed purchase is scheduled to mature as follows:

Years	Principal Amount	Interest Amount	Total Debt Service
2024	$ 24,966	$ 3,913	$ 28,879
2025	25,501	3,379	28,880
2026	26,047	2,833	28,880
2027	26,604	2,275	28,879
2028	27,174	1,706	28,880
2029 - 2031	65,690	1,696	67,386
Total	$ 195,982	$ 15,802	$ 211,784

In October 2020, the City entered into an agreement for the purchase of police department equipment. The agreement charges interest at 0.00% and expires in October 2024. At the conclusion of the financed purchase ownership passes to the City.

The financed purchase is scheduled to mature as follows:

Years	Principal Amount	Interest Amount	Total Debt Service
2024	$ 14,148	$ -	$ 14,148
2025	14,148	-	14,148
Total	$ 28,296	$ -	$ 28,296

In February 2023, the City entered into three agreements for the purchase of police department vehicles. The agreements charge interest at 7.81% and expire in February 2025. At the conclusion of the financed purchases ownership passes to the City.

The financed purchase is scheduled to mature as follows:

Years	Principal Amount	Interest Amount	Total Debt Service
2024	$ 41,109	$ 6,672	$ 47,781
2025	44,322	3,462	47,784
Total	$ 85,431	$ 10,134	$ 95,565

NOTE 5 - LONG-TERM DEBT (Continued)

The total of the City's notes payable and financed purchases from direct borrowings is scheduled to mature as follows:

Years	Principal Amount	Interest Amount	Fees Amount	Total Debt Service
2024	$ 112,800	$ 11,862	$ 91,063	$ 215,725
2025	116,875	7,791	91,002	215,668
2026	59,281	3,453	29,005	91,739
2027	48,387	2,562	28,937	79,886
2028	37,335	1,833	28,905	68,073
2029 - 2031	70,811	1,722	67,391	139,924
Total	$ 445,489	$ 29,223	$ 336,303	$ 811,015

Long-Term Liabilities

The following is a summary of the City's long-term liability transactions (excluding the net pension liability and net OPEB liability) for the year ended June 30, 2023.

Governmental Activities	Debt Outstanding June 30, 2022	Additions of New Debt	Retirements and Repayments	Debt Outstanding June 30, 2023	Amounts Due Within 1 Year
Compensated Absences	$ 394,900	$ -	$ 56,872	$ 338,028	$ 44,410
Financed Purchases From Direct Borrowings	262,869	133,215	86,375	309,709	80,223
Notes From Direct Borrowings	168,034	-	32,254	135,780	32,577
	$ 825,803	$ 133,215	$ 175,501	$ 783,517	$ 157,210

NOTE 6 - PENSION PLAN

General Information About the Pension Plan

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

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

NOTE 6 - PENSION PLAN (Continued)

Non-Hazardous Plan:

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

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

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

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

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

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

Benefit Formula for Tiers 1 & 2

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

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

Benefit Formula for Tiers 3

Accumulate Account Balance / Actuarial Factor = Monthly Life Annuity

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

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

NOTE 6 - PENSION PLAN (Continued)

Hazardous Plan:

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

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

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

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

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

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

Benefit Formula for Tiers 1 & 2

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

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

Benefit Formula for Tiers 3

Accumulate Account Balance / Actuarial Factor = Monthly Life Annuity

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

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

Non-Hazardous and Hazardous Plans:

For post-retirement death benefits, if the member is receiving a monthly benefit based on at least four (4) years of creditable service, the retirement system will pay a $5,000 death benefit payment to the beneficiary named by the member specifically for this benefit.

NOTE 6 - PENSION PLAN (Continued)

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

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

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

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

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

NOTE 6 - PENSION PLAN (Continued)

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

Tier 3 plan members who began participating on or after January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members contribute 5.00% (non-hazardous) or 8.00% (hazardous) of their monthly creditable compensation which is deposited into their account, and an additional 1.00% which is deposited to an account created for payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund, which is not refundable. Tier 3 member accounts are also credited with an employer pay credit in the amount of 4.00% (non-hazardous) or 7.50% (hazardous) of the members monthly creditable compensation. The employer pay credit amount is deducted from the total employer contribution rate paid on the member's monthly creditable compensation. If a vested (60 months of service) member terminates employment and applies to take a refund, the member is entitled to the members contributions (less HIC) plus employer pay credit plus interest (for both employee contributions and employer pay). If a non-vested (less than 60 months) member terminates the employee and applies to take a refund, the member is entitled to receive employee contributions (less HIC) plus interest (on employee contributions only).

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

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

For the year ended June 30, 2023, participating employers contributed 26.79% (23.40% pension fund and 3.39% insurance fund) for the non-hazardous system of each employee's creditable compensation and 49.59% (42.81% pension fund and 6.78% insurance fund) for the hazardous system. The actuarially determined rates set by the Board for the fiscal years was a percentage of each employee's creditable compensation. Contributions to the pension fund from the City were $510,655 for the year ended June 30, 2023.

NOTE 6 - PENSION PLAN (Continued)

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

At June 30, 2023, the City reported a liability of $6,404,322 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2022, using generally accepted actuarial principles. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2023, the City's proportion for the non-hazardous system was 0.025931% and for the hazardous system was 0.148446%, which was a decrease of 0.001598% and 0.002629% from its proportion measured for the non-hazardous and hazardous systems, respectively, as of June 30, 2022.

For the year ended June 30, 2023, the City recognized pension expense of $437,236. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	$ 152,682	$ -
Difference Between Expected and Actual Experience	131,880	16,694
Changes of Assumptions	-	-
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	38,770	267,344
Contributions After Measurement Date	510,655	-
Total	$ 833,987	$ 284,038

The $510,655 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,	
2024	$ (22,061)
2025	(42,884)
2026	(56,035)
2027	160,274
Total	$ 39,294

NOTE 6 - PENSION PLAN (Continued)

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

Valuation Date	June 30, 2021
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized.
Inflation	2.30%
Salary Increase	3.30 to 10.30%, varies by service for non-hazardous; 3.55% to 19.05%, varies by service for hazardous.
Investment Rate of Return	6.25% Net of pension plan investment expense including inflation.

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

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

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

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

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

NOTE 6 - PENSION PLAN (Continued)

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

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

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the Bureau's proportionate share of the net pension liability using the discount rate of 6.25%, as well as what the Bureau's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease	Current Discount	1% Increase
Non-hazardous	$ 2,342,962	$ 1,874,556	$ 1,487,145
Hazardous	$ 5,642,565	$ 4,529,766	$ 3,623,460

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

401(k) Plan and 457 Plan

The City also permits employees to participate in a 401(k) or 457 plan sponsored by the Commonwealth of Kentucky.

NOTE 7 - OPEB PLAN

General Information About the OPEB Plan

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

NOTE 7 - OPEB PLAN (Continued)

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

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

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

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

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

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

NOTE 7 - OPEB PLAN (Continued)

Tier 3 plan members who began participating on or after January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members contribute 5.00% (non-hazardous) or 8.00% (hazardous) of their monthly creditable compensation which is deposited into their account, and an additional 1.00% which is deposited to an account created for payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund, which is not refundable. Tier 3 member accounts are also credited with an employer pay credit in the amount of 4.00% (non-hazardous) or 7.50% (hazardous) of the members monthly creditable compensation. The employer pay credit amount is deducted from the total employer contribution rate paid on the member's monthly creditable compensation. If a vested (60 months of service) member terminates employment and applies to take a refund, the member is entitled to the members contributions (less HIC) plus employer pay credit plus interest (for both employee contributions and employer pay). If a non-vested (less than 60 months) member terminates the employee and applies to take a refund, the member is entitled to receive employee contributions (less HIC) plus interest (on employee contributions only).

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

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

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

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

At June 30, 2023, the City reported a liability of $1,776,640 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end June 30, 2022, using generally accepted actuarial principles. The City's proportion of the net OPEB liability was based on the City's share of contributions to the OPEB plan relative to the contributions of all participating employers. At June 30, 2023, the City's proportion for the non-hazardous system was 0.025926% and for the hazardous system was 0.148510%, which was a decrease of 0.001597% and 0.002565% from its proportion measured for the non-hazardous and hazardous systems, respectively, as of June 30, 2022.

NOTE 7 - OPEB PLAN (Continued)

For the year ended June 30, 2023, the City recognized OPEB expense of $205,729. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	$ 66,938	$ -
Difference Between Expected and Actual Experience	79,452	192,253
Changes of Assumptions	292,085	284,338
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	37,022	123,126
Contributions After Measurement Date	78,802	-
Total	$ 554,299	$ 599,717

$78,802 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30,	
2024	$ (10,950)
2025	(10,123)
2026	(71,327)
2027	10,441
2028	(42,261)
Total	$ (124,220)

NOTE 7 - OPEB PLAN (Continued)

Actuarial assumptions: The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2021
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay Amortization Method
Amortization Period	30 Years, Closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll Growth Rate	2.00%
Inflation	2.30%
Salary Increase	3.30 to 10.30%, varies by service for non-hazardous' 3.55% to 19.05%, varies by service for hazardous
Investment Rate of Return	6.25%
Healthcare Cost Trend Rates (Pre-65)	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Healthcare Cost Trend Rates (Post-65)	Initial trend starting at 2.90% at January 1, 2022, and increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Mortality	
Pre-retirement	PUB -2010 General Mortality Table, for the Non-Hazardous Systems, Projected with the Ultimate Rates From the MP-2014 Mortality Improvement Scale Using a Base Year of 2010.
Post Retirement (non-disabled)	System-Specific Mortality Table Based on Mortality Experience From 2013-2018, Projected with the Ultimate Rates From MP-2014 Mortality Improvement Scale Using a Base Year of 2019.
Post Retirement (disabled)	PUB-2010 Disabled Mortality Table, with a 4-Year Set-Forward for Both Male and Female Rates, Projected with the Ultimate Rates From the MP-2014 Mortality Improvement Scale Using a Base Year of 2010.

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

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

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

NOTE 7 - OPEB PLAN (Continued)

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

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

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

Discount rate: The single discount rate used to measure the total OPEB liability was 5.70% for nonhazardous. The single discount rate was based on the expected rate of return on the OPEB plan investments of 6.25% and a municipal bond rate of 3.69%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. Based on the stated assumptions and the projection of cash flows as of each fiscal year ended, the plan's insurance fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on Insurance Plan investments was applied to all periods of the projected benefit payments paid from the retirement plan. However, the cost associated with the implicit subsidy is not currently being included in the calculation of the system's actuarial determined contributions, and it is understood that any cost associated with the implicit subsidy will not be paid out of the plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy, as most recently revised by House Bill 8, passed during the 2021 legislative session. The assumed future employer contributions reflect the provisions of House Bill 362 (passed during the 2018 legislative session) which limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30 2028, for the CERS plans.

NOTE 7 - OPEB PLAN (Continued)

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

	1% Decrease	Current Discount	1% Increase
Non-hazardous	$ 683,999	$ 511,653	$ 369,181
Hazardous	$ 1,757,662	$ 1,264,987	$ 864,843

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Non-hazardous	$ 380,403	$ 511,653	$ 669,260
Hazardous	$ 883,325	$ 1,264,987	$ 1,730,213

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

NOTE 8 - RISK MANAGEMENT

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

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

NOTE 9 - CLAIMS AND JUDGEMENTS

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

NOTE 10 - CONTINGENT LIABILITIES

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Favorable (Unfavorable)
Revenues				
Taxes	$ 4,928,510	$ 4,928,510	$ 6,558,788	$ 1,630,278
Licenses and Permits	36,750	36,750	18,405	(18,345)
Fines and Forfeitures	13,200	13,200	12,387	(813)
Other Revenues	65,000	65,000	85,847	20,847
Investment Income	11,500	11,500	90,892	79,392
Intergovernmental Revenue	602,100	602,100	709,559	107,459
Charges for Services	868,875	868,875	849,654	(19,221)
Total Revenues	6,525,935	6,525,935	8,325,532	1,799,597
Expenditures				
General Government	1,152,520	1,152,520	982,543	169,977
Police	2,434,700	2,434,700	2,143,546	291,154
Public Works	1,974,425	1,974,425	1,059,814	914,611
Waste Collection	855,225	855,225	822,964	32,261
Planning and Inspection	153,975	153,975	114,548	39,427
Parks and Recreation	33,720	33,720	12,147	21,573
Debt Service				
Principal	24,750	24,750	86,375	(61,625)
Interest	4,600	4,600	4,437	163
Capital Outlay	160,400	160,400	349,215	(188,815)
Total Expenditures	6,794,315	6,794,315	5,575,589	1,218,726
(Deficit) Excess of Revenues (Under) Over Expenditures	(268,380)	(268,380)	2,749,943	3,018,323
Other Financing Sources				
Proceeds from Financed Purchase	-	-	133,215	133,215
Net Change in Fund Balance	(268,380)	(268,380)	2,883,158	3,151,538
Fund Balance July 1, 2022	7,927,035	7,927,035	7,927,035	-
Fund Balance June 30, 2023	$ 7,658,655	$ 7,658,655	$ 10,810,193	$ 3,151,538

See accompanying notes.

CITY OF ALEXANDRIA, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
June 30, 2023

County Employees Retirement System
Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
City's Proportion of the Net Pension Liability - Non-Hazardous	0.025931%	0.027529%	0.028029%	0.027447%	0.025269%	0.023929%	0.021097%	0.022742%	0.022742%
City's Proportion of the Net Pension Liability - Hazardous	0.148446%	0.151075%	0.160908%	0.156562%	0.167252%	0.163189%	0.162268%	0.165202%	0.165202%
City's Proportionate Share of the Net Pension Liability - Non-Hazardous	$ 1,874,556	$ 1,755,190	$ 2,149,801	$ 1,930,360	$ 1,538,959	$ 1,400,638	$ 1,038,734	$ 997,060	$ 737,836
City's Proportionate Share of the Net Pension Liability - Hazardous	4,529,766	4,021,857	4,851,422	4,324,705	4,044,918	3,650,992	2,784,417	2,238,031	1,985,439
Total City's Proportionate Share of the Net Pension Liability	$ 6,404,322	$ 5,777,047	$ 7,001,223	$ 6,255,065	$ 5,583,877	$ 5,051,630	$ 3,823,151	$ 3,235,091	$ 2,723,275
City's Covered-Employee Payroll	$ 1,681,267	$ 1,613,297	$ 1,461,952	$ 1,588,498	$ 1,567,093	$ 1,486,245	$ 1,395,020	$ 1,328,926	$ 1,316,816
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	380.92%	358.09%	478.90%	393.77%	356.32%	339.89%	274.06%	243.44%	206.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - Non-Hazardous	52.42%	57.33%	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - Hazardous	47.11%	52.26%	44.11%	46.63%	49.26%	49.78%	53.95%	57.52%	63.46%

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

See accompanying notes.

CITY OF ALEXANDRIA, KENTUCKY
SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS
June 30, 2023

County Employees Retirement System
Last 10 Fiscal Years

Non-Hazardous	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	$ 153,510	$ 152,504	$ 135,710	$ 136,610	$ 112,262	$ 92,693	$ 81,549	$ 66,780	$ 69,047	$ 72,458
Contributions in Relation to the Contractually Required Contribution	(153,510)	(152,504)	(135,710)	(136,610)	(112,262)	(92,693)	(81,549)	(66,780)	(69,047)	(72,458)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's Covered Payroll	$ 655,983	$ 720,380	$ 703,165	$ 707,822	$ 692,118	$ 640,149	$ 585,582	$ 537,679	$ 541,546	$ 527,356
Contributions as a Percentage of Covered Payroll	23.40%	21.17%	19.30%	19.30%	16.22%	14.48%	13.93%	12.42%	12.75%	13.74%
Hazardous	**2023**	**2021**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Contractually Required Contribution	$ 357,145	$ 325,356	$ 273,586	$ 273,088	$ 233,732	$ 205,782	$ 195,534	173,697	$ 163,224	$ 171,865
Contributions in Relation to the Contractually Required Contribution	(357,145)	(325,356)	(273,586)	(273,088)	(233,732)	(205,782)	(195,534)	(173,697)	(163,224)	(171,865)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's Covered Payroll	$ 834,257	$ 960,887	$ 910,132	$ 754,130	$ 896,380	$ 926,944	$ 900,663	$ 857,341	$ 787,380	$ 789,460
Contributions as a Percentage of Covered Payroll	42.81%	33.86%	30.06%	36.21%	26.08%	22.20%	21.71%	20.26%	20.73%	21.77%

See accompanying notes.

NOTE 1 - ACTUARIAL ASSUMPTIONS

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

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

Determined by the Actuarial Valuation as of:	June 30, 2020
Experience Study:	July 1, 2013 to June 30, 2018
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Method:	Level Percent of Pay
Amortization Period:	30-year, closed period at June 30, 2019, gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases.
Payroll Growth:	2.00%
Investment Return:	6.25%
Inflation:	2.30%
Salary Increase:	3.30% to 10.30%, for non-hazardous members, varies by service.
	3.55% to 19.05% for hazardous members, varies by service.
Mortality:	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Phase-in Provision:	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

CITY OF ALEXANDRIA, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
June 30, 2023

County Employees Retirement System
Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018
City's Proportion of the Net OPEB Liability - Non-Hazardous	0.025926%	0.027523%	0.028081%	0.027518%	0.025269%	0.023929%
City's Proportion of the Net OPEB Liability - Hazardous	0.148510%	0.151075%	0.161737%	0.156531%	0.167252%	0.163189%
City's Proportionate Share of the Net OPEB Liability - Non-Hazardous	$ 511,653	$ 526,914	$ 678,071	$ 462,840	$ 448,628	$ 481,055
City's Proportionate Share of the Net OPEB Liability - Hazardous	1,264,987	1,221,531	1,494,620	1,158,110	1,192,646	1,349,037
Total City's Proportionate Share of the Net OPEB Liability	$ 1,776,640	$ 1,748,445	$ 2,172,691	$ 1,620,950	$ 1,641,274	$ 1,830,092
City's Covered Payroll	$ 1,681,267	$ 1,461,952	$ 1,461,952	$ 1,588,498	$ 1,567,093	$ 1,486,245
City's Proportionate Share of the Net OPEB Liability as a Percentage of Its Covered Payroll	105.67%	119.60%	148.62%	102.04%	104.73%	123.14%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability - Non-Hazardous	60.95%	62.91%	51.67%	60.44%	57.62%	52.39%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability - Hazardous	64.13%	66.81%	58.84%	64.44%	64.24%	58.99%

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

See accompanying notes.

CITY OF ALEXANDRIA, KENTUCKY
SCHEDULE OF THE CITY'S OPEB CONTRIBUTIONS
June 30, 2023

County Employees Retirement System
Last 10 Fiscal Years*

Non-Hazardous	2023	2022	2021	2020	2019	2018
Contractually Required Contribution	$ 22,239	$ 41,638	$ 33,471	$ 33,692	$ 36,406	$ 30,087
Contributions in Relation to the Contractually Required Contribution	(22,239)	(41,638)	(33,471)	(33,692)	(36,406)	(30,087)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
City's Covered Payroll	$ 655,983	$ 720,380	$ 703,165	$ 707,822	$ 692,118	$ 640,149
Contributions as a Percentage of Covered Payroll	3.39%	5.78%	4.76%	4.76%	5.26%	4.70%

Hazardous	2023	2022	2021	2020	2019	2018
Contractually Required Contribution	$ 56,563	$ 100,605	$ 86,644	$ 86,488	$ 98,438	$ 86,669
Contributions in Relation to the Contractually Required Contribution	(56,563)	(100,605)	(86,644)	(86,488)	(98,438)	(86,669)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
City's Covered Payroll	$ 834,257	$ 960,887	$ 910,132	$ 754,130	$ 896,380	$ 926,944
Contributions as a Percentage of Covered Payroll	6.78%	10.47%	9.52%	11.47%	10.98%	9.35%

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

See accompanying notes.

NOTE 1 – ACTUARIAL ASSUMPTIONS

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

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

Determined by the Actuarial Valuation as of:	June 30, 2020
Experience Study:	July 1, 2013 to June 30, 2018
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Method:	Level Percent of Pay
Amortization Period:	30-year, closed period at June 30, 2019, gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases.
Payroll Growth:	2.00%
Investment Return:	6.25%
Inflation:	2.30%
Salary Increase:	3.30% to 10.30%, for non-hazardous members, varies by service. 3.55% to 19.05% for hazardous members, varies by service.
Mortality:	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Healthcare Trend Rates:	
Pre-65:	Initial trend starting at 6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65:	Initial trend starting at 6.30% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement. Additionally, Humana provided "Not to Exceed" 2022 Medicare premiums, which were incorporated and resulted in an assumed 2.90% increase in Medicare premiums at January 1, 2022.

SUPPLEMENTARY INFORMATION

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

	Budgeted Items			Variance with Final Budget Favorable
	Original	**Final**	**Actual**	**(Unfavorable)**
Revenues				
Investment Income	$ -	$ -	$ 89	$ 89
Intergovernmental Revenue	182,000	182,000	173,322	(8,678)
Total Revenues	182,000	182,000	173,411	(8,589)
Expenditures				
Public Works	182,000	182,000	182,000	-
Deficit of Revenues Under Expenditures	-	-	(8,589)	(8,589)
Fund Balance July 1, 2022	76,695	76,695	94,500	17,805
Fund Balance June 30, 2023	$ 76,695	$ 76,695	$ 85,911	$ 9,216

See accompanying notes.

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

	Budgeted Items			Variance with Final Budget (Unfavorable)
	Original	**Final**	**Actual**	**Favorable**
Revenues				
Earnings on Investments	$ 25	$ 25	$ 3,466	$ 3,441
Assessment Revenue	32,100	32,100	26,952	(5,148)
Total Revenues	32,125	32,125	30,418	(1,707)
Expenditures				
Miscellaneous	350	350	319	31
Debt Service				
Principal	32,750	32,750	32,254	496
Interest	1,650	1,650	1,600	50
Total Expenditures	34,750	34,750	34,173	577
Deficit of Revenues Under Expenditures	(2,625)	(2,625)	(3,755)	(1,130)
Fund Balance July 1, 2022	78,394	78,394	78,394	-
Fund Balance June 30, 2023	$ 75,769	$ 75,769	$ 74,639	$ (1,130)

CITY OF ALEXANDRIA, KENTUCKY
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023

	Municipal Road Aid Fund	ARC Fund	Sewer Fund	Total Nonmajor Governmental Funds
Assets				
Cash and Cash Equivalents	$ 67,204	$ 2,736	$ 74,639	$ 144,579
Other Receivables	18,707	-	131,930	150,637
Total Assets	$ 85,911	$ 2,736	$ 206,569	$ 295,216
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Assessments	$ -	$ -	$ 131,930	$ 131,930
Fund Balances				
Restricted for				
Municipal Road Aid	85,911	-	-	85,911
Area Referral Connection	-	2,736	-	2,736
Sewer Fund Debt Service	-	-	74,639	74,639
Total Fund Balances	85,911	2,736	74,639	163,286
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 85,911	$ 2,736	$ 206,569	$ 295,216

See accompanying notes.

CITY OF ALEXANDRIA, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	Municipal Road Aid Fund	ARC Fund	Sewer Fund	Total Nonmajor Governmental Funds
Revenues				
Other Revenue	$ -	$ 694	$ -	$ 694
Investment Income	89	4	3,466	3,559
Intergovernmental Revenue	173,322	-	-	173,322
Charges for Services	-	-	26,952	26,952
Total Revenues	173,411	698	30,418	204,527
Expenditures				
Police	-	1,263	-	1,263
Public Works	182,000	-	-	182,000
Miscellaneous	-	-	319	319
Debt Service				
Principal	-	-	32,254	32,254
Interest	-	-	1,600	1,600
Total Expenditures	182,000	1,263	34,173	217,436
Deficit of Revenues Under Expenditures	(8,589)	(565)	(3,755)	(12,909)
Fund Balance July 1, 2022	94,500	3,301	78,394	176,195
Fund Balance June 30, 2023	$ 85,911	$ 2,736	$ 74,639	$ 163,286

See accompanying notes.

REQUIRED REGULATORY SECTION

VonLehman
CPA & ADVISORY FIRM

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

Honorable Mayor
Members of City Council
City of Alexandria, 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, each major fund, and the aggregate remaining fund information of the City of Alexandria, Kentucky (the City) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Alexandria, Kentucky's basic financial statements, and have issued our report thereon dated October 19, 2023.

Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

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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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

VonLehman & Company Inc.

Fort Wright, Kentucky
October 19, 2023