

CITY OF COLD SPRING, KENTUCKY

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2023

CITY OF COLD SPRING, KENTUCKY

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2023

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CITY OF COLD SPRING, KENTUCKY

CITY OFFICIALS

As of June 30, 2023

Mayor

D. Angelo Penque

Council Members

Christopher Ampfer

Lisa Cavanaugh

Dave Guidugli

Paul Kloeker

Cindy Moore

Adam Sandfoss

Legal Counsel

Brandon Voelker

INDEPENDENT AUDITOR'S REPORT

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

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with accounting standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Cold Spring, Kentucky and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cold Spring, Kentucky's basic financial statements. The minor governmental fund budget to actual statement is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the minor governmental fund budget to actual statement is 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 November 20, 2023, on our consideration of the City of Cold Spring, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Cold Spring, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Cold Spring, Kentucky's internal control over financial reporting and compliance.

Chamberlin Owen & Co., Inc.

Chamberlin Owen, & Co., Inc.

Erlanger, Kentucky
November 20, 2023

**City of Cold Spring, Kentucky
Fiscal Year 2023
Management's Discussion and Analysis**

Our discussion and analysis of the City of Cold Spring's financial performance for the fiscal year ended June 30, 2023, is intended to compliment the formal financial statements that begin on page 10. The formal financial statements, upon which the audit firm renders their opinion, can be fairly complex. The Auditors notes, which are in the last section of the report, must also comply with structured professional standards and can be difficult for a non-accounting professional to understand. This "management's discussion" portion is intended to assist our citizens and other stakeholders in gaining a clearer understanding of the information in the Annual Financial Reports.

OVERVIEW OF THIS ANNUAL REPORT

This Annual Report consists of:

1. The Audit Opinion, pages 2-4.
2. This section, Management's Discussion and Analysis.
3. Formal financial statements and supporting schedules, pages 10 thru 14.
4. Notes and supplementary information.
5. Compliance and other matters.

The City's financial statements are presented in two formats, each with a different perspective of the City's finances. Government-wide statements present the finances of the City as one complete entity, while the Fund financial statements attempt to isolate various departments or activities within the City's structure and provide greater detail. Both approaches are useful in understanding the City's financial structure.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenditures are taken into account regardless of when cash is received or paid.

Government-wide financial statements provide us with the total net position of the City and the changes in them from prior periods. One can think of the City's net position—the difference between assets and liabilities—in the same way as one would calculate their personal net worth. The year-end net position of the city, its equity, can be compared to prior years to determine if the City's equity is growing or shrinking. This is an important measurement of how the City is doing financial wise. Of course, the financial results of any entity must be evaluated in conjunction with the local economic environment and a host of non-financial factors such as, population growth, infrastructure asset condition, new or changed government legislation, and the types and levels of services to be provided.

FUND FINANCIAL STATEMENTS

Traditional users of government financial statements will find the fund financial statement presentation familiar. The focus of these financial statements is on the City's various funds. The fund financial statements provide more information about the City's funds and not the City as a whole.

Governmental Funds—Most of the City's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can readily be converted to cash, flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided funds statement that explains the relationship (or differences) between them. Cold Spring has three "governmental funds". The largest is the General Fund, which uses general revenues to provide city services and cover operating expenses. The Municipal Aid Road Fund houses grant receipts to be used only for specific purposes in accordance with Kentucky Revised Statutes and the Stormwater Fund which collects a stormwater fee and pays expenses associated with stormwater management in the city.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

For the year ended June 30, 2023, net position changed as follows:

Beginning net position	\$ 13,012,015
Increase in net position	1,083,561
Ending net position	<u>\$ 14,095,576</u>

TABLE 1
NET POSITION

	2023	2022
Current and Other Assets	\$ 13,425,825	\$ 18,607,544
Capital Assets, Net	13,143,411	13,028,456
Total Assets	26,569,236	31,636,000
Deferred Outflow of Resources	1,137,362	1,421,906
Total Assets and Deferred Outflows	27,706,598	33,057,906
Current Liabilities	7,897,812	7,512,367
Long Term Liabilities	4,613,185	11,546,340
Total Liabilities	12,510,997	19,058,707
Deferred Inflow of Resources	1,100,025	987,184
Total Liabilities and Deferred Inflows	13,611,022	20,045,891
Net Position		
Net Investment in Capital Assets	13,143,411	13,028,456
Restricted	1,255,008	1,283,579
Unrestricted	(302,843)	(1,300,020)
Total Net Position	<u>\$ 14,095,576</u>	<u>\$ 13,012,015</u>

Cash and investments totaled \$11,699,920 at the end of fiscal year 2022, an increase of \$3,360,755 from last year. This increase is predominantly due to \$5,500,000 in cash received, but not recognized as revenue, for a potential sale of the DAV property as described in Note J in the Notes to the Financial Statements and the \$1,726,817 of Federal ARPA funds received, but not recognized, as described in Note O to the Financial Statements. The City also expended \$4,495,310 for the construction of the new Police Department and Community Center Buildings. At the end of June 30, 2022, the city had \$13,028,456 invested in capital assets, net of depreciation, comprised of administrative, police and maintenance equipment, buildings, park facilities and roads.

TABLE 2
CONDENSED STATEMENT OF ACTIVITIES

General Revenue	Governmental Activities	
	2023	2022
<u>Taxes</u>		
Taxes - Property	\$ 1,041,383	\$ 994,375
Taxes - Payroll	1,555,125	1,280,361
Taxes - Insurance Premium	1,047,362	950,117
Taxes - Other, Interest & Fees	424,205	335,805
<u>Licenses and Permit Fees</u>		
Occupational Licenses	232,099	165,122
Other Licenses and Fees	44,890	27,730
<u>Unrestricted Investment Earnings</u>	6,273	5,781
<u>Miscellaneous</u>	48,281	96,339
Total General Revenue	<u>4,399,618</u>	<u>3,855,630</u>
<u>Program Expenses, Net of Income</u>		
Administration	629,556	618,067
Police	1,440,706	1,836,313
Maintenance and Public Works	1,127,194	824,040
Parks and Recreation	34,623	12,550
Enterprises	99,317	25,267
Unallocated Pension and OPEB	(17,235)	-
Interest on Long-Term Debt	1,896	312,692
Total Program Expenses, net	<u>3,316,057</u>	<u>3,628,929</u>
Net Change in Net Position	<u>\$ 1,083,561</u>	<u>\$ 226,701</u>

Taxes are the primary source of income to the City. Property, Payroll, Insurance Premium, and Other Tax collections increased by \$507,417. These increases are a result of increased property valuations, increased employee payroll, and increased insurance policy premiums. Tax rates did not increase.

The majority of the City's expenses are dedicated to Public Safety (43%), Maintenance and Public Works (34%), and Administration (19%). Overall net expenses decreased by \$312,872 (8.6%) for the fiscal year. This decrease is primarily attributable to significant decreases in the Police budget related to the outfitting its building.

The City has a conservative budget approach and usually encounters favorable budget variances at the end of its fiscal years. 2023 General Fund revenues were \$1,425,356 above budgeted revenues. Expenditures were over the budget by \$803,966 because the City amended its budgeted expenditures lower and did not account for all actual expenditures for fiscal year 2023.

The Municipal Road Aid Fund was \$5 over budgeted revenues but was \$323,720 over budgeted expenditures due to significantly higher spending on the street improvement program during this fiscal year.

The Stormwater fund was \$6,038 over budgeted revenues and was \$18,674 over budgeted expenditures. The City utilized the ARPA funds (see Note O to the financial statements) for stormwater infrastructure replacement or upgrades.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

	Governmental Activities	
	2023	2022
Land	\$ 414,039	\$ 414,039
Construction in progress	-	6,283,432
Buildings	7,912,191	1,220,938
Infrastructure	12,404,149	12,239,399
Equipment	1,350,352	1,266,882
Parks	34,169	34,169
Totals	<u>\$ 22,114,900</u>	<u>\$ 21,458,859</u>

This year's net increase of \$656,041 in capital assets included:

Construction in progress-new buildings	\$ 407,821
Stormwater infrastructure	164,750
Signage	18,916
Police vehicle	64,554
	<u>\$ 656,041</u>

Debt

At June 30, 2023, the City had no outstanding commercial debt. The following is a summary of the City's debt transactions during the year ended June 30, 2023:

Debt type	Balance at June 30, 2022	Net Change	Balance at June 30, 2023	Current Portion
Compensated Absences	\$ 147,846	\$ (30,646)	\$ 117,200	\$ 39,067
Property Note	6,498,104	(6,498,104)	-	-
Totals	<u>\$ 6,645,950</u>	<u>\$ (6,528,750)</u>	<u>\$ 117,200</u>	<u>\$ 39,067</u>

GASB 68 PENSION AND GASB 75 OPEB LIABILITY RECOGNITION

As of June 30, 2023, the City is required, by Governmental Accounting Standards Board Statements No. 68 and 75, to display its proportionate share of the unfunded liability of the Kentucky Retirement System's County Employee Retirement System (CERS), a cost sharing multiple employer plan, in which the District is a participant. The net pension and OPEB liability, \$4,535,052, the deferred outflow of resources, \$1,137,362, and the deferred inflow of resources, \$1,100,025 on the Statement of Net Position at June 30, 2023 are a function of this required reporting. Detailed information on this pension and OPEB recognition can be found in Note G in the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City has completed the construction of a new police department and a new community center/outdoor amphitheater. The City has re-opened a loan to facilitate the purchase, and eventual sale, of the DAV property in Cold Spring. The City has adequate contingency funds to address unforeseen conditions and events. The 2024 budget has been passed to accommodate this project, along with several street improvement projects in the City. The City will also recognize \$600,000 of the deferred ARPA revenues in the current year, which may be used for a variety of operating or capital expenditures in the 2023-24 fiscal year. The City's budget may require amending near the end of the fiscal year to allow for any unforeseen circumstances or opportunities.

In summary, the fiscal year 2024 budget should be adequate to continue the City's delivery of high-quality public service in a manner consistent with previous years. Care will be taken that all expenditures are prudent, and that the City can maintain its strong financial position.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Administrative Officer at 5694 East Alexandria Pike, Cold Spring, Kentucky 41076.

Steve Taylor

Steve Taylor
City Administrative Officer

CITY OF COLD SPRING, KENTUCKY STATEMENT OF NET POSITION June 30, 2023
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	Governmental Activities
Assets	
Cash and cash equivalents	\$ 4,560,383
Investments	1,066,439
Property held for sale	6,500,000
Receivables	
Insurance tax	253,614
Waste, penalties, other	1,045,389
Prepays	-
Capital assets, net of depreciation	13,143,411
Total Assets	26,569,236
Deferred Outflow of Resources	
Deferred outflow of resources related to pensions and OPEB	1,137,362
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	27,706,598
Liabilities	
Accounts payable	212,732
Accrued liabilities	17,196
Deferred revenues	7,628,817
Current portion of long-term liabilities	39,067
Noncurrent liabilities	
Compensated absences	78,133
Long term debt	-
Net pension and OPEB liability	4,535,052
Total Liabilities	12,510,997
Deferred Inflow of Resources	
Deferred inflow related to pensions and OPEB	1,100,025
Total Liabilities and Deferred Inflow of Resources	13,611,022
Net Position	
Net investment in capital assets	13,143,411
Restricted for Municipal Aid and Stormwater	1,255,008
Unrestricted	(302,843)
Total Net Position	\$ 14,095,576

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

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Operating		Capital	
		Charges for Services	Grants and Contributions		
Governmental Activities					
General government	\$ 1,221,219	\$ 552,135	\$ -	\$ 39,528	\$ (629,556)
Public safety - Police	2,093,350	-	-	652,644	(1,440,706)
Public works	1,501,868	254,638	120,036	-	(1,127,194)
Parks and recreation	54,916	20,293	-	-	(34,623)
Enterprises	99,317	-	-	-	(99,317)
Unallocated pension and OPEB	-	-	17,235	-	17,235
Interest on long term debt	1,896	-	-	-	(1,896)
Total Governmental Activities	\$ 4,972,566	\$ 827,066	\$ 137,271	\$ 692,172	(3,316,057)
General revenues					
Taxes, levied for general purposes					
Property taxes					1,041,383
Payroll tax					1,555,125
Insurance premium tax					1,047,362
Penalties, fines and forfeitures					21,609
Other taxes					402,596
Licenses and permit fees					
Occupational licenses					232,099
Other licenses and fees					44,890
Miscellaneous					48,281
Unrestricted investment earnings					6,273
Total general revenues					4,399,618
Change in net position					1,083,561
Net position, beginning					13,012,015
Net position, ending					\$ 14,095,576

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

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

	General Fund	Municipal Aid Road Fund	Stormwater Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 3,264,347	\$ 88,650	\$ 1,207,386	\$ 4,560,383
Investments	1,066,439	-	-	1,066,439
Property held for sale	6,500,000	-	-	6,500,000
Receivables				
Insurance tax	253,614	-	-	253,614
Waste, penalties, other	1,002,302	-	43,087	1,045,389
Prepaid	-	-	-	-
Due from other funds	114,052	164,750	29,937	308,739
Total Assets	<u>\$ 12,200,754</u>	<u>\$ 253,400</u>	<u>\$ 1,280,410</u>	<u>\$ 13,734,564</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 47,982	\$ 164,750	\$ -	\$ 212,732
Accrued expenses	17,196	-	-	17,196
Deferred revenues	7,628,817	-	-	7,628,817
Due to other funds	194,687	-	114,052	308,739
Total Liabilities	<u>7,888,682</u>	<u>164,750</u>	<u>114,052</u>	<u>8,167,484</u>
Fund Balances				
Nonspendable	-	-	-	-
Restricted	6,500,000	88,650	1,166,358	7,755,008
Committed	1,066,439	-	-	1,066,439
Unassigned	(3,254,367)	-	-	(3,254,367)
Total Fund Balances	<u>4,312,072</u>	<u>88,650</u>	<u>1,166,358</u>	<u>5,567,080</u>
Total Liabilities and Fund Balances	<u>\$ 12,200,754</u>	<u>\$ 253,400</u>	<u>\$ 1,280,410</u>	<u>\$ 13,734,564</u>

Reconciliation of Fund Balances to the Statement of Net Position

Total governmental fund balances \$ 5,567,080

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

Capital assets of \$22,114,899 (net of \$8,971,488 in accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds. 13,143,411

Deferred outflows and inflows or resources related to pensions and OPEB are applicable to future periods and, therefore are not reportable in the funds.

Deferred outflow of resources - pension and OPEB 1,137,362
Deferred inflow of resources - pension and OPEB (1,100,025)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences (117,200)
Long term debt -
Net pension and OPEB liability (4,535,052)

Net position of governmental activities \$ 14,095,576

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

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

	General Fund	Municipal Aid Road Fund	Stormwater Fund	Total Governmental Funds
Revenues				
Property taxes	\$ 1,041,383	\$ -	\$ -	\$ 1,041,383
Payroll taxes	1,555,125	-	-	1,555,125
Insurance premium tax	1,047,362	-	-	1,047,362
Other taxes	402,596	-	-	402,596
Licenses, fees, and permits	276,989	-	-	276,989
Charges for services	552,135	-	254,638	806,773
Penalties, fines, and forfeitures	21,609	-	-	21,609
Interest income	6,123	50	100	6,273
Intergovernmental	692,172	120,036	-	812,208
Miscellaneous	48,281	-	-	48,281
Parks, trees, and recreation	20,293	-	-	20,293
Total Revenues	5,664,068	120,086	254,738	6,038,892
Expenditures				
General government	1,203,079	-	-	1,203,079
Police	2,017,878	-	-	2,017,878
Public works	716,226	240,553	148,092	1,104,871
Parks, trees and recreation	35,085	-	-	35,085
Enterprises	99,317	-	-	99,317
Debt service principal	6,498,104	-	-	6,498,104
Debt service interest	1,896	-	-	1,896
Capital outlay	491,291	164,750	-	656,041
Total Expenditures	11,062,876	405,303	148,092	11,616,271
Excess (Deficit) of Revenues Over (Under) Expenditures	(5,398,808)	(285,217)	106,646	(5,577,379)
Transfers (to) from other fund	(150,000)	150,000	-	-
Excess (Deficit) of Revenues Over (Under) Expenditures After Transfers	(5,548,808)	(135,217)	106,646	(5,577,379)
Fund Balances, Beginning of Year	9,860,880	223,867	1,059,712	11,144,459
Prior period adjustments	-	-	-	-
Fund Balances, End of Year	\$ 4,312,072	\$ 88,650	\$ 1,166,358	\$ 5,567,080

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

<p>CITY OF COLD SPRING, KENTUCKY RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2023</p>
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Net change in fund balances-total governmental funds	\$ (5,577,379)
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense:

Capital asset purchases capitalized	656,041
Depreciation expense	(541,086)

Governmental funds report City pension contributions as (benefits) expenditures.

However, in the statement of activities, the cost of pension benefits earned net of employer contributions is reported as pension benefit (expense):

Cost of benefits earned - pension benefit	66,045
Cost of benefits earned - OPEB expense	(48,810)

Some expenditures in the governmental funds are recorded as a reduction of long-term debt in the statement of activities.

Payments on property purchase	6,498,104
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Some expenses reported in the statement of activities do not require

the use of current financial resources and therefore are not reported as expenditures in governmental funds, such as compensated absences.

30,646

Change in net position of governmental activities

<u>\$ 1,083,561</u>

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

CITY OF COLD SPRING, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2023
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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Cold Spring, Kentucky (City) was incorporated in 1941 under the provisions of the Commonwealth of Kentucky. The accounting policies of the City of Cold Spring, Kentucky conform to U.S. generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

The Reporting Entity

The City of Cold Spring, Kentucky is a municipality governed by an elected Mayor and Board of six Council Members. As required by generally accepted accounting principles these financial statements present the primary government of the City.

Basis of Accounting

City of Cold Spring's financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America.

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for all of the non-fiduciary activities of the primary government. Generally, the effect of inter-fund activity has been removed from these statements. Governmental activities, which are generally supported by taxes and City general revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expense and program revenues associated with a distinct functional activity. Program revenues include: charges for services, which report fees, fines and forfeitures, and other charges to users of the City's services; operating grants and contributions which finance annual operating activities including restricted investment income; and capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Amounts paid to acquire fixed assets are recorded as capital assets in the government-wide financial statements balance sheet and depreciated, rather than reported as expenditures of the current period. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as expenditures.

CITY OF COLD SPRING, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2023
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Fund Financial Statements

Fund financial statements, as applicable, are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide financial statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied. Grants and similar items are recognized as revenues when grantor eligibility requirements are met.

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

Major revenue sources where accrual is most likely to occur include property taxes, insurance premium taxes and franchise/gross receipts license fees.

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

Fund Types – Governmental Funds

The City reports the following governmental funds:

General Fund

This fund is the government's primary operating fund. This fund accounts for all financial resources of the general government not accounted for in another fund.

CITY OF COLD SPRING, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2023
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Special Revenue Funds

This fund is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. Currently, the City maintains special revenue funds for Municipal Aid Road and Stormwater. The Municipal Aid Road Fund is used to account for the receipt and disbursement of funds in accordance with Kentucky Revised Statutes for the Kentucky Municipal Aid Road Fund. The Stormwater Fund accounts for the stormwater fee received and costs associated with stormwater management in the City.

Cash and Cash Equivalents

Statutes authorize the City to invest in obligations of the United States and of its agencies and instrumentalities, certificates of deposit, passbooks, bankers' acceptances, commercial paper, bonds of other state or local governments, and mutual funds. Cash and cash equivalents consist of those instruments with maturities of less than three months and certificates of deposit with maturities less than one year. All accounts held are insured under the FDIC insurance program and amounts held in excess of the FDIC coverage are fully covered by pledged collateral.

Inter-fund Receivables/Payables

During the course of operations, it is possible for transactions to occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. For the year ended June 30, 2023 there were inter-fund receivables and payables, in the offsetting amount of \$308,739 as detailed on the Balance Sheet – Governmental Funds.

Inventories and Prepaid Items

If applicable, inventories in the governmental funds consist of expendable supplies held for consumption stated on a first in, first out basis. They are reported at cost as expenditures at the time individual inventory items are used.

Prepaid items record payments to vendors that benefit future reporting periods. Both inventories and prepaid items are similarly reported in government-wide and fund financial statements. There were no inventory or prepaid items at June 30, 2023.

Capital Assets

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and are comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. General capital assets are those assets not specifically related to activities reported in proprietary funds. General capital assets are reported in the governmental activities' column of the government-wide statement of net position. All fixed assets are valued at historical cost or historical estimated cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

The City has elected to capitalize assets with a cost of \$5,000 or more. Capital assets are depreciated using the straight-line method in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is

CITY OF COLD SPRING, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2023
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reported on the respective statement of net position. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	10-25 years
Building improvements	10-20 years
Furniture and equipment	3-10 years
Public domain infrastructure	40 years
Vehicles	5 years

Compensated Absences

It is the City's policy to permit employees to accumulate earned, but unused vacation. All vacation pay is accrued when incurred in the government-wide financial statements. Governmental funds report only the portion of compensated absences that have matured and have been paid to employees; these are included in employee wage expense in the funds. Compensated absences totaled \$117,200 at June 30, 2023.

Long-Term Debt

In the government-wide financial statements outstanding debt is reported as liabilities. The governmental fund financial statements recognize the proceeds of debt as other financing sources of the current period. Payments of principal and interest are reported as expenditures.

Pensions

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

Other Post-Employment Benefits (OPEB), Health Insurance

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

Fund Equity

Net position is the difference between assets and liabilities. Assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction, or improvement of those assets.

CITY OF COLD SPRING, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2023
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The City uses funds and account groups to report on its financial position and the result of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Nonspendable fund balances consist of amounts that are not in spendable form; the City considers prepaid expenses to be non-spendable.

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

Committed fund balances are amounts that can only be used for specific purposes as stipulated internally by the City Council. These items can only be changed or lifted by the Council taking the same formal action that imposed the restraint. These include the certificate of deposit investment balances committed to the City's strategic road plan.

Unassigned fund balances consist of all residual funds not included in non-spendable, restricted, or committed fund balances.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could differ from those estimates.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The City abides by the following procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with City ordinance, prior to May 31, the Mayor submits to the Council, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain citizen comment.
3. Prior to July 1, the budget is legally enacted through passage of an ordinance.
4. The Mayor is required by Kentucky Revised Statutes to present a quarterly report to the Council explaining any variance from the approved budget.
5. Appropriations continue in effect until a new budget is adopted.
6. The Council may authorize supplemental appropriations during the year.

CITY OF COLD SPRING, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2023
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NOTE C – DEPOSITS AND INVESTMENTS

Deposits consist of checking and savings accounts. They are carried at cost, which approximates market value. The carrying amount of deposits is separately displayed on the balance sheets as "Cash and Cash Equivalents" and "Investments". The carrying amount of cash and cash equivalents at June 30, 2022 was \$4,560,383

The City's compliance with Kentucky Revised Statutes permits investment of monies in each fund, consistent with the contemplated use of such monies, in investment obligations defined as follows:

- a) Direct obligations of or obligations guaranteed by the United States of America;
- b) Obligations issued by any of the following agencies: Federal Home Loan Bank System; Export-Import Banks; Government National Mortgage Association; Farmers Home Administration; Federal National Mortgage Association to the extent that such obligations are guaranteed by the Government National Mortgage Association; and any other Federal Agency to the extent that such obligations are backed by the full faith and credit of the United States (other than provided in (a) hereof);
- c) Public housing bonds issued by public housing authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or project notes issued by public housing authorities, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;
- d) U.S. Dollar denominated deposit accounts fully insured to the holder (up to the \$250,000 maximum coverage) by the Federal Deposit Insurance Corporation in commercial banks, and to the extent not so insured (amounts in excess of \$250,000 maximum coverage), collateralized by obligations described in (a) or (b) above, having at all times a quoted market value at least equal to such uninsured amount plus accrued and undisbursed interest;
- e) General obligations to the Commonwealth of Kentucky;
- f) A pool or fund made up entirely of U.S. Government obligations or obligations guaranteed both as to principal and interest by the U.S. Government; or
- g) Repurchase agreements for U.S. Government Obligations, secured in the same manner as is provided in (d) above for other deposits.

Effective January 1, 1998, investments are reported at fair value which is determined using the selected basis. Short term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair market value.

Investment obligations are deemed to be part of the fund or account for which purchased, and income, interest, gains, and losses on an investment obligation are credited or charged to the fund or account for which such an investment obligation was purchased.

CITY OF COLD SPRING, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2023
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The City's investments are categorized to give an indication of the level of risk assumed by the City at June 30, 2023.

The categories are described as follows:

Category 1 – Insured and registered, with securities held by the entity or its agent in the entity's name.

Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.

Category 3 – Uninsured and unregistered, with securities held by the counterparty, or its trust department or agent but not in the entity's name.

	Category 1	Category 2	Category 3	Total	Investment Level
Deposits	\$ 4,560,383	\$ -	\$ -	\$ 4,560,383	1
Investments	1,066,439	-	-	1,066,439	1
Total	<u>\$ 5,626,822</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,626,822</u>	

Level 1 investments are investments that have readily observable prices, are bought and sold on an open market, and whose prices have a reliable fair market value.

NOTE D – PROPERTY TAXES AND WASTE FEES RECEIVABLE

Property taxes are levied as of October 1 on property values assessed as of January 1. Taxes are billed on approximately October 1 and are due and payable on December 31 and are delinquent on January 1. A penalty of 20% and 1% interest accrual per month is assessed by the City. The City bills and collects its own property taxes and waste fees. A lien may be placed on the property on January 1.

NOTE E – CAPITAL ASSETS AND DEPRECIATION

The following is a summary of changes in capital assets for the year ended June 30, 2023:

Asset type	Balance at June 30, 2022	Additions	Reclassifications/ Deletions	Balance at June 30, 2023
Land	\$ 414,039	\$ -	\$ -	\$ 414,039
Construction in progress	6,283,432	407,821	(6,691,253)	-
Administrative equipment	102,635	18,916	-	121,551
Police equipment	672,525	64,554	-	737,079
Maintenance equipment	491,722	-	-	491,722
Park equipment	34,169	-	-	34,169
Buildings	1,220,938	6,691,253	-	7,912,191
Infrastructure	12,239,399	164,750	-	12,404,149
Subtotal	21,458,859	7,347,294	(6,691,253)	22,114,900
Less: accumulated depreciation	(8,430,403)	(541,086)	-	(8,971,489)
Capital assets, net	<u>\$ 13,028,456</u>	<u>\$ 6,806,208</u>	<u>\$ (6,691,253)</u>	<u>\$ 13,143,411</u>

CITY OF COLD SPRING, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2023
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Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
General government	\$ 21,912
Public safety - Police	102,370
Public works	16,142
Public works-infrastructure	380,831
Parks and recreation	19,831
	<u>\$ 541,086</u>

NOTE F – LONG TERM DEBT – GOVERNMENTAL ACTIVITIES

The City has the following long-term debt:

Stockyards Bank – 2021 DAV Property Note – (Governmental Activities)

On September 30, 2021, the City signed a promissory note for \$6,500,000 to finance the purchase of the Disabled American Veterans property in Cold Spring. The City's intent is to hold this property for resale. The note is an interest-only note and is secured by the real property. The note carries an annual interest rate of 3.50% and a term of 24 months.

During Fiscal Year 2022, the City over-paid the interest due on one monthly payment, and the note's principal was reduced that month by \$1,896. The remaining balance at June 30, 2022 was \$6,498,104. This note was paid in full in August 2023. See *Note J* and *Note O* below.

The following is a summary of the debt of the City's governmental activities:

Debt type	Balance at June 30, 2022	Additions	Reductions	Balance at June 30, 2022	Current Portion
Compensated Absence	\$ 147,846	\$ -	\$ (30,646)	\$ 117,200	\$ 39,067
Note -DAV Property	6,498,104	-	(6,498,104)	-	-
Totals	<u>\$ 6,645,950</u>	<u>\$ -</u>	<u>\$ (6,528,750)</u>	<u>\$ 117,200</u>	<u>\$ 39,067</u>

NOTE G – COUNTY EMPLOYEES' RETIREMENT SYSTEM

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

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

CITY OF COLD SPRING, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2023
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and *Hazardous Duty* employees.

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

	Non-Hazardous		Hazardous	
	Pension	OPEB	Pension	OPEB
Active Plan Members	77,367	76,946	9,173	9,109
Inactive Plan Members	100,738	28,719	2,895	883
Retired Members	67,206	37,584	10,858	7,655
	<u>245,311</u>	<u>143,249</u>	<u>22,926</u>	<u>17,647</u>
Number of participating employers		<u>1,141</u>		<u>260</u>

PENSION PLAN

Non-Hazardous Pension Plan Description

Benefits Provided – CERS provides retirement, health insurance, death and disability benefits to Non-Hazardous duty Plan employees and beneficiaries. Employees are vested in the Plan after five years of service. For retirement purposes, employees are grouped into three tiers, based on hire date:

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

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

CITY OF COLD SPRING, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2023
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Contributions – Required pension contributions by the employee are based on the tier:

	Required Contribution
Tier 1	5%
Tier 2	5%
Tier 3	5%

Hazardous Pension Plan Description

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

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

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

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

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

	Required Contribution
Tier 1	8%
Tier 2	8%
Tier 3	8%

CITY OF COLD SPRING, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2023
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Contributions

For non-hazardous duty employees, the City contributed 26.79% of covered-employee's compensation, of which 23.40% was for the pension fund and 3.39% was for the health insurance fund.

For hazardous duty employees, the City contributed 49.59% of covered-employee's compensation, of which 42.81% was for the pension fund and 6.78% was for the health insurance fund.

The City made all required contributions for the non-hazardous Plan pension obligation for the fiscal year in the amount of \$127,643, of which \$111,491 was for the pension fund and \$16,152 was for the health insurance fund.

The City made all required contributions for the hazardous Plan pension obligation for the fiscal year in the amount of \$286,808, of which \$247,595 was for the pension fund and \$39,213 was for the health insurance fund.

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

At June 30, 2023, the City reported a liability of \$3,550,213 (\$938,471 for the non-hazardous plan and \$2,611,742 for the hazardous duty Plan) as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension Plan relative to the projected contributions of all participating entities, actuarially determined. At the June 30, 2022 measurement year, the City's non-hazardous employer allocation proportion was 0.013% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.086% of the total CERS hazardous duty employees. For the year ended June 30, 2023, the City recognized a net pension benefit of \$66,045 in addition to its \$395,085 pension contribution.

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

CITY OF COLD SPRING, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2023
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	Non-Hazardous		Hazardous		Total	
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 1,003	\$ (8,357)	\$ 74,883	\$ -	\$ 75,886	\$ (8,357)
Net difference between projected actual earnings on plan investments	24,059	-	60,324	-	84,383	-
Changes of assump.	-	-	-	-	-	-
Changes in proportion, differences between contributions and proportionate share of contributions	75,132	(73,368)	137,303	(542,974)	212,435	(616,342)
Contributions subsequent to the measurement date	111,491	-	247,595	-	359,086	-
	<u>\$ 211,685</u>	<u>\$ (81,725)</u>	<u>\$ 520,105</u>	<u>\$ (542,974)</u>	<u>\$ 731,790</u>	<u>\$ (624,699)</u>

The City's contributions subsequent to the measurement date of \$359,085 will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ending June 30,	Net Deferral
2023	\$ (3,266)
2024	(134,670)
2025	(166,621)
2026	52,562
2027	-
Thereafter	-
	<u>\$ (251,995)</u>

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

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

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

CITY OF COLD SPRING, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2023
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House Bill 1 passed during the 2022 legislative session and included a provision that provided an approximate 8% across-the-board salary increase for KERS members effective July 1, 2022, for eligible State employees. While this salary increase may produce an actuarial loss with respect to the liability attributable to Tier 1 and Tier 2 active members (i.e., a higher total pension liability than expected based on current actuarial assumptions), there was not sufficient information available at the time the roll forward Total Pension Liability was calculated to make a reasonable adjustment to reflect these anticipated salary increases. It is GRS's opinion that these procedures for determining the information contained in this report are reasonable, appropriate, and comply with applicable requirements under GASB No. 68.

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

Valuation Date	June 30, 2020
Experience Study	July 1, 2013 to June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service for Non-Hazardous 3.55% to 19.05% varies by service for Hazardous
Investment Rate of Return	6.25%
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

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

Changes of Assumptions

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

CITY OF COLD SPRING, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Discount Rate

The projection of cash flows used to determine the discount rate of 6.25% for CERS Non-hazardous and CERS Hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute, as amended by House Bill 362, (passed in 2018) over the remaining 29 years (closed) amortization period of the unfunded actuarial accrued liability.

Plan Target Allocation

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

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

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

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

	Proportionate Share of Net Pension Liability		
	1% Decrease 5.25%	Current Rate 6.25%	1% Increase 7.25%
Non-hazardous	\$ 1,172,972	\$ 938,471	\$ 744,519
Hazardous	3,253,352	2,611,742	2,089,190
Total	\$ 4,426,324	\$ 3,550,213	\$ 2,833,709

CITY OF COLD SPRING, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2023
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HEALTH INSURANCE – OTHER POST-EMPLOYMENT BENEFITS

Non-Hazardous OPEB Plan Description

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

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

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

	Required Contribution
Tier 1	None
Tier 2	1%
Tier 3	1%

Hazardous OPEB Plan Description

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

CITY OF COLD SPRING, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2023
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Tier 1	Participation date	Before July 1, 2003
	Benefit eligibility	Recipient of a retirement allowance
	Percentage of member premium paid by the plan	< 4 years service - 0%
		4-9 years service - 25%
		10-14 years service - 50%
		15-19 years service - 75%
		20 or more years service - 100%
Tier 2	Participation date	July 1, 2003 - August 31, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 120 months of service at retirement
	Member premium paid by the plan	\$15/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2018, the contribution was \$20.07 per month.
Tier 3	Participation date	On or after September 1, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 180 months of service at retirement
	Member premium paid by the plan	\$15/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2018, the contribution was \$20.07 per month.

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

	Required Contribution
Tier 1	None
Tier 2	1%
Tier 3	1%

Contributions

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

For non-hazardous employees, the City contributed 3.39% of covered employees' compensation for the health insurance fund.

For hazardous duty employees, the City contributed 6.78% of covered employees' compensation for the health insurance fund.

The City made all required contributions for the non-hazardous Plan OPEB obligation for the fiscal year in the amount of \$16,152.

The City made all required contributions for the hazardous Plan OPEB obligation for the fiscal year in the amount of \$39,213.

CITY OF COLD SPRING, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2023
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These contributions are actuarially determined as an amount that is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2023, the City recognized OPEB expense of \$48,810 in addition to its \$55,364 OPEB contribution.

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 \$984,839 as its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB Plan relative to the projected contributions of all governmental entities, actuarially determined. At the June 30, 2022 measurement year, the City's non-hazardous employer allocation proportion was 0.013% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.086% of the total CERS hazardous duty employees.

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

	Non-Hazardous		Hazardous		Total	
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 25,785	\$ (58,744)	\$ 16,101	\$ (43,156)	\$ 41,886	\$ (101,900)
Net difference between projected actual earnings on plan investments	10,397	-	26,597	-	36,994	-
Changes of assump.	40,514	(33,383)	121,637	(125,379)	162,151	(158,762)
Changes in proportion, differences between contributions and proportionate share of contributions	46,811	(34,553)	62,365	(180,111)	109,176	(214,664)
Contributions subsequent to the measurement date	16,152	-	39,213	-	55,365	-
	<u>\$ 139,659</u>	<u>\$ (126,680)</u>	<u>\$ 265,913</u>	<u>\$ (348,646)</u>	<u>\$ 405,572</u>	<u>\$ (475,326)</u>

The City's contributions subsequent to the measurement date of \$55,364 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

CITY OF COLD SPRING, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2023
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Measurement Year Ending June 30,	Net Deferral
2023	\$ (4,187)
2024	(6,175)
2025	(42,338)
2026	(24,131)
2027	(48,289)
Thereafter	-
	<u>\$ (125,120)</u>

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

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

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

Valuation Date	June 30, 2020
Experience Study	July 1, 2013 to June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service for Non-hazardous 3.55% to 19.05% varies by service for Hazardous
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post - 65	Initial trend starting at 9.00% in 2024, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Nonhazardous Systems, and the PUB2010 Public Safety Mortality table for

CITY OF COLD SPRING, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2023
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	the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Post-retirement (non- disabled)	System-specific mortality table based on mortality experience 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

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

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

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

Changes of Assumptions

The discount rates used to calculate the total OPEB liability increased from 5.20% to 5.70% for the non-hazardous Plan and from 5.05% to 5.61% for the hazardous Plan. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2022 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. There were no other material assumption changes.

Discount Rate

Single discount rates of 5.70% for CERS Nonhazardous and 5.61% for CERS Hazardous systems were used to measure the total OPEB liability as of June 30, 2022. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 3.69%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit

CITY OF COLD SPRING, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2023
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employer subsidy was not included in the calculation of the plans actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy.

Plan Target Allocation

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

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

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

The following presents the proportionate share of the net OPEB liability calculated using the discount rates of 5.70% for the non-hazardous Plan and 5.61% for the hazardous Plan, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount Rate, Non-Hazardous	4.70%	5.70%	6.70%
Net OPEB liability, Non-Haz	\$ 342,448	\$ 256,162	\$ 184,832
Discount Rate, Hazardous	4.61%	5.61%	6.61%
Net OPEB liability, Haz	\$ 1,012,475	\$ 728,677	\$ 498,180
Total	\$ 1,354,923	\$ 984,839	\$ 683,012

CITY OF COLD SPRING, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2023
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Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

Healthcare cost trend rate	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Net OPEB liability, non-hazardous	\$ 190,451	\$ 256,162	\$ 355,069
Net OPEB liability, hazardous	508,826	728,677	996,664
Total	\$ 699,277	\$ 984,839	\$ 1,351,733

Plan Fiduciary Net Position

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

NOTE H – 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.

In the year ended June 30, 2023, the City's general fund received 20% of its revenues from insurance premium taxation. This tax is not regulated on a city level, but rather on a state level. If legislation were imposed to delete this tax, the city would be negatively impacted.

NOTE I – STORMWATER MANAGEMENT

Beginning October 1, 2013, the City assumed responsibility of its stormwater management from Sanitation District No. 1 and established the Stormwater Fund. Revenue is generated from the \$4.50 per household/per month fee charged to homeowners/businesses. The program is self-supportive and has a restricted fund balance of \$1,166,358 at June 30, 2023. Future expenditures that exceed the accumulated fund balance will be offset by the general fund.

CITY OF COLD SPRING, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2023
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NOTE J – DISABLE AMERICAN VETERANS PROPERTY PURCHASE

In September 2021, the City purchased the former Disabled American Veterans (DAV) property in Cold Spring, Kentucky for \$6,500,000. The City signed a note at Stockyards Bank for \$6,500,000 (see *Note F – Long Term Debt* above) to fund the purchase, paying DAV \$5,500,000 and holding \$1,000,000 in escrow until the purchase could be completed. The City's intent was to hold the property until a corporate buyer could make arrangement to purchase the property.

In October 2021, the City was notified by the Campbell County School District that the District intended to put an *eminent domain* order upon the property for the location of a future middle school. The School District paid the City \$5,500,000 for the property. The City has not recognized this revenue and is holding the cash as a deferred revenue.

The City filed suit in Campbell County Circuit Court for dismissal of the *eminent domain* order. The Campbell County Circuit Court ruled in favor of the School District. The City appealed the ruling to the Kentucky Court of Appeals. On December 19, 2022, the Kentucky Court of Appeals reversed the Circuit Court decision, finding the School Board could not utilize an eminent domain order for the DAV property. The School District initially sought discretionary review before the Kentucky Supreme Court, then pulled its request for discretionary review. At the date of these financial statements, the building was still owned by the City of Cold Spring and the City had an unrecognized deferred revenue of \$6,500,000. See *NOTE O* below

NOTE K – TAX ABATEMENTS

In 1990, the City annexed 15 properties into the City of Cold Spring. To defray property tax increases for the owners, the City agreed to only assess tax on one-half of the property value until the property is sold. As of June 30, 2023, 14 properties remain with the original owners and \$1,534 in property taxes were abated during the 2022-23 tax year.

NOTE L – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

- Statement No. 91 – Conduit Debt Obligations – Implementation in FY 2023
- Statement No. 94 – Public-Private and Public-Public Partnerships – FY 2023
- Statement No. 96 – Subscription-Based Information Technology Arrangements – FY 2023

The City has determined there are no effects from these pronouncements.

NOTE M – FUTURE ACCOUNTING STANDARDS

- Statement No. 100 – Accounting Changes & Error Corrections – Implementation in FY 2024
- Statement No. 101 – Compensated Absences – Implementation in FY 2024

NOTE N – AMERICAN RESCUE PLAN ACT FUNDING

In response to the COVID-19 Global Pandemic, the City has qualified for and received two tranches of Federal ARPA funding, in the amounts of \$850,810 and \$876,007, passed through the Commonwealth of Kentucky's Department for Local Government. The City expended \$600,000 and \$0 of the funding in the fiscal years ended June 30, 2023 and 2022, respectively. The remaining balance of \$1,126,817 has been deferred to future years, and will be recognized when expended, per the grant requirements.

CITY OF COLD SPRING, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2023
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NOTE O – SUBSEQUENT EVENTS

Management has evaluated and considered the need to recognize or disclose subsequent events through November 20, 2023, which represents the date that these financial statements were available to be issued. The City had one event subsequent to June 30, 2023 through November 20, 2023 to disclose.

On August 02, 2023, a date after the reporting date but before the date of these financial statements, the City returned the \$5,500,000 payment for the DAV building to the Campbell County School District, and regained possession of the building. The City also re-initiated the loan from Stockyards Bank for \$5,500,000 for the purchase of the building from DAV.

CITY OF COLD SPRING, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL - GENERAL FUND
For the Year Ended June 30, 2023

	Budgeted Amounts				Variance with Final Budget Favorable (Unfavorable)
	Original	Revisions	Final	Actual	
Budgetary fund balance, July 1	\$ 5,642,297	\$ 7,369,718	\$ 13,012,015	\$ 9,860,880	\$ (3,151,135)
Resources (inflows)					
Property taxes	980,000	58,943	1,038,943	1,041,383	2,440
Payroll tax	-	582,728	582,728	1,555,125	972,397
Insurance premium tax	-	826,477	826,477	1,047,362	220,885
Licenses and permits	171,000	578,477	749,477	276,989	(472,488)
Other taxes	-	343,439	343,439	402,596	59,157
Intergovernmental	975,203	(898,520)	76,683	692,172	615,489
Charges for services	400,145	132,147	532,292	552,135	19,843
Fines, forfeitures, and penalties	3,000	8,626	11,626	21,609	9,983
Interest income	-	-	-	6,123	6,123
Parks, trees and recreation	2,100	(2,100)	-	20,293	20,293
Other taxes	2,336,176	(2,259,129)	77,047	48,281	(28,766)
Amounts available for appropriation	10,509,921	6,740,806	17,250,727	15,524,948	(1,725,779)
Charges to appropriations (outflows)					
General government	2,040,162	(612,198)	1,427,964	1,448,168	(20,204)
Police	2,882,630	(1,236,231)	1,646,399	2,264,080	(617,681)
Public works	839,779	(263,708)	576,071	716,226	(140,155)
Enterprises	38,700	(9,927)	28,773	99,317	(70,544)
Parks, trees and recreation	131,150	(51,447)	79,703	35,085	44,618
Total charges to appropriations	5,932,421	(2,173,511)	3,758,910	4,562,876	(803,966)
Other financing use	-	(6,500,000)	(6,500,000)	(6,500,000)	-
Transfer from (to) other fund	-	-	-	(150,000)	(150,000)
Budgetary fund balance, June 30	\$ 4,577,500	\$ 2,414,317	\$ 6,991,817	\$ 4,312,072	\$ (1,071,813)

Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balance

Budgetary Fund Balance	\$ 4,312,072
Adjustments	-
G.A.A.P Basis General Fund Balance	<u>\$ 4,312,072</u>

CITY OF COLD SPRING, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
STORMWATER FUND
For the Year Ended June 30, 2023

	Budgeted Amounts				Variance with Final Budget Favorable (Unfavorable)
	Original	Revisions	Final	Actual	
Budgetary fund balance, July 1	\$ 1,053,245	\$ 75,836	\$ 1,129,081	\$ 1,059,712	\$ (69,369)
Resources (inflows)					
Commercial fees	175,300	-	175,300	175,704	404
Residential fees	73,400	-	73,400	78,934	5,534
Interest	-	-	-	100	100
Amounts available for appropriation	1,301,945	75,836	1,377,781	1,314,450	(63,331)
Charges to appropriations (outflows)					
Stormwater expense	256,529	(127,111)	129,418	148,092	(18,674)
Total charges to appropriations	256,529	(127,111)	129,418	148,092	(18,674)
Transfer out	-	-	-	-	-
Budgetary fund balance, June 30	\$ 1,045,416	\$ 202,947	\$ 1,248,363	\$ 1,166,358	\$ (82,005)

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

	Schedule of the City's Proportionate Share of the Net Pension Liability County Employees' Retirement System (CERS)									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of net pension liability	0.0130%	0.0146%	0.0117%	0.0102%	0.0094%	0.0118%	0.0101%	0.0119%	0.0122%	
Proportionate share of the net pension liability (asset)	\$ 938,471	\$ 930,546	\$ 900,448	\$ 713,995	\$ 574,072	\$ 691,744	\$ 497,717	\$ 511,446	\$ 397,173	
Covered payroll in year of measurement	\$ 435,539	\$ 348,954	\$ 303,350	\$ 249,496	\$ 232,925	\$ 266,213	\$ 331,231	\$ 278,556	\$ 283,690	
Share of the net pension liability (asset) as a percentage of its covered payroll	215.47%	266.67%	296.83%	286.17%	246.46%	264.01%	150.26%	183.61%	140.00%	
Plan fiduciary net position as a percentage of total pension liability	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	59.97%	59.97%	66.80%	

	Schedule of the City's Contributions County Employees' Retirement System (CERS)									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 111,491	\$ 92,204	\$ 67,348	\$ 58,547	\$ 40,468	\$ 33,728	\$ 37,137	\$ 41,139	\$ 35,516	\$ 38,979
Actual contribution	111,491	92,204	67,348	58,547	40,468	33,728	37,137	41,139	35,516	38,979
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	476,456	435,539	348,954	303,350	249,496	232,925	266,213	331,231	278,556	283,690
Contributions as a percentage of covered payroll	23.40%	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%

**Notes to Required Supplementary Information
For the Year Ended June 30, 2023**

The net pension liability as of June 30, 2023, is based on the June 30, 2022, actuarial valuation. The changes to the elements of the pension expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE G in the Notes to the Financial Statements.

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

Schedule of the City's Proportionate Share of the Net Pension Liability County Employees' Retirement System (CERS)										
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of net pension liability	0.0856%	0.1078%	0.1126%	0.0950%	0.0091%	0.1126%	0.1232%	0.1371%	0.1299%	
Proportionate share of the net pension liability (asset)	\$ 2,611,742	\$ 2,868,530	\$ 3,394,229	\$ 2,623,131	\$ 2,189,090	\$ 2,519,959	\$ 2,113,653	\$ 2,007,324	\$ 1,561,151	
Covered payroll in year of measurement	\$ 504,392	\$ 673,781	\$ 629,583	\$ 532,301	\$ 510,688	\$ 635,892	\$ 642,719	\$ 615,133	\$ 651,722	
Share of the net pension liability (asset) as a percentage of its covered payroll	517.80%	425.74%	539.12%	492.79%	428.66%	396.29%	328.86%	326.32%	239.54%	
Plan fiduciary net position as a percentage of total pension liability	47.11%	52.26%	44.11%	46.63%	49.26%	49.80%	53.95%	57.52%	63.46%	

Schedule of the City's Contributions County Employees' Retirement System (CERS)										
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 247,595	\$ 170,787	\$ 202,538	\$ 189,253	\$ 132,330	\$ 113,373	\$ 138,052	\$ 130,215	\$ 141,173	\$ 141,880
Actual contribution	247,595	170,787	202,538	189,253	132,330	113,373	138,052	130,215	141,173	141,880
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	578,357	504,392	673,781	629,583	532,301	510,688	635,892	642,719	615,133	651,722
Contributions as a percentage of covered payroll	42.81%	33.86%	30.06%	30.06%	24.86%	22.20%	21.71%	20.26%	22.95%	21.77%

**Notes to Required Supplementary Information
For the Year Ended June 30, 2023**

The net pension liability as of June 30, 2023, is based on the June 30, 2022, actuarial valuation. The changes to the elements of the pension expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE G in the Notes to the Financial Statements.

CITY OF COLD SPRING, KENTUCKY

MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT OPEB PLAN DISCLOSURE-NON-HAZARDOUS Last Ten Fiscal Years

Schedule of the City's Proportionate Share of the Net OPEB Liability County Employees' Retirement System (CERS)									
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of net OPEB liability	0.0130%	0.0146%	0.0117%	0.0102%	0.0094%	0.0012%			
Proportionate share of the net OPEB liability (asset)	\$ 256,162	\$ 279,357	\$ 283,389	\$ 170,702	\$ 167,357	\$ 237,582			
Covered payroll in year of measurement	\$ 435,539	\$ 348,954	\$ 303,350	\$ 249,496	\$ 232,925	\$ 262,013			
Share of the net OPEB liability (asset) as a percentage of its covered payroll	58.81%	80.06%	93.42%	68.42%	71.85%	90.68%			
Plan fiduciary net position as a percentage of total OPEB liability	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%			

Schedule of the City's Contributions

County Employees' Retirement System (CERS)									
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 16,152	\$ 25,174	\$ 16,610	\$ 14,439	\$ 13,123	\$ 10,947	\$ 12,315		
Actual contribution	16,152	25,174	16,610	14,439	13,123	10,947	12,315		
Contribution deficiency (excess)	-	-	-	-	-	-	-		
Covered payroll	476,456	435,539	348,954	303,350	249,496	232,925	262,013		
Contributions as a percentage of covered payroll	3.39%	5.78%	4.76%	4.76%	5.26%	4.70%	4.70%		

Notes to Required Supplementary Information For the Year Ended June 30, 2023

The net OPEB liability as of June 30, 2023, is based on the June 30, 2022, actuarial valuation. The changes to the elements of the OPEB expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE G in the Notes to the Financial Statements.

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

	Schedule of the City's Proportionate Share of the Net OPEB Liability County Employees' Retirement System (CERS)									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of net OPEB liability	0.0855%	0.1078%	0.1125%	0.0950%	0.0905%	0.1126%				
Proportionate share of the net OPEB liability (asset)	\$ 728,677	\$ 871,239	\$ 1,039,998	\$ 702,563	\$ 645,378	\$ 931,122				
Covered payroll in year of measurement	\$ 504,392	\$ 673,781	\$ 629,583	\$ 532,301	\$ 510,688	\$ 635,892				
Share of the net OPEB liability (asset) as a percentage of its covered payroll	144.47%	129.31%	165.19%	131.99%	126.37%	146.43%				
Plan fiduciary net position as a percentage of total OPEB liability	64.13%	66.81%	58.84%	64.44%	64.24%	59.00%				

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 39,213	\$ 52,810	\$ 64,144	\$ 59,936	\$ 55,732	\$ 47,749	\$ 59,446			
Actual contribution	39,213	52,810	64,144	59,936	55,732	47,749	59,446			
Contribution deficiency (excess)	-	-	-	-	-	-	-			
Covered payroll	578,357	504,392	673,781	629,583	532,301	510,688	635,892			
Contributions as a percentage of covered payroll	6.78%	10.47%	9.52%	9.52%	10.47%	9.35%	9.35%			

**Notes to Required Supplementary Information
For the Year Ended June 30, 2023**

The net OPEB liability as of June 30, 2023, is based on the June 30, 2022, actuarial valuation. The changes to the elements of the OPEB expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE G in the Notes to the Financial Statements.

CITY OF COLD SPRING, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
MUNICIPAL AID ROAD FUND
For the Year Ended June 30, 2023

	Budgeted Amounts				Variance with Final Budget Favorable (Unfavorable)
	Original	Revisions	Final	Actual	
Budgetary fund balance, July 1	\$ 366,087	\$ (128,810)	\$ 237,277	\$ 223,867	\$ (13,410)
Resources (inflows)					
Intergovernmental	118,203	1,833	120,036	120,036	-
Other income	-	-	45	50	5
Amounts available for appropriation	484,290	(126,977)	357,358	343,953	(13,405)
Charges to appropriations (outflows)					
Municipal road fund	81,583	-	81,583	405,303	(323,720)
Total charges to appropriations	81,583	-	81,583	405,303	(323,720)
Transfer from General Fund	-	-	-	150,000	150,000
Budgetary fund balance, June 30	\$ 402,707	\$ (126,977)	\$ 275,775	\$ 88,650	\$ (187,125)

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Cold Spring, Kentucky as of June 30, 2023 and the related notes to the financial statements which collectively comprise the City of Cold Spring, Kentucky's financial statements, and have issued our report thereon dated November 20, 2023.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

The results of our tests disclosed the following instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*:

Finding 2023-01 – Expenditure in Excess of Amended Budget

Criteria: Kentucky Revised Statute 91A.030(1) states “Each city shall operate under an annual budget ordinance adopted and administered in accordance with the provisions of this section. Notwithstanding any other provision of law, no city shall expend any moneys from any governmental or proprietary fund, except in accordance with a budget ordinance adopted pursuant to this section.”

Condition: The City expended the following amounts more than budgeted in each of its’ three funds for the fiscal year ended June 30, 2023.

General Fund	\$	803,966
Municipal Road Aid Fund		323,720
Stormwater Fund		18,674

Cause: The City amended its original fiscal year budget in June 2023 with an amended budget ordinance that reduced the General Fund expenditures by \$2,173,511 and the Stormwater Fund expenditures by \$127,111. The City did not amend the Municipal Road Aid Fund expenditures budget.

Effect: Expending more than budgeted appropriations is a violation of KRS 91A.030(1).

Recommendation: When amending the budget, the City should carefully consider all actual expenditures, and ensure all capital and financing-related expenditures are included.

Management Comment: *The overage in the General Fund had to do with an attempt to reflect the actuals for the City, and resulted in over subtraction of ARPA funded projects, which were not performed when the budget was amended. The overage in the MRAF fund came from timing on invoices regarding the Darlas Road project, with expenses that were originally planned for fiscal year 2024, being billed and booked into fiscal year 2023. The City’s Consultant Accounts will assist the City Administrative Officer in the preparation of the City’s Annual Budget and any related Budget Amendments.*

Purpose of this Report

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

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.
Erlanger, Kentucky
November 20, 2023