

CITY OF SOUTHGATE, KENTUCKY

FINANCIAL STATEMENTS

Year Ended June 30, 2022

With

Independent Auditors' Report

CITY OF SOUTHGATE, KENTUCKY

FINANCIAL STATEMENTS

Year Ended June 30, 2022

With

Independent Auditors' Report

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CITY OF SOUTHGATE, KENTUCKY

FINANCIAL STATEMENTS

Year Ended June 30, 2022

With

Independent Auditors' Report

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CITY OF SOUTHGATE, KENTUCKY

LIST OF CITY OFFICIALS

Year Ended June 30, 2022

Mayor

Jim Hamberg

Council Members

Joe Anderson
Thomas Wegener
Paul Melville

Mark Messmer
Aileen Okura
Chris Robisch

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BRAMELACKLEY, PSC

Certified Public Accountants and Business Advisors

859-341-6700	www.bramelackley.com
1-877-585-6454	1885 Dixie Highway,
Fax 859-578-3542	Suite 310
info@bramelackley.com	Ft. Wright, Kentucky 41011

INDEPENDENT AUDITORS' REPORT

**To the Mayor and Council
City of Southgate, Kentucky**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Southgate, Kentucky, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Southgate, Kentucky's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Southgate, Kentucky as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Southgate, Kentucky's basic financial statements. The combining non-major governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances and the budgetary comparison schedules of the non-major governmental funds on pages 55-59 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 information 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 February 15, 2023, on our consideration of the City of Southgate, 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 Southgate, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Southgate, Kentucky's internal control over financial reporting and compliance.

Bramel & Ackley, P.S.C.

February 15, 2023

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CITY OF SOUTHGATE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of City of Southgate, Kentucky's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2022. Please read it in conjunction with the City's basic financial statements.

USING THIS ANNUAL REPORT

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

Financial Highlights

As of the close of the current and prior fiscal years, the City's governmental funds reported fund balances as follows:

Funds	FYE 2021 Amount	FYE 2022 Amount	Percentage Increase/ (Decrease)	Increase / (Decrease) From FYE 2021
General	\$ 928,256	\$ 724,740	-21.92%	\$ (203,516)
Municipal Road Aid	5,914	65,210	1002.64%	59,296
Community Center	9,405	4,952	-47.35%	(4,453)
Special Projects	-	472,020	100.00%	472,020
Total Fund Balance	<u>\$ 943,575</u>	<u>\$ 1,266,922</u>	<u>34.27%</u>	<u>\$ 323,347</u>

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-Wide Statement of Net Position and Activities

One of the most important questions asked about the City's finances is, "Is the City as a whole in a better or worse financial position as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question.

CITY OF SOUTHGATE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2022

Government-Wide Statement of Net Position and Activities (Continued)

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. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net position* and changes in them. You can think of the City's net position as the difference between assets, what the citizens own, and liabilities, what the citizens owe. This is one way to measure the City's financial health, or *financial position*.

Over time, *increases or decreases* in the City's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other factors also, such as changes in the City's property tax, gross receipts, payroll and insurance premium tax base, and the condition of the City's capital assets (roads, buildings, equipment and sidewalks) to assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, we have listed the governmental activities. Most of the City's basic services are reported here, including general government, police, fire & EMS, streets, community center, garage, parks, etc. Gross receipts and payroll license fees, insurance premium taxes, charges for services (waste collection, community center usage, etc.) and property taxes, as well as government grants finance most of these activities.

Fund Financial Statements

The Governmental Fund financial statements provide detailed information about the City's funds. Some funds are required to be established by State Statute or Municipal Ordinance (Ex. Community Center Fund). However, the City Council establishes a few other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for grant funds (Ex. Municipal Road Aid Fund).

Governmental funds: Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the differences between the government wide net position financial statements and the governmental fund financial statements in the reconciliations within the audited financial statements.

CITY OF SOUTHGATE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2022

Government-Wide Change in Net Position

For the year ended June 30, 2022, net position for all of the governmental activities changed as follows:

	<u>Governmental Activities</u>
Beginning Net Position	\$ 2,051,682
(Decrease) in Net Position	<u>207,093</u>
Ending Net Position	<u>\$ 2,258,775</u>

Government-Wide Statement of Net Position Summary

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2022</u>
Current Assets	\$1,082,282	\$2,348,919
Capital Assets, Net	<u>3,834,457</u>	<u>4,059,691</u>
Total Assets	\$4,916,739	\$6,408,610
Deferred Outflow of Resources	<u>373,193</u>	<u>392,759</u>
Total Assets and Deferred Outflows	<u>\$5,289,932</u>	<u>\$6,801,369</u>
Current Liabilities	276,690	1,239,569
Long Term Liabilities	<u>2,757,863</u>	<u>2,989,954</u>
Total Liabilities	3,034,553	4,229,523
Deferred Inflow of Resources	<u>203,697</u>	<u>313,071</u>
Total Liabilities and Deferred Inflows	<u>3,238,250</u>	<u>4,542,594</u>
Net Assets	<u>\$2,051,682</u>	<u>\$2,258,775</u>

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different from a typical Statement of Revenues, Expense, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a net (expense)/revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers.

CITY OF SOUTHGATE, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2022

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The following schedule presents a summary of general and special revenues for all of the funds for the fiscal year ended June 30, 2022, and the amount and percentage of increases and decreases in relation to the prior year.

Revenues	FYE 2021 Amount	FYE 2022 Amount	Percentage Incr(Decr)	Increase (Decrease) From FYE 2021
Property Taxes	\$ 1,227,285	\$ 1,231,685	0.36%	\$ 4,400
Franchise fees	89,586	107,954	20.50%	18,368
Telecommunications tax	48,378	49,151	1.60%	773
Payroll tax	555,272	627,686	13.04%	72,414
Insurance premium tax	424,070	475,471	12.12%	51,401
Licenses and permits	35,393	33,480	-5.41%	(1,913)
Intergovernmental	482,664	485,979	0.69%	3,315
Fines, forfeitures, penalties	30,918	44,856	45.08%	13,938
Charges for Services	229,094	254,521	11.10%	25,427
Investment Income	1,714	10,053	486.52%	8,339
Loan Proceeds	-	483,616	100.00%	483,616
Micellaneous	10,472	14,642	39.82%	4,170
Total Revenue and Other Financing Sources	<u>\$ 3,134,846</u>	<u>\$ 3,819,094</u>	21.83%	<u>\$ 684,248</u>

Payroll tax increased due to higher payroll earned within the city during the current fiscal year. Insurance premium tax increased due to an increase in inflation in premiums and property values. Charges for services increased as a result of increased waste collection fees and an increase in the number of rentals of the community center. Investment income increased due to interest earned on a new special projects fund investment account. Loan proceeds increased due to new loans during the year.

The following schedule presents a summary of general expenditures for all of the funds for the fiscal year ended June 30, 2022, and the amount and percentage of increases and decreases in relation to the prior year.

CITY OF SOUTHGATE, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2022

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

Expenditures	FYE 2021 Amount	FYE 2022 Amount	Percentage Incr(Decr)	Increase (Decrease) From FYE 2021
General Government	\$ 404,648	\$ 370,539	-8.43%	\$ (34,109)
Police	1,017,679	1,011,589	-0.60%	(6,090)
Fire/EMS	452,391	537,902	18.90%	85,511
Waste Collection	175,514	184,518	5.13%	9,004
Streets	205,568	170,176	-17.22%	(35,392)
Garage	197,598	188,800	-4.45%	(8,798)
Community Center	87,237	121,428	39.19%	34,191
Parks	516,744	80,745	-84.37%	(435,999)
Capital Outlay	92,422	539,932	484.20%	447,510
Debt Service	201,186	235,117	16.87%	33,931
Total Expenditures	<u>\$ 3,350,987</u>	<u>\$ 3,440,746</u>	2.68%	<u>\$ 89,759</u>

Fire/EMS expense increased primarily due to a 16% increase in fire protection contractual services. Streets expense decreased due to a decrease in equipment and vehicle maintenance costs. The Community Center expenses increased due to an increase in salaries expense and major maintenance performed on the Community Center building. Parks decreased expenses related to the trail project in the prior fiscal year. Capital outlay increased primarily due completion of street project that began in prior fiscal year, as well as firehouse flooring replacement and police vehicle purchases.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

	Governmental Activities	
	2021	2022
Land	\$ 378,323	\$ 378,323
Buildings	3,215,477	3,245,726
Land Improvements	39,867	39,867
Infrastructure	2,640,388	2,640,388
Equipment	774,725	792,082
Vehicles	426,303	445,517
Construction in progress	34,333	447,121
Totals	<u>\$ 7,509,416</u>	<u>\$ 7,989,024</u>

CITY OF SOUTHGATE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2022

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt

The City has \$1,931,667 in outstanding debt at June 30, 2022, a 20.30% increase from 2021 as detailed below:

	Governmental Activities	
	2021	2022
Firehouse note payable	\$ 834,470	\$ 787,289
Storm sewer note payable	178,753	152,197
Wesbanco Bank - 2018 vehicle loan	7,113	1,022
Wesbanco Bank - 2018 vehicle loan	27,923	12,198
Wesbanco Bank - 2019 vehicle loan	16,898	5,741
Wesbanco Bank - 2020 vehicle loan	20,912	14,774
Wesbanco Bank - 2021 vehicle loan	-	61,363
Series 2018B revenue bond	519,583	494,583
Series 2021E revenue bond	-	402,500
Totals	<u>\$ 1,605,652</u>	<u>\$ 1,931,667</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the city council revised the General Fund budget once. The budget amendment was made to increase the beginning fund balance to actual, to increase and decrease revenues and expenditures to more closely reflect the anticipated revenues and expenditures for the year.

Actual revenue came in higher than budgeted amounts by \$42,963. Actual expenditures came in under the amended budget by \$24,145. The City's General Fund ended the year with expenditures and transfers exceeding revenues by \$203,516. \$519,601 was transferred to the Special Projects Fund from the General Fund and \$44,000 was transferred from the Community Center Fund to the General Fund.

GASB 68 PENSION AND GASB 75 OPEB LIABILITY RECOGNITION

As of June 30, 2018, 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 Public Pensions Authority's County Employee Retirement System (CERS), a cost sharing multiple employer plan, in which the City is a participant. The net pension liability \$934,331 and OPEB liability \$281,528, the deferred outflow related to pension plans \$213,418, the deferred outflow related to OPEB \$179,341, and the deferred inflow related to pension plans \$155,240 and deferred inflow related to OPEB \$157,831, on the Statement of Net Position at June 30, 2022 are a function of this required reporting. Detailed information on this pension and OPEB recognition can be found in Note G and H in the Notes to the Financial Statements.

CITY OF SOUTHGATE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2022

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's elected officials consider many factors when setting the fiscal year 2023 budget. Some of the factors are the local economy, expected grant monies and anticipated tax revenues.

The City is allowed by law to set an ad valorem rate that will generate 4% more revenue than last year. This year the Council voted not to take the allowable 2.0% increase over the compensating rate. The rate was set at 0.596 per hundred for fiscal year ended June 30, 2020, at 0.596 for fiscal year ended June 30, 2021, and 0.596 for fiscal year ended June 30, 2022.

The rate for the firehouse loan was set at 0.5387 per hundred for the fiscal year ended June 30, 2016 and remained the same for fiscal years 2017 through 2022.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Director, Patty Edgley at (859) 441-0075 or at the city building at 122 Electric Avenue, Southgate, KY 41017.

CITY OF SOUTHGATE, KENTUCKY

STATEMENT OF NET POSITION

June 30, 2022

	Primary Government
	Governmental Activities
- ASSETS -	
Cash and cash equivalents	\$ 1,510,463
Investments	606,385
Receivable:	
Property taxes	13,223
Intergovernmental	12,764
Other	193,533
Prepaid	12,551
Total current assets	<u>2,348,919</u>
Land	378,323
Capital assets being depreciated	7,610,701
Less: accumulated depreciation	<u>(3,929,333)</u>
Net capital assets	4,059,691
Total assets	<u>6,408,610</u>
- DEFERRED OUTFLOWS OF RESOURCES -	
Deferred outflows related to pension plans	213,418
Deferred outflows related to OPEB	179,341
Total deferred outflows of resources	<u>392,759</u>
- LIABILITIES -	
Accounts payable	177,468
Accrued liabilities	90,522
Deferred revenue	814,007
Notes payable	116,739
Bond payable	40,833
Total current liabilities	<u>1,239,569</u>
Long-term liabilities:	
Notes payable	917,845
Bond payable	856,250
Net pension liability	934,331
Net OPEB liability	281,528
Total liabilities	<u>4,229,523</u>
- DEFERRED INFLOWS OF RESOURCES -	
Deferred inflows related to pension plans	155,240
Deferred inflows related to OPEB	157,831
Total deferred inflows of resources	<u>313,071</u>
- NET POSITION -	
Net investment in capital assets	2,128,024
Restricted	142,607
Unrestricted	(11,856)
Total net position	<u>\$ 2,258,775</u>

The accompanying notes are an integral part of this statement.

CITY OF SOUTHGATE, KENTUCKY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government					
Governmental Activities					
Administration	\$ 384,693	\$ 26,079	\$ -	\$ -	\$ (358,614)
Police	1,074,092	650	41,795	297,287	(734,360)
Fire and EMS	567,812	-	-	-	(567,812)
Waste collection	184,518	188,245	-	-	3,727
Streets	357,648	-	77,632	69,265	(210,751)
Garage	198,345	-	-	-	(198,345)
Community Center	154,891	39,545	-	-	(115,346)
Parks	73,866	-	-	-	(73,866)
Interest on long-term debt	77,515	-	-	-	(77,515)
Loss on investments	55,001	-	-	-	(55,001)
Total governmental activities	3,128,381	254,519	119,427	366,552	(2,387,883)
GENERAL REVENUES:					
Taxes:					
Property taxes					1,231,685
Franchise fees					107,954
Telecommunications taxes					49,151
Payroll license					627,686
Insurance premium taxes					475,471
Licenses and permits					33,480
Investment income					10,053
Fines, forfeitures, penalties					44,856
Gain on disposal of asset					9,690
Miscellaneous					4,950
Total general revenues					2,594,976
Change in net position					207,093
NET POSITION, BEGINNING					2,051,682
NET POSITION, ENDING					\$ 2,258,775

The accompanying notes are an integral part of this statement.

CITY OF SOUTHGATE, KENTUCKY

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2022

	General Fund	Other Governmental Funds	Total Governmental Funds
- ASSETS -			
Cash and cash equivalents	\$ 1,221,011	\$ 289,452	\$ 1,510,463
Investments	-	606,385	606,385
Receivables:			
Property taxes	13,223	-	13,223
Intergovernmental	3,899	8,865	12,764
Other	193,533	-	193,533
Prepaid	12,551	-	12,551
Due from other funds	351,097	-	351,097
Total assets	\$ 1,795,314	\$ 904,702	\$ 2,700,016
- LIABILITIES AND FUND BALANCES -			
LIABILITIES:			
Accounts payable	\$ 177,313	\$ 155	\$ 177,468
Accrued liabilities	81,142	9,380	90,522
Deferred revenue	812,119	1,888	814,007
Due to other funds	-	351,097	351,097
Total liabilities	1,070,574	362,520	1,433,094
FUND BALANCES:			
Nonspendable	12,551	-	12,551
Restricted	77,397	65,210	142,607
Committed	175	-	175
Assigned	-	4,952	4,952
Unassigned	634,617	472,020	1,106,637
Total fund balances	724,740	542,182	1,266,922
Total liabilities and fund balances	\$ 1,795,314	\$ 904,702	\$ 2,700,016

The accompanying notes are an integral part of this statement.

CITY OF SOUTHGATE, KENTUCKY

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

June 30, 2022

Total fund balances - governmental funds	\$	1,266,922
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds:

Cost of capital assets	7,989,024	
Accumulated depreciation	(3,929,333)	
		4,059,691

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

Net pension liability	(934,331)	
Net OPEB liability	(281,528)	
Notes payable	(1,034,584)	
Bond payable	(897,083)	
		(3,147,526)

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

Deferred outflows of resources	213,418	
Deferred inflows of resources	(155,240)	
		58,178

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

Deferred outflows of resources	179,341	
Deferred inflows of resources	(157,831)	
		21,510

Total net position - governmental activities	\$	<u>2,258,775</u>
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The accompanying notes are an integral part of this statement.

CITY OF SOUTHGATE, KENTUCKY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year Ended June 30, 2022

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Property taxes	\$ 1,231,685	\$ -	\$ 1,231,685
Franchise fees	107,954	-	107,954
Telecommunication tax	49,151	-	49,151
Payroll license	627,686	-	627,686
Insurance premium tax	475,471	-	475,471
Licenses and permits	33,480	-	33,480
Intergovernmental	8,395	146,897	155,292
Fines, forfeitures, penalties	44,856	-	44,856
KLEFPF income	33,400	-	33,400
Charges for services	214,974	39,547	254,521
Investment income	950	9,103	10,053
Miscellaneous	14,642	-	14,642
Total revenues	<u>2,842,644</u>	<u>195,547</u>	<u>3,038,191</u>
EXPENDITURES:			
Administration	359,128	11,411	370,539
Police	1,011,589	-	1,011,589
Fire and EMS	537,902	-	537,902
Waste collection	184,518	-	184,518
Streets	170,176	-	170,176
Garage	188,800	-	188,800
Community Center	121,428	-	121,428
Parks	80,745	-	80,745
Capital outlay	110,741	429,191	539,932
Debt service			
Principal	125,102	32,500	157,602
Interest	51,333	26,182	77,515
Total expenditures	<u>2,941,462</u>	<u>499,284</u>	<u>3,440,746</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from loan	73,616	410,000	483,616
CARES/ARPA funding	297,287	-	297,287
Loss on investments	-	(55,001)	(55,001)
Transfers in	44,000	519,601	563,601
Transfers out	(519,601)	(44,000)	(563,601)
Total other financing sources and uses	<u>(104,698)</u>	<u>830,600</u>	<u>725,902</u>
Net change in fund balances	(203,516)	526,863	323,347
FUND BALANCES, BEGINNING	<u>928,256</u>	<u>15,319</u>	<u>943,575</u>
FUND BALANCES, ENDING	<u><u>\$ 724,740</u></u>	<u><u>\$ 542,182</u></u>	<u><u>\$ 1,266,922</u></u>

The accompanying notes are an integral part of this statement.

CITY OF SOUTHGATE, KENTUCKY

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2022

Net change in fund balances - total governmental funds	\$ 323,347
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful remaining lives as annual depreciation expense in the Statement of Activities. This is the amount by which depreciation exceeded capital outlays in the period:

Capital outlays	542,189	
Depreciation expense	<u>(316,956)</u>	
		225,233

Proceeds from loan payable are reported as other financing sources in the governmental funds, but as a long-term liability in the Statement of Net Position. Repayment of loan payable principal is an expenditure in the governmental funds, but a reduction of long-term liabilities in the Statement of Net Position. This is the amount of proceeds that exceed principal payments in the period.

(326,014)

City pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the City's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

City pension contributions	90,325	
Cost of benefits earned	<u>(99,875)</u>	
		(9,550)

City OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net OPEB liability is measured a year before the City's report date. OPEB expense, which is the change in the net OPEB liability adjusted for changes in deferred outflows and inflows of resources related to OPEB, is reported in the Statement of Activities.

City OPEB contributions	26,154	
Cost of benefits earned	<u>(32,077)</u>	
		<u>(5,923)</u>

Change in net position - governmental activities	\$ <u>207,093</u>
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The accompanying notes are an integral part of this statement.

CITY OF SOUTHGATE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2022

NOTE A – OVERVIEW OF ENTITY

The City of Southgate, Kentucky, was incorporated in 1907. The City operates under a Council-Mayor form of government as a fourth-class city under the Kentucky Revised Statutes. The City provides the following services: police, streets, and general administrative services. Fire protection, building permits/inspections, and waste collection are services contracted to other agencies.

Kentucky Revised Statutes and Ordinances of the City Council of the City of Southgate, Kentucky (City) designate the purpose, function and restrictions of the various funds. The financial statements included herein consist of the General, Municipal Road Aid, Community Center and Special Projects Funds.

Reporting Entity

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

The financial statements of the City include those of separately administered organizations that are controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board. The City has no component units. The Southgate Public Property and Projects Corporation is included in the accompanying financial statements in the general fund.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-wide Financial Statements

The government-wide financial statements (Statement of Net Position and Activities) report information on all activities of the City as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The City has no business-type activities.

CITY OF SOUTHGATE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2022

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. 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.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

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

Governmental Fund Types

The City reports the following governmental funds:

- A. The General Fund is the main operating fund of the City. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is a major fund of the City.
- B. The Municipal Road Aid Fund, the Community Center Fund and Special Projects Fund are nonmajor special revenue funds of the City.

CITY OF SOUTHGATE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2022

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

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

- Obligations of the United States and of its agencies and instrumentalities
- Certificates of Deposit
- Banker's Acceptances
- Commercial Paper
- Bonds of Other State or Local Governments
- Mutual Funds

Investments

In accordance with GASB, investments held at year end are recorded at fair value based on quoted market prices.

Property Taxes and Tax Calendar

Property taxes are levied as of January 1 on property values assessed as of the same date. The taxes are billed on approximately October 1 and are due and payable on November 30. On December 1, the bill becomes delinquent and penalties and interest may be assessed by the City. A lien may be placed on the property on December 1.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2022 are recorded as prepaid items.

Capital Assets

General capital assets are assets that generally result from expenditures in the governmental funds. These assets are reported in the governmental activities' column of the government-wide statement of net position.

The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the governmental activities. Infrastructure, such as streets, sidewalks and storm sewers, including infrastructure acquired prior to the implementation of GASB 34 are capitalized. The valuation basis for general capital assets are historical costs, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at their acquisition value rather than fair value. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. The City maintains a capitalization threshold of five thousand dollars.

CITY OF SOUTHGATE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2022

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet.

The range of useful lives used for depreciation purposes for each capital asset class is as follows:

Buildings	50 years
Building Improvements	Remaining life of building
Public Domain infrastructure	15 years
Light vehicles	5 years
Heavy vehicles	10 years
Equipment	5 -15 years

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all governmental funds. All annual appropriations continue in effect until a new budget is adopted.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as revenue and payment of principal and interest 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 Kentucky Public Pensions Authority's (KPPA) County Employees Retirement System (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits

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 Kentucky Public Pensions Authority Insurance Fund and additions to/deductions from KPPA's fiduciary net position have been determined on the same basis as they are reported by KPPA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF SOUTHGATE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2022

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as expenditures and a fund liability of the governmental fund that will pay it. At June 30, 2022 the liability for compensated absences is \$30,507.

Unearned/Deferred Revenue

In the government-wide financial statements, unearned/deferred revenue represents the amount for which revenue recognition criteria have not been met. In subsequent periods, when the incurrence of qualifying expenditures has been made, the liability for the unearned revenues is removed and the revenue is recognized. In the governmental fund financial statements, revenues are deferred for amounts that are unearned or unavailable with 60 days of the fiscal year end.

Deferred Outflows of Resources

The City reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. Deferred outflows of resources reported in this year's financial statements relate to the City's pension plan and OPEB plan and include (1) differences between the expected and actual experience to the pension fund and OPEB fund, (2) changes in assumptions to the pension fund and OPEB fund, (3) changes in the proportionate share of the City's contributions to the pension fund and OPEB fund and (4) contributions made to the City's pension plan and OPEB plan between the measurement date of the net pension liability and the end of the City's fiscal year. The deferred amount related to the differences between the expected actual experience to the pension fund and OPEB fund, changes of assumptions to the pension fund and OPEB fund and changes in the proportionate share of the City's contributions to the pension fund and OPEB fund will be recognized over a closed period equal to the average of the expected remaining service lives of all employees participating in the plan. Deferred outflows for pension and OPEB contributions will be recognized in the subsequent fiscal year. No deferred outflows of resources affect the governmental funds financial statements in the current year.

Deferred Inflows of Resources

The City's statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period(s). Deferred inflows of resources reported in this year's financial statements relate to the City's pension plan and OPEB plan and include (1) differences between the expected and actual experience to the pension fund and OPEB fund, (2) changes in assumptions to the OPEB fund, (3) differences between projected and actual earnings on plan investments to the pension fund and OPEB fund and (4) changes in the proportionate share of the City's contributions to the pension fund and OPEB fund. The deferred amount related to the differences between the expected actual experience to the pension fund and OPEB fund, changes of assumptions to the OPEB fund and changes in the proportionate share of the City's contributions to the

CITY OF SOUTHGATE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2022

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources (Continued)

pension fund and OPEB fund will be recognized over a closed period equal to the average of the expected remaining service lives of all employees participating in the plan. The deferred amount related to the differences between projected and actual earnings on plan investments to the pension fund and OPEB fund will be recognized over a closed five-year period beginning in the current reporting period. No deferred inflows of resources affect the governmental funds financial statements in the current year.

Net Position

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. Unrestricted net position represents the net position available for future operations.

Fund Balance Policies

Fund balance of the governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

In the fund financial statements, government funds report components of fund balance as follows:

Nonspendable fund balances arise when resources cannot be spent because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by sources; such as federal or state government restrictions or the funds restricted by the will of the City's voters. These include residual balances from the Kentucky Municipal Road Aid Fund and the balance of cash and receivables from the Special Fire Tax.

Committed fund balances are amounts that can only be used for specific purposes as stipulated internally by the City Council. These items can only be changed or lifted by the Council taking the same formal action that imposed the restraint. These include residual balances from the balances of postage stamps held for sale to the public.

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

Unassigned fund balances consist of all residual funds not included in nonspendable, restricted, committed, or assigned fund balances.

CITY OF SOUTHGATE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2022

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenditures

Operating revenues and expenditures are reported by fund. It also includes all revenue and expenditures related to capital and related financing or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for governmental activities. In the fund financial statements, governmental funds report expenditures of financial resources by function/department.

Interfund Transactions

Interfund services provided/used are accounted for as revenue, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Use of Estimates

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

NOTE C - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The City follows these 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 City Council a proposed operating budget on the modified accrual basis of accounting for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- 2) A public meeting is conducted to obtain citizen comment.
- 3) By 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 City Council explaining any variance from the approved budget.

CITY OF SOUTHGATE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2022

NOTE C - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

- 5) Appropriations continue in effect until a new budget is adopted.
- 6) The City Council may authorize supplemental appropriations during the year.

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

NOTE D - CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents

The City's deposits and investments at June 30, 2022, consist of cash and cash equivalents. The City's deposits were partially secured by Federal Depository Insurance. Deposits in excess of the Federal Depository Insurance limit are to be collateralized with securities held by the bank, its trust department or by its agent, but not in the City's name. The carrying amount of the City's deposits with financial institutions at June 30, 2022 was \$1,510,123 and the bank balance was \$1,548,625. Federal Depository Insurance Corporation covered \$250,000 of bank balances at each financial institution with the remainder having specific pledged collateral. At June 30, 2022, the District's cash balance was fully insured.

Custodial Credit Risk and Investment Policy

It is the policy of the City to invest public funds in a manner that will provide the highest investment return with the maximum security of principal while meeting the daily cash flow demands of the City and conforming to all state statutes and City regulations governing the investments of public funds.

For deposits, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will be able to recover the value of its cash, investments or collateral securities that are in the possession of an outside party. All deposits and investments are made in accordance with state statutes.

CITY OF SOUTHGATE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2022

NOTE E - CAPITAL ASSETS AND LEASES

Capital asset activity for the fiscal year ended June 30, 2022 was as follows:

	Balance at June 30, 2021	Additions	Deductions	Balance at June 30, 2022
Capital Assets Not Depreciated				
Land	\$ 378,323	\$ -	\$ -	\$ 378,323
Construction in Progress	34,333	412,788	-	447,121
Total Capital Assets Not Being Depreciated	<u>412,656</u>	<u>412,788</u>	<u>-</u>	<u>825,444</u>
Depreciable Capital Assets				
Infrastructure	2,640,388	-	-	2,640,388
Buildings	3,215,477	30,249	-	3,245,726
Land Improvements	39,867	-	-	39,867
Equipment	774,725	17,357	-	792,082
Vehicles	426,303	81,796	(62,582)	445,517
Total Depreciable Capital Assets	<u>7,096,760</u>	<u>129,402</u>	<u>(62,582)</u>	<u>7,163,580</u>
Total Depreciable Capital Assets at Historical Cost	<u>7,509,416</u>	<u>542,190</u>	<u>(62,582)</u>	<u>7,989,024</u>
Less Accumulated Depreciation				
Infrastructure	1,144,599	176,028	-	1,320,627
Buildings	1,563,737	66,642	-	1,630,379
Land Improvements	17,230	1,595	-	18,825
Equipment	652,279	24,563	-	676,842
Vehicles	297,114	48,128	(62,582)	282,660
Total Accumulated Depreciation	<u>3,674,959</u>	<u>316,956</u>	<u>(62,582)</u>	<u>3,929,333</u>
Depreciable Capital Assets, Net	<u>3,421,801</u>	<u>(187,554)</u>	<u>-</u>	<u>3,234,247</u>
Total Capital Assets, Net	<u>\$ 3,834,457</u>	<u>\$ 225,234</u>	<u>\$ -</u>	<u>\$ 4,059,691</u>

Depreciation was charged to functions as follows.

Governmental Activities	Amount
Administration	\$ 11,814
Fire and EMS	25,324
Police	59,988
Streets	176,028
Garage	7,488
Park	3,122
Community Center	33,192
Total Depreciation	<u>\$ 316,956</u>

CITY OF SOUTHGATE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2022

NOTE E - CAPITAL ASSETS AND LEASES (CONTINUED)

In August 2020, the City entered into an operating lease agreement for two copiers for sixty months at \$186 per month. The lease expires July 2025. Future minimum lease payments are as follows:

Year Ending June 30	
2023	\$ 2,232
2024	2,232
2025	2,232
2026	186
	<u>\$ 6,882</u>

NOTE F – LONG-TERM DEBT

The City entered a \$400,000 Tax Anticipation Note with WesBanco Bank, Inc. on June 21, 2021 to finance current operations of the City. The Note will be repaid from future tax receipts and matures in August 26, 2022. The City did not draw on the Note during the fiscal year.

Storm Sewer Loan

On April 2, 2007, the City entered into a loan agreement with the Kentucky League of Cities for replacement of a collapsed storm sewer. The debt proceeds are held in an acquisition trust account at U.S. Bank in Louisville, Kentucky. The City began making monthly payments in May 2007. The debt has a variable interest rate and matures in May of 2027. City assets act as collateral for the loan. The balance outstanding at June 30, 2022 is \$152,197. The remaining maturities on the loan are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 27,879	\$ 4,604	\$ 32,483
2024	29,193	3,689	32,882
2025	30,492	2,795	33,287
2026	31,890	1,830	33,720
2027	32,743	790	33,533
Total	<u>\$ 152,197</u>	<u>\$ 13,708</u>	<u>\$ 165,905</u>

Firehouse Loan

On June 11, 2009, the City entered into a loan agreement with the Kentucky League of Cities to construct, equip, and maintain a firehouse and related facilities in the City of Southgate. All rights, title, and interest of the City has been assigned to U.S. Bank in Louisville, Kentucky, as trustee under a Trust Indenture dated as of December 1, 2008. The City began making monthly payments in July 2009. The debt has an interest rate of 3.98% and matures on June 1, 2034. The building acts as collateral for the loan. The balance outstanding at June 30, 2022 is \$787,289.

CITY OF SOUTHGATE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2022

NOTE F – LONG-TERM DEBT (CONTINUED)

The remaining maturities on the loan are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 49,533	\$ 37,735	\$ 87,268
2024	51,990	35,283	87,273
2025	54,582	32,735	87,317
2026	57,298	31,805	89,103
2027	60,152	27,135	87,287
Thereafter	513,734	97,484	611,218
Total	<u>\$ 787,289</u>	<u>\$ 262,177</u>	<u>\$ 1,049,466</u>

2018 WesBanco Bank Loan

On August 24, 2017, the City entered into a loan agreement with WesBanco Bank in the amount of \$28,787 to purchase a public works truck. The term of the loan is 60 months with monthly payments of \$519. The debt has an interest rate of 3.14% and matures in August of 2022. The vehicle acts as collateral for the loan. The balance outstanding at June 30, 2022 is \$1,021. The remaining maturities on the loan are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 1,021	\$ 10	\$ 1,031
Total	<u>\$ 1,021</u>	<u>\$ 10</u>	<u>\$ 1,031</u>

2018 WesBanco Bank Loan

On March 21, 2018, the City entered into a loan agreement with WesBanco Bank in the amount of \$75,034 to purchase police cruisers. The term of the loan is 60 months with monthly payments of \$1,383. The debt has an interest rate of 4.013% and matures in March of 2023. The vehicles act as collateral for the loan. The balance outstanding at June 30, 2022 is \$12,198. The remaining maturities on the loan are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 12,198	\$ 272	\$ 12,470
Total	<u>\$ 12,198</u>	<u>\$ 272</u>	<u>\$ 12,470</u>

CITY OF SOUTHGATE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2022

NOTE F – LONG-TERM DEBT (CONTINUED)

2019 WesBanco Bank Loan

On January 3, 2019, the City entered into a loan agreement with WesBanco Bank in the amount of \$42,780 to purchase a police cruiser. The term of the loan is 60 months with monthly payments of \$975. The debt has an interest rate of 4.400% and matures in January of 2023. The vehicles act as collateral for the loan. The balance outstanding at June 30, 2022 is \$5,741. The remaining maturities on the loan are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 5,741	\$ 88	\$ 5,829
Total	\$ 5,741	\$ 88	\$ 5,829

2020 WesBanco Bank Loan

On December 6, 2019, the City entered into a loan agreement with WesBanco Bank in the amount of \$30,105 to purchase a police cruiser. The term of the loan is 60 months with monthly payments of \$579. The debt has an interest rate of 4.390% and matures in December of 2024. The vehicle acts as collateral for the loan. The balance outstanding at June 30, 2022 is \$14,774. The remaining maturities on the loan are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 6,424	\$ 524	\$ 6,948
2024	6,712	236	6,948
2025	1,638	118	1,756
Total	\$ 14,774	\$ 878	\$ 15,652

2021 WesBanco Bank Loan

On July 28, 2021, the City entered into a loan agreement with WesBanco Bank in the amount of \$73,616 to purchase two police cruisers. The term of the loan is 60 months with monthly payments of \$1,377. The debt has an interest rate of 4.580% and matures in July of 2026. The vehicles act as collateral for the loan. The balance outstanding at June 30, 2022 is \$61,363. The remaining maturities on the loan are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 13,971	\$ 2,558	\$ 16,529
2024	14,634	1,895	16,529
2025	15,330	1,199	16,529
2026	16,058	471	16,529
2027	1,370	5	1,375
Total	\$ 61,363	\$ 6,128	\$ 67,491

CITY OF SOUTHGATE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2022

NOTE F – LONG-TERM DEBT (CONTINUED)

2018 Kentucky Bond Corporation -Lease Agreement

On August 2, 2018, the City entered into a lease agreement with the Kentucky Bond Corporation (KBC) in the amount of \$575,000 to finance various road improvement projects. The lease agreement with the Kentucky Bond Corporation specifies monthly principal, interest and expense requirement payments in the amount in effect on the first day of each fiscal year as stated in the agreement.

The debt service is as follows:

Fiscal Year Ending June 30,	Interest Rate	Principal	Interest	Total Debt Service
2023	4.400%	\$ 25,000	\$ 17,954	\$ 42,954
2024	4.400%	25,000	17,079	42,079
2025	4.400%	25,000	16,204	41,204
2026	4.400%	25,000	15,329	40,329
2027	4.400%	27,083	14,464	41,547
2028-2032	4.400%	157,083	56,957	214,040
2033-2037	4.400%	187,083	27,167	214,250
2038	4.400%	23,334	1,108	24,442
Total		<u>\$ 494,583</u>	<u>\$ 166,262</u>	<u>\$ 660,845</u>

2021 Kentucky Bond Corporation – Lease Agreement

On October 20, 2021, the City entered into a lease agreement with the Kentucky Bond Corporation (KBC) in the amount of \$410,000 to finance the acquisition of improvements to the City's municipal streetscapes. The lease agreement with the Kentucky Bond Corporation specifies monthly principal, interest and expense requirement payments in the amount in effect on the first day of each fiscal year as stated in the agreement.

The debt service is as follows:

Fiscal Year Ending June 30,	Interest Rate	Principal	Interest	Total
2023	2.000%	\$ 15,833	\$ 9,941	\$ 25,774
2024	2.000%	20,000	9,556	29,556
2025	2.000%	20,000	9,106	29,106
2026	2.000%	20,000	8,656	28,656
2027	2.000%	20,000	8,206	28,206
2028-2032	2.000%	100,000	34,280	134,280
2033-2037	2.075%	117,084	22,483	139,567
2038-2041	2.313%	89,583	7,013	96,596
Total		<u>\$ 402,500</u>	<u>\$ 109,241</u>	<u>\$ 511,741</u>

CITY OF SOUTHGATE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2022

NOTE F – LONG-TERM DEBT (CONTINUED)

Summary of General Long-Term Debt

The following is a summary of the City's long-term debt transactions for the year ended June 30, 2022:

	Balance June 30, 2021	Additions	Retirements	Balance June 30, 2022	Amounts Due Within One Year
Firehouse	\$ 834,470	\$ -	\$ (47,181)	\$ 787,289	\$ 49,533
Storm Sewer	178,753	-	(26,556)	152,197	27,879
WesBanco Bank loan - 2018	7,113	-	(6,092)	1,021	1,021
WesBanco Bank loan - 2018	27,923	-	(15,725)	12,198	12,198
WesBanco Bank loan - 2019	16,898	-	(11,157)	5,741	5,741
WesBanco Bank loan - 2020	20,912	-	(6,138)	14,774	6,424
WesBanco Bank loan - 2021	-	73,616	(12,252)	61,364	13,943
Series 2018B Revenue bond	519,583	-	(25,000)	494,583	25,000
Series 2021E Revenue bond	-	410,000	(7,500)	402,500	15,833
Total Debt	<u>\$ 1,605,652</u>	<u>\$ 483,616</u>	<u>\$ (157,601)</u>	<u>\$ 1,931,667</u>	<u>\$ 157,572</u>

NOTE G – EMPLOYEE'S PENSION PLAN

General Information about the Pension Plan

Plan description. Employees of the City are provided with pensions through the County Employees Retirement System (CERS)—a cost-sharing multiple-employer defined benefit pension plan. Per Kentucky Revised Statute Section 78.782 and 61.645, the Kentucky Public Pensions Authority (KPPA) oversees the administration and operation of the personnel and accounting systems for the CERS. KPPA issues a publicly available financial report that can be obtained at <https://kyret.ky.gov>.

Benefits provided. CERS provides retirement, disability, and death benefits. Retirement benefits are calculated based on a formula (final compensation times a benefit factor times years of service) and may be extended to beneficiaries of plan members under certain circumstances. Disability benefits are determined in a similar manner as retirement benefits, but vary based upon hire date, age and years of service. Death benefits vary based upon whether the employee was retired or working at the date of death and whether or not it was a duty-related death.

For retirement purposes, non-hazardous duty employees are grouped into three tiers, based on their 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, or At least 25 years service and any age

CITY OF SOUTHGATE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2022

NOTE G – EMPLOYEE’S PENSION PLAN (CONTINUED)

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	On or after January 1, 2014
	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

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

Tier 1	Participation date	Before September 1, 2008
	Unreduced Retirement	A least one month service and 55 years old, or At least 20 years service and any age
	Reduced Retirement	At least 15 years service and 50 years old
Tier 2	Participation date	September 1, 2008 – December 31, 2013
	Unreduced Retirement	At least 5 years service and 60 years old, or At least 25 years service and any age
	Reduced Retirement	At least 15 years service and 50 years old
Tier 3	Participation date	On or after January 1, 2014
	Unreduced Retirement	At least 5 years service and 60 years old, or At least 25 years service and any age
	Reduced Retirement	Not available

Employees are vested in the plan after five years of service. Cost of living adjustments are provided at the discretion of the Kentucky General Assembly. No COLA has been granted since July 1, 2011.

Contributions. Kentucky Revised Statute Section 78.545(33) grants the authority to establish and amend the benefit terms to the CERS Board of Trustees (the Board). Tier 1 non-hazardous employees are required to contribute 5% of their annual creditable compensation and Tier 1 hazardous employees are required to contribute 8% of their annual creditable compensation. Tier 2 and 3 non-hazardous employees are required to contribute 5% of their annual creditable compensation plus an additional 1% of creditable compensation which is credited to the Insurance Fund. Tier 2 and 3 hazardous employees are required to contribute 8% of their annual creditable compensation plus an additional 1% of creditable compensation which is credited to the Insurance Fund. Employers contribute at the rate determined by the Board. The actuarially determined rates set by the Board for the year ended June 30, 2022 for non-hazardous employees was 26.95%, of which 21.17% was for the pension fund and 5.78% was for the insurance fund. The actuarially determined rates set by the Board for the year ended June 30, 2022 for hazardous employees was 44.33%, of which 33.86% was for the pension fund and 10.47% was for the insurance fund. Contributions to the pension plan from the City were \$116,479 for the year ended June 30, 2022, of which \$90,325 was for the pension fund and \$26,154 was for the insurance fund.

CITY OF SOUTHGATE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2022

NOTE G – EMPLOYEE’S PENSION PLAN (CONTINUED)

The non-hazardous contribution was \$62,501 (\$49,096 for pension and \$13,405 for insurance). The hazardous contribution was \$53,978 (\$41,229 for pension and \$12,749 for insurance).

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

At June 30, 2022, the City reported a liability of \$934,331 for its proportionate share of the net pension liability. The non-hazardous portion of the net pension liability was \$640,001 and the hazardous portion was \$294,330. The net pension liability was based on an actuarial valuation performed on June 30, 2020. The total pension liability was rolled-forward from the valuation date to the plan’s fiscal year end, June 30, 2021, using generally accepted actuarial principles. There have been no actuarial assumption or method changes since June 30, 2020. The City’s proportionate share of the net pension liability was determined using the City’s actual contributions for the fiscal year ending June 30, 2021. This method was expected to be reflective of the City’s long-term contribution effort. At June 30, 2021, the City’s proportion was 0.010038% for non-hazardous and .011056% for hazardous, an increase of .000876% and .001756% from its proportion measured, respectively, as of June 30, 2020.

For the year ended June 30, 2022, the City recognized pension expense of \$99,877. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 15,466	\$ 6,212
Changes of assumptions	12,266	-
Net difference between projected and actual earnings on plan investments	-	116,897
Changes in proportion and differences between City contributions and proportionate share of contributions	95,361	32,131
City contributions subsequent to the measurement date	90,325	-
	<u>\$ 213,418</u>	<u>\$ 155,240</u>

CITY OF SOUTHGATE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2022

NOTE G – EMPLOYEE’S PENSION PLAN (CONTINUED)

The \$90,325 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2023	\$ 8,619
2024	4,161
2025	(12,996)
2026	(31,931)
	<u>\$ (32,147)</u>

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

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
Payroll growth rate	2.00%
Investment rate of return	6.25%

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 non-disabled 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 retired members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period ending June 30, 2018.

Changes of assumptions. Since the prior measurement date, there were no changes in assumptions.

Discount rate. The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate.

CITY OF SOUTHGATE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2022

NOTE G – EMPLOYEE’S PENSION PLAN (CONTINUED)

Long-Term Expected Rate of Return. The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Real Estate	10.00%	5.40%
Real Return	10.00%	4.55%
Total	<u>100%</u>	

Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate. The following presents the City’s proportionate share of the net pension liability, calculated using the discount rate of 6.25%, 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%) or 1-percentage-point higher (7.25%) than the current rate:

	Decrease (5.25%)	Discount Rate (6.25%)	Increase (7.25%)
Non-hazardous	\$ 820,832	\$ 640,001	\$ 490,368
Hazardous	\$ 375,162	\$ 294,330	\$ 228,449

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued KRS financial report.

Payables to the pension plan

The City makes legally required contributions to the pension plan on a monthly basis. The monthly payment is due by the 10th of the following month. As of June 30, 2022, \$12,727 was payable to the pension plan, of which \$9,998 was for the pension fund and \$2,729 was for the insurance fund.

CITY OF SOUTHGATE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2022

NOTE H – POSTEMPLOYMENT BENEFITS

Plan description. Employees of the City are provided with health care benefits through the Kentucky Public Pension Authority Insurance Fund (Insurance Fund)—a cost-sharing multiple-employer health insurance plan. The Insurance Fund is part of CERS. Per Kentucky Revised Statute Section 61.701, the CERS Board (the Board) of the Kentucky Public Pensions Authority (KPPA) administers the health insurance benefit. KPPA issues a publicly available financial report that can be obtained at <https://kyret.ky.gov>.

Benefits provided. The Insurance Fund provides hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. The eligible Medicare retirees receive benefits through a Medicare Advantage Plan. The amount of plan premium (contribution) paid by the Insurance Fund is based on years of service and participation date. For members participating prior to July 1, 2003, members completing 20 or more years of service received 100% contribution. Members completing 15 – 19 years, 10-14 years, and 4-9 years received 75%, 50%, and 25% respectively. Members completing less than 4 years of service receive no insurance benefit. As a result of House Bill 290, medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on or after July 1, 2003, non-hazardous employees earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount and hazardous employees earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. The monthly dollar contribution for 2021 is \$13.78 for CERS Non-hazardous employees and \$20.68 for CERS Hazardous employees. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth of Kentucky so demands.

Contributions. Kentucky Revised Statute Section 78.545(33) grants the authority to establish and amend the benefit terms to the Board of KRS. Tier 1 employees are not required to contribute to the insurance fund. Tier 2 and 3 employees are required to contribute 1% of their creditable compensation to the insurance fund. Employers contribute at the rate determined by the Board. As stated in Note G Employee's Pension Plan, the actuarially determined rates set by the Board for the year ended June 30, 2022 for non-hazardous employees was 26.95%, of which 21.17 % was for the pension fund and 5.78% was for the insurance fund. The actuarially determined rates set by the Board for the year ended June 30, 2022 for hazardous employees was 44.33%, of which 33.86% was for the pension fund and 10.47% was for the insurance fund. See Note G for contributions to the plan from the City during the current fiscal year.

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

At June 30, 2022, the City reported a liability of \$281,528 for its proportionate share of the net OPEB liability. The non-hazardous portion of the net pension liability was \$192,134 and the hazardous portion was \$89,394. The net OPEB liability was based on an actuarial valuation performed on June 30, 2020. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2021, using generally accepted actuarial principles.

CITY OF SOUTHGATE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2022

NOTE H – EMPLOYEE’S PENSION PLAN (CONTINUED)

There have been no actuarial assumption or method changes since June 30, 2020. The City’s proportionate share of the net OPEB liability was determined using the City’s actual contributions for the fiscal year ending June 30, 2021. This method is expected to be reflective of the City’s long-term contribution effort. At June 30, 2021 the City’s proportion was .010036% for non-hazardous and .011056% for hazardous, an increase of .000877% and .175900% from its proportion measured, respectively, as of June 30, 2020.

For the year ended June 30, 2022, the City recognized OPEB expense of \$32,079. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 33,006	\$ 66,982
Changes of assumptions	73,356	212
Net difference between projected and actual earnings on plan investments	-	46,883
Changes in proportion and differences between City contributions and proportionate share of contributions	39,866	43,754
City contributions subsequent to the measurement date	33,113	-
	<u>\$ 179,341</u>	<u>\$ 157,831</u>

The \$33,113 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2023	\$ 5,640
2024	(3,264)
2025	(6,785)
2026	(11,151)
2027	3,956
	<u>\$ (11,604)</u>

CITY OF SOUTHGATE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2022

NOTE H – POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Payroll growth rate	2.00%
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 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years Post – 65: Initial trend starting at 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years

The mortality table used for active members is PUB-2010 General Mortality table, for the Non-Hazardous Plans and the PUB-2010 Public Safety Mortality table for the Hazardous Plans, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For non-disabled retired members and beneficiaries, the mortality table used is the 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. For disabled retired members, the mortality table used is the 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 actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period ending June 30, 2020.

Discount rate. The discount rate used to measure the total OPEB liability was 5.20% for non-hazardous and 5.05% for hazardous. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 30-year (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25% and a municipal bond rate of 1.92%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2021. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to the future expected benefit payments associated with the implicit subsidy.

The long-term expected rate of return on plan assets is the same as disclosed in Note G Employee's Pension Plan. Additionally, the target allocation and best estimates of arithmetic nominal rates of return for each major asset class are the same as disclosed in Note G.

CITY OF SOUTHGATE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2022

NOTE H – POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the City's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the City's proportionate share of the net OPEB liability, calculated using the discount rate of 5.20% for non-hazardous and 5.05% for hazardous, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.20% for non-hazardous and 4.05% for hazardous) or 1-percentage-point higher (6.20% for non-hazardous and 6.05% for hazardous) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Non-hazardous	\$ 263,799	\$ 192,134	\$ 133,322
Hazardous	\$ 129,605	\$ 89,394	\$ 57,088

Sensitivity of the City's proportionate share of the net OPEB liability to changes in the healthcare trend rate. The following presents the City's proportionate share of the net OPEB liability, calculated using the healthcare trend rate of noted above, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Healthcare Trend Rate</u>	<u>1% Increase</u>
Non-hazardous	\$ 138,314	\$ 192,134	\$ 257,096
Hazardous	\$ 58,576	\$ 89,394	\$ 127,139

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

Payables to the OPEB plan

The City makes legally required contributions to the OPEB plan on a monthly basis. The monthly payment is due by the 10th of the following month. See Note G Employee's Pension Plan for payable as of June 30, 2022.

CITY OF SOUTHGATE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2022

NOTE I - RISK MANAGEMENT

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

Management estimates that the amount of actual or potential claims against the City as of June 30, 2022 will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

NOTE J - CLAIMS AND JUDGMENTS

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

NOTE K - FIRE AND LIFE SQUAD PROTECTION

The City contracts with the Southgate Volunteer Fire Department for fire protection and with the Southgate Wilder EMS for life squad service. These annual contracts totaled \$480,000 for fire protection and \$15,000 for life squad service during the fiscal year ended June 30, 2022.

NOTE L - INTERFUND ACTIVITY

Transfers are typically used to move unrestricted revenues collected in one fund to finance various programs accounted for in another fund in accordance with budgetary authorizations and to fund debt service payments when they become due.

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General	Special Projects Fund	\$ 519,601
Community Center Fund	General	44,000
Total		<u>\$ 475,601</u>

CITY OF SOUTHGATE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2022

NOTE M – CARES ACT FUNDING

In response to the COVID-19 Global Pandemic, the City has qualified and been approved for \$403,167 in Federal CARES Act funding passed through the Commonwealth of Kentucky's Department for Local Government. This funding has been designated to reimburse the City for payroll expenses for public safety employees during the pandemic. The City recognized \$373,805 of these funds in the previous fiscal year. The remaining \$29,362 is recognized as other financial resources in the current fiscal year.

NOTE N – AMERICAN RESCUE PLAN ACT (ARPA) FUNDING

In response to the COVID-19 Global Pandemic, the City has qualified and been approved for \$1,057,363 in Federal ARPA funding passed through the Commonwealth of Kentucky's Department for Local Government. This funding has been designated to reimburse the City for lost revenues and ongoing public service projects. The City received \$1,057,363 of ARPA funds and recognized \$259,800 of these funds as other financial resources in the current fiscal year. The remaining balance of \$797,563 is recognized as a deferred revenue to be used in future years. The City has until December 2024 to expend these funds.

NOTE O – RISKS AND UNCERTAINTIES

In March 2020, the COVID-19 virus was declared a global pandemic as it continued to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, was severely impacted for months and may continue to impact the economy. The City has been carefully monitoring the situation and evaluating its options during this time. The future effects of these issues are unknown; therefore no adjustments have been made to these financial statements as a result of this uncertainty.

NOTE P - SUBSEQUENT EVENTS

Management has evaluated events through February 15, 2023, the date on which the financial statements were available for issue.

In August 2022, the City entered into a loan agreement with WesBanco Bank in the amount of \$50,257 to purchase a new vehicle for the Public Works Department. The term of the loan is 60 months with monthly payments of \$944. The debt has an interest rate of 4.820% and matures in July of 2027.

Required Supplementary Information

CITY OF SOUTHGATE, KENTUCKY
BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Amended and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Budgetary fund balance, July 1, 2021	\$ 888,676	\$ 928,256	\$ 928,256	\$ -
Resources (inflows)				
Property taxes	1,252,980	1,231,027	1,231,685	658
Franchise fees	90,000	104,000	107,954	3,954
Telecommunications tax	48,000	48,000	49,151	1,151
Payroll license	535,000	594,000	627,686	33,686
Insurance premium taxes	425,000	475,000	475,471	471
Licenses and permits	31,500	31,500	33,480	1,980
Intergovernmental	9,500	9,500	8,395	(1,105)
Fines, forfeitures, penalties	19,411	43,140	44,856	1,716
KLEFPF income	61,600	33,556	33,400	(156)
Charges for services	209,589	213,800	214,974	1,174
Investment income	1,600	950	950	-
Miscellaneous	19,430	15,207	14,642	(565)
Total resources	<u>2,703,610</u>	<u>2,799,680</u>	<u>2,842,644</u>	<u>42,963</u>
Appropriations (outflows)				
Administration	434,221	339,794	359,128	(19,334)
Police	971,939	1,027,370	1,011,589	15,781
Fire and EMS	514,660	527,355	537,902	(10,547)
Waste collection	184,289	184,518	184,518	-
Streets	154,066	172,347	170,176	2,171
Garage	196,432	200,991	188,800	12,191
Community center	99,804	128,558	121,428	7,130
Parks	80,075	90,520	80,745	9,775
Capital outlay	112,909	116,296	110,741	5,555
Debt service				
Principal	126,648	126,648	125,102	1,546
Interest	51,210	51,210	51,333	(123)
Total appropriations	<u>2,926,253</u>	<u>2,965,607</u>	<u>2,941,462</u>	<u>24,145</u>
Other financing sources (uses)				
Proceeds from loan	74,700	73,616	73,616	-
CARES/ARPA funding	116,795	1,078,241	297,287	(780,954)
Interfund transfers	(3,000)	(1,022,202)	(475,601)	546,601
Total other financing sources (uses)	<u>188,495</u>	<u>129,655</u>	<u>(104,698)</u>	<u>(234,353)</u>
Excess resources over appropriations	<u>(34,148)</u>	<u>(36,272)</u>	<u>(203,516)</u>	<u>(167,245)</u>
Budgetary fund balance, June 30, 2022	<u>\$ 854,528</u>	<u>\$ 891,984</u>	<u>\$ 724,740</u>	<u>\$ (167,245)</u>

CITY OF SOUTHGATE, KENTUCKY

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

County Employees Retirement System

Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
City's proportion of the net pension liability (asset) - Non-hazardous	0.0100%	0.0092%	0.0093%	0.0128%	0.0138%	0.0142%	0.0139%	0.0134%		
City's proportion of the net pension liability (asset) - Hazardous	0.0111%	0.0093%	0.0098%	0.0036%	0.0002%	0.0008%	0.0035%	0.0100%		
City's proportionate share of the net pension liability (asset) - Non-hazardous	\$ 640,001	\$ 702,720	\$ 655,831	\$ 781,447	\$ 808,869	\$ 699,711	\$ 596,683	\$ 435,622		
City's proportionate share of the net pension liability (asset) - Hazardous	\$ 294,330	\$ 280,398	\$ 271,727	\$ 88,177	\$ 4,564	\$ 14,294	\$ 53,057	\$ 120,724		
Total City's proportionate share of the net pension liability (asset)	<u>\$ 934,331</u>	<u>\$ 983,118</u>	<u>\$ 927,558</u>	<u>\$ 869,624</u>	<u>\$ 813,433</u>	<u>\$ 714,005</u>	<u>\$ 649,740</u>	<u>\$ 556,346</u>		
City's covered-employee payroll	\$ 324,845	\$ 425,110	\$ 419,773	\$ 444,579	\$ 535,199	\$ 443,816	\$ 444,842	\$ 425,305		
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	287.62%	231.26%	220.97%	195.61%	151.99%	160.88%	146.06%	130.81%		
Plan fiduciary net position as a percentage of the total pension liability										
Non-hazardous	57.33%	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%		
Hazardous	52.26%	44.11%	46.63%	49.26%	49.80%	53.95%	57.52%	63.46%		

* The amounts presented for each fiscal year were determined as of one-year prior to the fiscal year end.

CITY OF SOUTHGATE, KENTUCKY

SCHEDULE OF CITY PENSION CONTRIBUTIONS

County Employees Retirement System

Last 10 Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 90,325	\$ 69,808	\$ 87,893	\$ 72,917	\$ 64,539	\$ 61,721	\$ 64,743	\$ 71,445	\$ 67,883	
Contributions in relation to the contractually required contribution	<u>\$ (90,325)</u>	<u>\$ (69,808)</u>	<u>\$ (87,893)</u>	<u>\$ (72,917)</u>	<u>\$ (64,539)</u>	<u>\$ (61,721)</u>	<u>\$ (64,743)</u>	<u>\$ (71,445)</u>	<u>\$ (67,883)</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's covered-employee payroll	\$ 353,680	\$ 324,845	\$ 425,110	\$ 419,773	\$ 444,579	\$ 535,199	\$ 443,816	\$ 444,842	\$ 425,305	
Contributions as a percentage of covered-employee payroll	25.54%	21.49%	20.68%	17.37%	14.52%	11.53%	14.57%	16.06%	15.96%	

The accompanying notes are an integral part of this statement.

CITY OF SOUTHGATE, KENTUCKY

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

County Employees Retirement System

Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
City's proportion of the net OPEB liability (asset) - Non-hazardous	0.0100%	0.0092%	0.0093%	0.0128%	0.0138%					
City's proportion of the net OPEB liability (asset) - Hazardous	0.0111%	0.0093%	0.0098%	0.0036%	0.0002%					
City's proportionate share of the net OPEB liability (asset) - Non-hazardous	\$ 192,134	\$ 221,162	\$ 156,809	\$ 227,812	\$ 277,809					
City's proportionate share of the net OPEB liability (asset) - Hazardous	<u>\$ 89,394</u>	<u>\$ 85,914</u>	<u>\$ 72,765</u>	<u>\$ 25,994</u>	<u>\$ 1,686</u>					
Total City's proportionate share of the net OPEB liability (asset)	<u>\$ 281,528</u>	<u>\$ 307,076</u>	<u>\$ 229,574</u>	<u>\$ 253,806</u>	<u>\$ 279,495</u>					
City's covered-employee payroll	\$ 324,845	\$ 425,110	\$ 419,773	\$ 444,579	\$ 535,199					
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	86.67%	72.23%	54.69%	57.09%	52.22%					
Plan fiduciary net position as a percentage of the total pension liability										
Non-hazardous	62.91%	51.67%	60.44%	57.62%	52.39%					
Hazardous	66.81%	58.84%	64.44%	64.24%	59.00%					

* The amounts presented for each fiscal year were determined as of one-year prior to the fiscal year end.

CITY OF SOUTHGATE, KENTUCKY

SCHEDULE OF CITY OPEB FUND CONTRIBUTIONS

County Employees Retirement System

Last 10 Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 26,154	\$ 18,609	\$ 22,822	\$ 24,989	\$ 20,994	\$ 20,950				
Contributions in relation to the contractually required contribution	<u>\$ (26,154)</u>	<u>\$ (18,609)</u>	<u>\$ (22,822)</u>	<u>\$ (24,989)</u>	<u>\$ (20,994)</u>	<u>\$ (20,950)</u>				
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
City's covered-employee payroll	\$ 353,680	\$ 324,845	\$ 425,110	\$ 419,773	\$ 444,579	\$ 535,199				
Contributions as a percentage of covered-employee payroll	7.39%	5.73%	5.37%	5.95%	4.72%	3.89%				

The accompanying notes are an integral part of this statement.

CITY OF SOUTHGATE, KENTUCKY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2022

NOTE 1 – NOTES TO PENSION SCHEDULES

Changes of benefit terms: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tiered structure for benefit accrual rates
2. New retirement eligibility requirements
3. Difference rules for the computation of final average compensation

2014: A cash balance plan was introduced for members whose participation date is on or after January 1, 2014.

2018: House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty.

Changes of assumptions. The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2015

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of retirement, withdrawal and disability were updated to more accurately reflect experience.

2017

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The assumed payroll growth was reduced from 4.00% to 2.00%.
- The assumed salary increase was reduced from 4.00% to 3.05%.

CITY OF SOUTHGATE, KENTUCKY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2022

NOTE 1 – NOTES TO PENSION SCHEDULES (CONTINUED)

2019

- The assumed salary increase for CERS Non-hazardous was adjusted from 3.05% to between 3.30% and 10.30%, depending on service.
- The assumed salary increase for CERS Hazardous was adjusted from 3.05% to between 3.55% and 19.05%, depending on service.
- For active members, the mortality table used is a Pub-2010 General Mortality, for the Non-hazardous Plans, and the PUB-2010 Safety Mortality table for the Hazardous Plans, table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For non-disabled retired members, the mortality table used is 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. For disabled retired members, the mortality table used is a 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.

NOTE 2 – NOTES TO OPEB SCHEDULES

Changes of benefit terms: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2003: Medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003.

Changes of assumptions. The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2017

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The assumed payroll growth was reduced from 4.00% to 2.00%.
- The assumed salary increase was reduced from 4.00% to 3.05%.
- The assumed healthcare trend rates for pre – 65 members reduced from an initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years to an initial trend starting at 7.25% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
- The assumed healthcare trend rates for post – 65 members reduced from an initial trend starting at 5.5% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years to an initial trend starting at 5.10% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

CITY OF SOUTHGATE, KENTUCKY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2022

NOTE 2 – NOTES TO OPEB SCHEDULES (CONTINUED)

2018

- The assumed healthcare trend rates for pre – 65 members reduced from an initial trend starting at 7.25% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years to an initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
- The assumed healthcare trend rates for post – 65 members reduced from an initial trend starting at 5.10% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years to an initial trend starting at 5.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

2019

- The assumed salary increase was adjusted from 3.05% to between 3.30% and 10.30%, depending on service.
- For active members, the mortality table used is PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For non-disabled retired members, the mortality table used is the 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. For disabled retired members, the mortality table used is a 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.

2020

- The assumed healthcare trend rates for pre – 65 members reduced from an initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years to an initial trend starting at 6.40% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
- The assumed healthcare trend rates for post – 65 members reduced from an initial trend starting at 5.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years to an initial trend starting at 2.90%, and increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

2021

- The assumed healthcare trend rates for pre – 65 members reduced from an initial trend starting at 6.40% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years to an initial trend starting at 6.30% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

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Other Supplementary Information

CITY OF SOUTHGATE, KENTUCKY

COMBINING BALANCE SHEET

NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2022

	Municipal Road Aid Fund	Community Center Fund	Special Projects Fund	Total Non-Major Funds
- ASSETS -				
Cash and cash equivalents	\$ 274,965	\$ 14,487	\$ -	\$ 289,452
Investments	134,365	-	472,020	606,385
Receivables:				
Intergovernmental	8,865	-	-	8,865
Total assets	<u>\$ 418,195</u>	<u>\$ 14,487</u>	<u>\$ 472,020</u>	<u>\$ 904,702</u>
- LIABILITIES AND FUND BALANCES -				
LIABILITIES:				
Accounts payable	\$ -	\$ 155	\$ -	\$ 155
Accrued liabilities	-	9,380	-	9,380
Deferred revenue	1,888	-	-	1,888
Due to other funds	351,097	-	-	351,097
Total liabilities	<u>352,985</u>	<u>9,535</u>	<u>-</u>	<u>362,520</u>
FUND BALANCES:				
Restricted	65,210	-	-	65,210
Assigned	-	4,952	-	4,952
Unassigned	-	-	472,020	472,020
Total fund balances	<u>65,210</u>	<u>4,952</u>	<u>472,020</u>	<u>542,182</u>
Total liabilities and fund balances	<u>\$ 418,195</u>	<u>\$ 14,487</u>	<u>\$ 472,020</u>	<u>\$ 904,702</u>

CITY OF SOUTHGATE, KENTUCKY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NON-MAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2022

	Municipal Road Aid Fund	Community Center Fund	Special Projects Fund	Total Non-Major Funds
REVENUES:				
Intergovernmental	\$ 146,897	\$ -	\$ -	\$ 146,897
Charges for services	-	39,547	-	39,547
Investment income	272	-	8,831	9,103
Total revenues	<u>147,169</u>	<u>39,547</u>	<u>8,831</u>	<u>195,547</u>
EXPENDITURES:				
Administration	10,000	-	1,411	11,411
Streets	429,191	-	-	429,191
Community Center	-	-	-	-
Principal	32,500	-	-	32,500
Interest	26,182	-	-	26,182
Total expenditures	<u>497,873</u>	<u>-</u>	<u>1,411</u>	<u>499,284</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from loan	410,000	-	-	410,000
Loss on investments	-	-	(55,001)	(55,001)
Transfers in	-	-	519,601	519,601
Transfers out	-	(44,000)	-	(44,000)
Total other financing sources and uses	<u>410,000</u>	<u>(44,000)</u>	<u>464,600</u>	<u>830,600</u>
Net change in fund balances	59,296	(4,453)	472,020	526,863
FUND BALANCES, BEGINNING	<u>5,914</u>	<u>9,405</u>	<u>-</u>	<u>15,319</u>
FUND BALANCES, ENDING	<u>\$ 65,210</u>	<u>\$ 4,952</u>	<u>\$ 472,020</u>	<u>\$ 542,182</u>

CITY OF SOUTHGATE, KENTUCKY

BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND - MUNICIPAL ROAD AID FUND

Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Amended and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Budgetary fund balance, July 1, 2021	\$ 303	\$ 5,914	\$ 5,914	\$ -
Resources (inflows)				
Intergovernmental	117,503	144,265	146,897	2,632
Investment income	180	180	272	92
FEMA grant	40,000	-	-	-
Proceeds of long term debt	410,000	410,000	410,000	-
Total resources	<u>567,683</u>	<u>554,445</u>	<u>557,169</u>	<u>2,724</u>
Appropriations (outflows)				
Administration	-	-	10,000	(10,000)
Debt service	70,604	58,682	58,682	-
Streets	585,504	527,000	429,191	97,809
Total appropriations	<u>656,108</u>	<u>585,682</u>	<u>497,873</u>	<u>87,809</u>
Transfer to (from) fund	<u>89,000</u>	<u>27,000</u>	<u>-</u>	<u>(27,000)</u>
Excess resources over appropriations	<u>575</u>	<u>(4,237)</u>	<u>59,296</u>	<u>63,533</u>
Budgetary fund balance, June 30, 2022	<u>\$ 878</u>	<u>\$ 1,677</u>	<u>\$ 65,210</u>	<u>\$ 63,533</u>

CITY OF SOUTHGATE, KENTUCKY

BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND - COMMUNITY CENTER FUND

Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Amended and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Budgetary fund balance, July 1, 2021	\$ 2,733	\$ 9,405	\$ 9,405	\$ -
Resources (inflows)				
Charges for services	45,375	35,900	39,547	3,647
	<u>45,375</u>	<u>35,900</u>	<u>39,547</u>	<u>3,647</u>
Appropriations (outflows)				
Community Center	1,550	50	-	50
Total appropriations	<u>1,550</u>	<u>50</u>	<u>-</u>	<u>50</u>
Transfer to (from) fund	(43,000)	(44,000)	(44,000)	-
Excess resources over appropriations	<u>825</u>	<u>(8,150)</u>	<u>(4,453)</u>	<u>3,697</u>
Budgetary fund balance, June 30, 2022	<u>\$ 3,558</u>	<u>\$ 1,255</u>	<u>\$ 4,952</u>	<u>\$ 3,697</u>

CITY OF SOUTHGATE, KENTUCKY

BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND - SPECIAL PROJECTS FUND

Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Amended and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Budgetary fund balance, July 1, 2021	\$ -	\$ -	\$ -	\$ -
Resources (inflows)				
Investment income	-	-	8,831	8,831
	<u>-</u>	<u>-</u>	<u>8,831</u>	<u>8,831</u>
Appropriations (outflows)				
Administration	-	-	1,411	(1,411)
Loss on investments	-	-	55,001	(55,001)
Total appropriations	<u>-</u>	<u>-</u>	<u>56,412</u>	<u>(56,412)</u>
Transfer to (from) fund	-	1,039,202	519,601	(519,601)
Excess resources over appropriations	<u>-</u>	<u>1,039,202</u>	<u>472,020</u>	<u>(567,182)</u>
Budgetary fund balance, June 30, 2022	<u>\$ -</u>	<u>\$ 1,039,202</u>	<u>\$ 472,020</u>	<u>\$ (567,182)</u>

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BRAMEL & ACKLEY, PSC

Certified Public Accountants and Business Advisors

859-341-6700

1-877-585-6454

Fax 859-578-3542

info@bramelackley.com

www.bramelackley.com

1885 Dixie Highway,

Suite 310

Ft. Wright, Kentucky 41011

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

To the Mayor & Council City of Southgate, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Southgate, Kentucky (the City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 15, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Bramel & Ackley, P.S.C.

February 15, 2023