CITY OF CLARKSON, KENTUCKY

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

For the Year Ended June 30, 2024

and

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

CITY OF CLARKSON, KENTUCKY
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of
the City Commission
City of Clarkson, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clarkson, Kentucky (City) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clarkson, Kentucky, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City 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 Clarkson, Kentucky's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Clarkson, 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 Clarkson, 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 budgetary comparison information, pension and other post-employment benefit (OPEB) schedules, and notes to required supplementary information on pages 34 through 45 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.

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinions on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures – general fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 schedule of expenditures – general fund 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 4, 2026 on our consideration of City of Clarkson, 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 Clarkson, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Clarkson, Kentucky's internal control over financial reporting and compliance.

Drane & Company, PLLC

Drane & Company, PLLC
Certified Public Accountants

Hardinsburg, Kentucky

February 4, 2026

CITY OF CLARKSON, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2024

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	$ 207,129	$ 75,927	$ 283,056
Receivables:			
Intergovernmental	3,746	-	3,746
Taxes, licenses, and fees	105,750	-	105,750
Other accounts receivable, net	-	4,876	4,876
Unbilled revenues	30,800	35,127	65,927
Total Current Assets	347,425	115,930	463,355
Noncurrent Assets			
Restricted cash and cash equivalents	175,939	230,137	406,076
Net OPEB asset	1,865	-	1,865
Capital assets not being depreciated	319,726	94,108	413,834
Other capital assets, net of depreciation	866,383	1,930,865	2,797,248
Total Noncurrent Assets	1,363,913	2,255,110	3,619,023
Total Assets	1,711,338	2,371,040	4,082,378
Deferred Outflows of Resources			
Deferred amount from pension	83,642	17,141	100,783
Deferred amount from OPEB	44,326	8,841	53,167
Total Deferred Outflows of Resources	127,968	25,982	153,950
Liabilities			
Current Liabilities			
Accounts payable	39,513	3,323	42,836
Accrued liabilities	11,472	392	11,864
Customer deposits	-	46,100	46,100
Accrued interest payable	1,906	17,681	19,587
Current portion of long-term debt	97,817	57,000	154,817
Total Current Liabilities	150,708	124,496	275,204
Noncurrent Liabilities			
Compensated absences	5,220	2,258	7,478
Net pension liability	518,333	85,863	604,196
Net OPEB liability	-	1,836	1,836
Assessment due County Employees Retirement	39,444	-	39,444
Loan payable, long-term	189,330	-	189,330
Bonds payable, long-term	100,538	1,239,000	1,339,538
Total Noncurrent Liabilities	852,865	1,328,957	2,181,822
Total Liabilities	1,003,573	1,453,453	2,457,026
Deferred Inflows of Resources			
Deferred amount from pension	57,497	9,293	66,790
Deferred amount from OPEB	168,387	29,399	197,786
Total Deferred Inflows of Resources	225,884	38,692	264,576
Net Position			
Net investment in capital assets	798,424	728,973	1,527,397
Restricted for:			
Debt service	170,462	145,755	316,217
Asset replacement	-	84,382	84,382
Streets	193,525	-	193,525
Unrestricted (deficit)	(552,562)	(54,233)	(606,795)
Total Net Position	$ 609,849	$ 904,877	$ 1,514,726

The accompanying notes are an integral part of this financial statement.

CITY OF CLARKSON, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

		Program Revenues			Net (Expense)/Revenue and Changes in Net Position		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**
Governmental Activities							
General government	$ 302,333	$ 14,000	$ 15,929	$ -	(272,404)	$ -	$ (272,404)
Economic development	-	-	2,229	-	2,229	-	2,229
Parks and recreation	130,842	40,515	3,000	-	(87,327)	-	(87,327)
Public safety							
Police	63,878	45	10,212	-	(53,621)	-	(53,621)
Fire	78,032	45,763	11,500	-	(20,769)	-	(20,769)
Sanitation	131,822	224,816	-	-	92,994	-	92,994
Streets	29,836	-	21,299	1,337	(7,200)	-	(7,200)
Interest on long-term debt	14,141	-	-	-	(14,141)	-	(14,141)
Total Governmental Activities	750,884	325,139	64,169	1,337	(360,239)	-	(360,239)
Business-Type Activities							
Sewer	318,013	240,610	-	-	-	(77,403)	(77,403)
Total Primary Government	$ 1,068,897	$ 565,749	$ 64,169	$ 1,337	$ (360,239)	$ (77,403)	$ (437,642)
General Revenues							
Taxes:							
Property taxes,levied for general purposes					82,695	-	82,695
Motor vehicle taxes					5,694	-	5,694
Utility taxes					41,282	-	41,282
Occupational taxes					166,181	-	166,181
Insurance premium tax					105,719	-	105,719
Telecommunications tax					6,089	-	6,089
Licenses and permits					5,217	-	5,217
Investment income					8,585	413	8,998
Insurance proceeds and gain on disposals					39,633	-	39,633
Miscellaneous income					9,817	7,000	16,817
Total General Revenues					470,912	7,413	478,325
Transfers					(2,284)	2,284	-
Total					468,628	9,697	478,325
Change in Net Position					108,389	(67,706)	40,683
Net Position - July 1, 2023					501,460	972,583	1,474,043
Net Position - June 30, 2024					$ 609,849	$ 904,877	$ 1,514,726

The accompanying notes are an integral part of this financial statement.

CITY OF CLARKSON, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2024

	General Fund	MRA Fund	Debt Service Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 187,812	$ 19,317	$ -	$ 207,129
Restricted cash	5,477	170,462	-	175,939
Taxes receivable	105,750	-	-	105,750
Grants receivable	-	3,746	-	3,746
Unbilled revenue	30,800	-	-	30,800
Total Assets	$ 329,839	$ 193,525	$ -	$ 523,364
Liabilities				
Accounts payable	$ 39,513	$ -	$ -	$ 39,513
Accrued liabilities	439	-	-	439
Payroll taxes payable	4,590	-	-	4,590
Accrued payroll	6,443	-	-	6,443
Total Liabilities	50,985	-	-	50,985
Fund Balances				
Committed to streets	-	170,462	-	170,462
Committed to public safety	59,370	-	-	59,370
Assigned to municipal roads	-	23,063	-	23,063
Assigned to community	8,370	-	-	8,370
Unassigned	211,114	-	-	211,114
Total Fund Balances	278,854	193,525	-	472,379
Total Liabilities and Fund Balances	$ 329,839	$ 193,525	$ -	$ 523,364

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities

Total Governmental Fund Balances		$ 472,379
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 in the governmental funds.		1,186,109
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and therefore are not reported in the governmental funds.		
Deferred pension related outflows	83,642	
Deferred pension related inflows	(57,497)	
Deferred OPEB related outflows	44,326	
Deferred OPEB related inflows	(168,387)	(97,916)
Certain liabilities are not reported in the fund financial statements because they are not due and payable; however, they are presented in the Statement of Net Position.		
Accrued interest payable	(1,906)	
Compensated absences	(5,220)	
Assessment due County Employees Retirement	(39,444)	
Notes and bonds payable	(387,685)	
Net pension liability	(518,333)	
Net OPEB asset	1,865	(950,723)
Total Net Position of Governmental Activities		$ 609,849

The accompanying notes are an integral part of this financial statement.

CITY OF CLARKSON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	General Fund	Municipal Road Aid Fund	Debt Service Fund	Total Governmental Funds
Revenues				
Property taxes	$ 82,695	$ -	$ -	$ 82,695
Utility taxes	41,282	-	-	41,282
Occupational taxes	166,181	-	-	166,181
Insurance premium tax	105,719	-	-	105,719
Motor vehicle tax	5,694	-	-	5,694
Telecommunications tax	6,089	-	-	6,089
Licenses and permits	5,217	-	-	5,217
Intergovernmental revenues	24,441	22,636	-	47,077
Grant revenue	2,500	-	-	2,500
Donations	15,929	-	-	15,929
Charges for services	325,139	-	-	325,139
Interest income	278	8,307	-	8,585
Other revenues	9,817	-	-	9,817
Total Revenues	790,981	30,943	-	821,924
Expenditures				
Current:				
General government	265,929	-	-	265,929
Parks and recreation	128,893	-	-	128,893
Public safety				
Police	63,722	-	-	63,722
Fire	57,560	-	-	57,560
Sanitation	132,674	-	-	132,674
Streets	-	12,988	-	12,988
Capital outlay	70,424	1,671	-	72,095
Debt service:				
Principal	1,200	15,000	11,137	27,337
Interest	-	4,884	9,500	14,384
Total Expenditures	720,402	34,543	20,637	775,582
Excess (Deficiency) of Revenues Over Expenditures	70,579	(3,600)	(20,637)	46,342
Other Financing Sources (Uses)				
Proceeds from insurance	37,433	-	-	37,433
Proceeds from sale of capital assets	2,200	-	-	2,200
Operating transfers in	52,487	-	20,637	73,124
Operating transfers out	(73,208)	(2,200)	-	(75,408)
Total Other Financing Sources (Uses)	18,912	(2,200)	20,637	37,349
Net Change in Fund Balances	89,491	(5,800)	-	83,691
Fund Balances - July 1, 2023	189,363	199,325	-	388,688
Fund Balances - June 30, 2024	$ 278,854	$ 193,525	$ -	$ 472,379

The accompanying notes are an integral part of this financial statement.

CITY OF CLARKSON, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS WITH THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

Net Changes in Fund Balances - Governmental Funds	$	83,691
Amounts reported for governmental activities in the Statement of Activities are different because:		
Debt proceeds provide current financial resources for governmental funds, but issuing debt increases long-term liablities in the Statement of Net Position, Principal payments are reported as expenditures in governmental funds and thus reduce the fund balance. In the Statement of Net Position, note repayments reduce liabilities. This is the amount by which debt proceeds ($0) exceed repayments ($27,337).		27,337
The governmental fund reports capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation ($90,810) exceeded capital outlay ($72,095) in the current period.		(18,715)
In the Statement of Activities, the change in net pension and OPEB liabilities, deferred outflows of resources, and deferred inflows of resources are reported while the changes in these accounts are not reported in the governmental funds. This is the net change in these accounts.		15,339
In the Statement of Activities, compensated absences are measured by the amount earned during the year. In governmental funds, however, expenditures for this amount are measured by the amount actually paid,		376
Interest is recorded as an expenditure when due in the governmental funds and as it accrues in the Statement of Activities.		243
The change in bond premium is reported in the Statement of Activities, whereas in the governmental fund, the change in the liability is not recorded, Thus, the change in net position differs from the change in fund balances by the change in the bond premium liability.		118
Change in Net Position of Governmental Activities	$	108,389

The accompanying notes are an integral part of this financial statement.

CITY OF CLARKSON, KENTUCKY
STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2024

	Enterprise Fund
Assets	
Current Assets	
Cash and cash equivalents	$ 75,927
Trade accounts receivable - net of allowance	4,876
Unbilled revenue	35,127
Total Current Assets	115,930
Noncurrent Assets	
Restricted cash	230,137
Capital assets:	
Capital assets not being depreciated	94,108
Other capital assets, net of depreciation	1,930,865
Total Noncurrent Assets	2,255,110
Total Assets	2,371,040
Deferred Outflows of Resources	
Deferred amount from pension	17,141
Deferred amount from OPEB	8,841
Total Deferred Outflows of Resources	25,982
Liabilities	
Current Liabilities	
Accounts payable	3,323
Accrued liabilities	392
Customer deposits	46,100
Accrued interest payable	17,681
Current portion of long-term debt	57,000
Total Current Liabilities	124,496
Noncurrent Liabilities	
Compensated absences	2,258
Bonds payable, long-term	1,239,000
Net pension liability	85,863
Net OPEB liability	1,836
Total Noncurrent Liabilities	1,328,957
Total Liabilities	1,453,453
Deferred Inflows of Resources	
Deferred amount from pension	9,293
Deferred amount from OPEB	29,399
Total Deferred Inflows of Resources	38,692
Net Position	
Net investment in capital assets	728,973
Restricted for:	
Debt service	145,755
Asset replacement	84,382
Unrestricted	(54,233)
Total Net Position	$ 904,877

The accompanying notes are an integral part of this financial statement.

CITY OF CLARKSON, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2024

	Enterprise Fund
Operating Revenues	
Charges for services, net of refunds	$ 240,610
Operating Expenses	
Depreciation expense	121,129
General administrative, supplies and services	43,369
Insurance	8,589
Payroll and related benefits and taxes	65,195
Professional services	1,788
Repairs and maintenance	15,713
Utilities	25,807
Total Operating Expenses	281,590
Operating Loss	(40,980)
Non-Operating Revenues (Expenses)	
Interest income	413
Interest expense	(36,423)
Insurance proceeds	7,000
Total Non-Operating Revenues (Expenses)	(29,010)
Loss Before Transfers	(69,990)
Operating Transfers	
Operating transfers in	54,771
Operating transfers out	(52,487)
Net Operating Transfers	2,284
Change in Net Position	(67,706)
Net Position - July 1, 2023	972,583
Net Position - June 30, 2024	$ 904,877

The accompanying notes are an integral part of this financial statement.

CITY OF CLARKSON, KENTUCKY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2024

	Enterprise Fund
Cash Flows from Operating Activities:	
Receipts from customers	$ 261,353
Payments to suppliers	(94,936)
Cash payments to employees for services	(50,371)
Net Cash Provided by Operating Activities	116,046
Cash Flows from Noncapital and Related Financing Activities:	
Transfers from other funds	54,771
Transfers to other funds	(52,487)
Net Cash Provided by Noncapital Financing Activities	2,284
Cash Flows from Capital and Related Financing Activities:	
Principal payments	(54,000)
Interest payments	(37,485)
Acquisition of capital assets	(8,745)
Insurance proceeds	7,000
Net Cash Used by Capital and Related Financing Activities	(93,230)
Cash Flows from Investing Activities:	
Interest income	412
Net Increase in Cash and Cash Equivalents	25,512
Cash and Cash Equivalents - July 1, 2023	280,552
Cash and Cash Equivalents - June 30, 2024	$ 306,064

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:

Operating loss	$ (40,980)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	121,129
Change in assets and liabilities:	
Accounts receivable, net of allowance	21,316
Unbilled revenue	(573)
Accounts payable	262
Accrued liabilities	68
Compensated absences	89
Deferred outflows, inflows, and net pension and OPEB liability	14,735
Net Cash Provided by Operating Activities	$ 116,046

The accompanying notes are an integral part of this financial statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Clarkson (City) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units, hereinafter referred to as GAAP (generally accepted accounting principles). The accepted standard-setting body for establishing governmental accounting and financial reporting principles is GASB (Governmental Accounting Standards Board). Determination of the financial reporting entity of the City is founded upon the objective of accountability. Therefore, these financial statements include the City government (the primary government).

A. Reporting Entity

The City was chartered in 1908 and incorporated under the provisions of the Commonwealth of Kentucky. The City operates under the Mayor-Commission form of government. The citizens of Clarkson elect a mayor-at-large and four City Commissioners. As authorized by its charter, the City provides the following services: public safety (police and fire), streets, sewer, sanitation, recreation, public improvements, and general administrative services.

The City, for financial purposes, includes all of the funds relevant to the operations of the City of Clarkson. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of Clarkson.

For financial reporting purposes, the accompanying financial statements include all of the operations over which the City is financially accountable. The City is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. In accordance with GASB 14, “The Financial Reporting Entity,” as amended by GASB 39, “Determining Whether Certain Organizations Are Component Units”, the criteria for inclusion in the reporting entity involve those cases where the City or its officials appoint a voting majority of an organization’s governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the City or the nature and significance of the relationship between the City and the organization is such that exclusion would cause the City’s financial statements to be incomplete. Applying this definition, City management has determined there are no component units reportable within the accompanying financial statements.

B. Basis of Presentation

The City’s government-wide financial statements provide both short-term and long-term information about the City’s overall financial status. Fund financial statements focus on the individual activities of City government, reporting the City’s operations in more detail than the government-wide financial statements.

C. Basis of Accounting and Measurement Focus

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting and economic resources measurement focus. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Governmental funds use the modified accrual basis of accounting and proprietary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting and Measurement Focus (Continued)

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Government-wide Financial Statements

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets and deferred outflows of resources and liabilities and deferred inflows of resources, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position.

The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

Governmental Fund Financial Statements

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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting and Measurement Focus (Concluded)

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

General Fund: The General Fund is the City of Clarkson, Kentucky's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Municipal Aid Fund: This fund is used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) that are legally restricted to expenditures to be used to account for and report resources restricted or committed to improvement of the City's roads and sidewalks. The primary sources of revenue are intergovernmental grants.

The City reports the following non-major fund:

Debt Service Fund: This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest payments on long-term debt.

Proprietary Fund Financial Statements

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The City reports the following major proprietary fund:

The Sewer Fund accounts for the activities related to the provision of sewer services to the City of Clarkson, Kentucky's businesses, residents, schools, and churches. It operates the sewer treatment plant, sewer collection systems, and pump stations. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Cash Equivalents

The City considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

E. Restricted Cash and Cash Equivalents

Restricted assets include those monies reserved for revenue bond debt and loans with reserve covenants.

F. Prepaid Expenses

Payments made that will benefit periods beyond June 30, 2024 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Inventories

Inventories are defined as assets which may be held for internal consumption or for resale. All City inventories are maintained on a consumption basis of accounting where items are purchased for inventory and charged to the budgetary accounts as the items are consumed. Inventories are carried at cost on the first in, first out-FIFO basis. There was no inventory recorded at June 30, 2024.

H. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the respective funds.

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at $1,000. The City uses a threshold of $5,000 for infrastructure (streets, roads, bridges, sidewalks). Improvements to buildings and land are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets are depreciated. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Description	Governmental Activities Estimated Lives
Buildings	25 – 50 Years
Improvements	10 – 50 Years
Machinery, furniture and equipment	5 – 10 Years
Infrastructure	15 – 75 Years
Sewer systems	25 – 50 Years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, long-term obligations, and compensated absences are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

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

K. Compensated Absences

The criteria for determining compensated absences (i.e., paid absences for employee vacation) liability are derived from City policy, negotiated agreements, and state law. Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

In the government-wide financial statements, compensated absences are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability is reported for compensated absences in the governmental fund financial statements only if they have matured (i.e., unused reimbursable leave still outstanding following an employee's resignation or retirement).

Payments for vacation leave will be made at rates in effect when the benefits are used. Accumulated vacation leave liabilities at June 30, 2024 are determined on the basis of current salary rates and include salary related payments.

Sick pay is charged to the fund financial statements when paid. Generally, sick leave is paid only when an employee is absent due to illness, injury, or related family death. Employees are not eligible for sick pay upon termination or retirement.

L. Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Balances (Concluded)

Restricted fund balance: This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. At June 30, 2024, the City had $170,462 restricted for municipal road aid.

Committed fund balance: These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City Commission - the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Commission removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. At June 30, 2024, the City had $59,370 committed to public safety.

Assigned fund balance: This classification reflects the amounts constrained by the town's "intent" to be used for specific purposes, but are neither restricted nor committed. The City Commission and Mayor have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed. At June 30, 2024, the City had $8,370 assigned to community and $23,063 assigned to MRA.

Unassigned fund balance: This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

The City considers unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources--committed, assigned, and unassigned--in order as needed.

M. Net Position

Net position represents the difference between assets and deferred outflow and liabilities and deferred inflows. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

N. Pensions and OPEB Plans

For purposes of measuring the net pension liability, net OPEB asset and liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous ("CERS Non-Hazardous") and County Employees Retirement System Hazardous ("CERS Hazardous") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Property Taxes

Property Tax Revenues - Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. The property tax rates assessed for the year ended June 30, 2024, to finance the General Fund operations were $0.092 per $100 valuation for real property, $0.199 per $100 valuation for business personal property and $0.10 per $100 valuation for motor vehicles. Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year-end. Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided.

P. Interfund Balances

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

Transactions between funds that would be treated as revenues, expenditures, or expenses if they involve entities external to the City are accounted for as revenues, expenditures, or expenses in the funds.

Q. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses.

R. Budgetary Process

The City’s budgetary process accounts for its transactions the same as the governmental funds, using the modified accrual basis of accounting. Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Budget amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end in accordance with state law. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year end.

S. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are used to determine depreciation expense, and the allowance for doubtful accounts among other accounts. Actual results could differ from those estimates.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that period. The City has one item that qualifies as a deferred outflow of resources for CERS pension and OPEB contributions made subsequent to the pension plan's measurement date.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category; that item is the proportionate share of CERS amounts reported for the net difference between projected and actual earnings on pension and OPEB plan investments. This item is reported in the governmental balance sheet and on the Statement of Net Position. These amounts are deferred and recognized as an inflow from resources in the period that the amounts become available.

U. Nonexchange Transactions

The recognition of assets, liabilities, and expense/expenditures resulting from nonexchange transactions of the City of Clarkson, Kentucky are as follows:

Imposed nonexchange revenues: Property taxes are assessed January 1st of each year. The City does not have an enforceable legal claim to the taxes until one year from that date. However, tax bills are mailed October of the year they are assessed and collected before the end of that fiscal year; therefore, the asset/revenue is recognized when it is received.

The City imposes an insurance premium tax on insurance premiums sold within the City limits for casualty, automobile, inland marine and fire and allied perils. The tax is due no later than thirty (30) days after the end of each calendar quarter.

Government-mandated nonexchange transactions: The City receives Municipal Road Aid and Local Government Economic Assistance funds from the state of Kentucky. These funds are required to be spent for specific purposes. Resources are recognized as revenues when received and expenses/expenditures when paid.

Voluntary nonexchange transactions: The City receives various grants from federal and state agencies. Eligibility requirements have been met at the time the funds are received; therefore, the asset/revenue is recognized when it is received.

V. Impairment of Long-Lived Assets

The City reviews its property for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. For assets held and used, if the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of the asset, an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the year ended June 30, 2024.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

W. Fair Value Measurement

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 2 - CASH AND CASH EQUIVALENTS

Custodial Credit Risk: For deposits, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no formal policy on custodial credit risk. Cash deposits held at BNY Mellon are secured by FDIC up to $250,000 and any excess is secured by U.S. Government Obligations. At June 30, 2024, $273,374 of the City's bank balance of $693,837 was uncollateralized and exposed to custodial credit risk.

NOTE 3 - CONCENTRATIONS OF CREDIT RISK

The City extends credit to all citizens who live within the City limits and all of those who utilize the utility system. Credit losses may be minimal and are generally within management's expectations.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable are shown net of an allowance for doubtful accounts. Accounts which are determined to be uncollectible are charged against the allowance for doubtful accounts at the time such determination is made. At June 30, 2024, total accounts receivable balance was $47,032 and the allowance for doubtful accounts was $42,156.

NOTE 5 - INTERFUND ACTIVITY

The following transfers were made during the year:

From Fund	To Fund	Amount	Purpose
General Fund	Debt Service Fund	$ 20,637	Debt service
Sewer Fund	General Fund	52,487	Fund expenditures
General Fund	Sewer Fund	52,571	Fund expenditures
MRA Fund	Sewer Fund	2,200	Fund expenditures
		$127,895	

NOTE 6 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and workers' compensation claims. The City contracts with the Kentucky League of Cities Insurance Services (KLCIS), a local government risk pool to insure against workers' compensation claims.

The City purchases commercial insurance for various risks of loss due to torts, thefts, property damage, errors and omissions, employee injuries and natural disasters. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 7 - CAPITAL ASSETS

The following is a summary of the capital assets activity for the year ended June 30, 2024:

	Beginning	Increases	Ending
Governmental Activities			
Capital assets not being depreciated:			
Construction in process	$ 141,662	$ 50,915	$ 192,577
Land - general government	20,908	-	20,908
Land - public safety	6,280	-	6,280
Land - recreation	99,961	-	99,961
Total	268,811	50,915	319,726
Other capital assets:			
Buildings and improvements	713,184	-	713,184
Infrastructure	1,392,376	-	1,392,376
Equipment - office, fire and police	1,109,872	14,703	1,124,575
Equipment - streets	15,900	-	15,900
Equipment - parks and recreation	26,292	6,477	32,769
Total	3,257,624	21,180	3,278,804
Less: accumulated depreciation			
Buildings and improvements	387,570	15,144	402,714
Infrastructure	1,175,810	16,966	1,192,776
Equipment - office, fire and police	731,056	56,171	787,227
Equipment - streets	15,897	-	15,897
Equipment - parks and recreation	11,278	2,529	13,807
Total	2,321,611	90,810	2,412,421
Total capital assets, net	$ 1,204,824	$ (18,715)	$ 1,186,109
Business-Type Activities			
Capital assets not being depreciated:			
Land and improvements	$ 94,108	$ -	$ 94,108
Other capital assets:			
Equipment	68,473	8,746	77,219
Sewer treatment plant and system	3,830,683	-	3,830,683
Vehicle	10,100	-	10,100
Total	3,909,256	8,746	3,918,002
Less: accumulated depreciation	(1,866,008)	(121,129)	(1,987,137)
Total other capital assets, net of depreciation	2,043,248	(112,383)	1,930,865
Total capital assets, net	$2,137,356	$(112,383)	$2,024,973

Depreciation expense was charged to functions in the Statement of Activities as follows:

Governmental Activities		**Business-Type Activities**	
General government	$38,639	Sewer	$121,129
Public safety	32,675		
Recreation	2,530		
Streets	16,966		
	$90,810		

NOTE 8 - LONG-TERM OBLIGATIONS

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. Annual debt service requirements to maturity are as follows:

	Governmental Activities		
	Principal	Interest	Total
2025	$ 97,817	$ 11,740	$ 109,557
2026	32,800	9,825	42,625
2027	33,804	8,850	42,654
2028	28,455	7,881	36,336
2029	28,739	7,579	36,318
2030 – 2034	67,847	26,221	94,068
2035 – 2039	56,787	17,215	74,002
2040 – 2044	64,235	6,266	70,501
2045 – 2049	6,000	-	6,000
2050 – 2054	6,000	-	6,000
2055 – 2058	4,645	-	4,645
	$ 427,129	$ 95,577	$ 522,706

	Business-Type Activities		
	Principal	Interest	Total
2025	$ 57,000	$ 35,362	$ 92,362
2026	58,500	33,116	91,616
2027	61,000	30,797	91,797
2028	64,000	28,368	92,368
2029	68,000	25,822	93,822
2030 – 2034	156,000	106,985	262,985
2035 – 2039	167,000	83,938	250,938
2040 – 2044	140,500	65,185	205,685
2045 – 2049	156,500	49,516	206,016
2050 – 2054	174,000	32,033	206,033
2055 – 2058	193,500	12,656	206,156
	$1,296,000	$ 503,778	$1,799,778

Changes in long-term debt were as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Due in One Year
Governmental Activities					
Assumed liens	$ 22,050	$ -	$ -	$ 22,050	$ 22,050
City hall loan	192,400	-	7,224	185,176	6,349
Police SUV loan	19,296	-	3,913	15,383	4,880
Sidewalk projects bond	130,000	-	15,000	115,000	15,000
Bond premium	774	-	118	656	118
Due to CERS	41,845	-	1,201	40,644	1,200
Sidewalk projects-LOC	48,220	-	-	48,220	48,220
Compensated absences	5,596	-	376	5,220	-
	$ 460,181	$ -	$ 27,832	$ 432,349	$ 97,817
Business-Type Activities					
1989 Series A	$ 131,000	$ -	$ 19,000	$ 112,000	$ 20,000
1989 Series B	70,000	-	10,000	60,000	11,000
2001 Series C	122,000	-	6,000	116,000	6,000
2018 Series A	652,000	-	12,500	639,500	13,000
2018 Series B	375,000	-	6,500	368,500	7,000
Compensated absences	2,169	89	-	2,258	-
	$1,352,169	$ 89	$ 54,000	$1,298,258	$ 57,000

NOTE 8 - LONG-TERM OBLIGATIONS (CONTINUED)

The City received loan proceeds, during the June 30, 2015 fiscal year, from Bank of Clarkson to aid in the construction of a new city hall building. The note is payable in monthly installments of $1,333, bears interest at 3.92%, and matures March 9, 2045.

During the June 30, 2023 fiscal year, the City received loan proceeds from Bank of Clarkson to purchase a police cruiser. The note is payable in monthly installments of $407, bears interest at a rate of 5.89%, and matures in December 2027. The debt is secured by the police cruiser.

The City was approved for Transportation Alternative Program (TAP) Awards during the June 30, 2020 fiscal year in the amounts of $275,066 and $403,834 to aid in the construction of city sidewalks. Although the TAP Awards are to provide 80% of total project expenses, the City entered into a bonded lease agreement with the Kentucky Bond Corporation to provide the remaining 20% of funds to be utilized for project expenses. The City received $175,000 in bond proceeds from the Kentucky Bond Corporation on November 6, 2019, with an interest rate of 2.42%, and matures in 2030. Principal payments are due annually and interest payments are due semi-annually.

The City issued and sold its Sewer System Revenue Bonds, 1989 Series A and B, to United States Department of Agriculture Rural Development (USDA RD) in 1990 to aid in financing the construction, acquisition and installation of the municipal sanitary sewer system. The 1989 Series A and B Revenue Bonds bear an interest rate of 5.0%, mature in 2029, and had a balance outstanding of $112,000 and $60,000 at June 30, 2024, respectively. Each Revenue Bond has principal payments due annually and interest payments due semi-annually. Upon default of payment of any principal or interest payment, USDA RD has the option to enforce all rights and remedies provided by law.

In August 1999, the City issued and sold its Sewer System Revenue Bonds, Series of 1999 to the USDA RD to aid in financing the construction, acquisition and installation of major improvements and additions to the sewer system. The Revenue Bond has an interest rate of 4.5%, matures in 2039, and has principal payments due annually and interest payments due semi-annually. Balance outstanding at June 30, 2024 was $116,000. In the event of default, any court having jurisdiction may appoint a receiver to administer the System on behalf of the City to charge and collect rates sufficient to provide for the payment of any bonds outstanding.

During the fiscal year end June 30, 2019, the City issued $1,100,000 in Revenue Bonds to USDA RD for the Sewer Fund project. There were two issues each maturing in 2059. One issue, 2018 Series A, in the amount of $700,000 carries an interest rate of 2.000%. The second issue, 2018 Series B, in the amount of $400,000 carries an interest rate of 2.375%.

In 2015, the City hired a police officer who had been previously employed by another agency. It was the City's erroneous understanding that limited hours exempted the employee from subjectivity to the County Employees Retirement System. When it was discovered during the year ended June 30, 2019 that the employee was indeed subject, the City was $46,845 in arrears. In February 2019, an agreement was reached with the retirement system whereby the City will pay $100 per month with no interest until the liability is extinguished.

During the fiscal year ended June 30, 2022, the City acquired a line of credit in the amount of $225,050 to aid in the construction of city sidewalks. The line of credit bears an interest rate of 4.0% and matures August 13, 2024.

NOTE 8 - LONG-TERM OBLIGATIONS (CONTINUED)

Bond covenants stipulate that the annual modified net revenue be at least 1.25 times the maximum annual debt service requirement for all bonds outstanding. Bond covenants stipulate that a sinking fund, reserve fund, and depreciation fund are to receive monthly deposits from the revenue fund until required limits are reached. The City believes it is in compliance with all significant covenants and restrictions, including federal arbitrage regulations.

All bond and interest payments are paid from these restricted funds. Receipts for services are deposited into this Revenue Fund and disbursed as follows:

a. Bond and Interest Sinking Fund – There is to be a monthly deposit of the amount equal to 1/12 of the next ensuing principal payment due and 1/6 of the next ensuing interest payment due. These funds are used to pay bond principal and interest obligations on an annual and semi-annual basis.

b. Depreciation Fund – This fund shall receive a monthly deposit of $426 from the Revenue Fund after the above bond principal and interest transfers have been made. The deposits will continue as long as any bonds remain outstanding and unpaid and the balance in the depreciation account is less than $51,120. At June 30, 2024 the total balance of the Depreciation Fund was $84,382. Funds have been withdrawn from the fund to maintain the sewer system.

   In addition, there shall also be deposited in the Depreciation Fund, as received, the proceeds of all property damage insurance (except public liability) maintained in connection with the sewer system, and the cash proceeds of any surplus, worn out or obsolescent properties of the sewer system, if the same is sold on order of the City. Any fees that may be levied and collected by the City for the privilege of connecting to the System (excluding initial deposits received in aid of the Project, if any) shall be paid, as received, into the Depreciation Fund.

   The Depreciation Fund shall be available and may be withdrawn and used by the City, for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, renewals or replacements, not included in the annual budget or current expenses, and the cost of constructing additions and improvements to the sewer system which will either enhance its revenue-producing capacity or provide a high degree of service. This fund shall be available for transfer to the Bond and Interest Sinking Fund in order to avoid default in connection with any bonds payable from the Sinking Fund.

c. Operation and Maintenance Fund – This fund receives, on a monthly basis, the remaining balance in the Revenue Fund after the above transfers have been made. This fund is used to pay operating expenditures.

NOTE 9 - PENSION PLANS

General Information about the County Employees Retirement System

Plan Description – Full-time and eligible part-time employees are covered by the County Employees Retirement System (CERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Public Pensions Authority, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (KRS) Section 61.645, the Board of Trustees of the Kentucky Public Pensions Authority administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Public Pensions Authority issues a publicly available financial report that includes financial statements and required supplementary information for CERS. The report may be obtained by writing to the Kentucky Public Pensions Authoritys, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601 or from the website at www.kyret.ky.gov.

NOTE 9 - PENSION PLANS (CONTINUED)

Basis of Accounting – For purposes of measuring the net pension liabilities, deferred outflow of resources and deferred inflow of resources related to pension and pension expense, information about the fiduciary net position of 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.

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

CERS Non-hazardous

Tier 1	Participation date:	Before September 1, 2008
Defined	Unreduced retirement:	27 years service or 65 years old with 4 years service
Benefit	Reduced retirement:	At least 5 years service and 55 years old
		At least 25 years service and any age
Tier 2	Participation date:	September 1, 2008 – December 31, 2013
Defined	Unreduced retirement:	At least 5 years service and 65 years old
Benefit		Age 57+ and sum of service years plus age = 87
	Reduced retirement:	At least 10 years service and 60 years old
Tier 3	Participation date:	After December 31, 2013
Cash	Unreduced retirement:	At least 5 years service and 65 years old
Balance		Age 57+ and sum of service years plus age = 87
	Reduced retirement:	Not available

CERS Hazardous

Tier 1	Participation date:	Before September 1, 2008
Defined	Unreduced retirement:	20 years service or 55 years old with 5 years service
Benefit	Reduced retirement:	At least 15 years service and 50 years old
Tier 2	Participation date:	September 1, 2008 – December 31, 2013
Defined	Unreduced retirement:	25 years service or 60 years old with 5 years service
Benefit	Reduced retirement:	At least 15 years service and 50 years old
Tier 3	Participation date:	After December 31, 2013
Cash	Unreduced retirement:	25 years service or 60 years old with 5 years service
Balance	Reduced retirement:	Not available

Contributions – Employees in all tiers contributed 5% of their salaries for non-hazardous and 8% for hazardous, and those in Tiers 2 and 3 also contributed an additional 1% of their salaries for insurance. Participating employers contributed 23.34% (23.34% for pension and 0% for health insurance) and 43.69% (41.11% pension; 2.58% insurance) of members' non-hazardous and hazardous compensation, respectively, for the year ended June 30, 2024.

Medical Insurance Plan – In addition to the pension benefits described above, Kentucky Revised Statute 61.702 requires CERS to provide post-retirement healthcare benefits to eligible members and dependents. Changes made to the medical plan may be made by the Kentucky Public Pensions Authority Board of Trustees and the General Assembly. Additional information can be obtained in the aforementioned financial statements and required supplementary information for CERS.

NOTE 9 - PENSION PLANS (CONTINUED)

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

At June 30, 2024, the City reported a liability of $604,196 for its proportionate share of the net pension liability for CERS, which included $424,645 for non-hazardous and $179,551 for hazardous. The total pension liability, net pension liability, and sensitivity information as of June 30, 2023, were based on an actuarial valuation date of June 30, 2022. The total pension liability was rolled forward from the valuation date of June 30, 2022 to the plan's fiscal year ended June 30, 2023, using generally accepted actuarial principles. The City's proportion of the net pension liability was based on the actual contributions of the City relative to the total contributions of all participating members of CERS during the measurement period July 1, 2022 through June 30, 2023. At June 30, 2023, the City's proportion was 0.006618% non-hazardous, and 0.006660% hazardous,

For the year ended June 30, 2024, the City recognized total pension expense of $53,791 for CERS, which included $43,830 for non-hazardous and $9,961 for hazardous.

Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense they are labeled as deferred inflows. If they will increase pension expense, they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period.

The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 30,191	$ 1,154
Changes of assumptions	29,761	52,941
Net difference between projected and actual earnings on pension plan investments	-	7,593
Changes in proportion and differences between City contributions and proportionate share of contributions	-	5,102
City contributions subsequent to the measurement date	40,831	-
	$100,783	$66,790

Deferred outflows of resources resulting from City contributions subsequent to the measurement date of $40,831 ($40,831 for non-hazardous and $0 for hazardous) will be recognized as a reduction of net pension liability in the year ending June 30, 2025. Other amounts reported as deferred inflows and outflows related to pensions will be recognized in pension expense as follows:

NOTE 9 - PENSION PLANS (CONTINUED)

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

Year Ending June 30,	Non-Hazardous	Hazardous
2024	$ 2,832	$(1,799)
2025	(10,220)	(1,725)
2026	9,480	895
2027	(4,111)	(2,190)
Thereafter	-	-
Total	$ (2,019)	$(4,819)

Actuarial assumptions – The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions (updated from the actuarial assumptions used for June 30, 2022):

Inflation Rate:	2.50%
Payroll Growth Rate:	2.00%
Projected Salary Increases:	3.30% to 10.30%, varies by service for CERS non-hazardous
	3.55% to 19.05%, varies by service for CERS hazardous
Investment Rate of Return:	6.50%

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

The long-term expected rates of return were determined by using a building-block method in which best estimated ranges of expected future real rates of return were developed for each asset class. The ranges were 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, as provided by KPPA, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	**60.00%**	
Public Equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Fixed Income	**20.00%**	
Core Bonds	10.00%	2.45%
Specialty Credit/High Yield	10.00%	3.65%
Cash	0.00%	1.39%
Inflation Protected	**20.00%**	
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
Expected Real Return	**100.00%**	5.75%
Long-term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		8.25%

NOTE 9 - PENSION PLANS (CONCLUDED)

Discount Rate – The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that 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.

Sensitivity of Proportionate Share of Net Pension Liability to Changes in the Discount Rate – The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.55%, 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 one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 5.50%	Current Discount 6.50%	1% Increase 7.50%
Non-hazardous	$536,140	$424,645	$331,988
Hazardous	$226,726	$179,551	$141,020

Measurement Date – June 30, 2023 is the actuarial valuation date and measurement date upon which the total pension liability is based.

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report.

Payable to the Pension Plan – At June 30, 2024, the City reported a payable of $3,710 for the outstanding amount of contributions to the pension plan required at the year then ended.

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS

General Information about the County Employees Retirement System Insurance – County Employees Retirement System (CERS) Non-hazardous and Hazardous Insurance Funds are cost-sharing multiple-employer defined benefit other post-employment benefits (OPEB) plans for members that cover all regular full-time members employed in non-hazardous and hazardous duty positions of any state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate. The plan provides for health insurance benefits to plan members, and it may be extended to beneficiaries of plan members under certain circumstances. It is administered by the Kentucky Public Pensions Authority (KPPA), an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute Section 61.645, the Board of Trustees of the Kentucky Public Pensions Authority administers OPEB and has the authority to establish and amend benefit provisions. The KPPA issues a publicly available financial report that includes financial statements and required supplementary information for CERS. The report may be obtained by writing to the Kentucky Public Pensions Authoritys, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601 or from the KPPA website at www.kyret.ky.gov.

Basis of Accounting – For purposes of measuring the net OPEB liability (asset), deferred outflow of resources and deferred inflow of resources related to OPEB and OPEB expense, information about the fiduciary net position of 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.

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Benefits Provided – CERS provides health insurance benefits to plan employees and beneficiaries when applicable. For members participating prior to July 1, 2003, KPPA pays a percentage of the monthly premium for single coverage based upon the service credit accrued at retirement. Members participating on or after July 1, 2003, and before September 1, 2008, are required to earn at least 10 years of service credit in order to be eligible for insurance benefits at retirement. Members participating on or after September 1, 2008 are required to earn at least 15 years of service credit in order to be eligible for insurance benefits at retirement. The monthly health insurance contribution will be $10 for each year of earned service increased by the CPI prior to July 1, 2009, and by 1.5% annually from July 1, 2009.

The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KPPA submits the premium payments to DEI. The KPPA Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan.

Contributions – Employees in Tiers 2 and 3 (see NOTE 9) contribute an additional 1% of their salaries for health insurance. This amount is credited to the Insurance Fund and is non-refundable to the member. Participating employers contributed 23.34% (23.34% for pension and 0% for health insurance) and 43.69% (41.11% pension; 2.58% insurance) of members' non-hazardous and hazardous compensation, respectively, for the year ended June 30, 2024.

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

At June 30, 2024, the City reported a liability (asset) of $(29) for its proportionate share of the net OPEB liability (asset) for CERS, which included $(1,865) for non-hazardous and $1,836 for hazardous. The total OPEB liability (asset), net OPEB liability (asset), and sensitivity information as of June 30, 2023, were based on an actuarial valuation date of June 30, 2022. The total OPEB liability (asset) was rolled forward from the valuation date of June 30, 2022 to the plan's fiscal year ended June 30, 2023, using generally accepted actuarial principles. The City's proportion of the net OPEB liability (asset) was based on the actual contributions of the City relative to the total contributions of all participating members of CERS during the measurement period July 1, 2022 through June 30, 2023. At June 30, 2023, the City's proportion was 0.006617% non-hazardous and 0.006656% hazardous.

For the year ended June 30, 2024, the City recognized total OPEB expense of ($12,872) for CERS, which included ($9,120) for non-hazardous and ($3,752) for hazardous.

Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense they are labeled as deferred inflows. If they will increase pension expense, they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period.

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

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 7,194	$ 167,285
Changes of assumptions	24,199	22,025
Net difference between projected and actual earnings on pension plan investments	-	3,376
Changes in proportion and differences between City contributions and proportionate share of contributions	18,875	5,100
City contributions subsequent to the measurement date	2,899	-
	$ 53,167	$ 197,786

Deferred outflows of resources resulting from City contributions subsequent to the measurement date of $2,899 ($2,984 for non-hazardous and ($85) for hazardous), which include the implicit subsidy reported of $2,899 ($2,984 for non-hazardous and ($85) for hazardous), will be recognized as a reduction of net OPEB liability (asset) in the year ending June 30, 2025. 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 Ending June 30,	Non-Hazardous	Hazardous
2025	$ (20,859)	$ (9,425)
2026	(33,700)	(10,431)
2027	(26,060)	(6,513)
2028	(24,032)	(9,903)
2028	-	(6,595)
Total	$(104,651)	$(42,867)

Actuarial assumptions – The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation Rate:	2.50%
Payroll Growth Rate:	2.00%
Projected Salary Increases:	3.30% to 10.30%, varies by service for CERS non-hazardous 3.55% to 19.05%, varies by service for CERS hazardous
Investment Rate of Return:	6.50%
Healthcare Trend Rates (under age 65):	Initial trend starting at 6.80% at January 1, 2025 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Healthcare Trend Rates (age 65 and over):	Initial trend starting at 8.50% at January 1, 2025 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

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

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 rates of return for each major asset class, as provided by KPPA, are summarized in the table in NOTE 9 (target allocations and real rates of return are the same for the CERS Pension and Insurance Funds).

Discount Rate – The discount rate used to measure the total OPEB liability (asset) was 5.93% for non-hazardous and 5.97% 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 twenty-four year (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.50%, and a municipal bond rate of 3.86%, as reported in Fidelity Index's "20 Year Municipal GO AA Index" as of June 30, 2023. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of Proportionate Share of Net OPEB Liability (Asset) to Changes in the Discount Rate – The following table presents the City's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 5.93% for non-hazardous and 5.97% for hazardous, as well as what the City's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease	Current Discount	1% Increase
	4.93%	5.93%	6.93%
Non-hazardous	$17,147	($9,136)	($31,146)
	4.97%	5.97%	6.97%
Hazardous	$23,032	$9,107	($2,496)

Sensitivity of Proportionate Share of Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rate – The following table presents the City's proportionate share of the net OPEB liability (asset) calculated using the healthcare cost trend rate, as well as what the City's proportionate share of the net OPEB liability (asset) would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (CONCLUDED)

	1% Decrease	Current Rate	1% Increase
Non-hazardous	($29,286)	($9,136)	$15,614
Hazardous	$104	$9,107	$19,980

Measurement Date – June 30, 2023 is the actuarial valuation date and measurement date upon which the total OPEB liability (asset) is based.

OPEB Plan Fiduciary Net Position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERS financial report.

Payable to the Pension Plan – At June 30, 2024, the City reported a payable of $72 for the outstanding amount of contributions to the OPEB plan required at the year then ended.

NOTE 11 - DEFICIT FUND BALANCES/NET POSITION

No funds of the City ended the fiscal year with a deficit fund balance or net position. The MRA Fund ended the year with a reduction in fund balance.

NOTE 12 - SUBSEQUENT EVENTS

City of Clarkson, Kentucky's management has evaluated and considered the need to recognize or disclose subsequent events through February 4, 2026, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2024, have not been evaluated by management.

NOTE 13 - TAX ABATEMENT AGREEMENT

The City has one property tax abatement agreement with a local business who constructed new facilities within the city limits in 2015. Pursuant to the Industrial Building Revenue Bond Act (Section 103.200), the City issued $6,600,000 of bonds (Series 2015 City of Clarkson, Kentucky Industrial Revenue Building Bonds) to fund the project (see Note C). The City and the Company entered into a payment in lieu of taxes agreement in accordance with KRS 154.32. Beginning January 1, 2016 and for each calendar year thereafter through the calendar year ending December 31, 2036 (the "PILOT Term", the Company will make on or before December 1 of each of those years a payment to the City of Clarkson, Kentucky in the amount of $8,000 (the "Payment in Lieu Amount"). The Company shall have no obligation to pay any other amounts related to ad valorem property taxes to the City during the PILOT Term. At such time as the Bonds are no longer outstanding, the Project shall be transferred by the Issuer to the Company and the real property, improvements and equipment constituting the Project shall be placed on the City tax rolls for assessment and payment of all applicable local ad valorem taxes. The bonds were no longer outstanding as of June 30, 2022 and the Company is due to be placed on the City tax rolls to begin paying ad valorem property taxes subsequent to June 30, 2024.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Litigation

The City is party to pending civil suits that normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. While the outcome of these proceedings cannot be predicted, due to the insurance coverage maintained by the City, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

NOTE 14 - COMMITMENTS AND CONTINGENCIES (CONCLUDED)

Federal grants

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 government expects such amounts, if any, to be immaterial.

Required Supplementary Information

CITY OF CLARKSON, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024

	Budgeted Amounts			Variance from Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Property taxes	$ 72,000	$ 77,890	$ 82,695	$ 4,805
Utility taxes	39,000	37,812	41,282	3,470
Occupational taxes	160,000	165,000	166,181	1,181
Insurance premium tax	90,000	104,500	105,719	1,219
Motor vehicle tax	5,000	5,500	5,694	194
Telecommunications tax	6,100	6,089	6,089	-
Licenses and permits	5,800	5,288	5,217	(71)
Intergovernmental revenues	28,350	24,587	24,441	(146)
Grant revenue	-	3,000	2,500	(500)
Donations	-	-	15,929	15,929
Charges for services	313,450	308,090	325,139	17,049
Interest income	-	-	278	278
Other revenues	2,500	-	9,817	9,817
Total Revenues	722,200	737,756	790,981	53,225
Expenditures				
Current:				
General government	339,314	302,614	265,929	36,685
Parks and recreation	114,000	184,439	128,893	55,546
Public safety				
Police	98,600	63,900	63,722	178
Fire	86,750	76,500	57,560	18,940
Sanitation	122,850	121,722	132,674	(10,952)
Capital outlay	-	5,174	70,424	(65,250)
Debt service:				
Principal	-	-	1,200	(1,200)
Total Expenditures	761,514	754,349	720,402	33,947
Excess (Deficiency) of Revenues Over Expenditures	(39,314)	(16,593)	70,579	87,172
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	2,200	2,200	-
Proceeds from insurance	-	37,433	37,433	-
Operating transfers in	48,000	48,000	52,487	4,487
Operating transfers out	(35,500)	(35,570)	(73,208)	(37,638)
Total Other Financing Sources (Uses)	12,500	52,063	18,912	(33,151)
Net Change in Fund Balance	(26,814)	35,470	89,491	54,021
Fund Balance - July 1, 2023	-	-	189,363	189,363
Fund Balance (Deficit) - June 30, 2024	$ (26,814)	$ 35,470	$ 278,854	$ 243,384

See accompanying notes to required supplementary information.

CITY OF CLARKSON, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL ROAD AID FUND
FOR THE YEAR ENDED JUNE 30, 2024

	Budgeted Amounts			Variance from Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Intergovernmental revenues	$ 168,500	$ 33,037	$ 22,636	$ (10,401)
Interest income	-	-	8,307	8,307
Total Revenues	168,500	33,037	30,943	(2,094)
Expenditures				
Current:				
Streets	31,196	28,269	12,988	15,281
Capital outlay	217,418	69,089	1,671	67,418
Debt service:				
Principal	-	-	15,000	(15,000)
Interest	-	-	4,884	(4,884)
Total Expenditures	248,614	97,358	34,543	62,815
Excess (Deficiency) of Revenues Over Expenditures	(80,114)	(64,321)	(3,600)	60,721
Other Financing Sources (Uses)				
Operating transfers out	-	-	(2,200)	(2,200)
Net Change in Fund Balance	(80,114)	(64,321)	(5,800)	58,521
Fund Balance - July 1, 2023	-	-	199,325	199,325
Fund Balance (Deficit) - June 30, 2024	$ (80,114)	$ (64,321)	$ 193,525	$ 257,846

See accompanying notes to required supplementary information.

CITY OF CLARKSON, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - NONHAZARDOUS

Last 10 Fiscal Years*

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.006618%	0.006332%	0.005920%	0.005998%	0.004918%	0.003770%	0.004048%	0.003690%	0.003771%	0.003935%
City's proportionate share of the net pension liability	$ 424,645	$ 457,741	$ 377,446	$ 460,042	$ 345,885	$ 229,605	$ 236,942	$ 181,699	$ 162,133	$ 127,633
City's covered payroll	$ 192,105	$ 175,090	$ 151,214	$ 154,535	$ 87,824	$ 93,446	$ 96,817	$ 99,251	$ 96,290	$ 95,869
City's proportionate share of the net pension liability as a percentage of its covered payroll	221.05%	261.43%	249.61%	297.69%	393.84%	245.71%	244.73%	183.07%	168.38%	133.13%
Plan fiduciary net position as a percentage of the total pension liabilit	57.48%	52.42%	57.33%	47.81%	50.54%	53.54%	53.30%	55.50%	59.97%	66.80%

Note: The data provided in this schedule is based on the measurement date of the CERS net pension liability, which is as of June 30th of the prior fiscal year; therefore, the City's covered covered from the City's fiscal year reported above differs from the City's fiscal year payroll as reported in the Schedule of City Pension Contributions.

* This schedule is intended to show information for ten years. Fiscal year 2015 was the firstr year of implementation.

See accompanying notes to required supplementary information.

CITY OF CLARKSON, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - HAZARDOUS

Last 10 Fiscal Years*

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.006660%	0.006722%	0.006310%	0.006179%	0.007706%	0.006532%	0.005632%	0.005997%	0.004401%	0.589400%
City's proportionate share of the net pension liability	$ 179,551	$ 205,119	$ 168,169	$ 186,299	$ 212,862	$ 157,974	$ 145,736	$ 102,912	$ 67,553	$ 70,835
City's covered payroll	$ 46,727	$ 43,774	$ 37,770	$ 36,100	$ 70,607	$ 36,378	$ 35,758	$ 34,269	$ 32,113	$ 26,633
City's proportionate share of the net pension liability as a percentage of its covered payroll	384.26%	468.59%	445.24%	516.06%	301.47%	434.26%	407.56%	300.31%	210.36%	265.97%
Plan fiduciary net position as a percentage of the total pension liabil	52.96%	47.11%	52.26%	44.11%	46.63%	49.26%	49.78%	53.95%	57.52%	63.46%

Note: The data provided in this schedule is based on the measurement date of the CERS net pension liability, which is as of June 30th of the prior fiscal year; therefore, the City's covered payroll above differs from the City's fiscal year payroll as reported in the Schedule of City Pension Contributions.

* This schedule is intended to show information for ten years. Fiscal year 2015 was the first year of implementation.

See accompanying notes to required supplementary information.

CITY OF CLARKSON, KENTUCKY
SCHEDULE OF CITY CONTRIBUTIONS TO PENSION - NONHAZARDOUS

Last 10 Fiscal Years*

	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	$ 40,832	$ 44,953	$ 39,885	$ 29,184	$ 29,651	$ 14,245	$ 13,531	$ 13,506
Contributions in relation to the contractually required contribution	(40,832)	(44,953)	(39,885)	(29,184)	(29,651)	(14,245)	(13,531)	(13,506)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's contributions as a percentage of contractually required contribution for pension	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
City's covered payroll	$ 174,942	$ 192,105	$ 175,090	$ 151,214	$ 154,535	$ 87,824	$ 93,446	$ 96,817
Contributions as a percentage of covered payroll	23.34%	23.40%	22.78%	19.30%	19.19%	16.22%	14.48%	13.95%

Note: The data provided in this schedule is based on the corresponding fiscal year and differs from the covered payroll reported in the Schedule of the City's Proportionate S Pension Liability.

Contractually required contributions listed above for CERS exclude the portion allocated to the CERS insurance fund.

* This schedule is intended to show information for ten years. Fiscal year 2015 was the first year of implementation.

See accompanying notes to required supplementary information.

CITY OF CLARKSON, KENTUCKY
SCHEDULE OF CITY CONTRIBUTIONS TO PENSION - HAZARDOUS

Last 10 Fiscal Years*

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ -	$ 20,004	$ 15,584	$ 11,402	$ 10,898	$ 17,553	$ 8,076	$ 7,763	$ 6,943	$ 6,657
Contributions in relation to the contractually required contributic	-	(20,004)	(15,584)	(11,402)	(10,898)	(17,553)	(8,076)	(7,763)	(6,943)	(6,657)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's contributions as a percentage of contractually required contribution for pension	0.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
City's covered payroll	$ -	$ 46,727	$ 43,774	$ 37,770	$ 36,100	$ 70,607	$ 36,378	$ 35,758	$ 34,269	$ 32,113
Contributions as a percentage of covered payroll	0.00%	42.81%	35.60%	30.19%	30.19%	24.86%	22.20%	21.71%	20.26%	20.73%

Note: The data provided in this schedule is based on the corresponding fiscal year and differs from the covered payroll reported in the Schedule of the City's Proportionate Share of the Net Pension Liability.

Contractually required contributions listed above for CERS exclude the portion allocated to the CERS insurance fund.

* This schedule is intended to show information for ten years. Fiscal year 2015 was the first year of implementation.

See accompanying notes to required supplementary information.

CITY OF CLARKSON, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY - NONHAZARDOUS

Last 10 Fiscal Years*

	2024	2023	2022	2021	2020	2019	2018
City's proportion of the net OPEB liability (asset)	0.006617%	0.006331%	0.005919%	0.005996%	0.004916%	0.003770%	0.003770%
City's proportionate share of the net OPEB liability (asset)	$ (9,136)	$ 124,943	$ 113,315	$ 144,785	$ 82,685	$ 66,936	$ 81,379
City's covered payroll	$ 192,105	$ 175,090	$ 151,214	$ 154,535	$ 87,900	$ 93,446	$ 96,817
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-4.76%	71.36%	74.94%	93.69%	94.07%	71.63%	84.05%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%	52.39%

Note: The data provided in this schedule is based on the measurement date of the CERS net OPEB liability, which is as of June 30th of the prior fiscal year; therefore, the City's covered payroll reported above differs from the City's fiscal year payroll as reported in the Schedule of City OPEB Contributions.

* This schedule is intended to show information for ten years. Fiscal year 2018 was the first year of implementation. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information.

CITY OF CLARKSON, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY - HAZARDOUS

Last 10 Fiscal Years*

	2024	2023	2022	2021	2020	2019	2018
City's proportion of the net OPEB liability (asset)	0.006656%	0.006718%	0.006317%	0.006177%	0.007704%	0.006532%	0.006532%
City's proportionate share of the net OPEB liability (asset)	$ 9,107	$ 57,224	$ 51,077	$ 57,082	$ 56,999	$ 46,570	$ 53,848
City's covered payroll	$ 46,727	$ 43,774	$ 37,770	$ 36,100	$ 70,607	$ 36,385	$ 35,758
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	19.49%	130.73%	135.23%	158.12%	80.73%	127.99%	150.59%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	92.27%	64.13%	66.81%	58.84%	64.44%	64.24%	58.99%

Note: The data provided in this schedule is based on the measurement date of the CERS net OPEB liability, which is as of June 30th of the prior fiscal year; therefore, the City's covered payroll reported above differs from the City's fiscal year payroll as reported in the Schedule of City OPEB Contributions.

* This schedule is intended to show information for ten years. Fiscal year 2018 was the first year of implentation. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information.

CITY OF CLARKSON, KENTUCKY
SCHEDULE OF CITY OPEB CONTRIBUTIONS - NONHAZARDOUS

Last 10 Fiscal Years*

	2024	2023	2022	2021	2020	2019	2018
Contractually required contribution	$ -	$ 6,512	$ 7,301	$ 7,198	$ 7,313	$ 4,623	$ 4,392
Contributions in relation to the contractually required contribution	-	(6,512)	(7,301)	(7,198)	(7,313)	(4,623)	(4,392)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's contributions as a percentage of contractually required contribution for OPEB	0.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
City's covered payroll	$ -	$ 192,105	$ 175,000	$ 151,214	$ 154,535	$ 87,900	$ 93,446
Contributions as a percentage of covered payroll	0.00%	3.39%	4.17%	4.76%	4.73%	5.26%	4.70%

Note: The data provided in this schedule is based on the corresponding fiscal year and differs from the covered payroll reported in the Schedule of the City's Proportionate Share of the Net OPEB Liability.

Contractually required contributions listed above for CERS exclude the portion allocated to the CERS pension fund.

* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information.

CITY OF CLARKSON, KENTUCKY
SCHEDULE OF CITY OPEB CONTRIBUTIONS - HAZARDOUS

Last 10 Fiscal Years*

	2024	2023	2022	2021	2020	2019	2018
Contractually required contribution	$ -	$ 3,168	$ 3,822	$ 3,547	$ 3,390	$ 7,400	$ 3,402
Contributions in relation to the contractually required contributic	-	(3,168)	(3,822)	(3,547)	(3,390)	(7,400)	(3,402)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's contributions as a percentage of contractually required contribution for OPEB	0.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
City's covered payroll	$ -	$ 46,727	$ 43,774	$ 37,770	$ 36,100	$ 70,607	$ 36,385
Contributions as a percentage of covered payroll	0.00%	6.78%	8.73%	9.39%	9.39%	10.48%	9.35%

Note: The data provided in this schedule is based on the corresponding fiscal year and differs from the covered payroll reported in the Schedule of the City's Proportionate Share of the Net OPEB Liability.

Contractually required contributions listed above for CERS exclude the portion allocated to the CERS pension fund.

* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information.

NOTE 1 - BUDGET

The City prepares its financial statements and its budgets using accounting principles generally accepted in the United States of America (GAAP). The budget and all transactions are presented in the Budgetary Comparison Schedules to provide meaningful comparisons of actual results with the budgets.

For the year ended June 30, 2024, the City incurred line-item expenditures in excess of budget.

NOTE 2 - PENSIONS

Changes in Benefit Terms

There were no changes in benefit terms for fiscal years 2015 through 2024, except for the following:

- During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The total pension liability for CERS hazardous as of June 30, 2018 was determined using these updated benefit provisions.

- 2021 - For the measurement date of June 30, 2020, with the passage of House Bill 271, provisions were removed that reduced the monthly payment to a surviving spouse of a member whose death was due to a duty-related injury upon remarriage of the spouse.

Changes in Assumptions

2024: For the measurement date of June 30, 2023, the assumed investment rate of return increased from 6.25% to 6.50% and the assumed rate of inflation increased from 2.30% to 2.50%.

2023: For the measurement date of June 30, 2022, there was no change.

2022: For the measurement date of June 30, 2021, there was no change.

2021: For the measurement date of June 30, 2020, there was no change.

2020: For the measurement date of June 30, 2019, the projected salary increase was changed from 3.05% average to a range of 3.30% to 10.30%, depending on service for CERS nonhazardous and from 3.55% to 19.05% for hazardous.

2019: For the measurement date of June 30, 2018, there was no change.

2018: For the measurement date of June 30, 2017, the investment rate of return was changed from 7.50% to 6.25%. The projected salary increase was changed from 4.00% to 3.05%. The inflation rate was changed from 3.25% to 2.30%. The payroll growth rate changed from 4.00% to 2.00%.

2017: For the measurement date of June 30, 2016, there was no change.

2016: For the measurement date of June 30, 2015, the investment rate of return was changed from 7.75% to 7.50%. The projected salary increase was changed from 4.50% to 4.00%. The inflation rate was changed from 3.50% to 3.25%. The assumed rate of wage inflation was changed from 1.00% to 0.75%. The assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.

2015: For the measurement date of June 30, 2014, there was no change.

NOTE 3 - OPEB

Changes in Benefit Terms

There were no changes in benefit terms for fiscal years 2018 through 2023.

Changes in Assumptions

2024: For the measurement date of June 30, 2023, the healthcare initial trend rates for those under age 65 changed from 6.20% to 6.80%, and the healthcare initial trend rates for those age 65 and over changed from 9.00% to 8.50%. The investment rate of return was changed from 6.25% to 6.50% and the inflation rate was changed from 2.30% to 2.50%.

2023: For the measurement date of June 30, 2022, the healthcare initial trend rates for those under age 65 changed from 6.30% to 6.20%, and the healthcare initial trend rates for those age 65 and over changed from 6.30% to 9.00%.

2022: For the measurement date of June 30, 2021, the healthcare initial trend rates for those under age 65 changed from 6.40% to 6.30%, and the healthcare initial trend rates for those age 65 and over changed from 2.90% to 6.30%.

2021: For the measurement date of June 30, 2020, the healthcare initial trend rates for those under age 65 changed from 7.00% to 6.40%, and the healthcare initial trend rates for those age 65 and over changed from 5.00% to 2.90%.

2020: For the measurement date of June 30, 2019, the projected salary increase was changed from 3.05% average to a range of 3.30% to 10.30%, depending on service for CERS nonhazardous and from 3.55% to 19.05% for hazardous.

2019: For the measurement date of June 30, 2018, the healthcare initial trend rates for those under age 65 changed from 7.25% to 7.00%, and the healthcare initial trend rates for those age 65 and over changed from 5.10% to 5.00%.

2018: For the measurement date of June 30, 2017, the investment rate of return was changed from 7.50% to 6.25%. The projected salary increase was changed from 4.00% to 3.05%. The inflation rate was changed from 3.25% to 2.30%. The payroll growth rate changed from 4.00% to 2.00%.

Other Supplementary Information

CITY OF CLARKSON, KENTUCKY
SCHEDULE OF EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024

General Government		
Advertising	$ 656	
Dues and subscriptions	11,339	
Health and life insurance	30,313	
Insurance	24,483	
Miscellaneous operating expenses	6,298	
Office supplies and postage	6,927	
Contract services	7,235	
Payroll tax expense	16,838	
Professional services	1,846	
Repairs and maintenance	2,013	
Salaries and benefits	111,463	
Supplies	3,030	
Telephone	5,866	
Travel	249	
Utilities	37,373	
Total General Government		$ 265,929
Parks and Recreation		
Advertising	$ 131	
Insurance	4,072	
Miscellaneous	4,851	
Professional services	1,788	
Repairs and maintenance	51,090	
Salaries and benefits	33,240	
Supplies	28,506	
Utilities	5,215	
Total Parks and Recreation		$ 128,893
Public Safety		
Police		
Fuel	$ 1,977	
Insurance	11,696	
Other	3,540	
Salaries and benefits	46,509	
Total Police		63,722
Fire		
Fuel	$ 3,631	
Insurance	15,186	
Other	13,214	
Repairs and maintenance	7,782	
Supplies	4,239	
Training	3,712	
Utilities	9,796	
Total Fire		57,560
Total Public Safety		$ 121,282
Sanitation		
Licenses and permits	62,685	
Fuel	11,386	
Repairs and maintenance	9,831	
Salaries and benefits	48,772	
		$ 132,674

Independent Auditor's Report Required by
Government Auditing Standards

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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*

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of
the City Commission
City of Clarkson, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clarkson, Kentucky (City) as of and for the year ended June 30, 2024, 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 4, 2026.

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) to determine the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2024-001 to 2024-003, that we consider to be material weaknesses.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Clarkson, Kentucky's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Drane & Company, PLLC

Drane & Company, PLLC
Certified Public Accountants

Hardinsburg, Kentucky

February 4, 2026

Finding: 2024-001 (Repeat)

Condition:	During our audit, we noted that reconciliations are not being prepared between the occupational tax, insurance premium tax, sewer and garbage revenue billing software (United Systems) and the general ledger.
Criteria:	The City's management is responsible for establishing and maintaining internal controls including adequate reconciliations of financial systems to the general ledger.
Cause:	The City does not reconcile the accounting and billing software (United Systems) to the general ledger for the following significant areas: occupational tax, insurance premium tax, garbage billing and sewer billing.
Effect:	Failure to reconcile the accounting and billing software (United Systems) to the general ledger could result in errors or missing funds going undetected.
Recommendation:	We recommend that the City reconcile the accounting and billing software (United Systems) to the general ledger.
Management Response:	*Unfortunately, due to time and payroll constraints this is something the City Clerk-Treasurer has been unable to accomplish on a regular basis at this time. However, this is something that continues to be worked on and remains a top priority. The City Clerk-Treasurer has set a goal to implement this suggestion before the start of the next fiscal year.*

Finding: 2024-002 (Repeat)

Condition:	As part of the audit we noted that cash receipts for the parks department are received by one person. All park concession sales receipts and accounting is performed by one person. There are no policies or procedures in place to ensure accurate and complete accounting for ticket and concession sales.
Criteria:	Internal controls are designed to safeguard assets and help or detect losses from errors, omissions, or fraud. Implementing and adhering to prescribed policies and procedures are critical in meeting this objective.
Cause:	The City has not implemented policies or procedures over cash receipts for the park's operations.
Effect:	Failure to implement and follow proper procedures over cash receipts could result in undetected errors, omissions, or the loss of funds.
Recommendation:	The City should use reconciliation sheets for concession inventory purchased and sold at events daily. The form should reconcile the amount of beginning "change" currency, concession purchases, sales, and ending currency and inventory totals. The form, along with the ticket sales reconciliation, should be used to prepare the deposit totals that the park employee submits to the Clerk to be included in the daily deposit ticket.
Management Response:	*Everything is still done basically the same way by our Park Manager and seasonal workers as far as the concession sales are concerned. We have the Park Fund-Raising Committee established; however, it does not handle the money in the concession stands. I will speak with the Park Manager and City Commissioner over the park again to see what changes they might be able to implement when handling the concession stand money and inventory.*

Finding: 2024-003 (Repeat)

Condition:	During our audit, we noted inadequate segregation of duties over receipts, disbursements, and reconciliations at City Hall. The Clerk/Treasurer accepts cash receipts and also records the amounts into the accounting system. The Clerk/Treasurer also enters data into the accounting system, has check signing authority, and reconciles bank statements without review.
Criteria:	Internal controls are designed to safeguard assets and help or detect losses from errors, omissions, or fraud. A fundamental concept in a good system of internal control is the segregation of duties.
Cause:	Limited resources and staff lead to one individual performing incompatible duties related to cash receipts, disbursements, and reconciliations.
Effect:	Improper segregation of duties related to cash receipts, disbursements, and reconciliations could result in undetected errors or missing funds.
Recommendation:	Although the size of the City's accounting and administrative staff prohibits complete adherence to this concept, we believe that the following practices could be implemented to improve internal control without impairing efficiency: Mail should be opened by an employee not responsible for accounting, (e. g. the Mayor) who would record cash receipts in a journal and prepare the deposit. The cash receipts journal, with remittance advices, would be forwarded to the Clerk/Treasurer for postings to the general ledger and detail customer accounts. Cash receipts should be deposited intact daily. Bank statements and items should be received by someone other than employees maintaining cash records and periodically reviewed prior to reconciliation. Unusual items noted during the review should be investigated promptly. Signed checks should be mailed without returning to the accounts payable employee. Supporting documents for normal recurring disbursements should be reviewed on a spot-check basis. Journal entry approval should be separated from the entry preparation. Bank reconciliation review by someone not responsible for entries in the receipts and disbursements records. Due to the limited staff, we recommend that test reconciliations be made from time to time by one of the Commissioners. In addition, he or she should review, approve, and sign the bank reconciliations to document the approval.
Management Response:	*This continues to be an ongoing issue for the City due to lack of office staff and financial resources. Most days there is only one person in the office (the City Clerk-Treasurer), as the Mayor, City Commissioners, and other City employees are not typically available to be at City Hall on a daily basis to open the mail and make the deposits for the City Clerk-Treasurer. It is also difficult to hold all of the mail, deposits, etc. for the one day a week when the Clerk's part-time assistant is in the office, especially with the City's general fund finances being on the low side. Revenue needs to be recorded and deposited on the day it is received, in order to help pay the City's bills. The City Clerk-Treasurer will contact the City Commissioners to ask if one can come a few days a week for review.*

Management Letter

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MANAGEMENT LETTER

Honorable Mayor and Members of
the City Commission
City of Clarkson, Kentucky

In planning and performing our audit of the basic financial statements of the City of Clarkson, Kentucky (City), as of and for the year ended June 30, 2024, we considered the City's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on the internal control.

However, during our audit we became aware of matters that are an opportunity for strengthening internal control and operating efficiency. The paragraphs below summarize our comments and suggestions regarding the matters. A separate report dated February 4, 2026, contains our report on the City of Clarkson's internal control. This letter does not affect our report dated February 4, 2026, on the basic financial statements of the City of Clarkson.

We noted some issues during the testing of sixty disbursements. Twelve disbursements were not supported by purchase orders, seventeen invoices appeared to lack proper approval, twenty-nine invoices were not cancelled, and eight disbursements were not supported by receiving reports. Seven invoices included sales tax and one could not be determined. The person receiving the goods or services should sign the invoice to indicate receipt, and every effort should be made to obtain a purchase order from an authorized individual prior to the purchase. Payments should only be made from supporting invoices that are properly approved, and invoices should be cancelled to prevent duplicate payment.

In the past, Christmas bonuses were issued outside of the payroll system. Beginning in 2022, these payments were made through payroll but were not subjected to retirement. Other errors were made regarding longevity awards and part-time pay. Generally, all wages for participants in the County Employees Retirement Systems are required to be included in pension and OPEB calculations.

We will be pleased to discuss any of these matters with you and, if desired, assist you in implementing any of these suggestions. This report is intended for the information of the City Commission and management and is not intended to be and should not be used by anyone other than these specified parties.

Drane & Company, PLLC

Drane & Company, PLLC
Certified Public Accountants

Hardinsburg, Kentucky

February 4, 2026