

**CITY OF CARROLLTON, KENTUCKY**  
**BASIC FINANCIAL STATEMENTS,**  
**SUPPLEMENTARY INFORMATION,**  
**AND INDEPENDENT AUDITOR'S REPORTS**  
**Year Ended June 30, 2022**

# CITY OF CARROLLTON, KENTUCKY

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# CITY OF CARROLLTON, KENTUCKY

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# RAISOR, ZAPP & WOODS, PSC

## Certified Public Accountants

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### INDEPENDENT AUDITOR'S REPORT

The Mayor and Members of the City Council  
of the City of Carrollton  
Carrollton, 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 Carrollton, Kentucky, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Carrollton, Kentucky's basic financial statements as listed in the table of contents.

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

##### **Basis for Opinions**

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

##### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Carrollton, 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

**Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**

- 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 Carrollton, 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 Carrollton, Kentucky's ability to continue as a going concern for a reasonable period of time.

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

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on Pages 3 through 10, and other required supplementary information on pages 64 to 69 in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Carrollton, Kentucky's basic financial statements. The combining nonmajor governmental fund financial statements, the enterprise fund schedules listed in the table of contents as other supplemental information and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor governmental fund financial statements, the enterprise fund schedules listed in the table of contents as other supplemental information, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2023, on our consideration of the City of Carrollton, 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 Carrollton, 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 Carrollton, Kentucky's internal control over financial reporting and compliance.

Raisor, Zapp & Woods, PSC

**RAISOR, ZAPP & WOODS, PSC**  
**Certified Public Accountants**  
**Carrollton, Kentucky**

**March 14, 2023**

Raisor, Zapp & Woods, P.S.C.  
CERTIFIED PUBLIC ACCOUNTANTS

Our discussion and analysis of the City of Carrollton's financial performance provides an overview of the City's financial activities for the year ended June 30, 2022. Please read it in conjunction with the City's financial statements, which begin on page 11.

## **FINANCIAL HIGHLIGHTS**

- The City's capital outlay includes the following:
  - \$83,352 for a voice recording system
  - \$55,415 for multiple ergonomic workstations.
  - \$6,165 for three ergonomic chairs.
  - \$8,280 on 2 post vehicle lift.
  - \$1,000 for a County Clipper snow blade.
  - \$5,322 for 2 turnout gear sets.
  - \$3,374 for a John Deere 8' snow pusher.
  - \$65,707 for playground equipment.
  - \$116,917 for a new bathroom at Point Park.
  - \$15,688 for an arboretum at Point Park.
  - \$29,179 for 206/208 Main Street property.
  - \$68,825 for a new salt bin.
- City's total net position of its governmental funds increased by \$957,924.
- In the City's business-type activities, charges for services increased compared to prior fiscal year-end from \$37,228,506 to \$68,984,810, respectively. Expenses increased compared to prior fiscal year-end from \$37,566,398 to \$68,937,885, respectively. The increases in services and expenses are a result from significant price increase in natural gas costs compared to prior fiscal year-end.
- Capital outlay expended through the City's business-type activities includes the following:
  - \$2,922,762 for natural gas extension 20/20 project
  - \$240,220 for sewer extensions Exit 34, Obe Cook Road, Hardy Creek, Lock Road
  - \$96,251 for gas installation hardware
  - \$67,433 for water installation hardware
  - \$65,390 for sewer lift station pumps
  - \$50,053 for mini excavator
  - \$34,391 for Ford F150XL truck
  - \$28,300 for Vac truck pump/boring machine
  - \$21,166 for Bio-Tower pump sewer treatment plant
  - \$20,500 for Ice-Tee project water treatment plant enhancement
  - \$19,567 for airstriper heat trace
  - \$14,669 for pumps water treatment plant and pumping station
  - \$13,051 for Cobalt mower
  - \$7,426 for Mortz 20ft trailer
  - \$6,000 for Scada equipment
  - \$4,975 for sewer installation hardware
- City's total net position of its business type activities increased by \$3,219,635.

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**USING THIS ANNUAL REPORT**

This annual report contains a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 11-13) provide information about the activities of the City as a whole and present a long-term view of the City's finances. Fund financial statements start on page 14. For governmental activities, these statements reflect how these services were financed and what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by including information about the City's most significant funds.

**Reporting on the City as a Whole:**

**The Statement of Net Position and the Statement of Activities**

Our analysis of the City as a whole begins on page 5. The Statement of Net Position and the Statement of Activities provide information about the City as a whole and about its activities in a way to show if the City is better off or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position - the difference between assets and deferred outflows or resources and liabilities and deferred inflows of resources - is one way to measure the City's financial health. Increases or decreases in the City's net position - over a period of time - is one indicator of whether the City's financial health is improving or deteriorating. Other nonfinancial factors such as changes in the City's property tax base, the condition of its infrastructure assets, and advances in the City's utility services must be considered to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities.

- \* Governmental activities - Most of the City's basic services are reported here, including the police, fire, general administration, public works, and code enforcement. Property taxes, franchise fees, insurance premium taxes, and state and federal grants finance these activities.
- \* Business-type activities - The City's proprietary fund, Carrollton Utilities, which charges fees to customers to fund the City's water, sewer, and natural gas systems, are reported here.

**Reporting the City's Most Significant Funds:**

**Fund Financial Statements**

Our analysis of the City's major funds begins on page 8. The fund financial statements begin on page 14 and provide detailed information about the most significant funds. Some funds are required to be established by State law, like the Municipal Street Aid Fund and the L.G.E.A. Fund. The City's two kinds of funds - governmental and proprietary - use different accounting approaches.

- \* Governmental funds - The City's services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end that are available for carry-over funds for the next budget year. These funds are reported on the modified accrual accounting basis, which measures cash and all other financial assets that can be readily converted to cash.
- \* Proprietary funds - Business Type-Activities. The City reports the Carrollton Utilities as a proprietary fund. The City charges customers for the services of gas, water and sewer provided through the Carrollton Utilities. These are reported on the accrual accounting basis and are included in the Statement of Net Position on page 11.

**THE CITY AS A WHOLE**

The City's combined net position increased from \$48,703,554 (as restated) to \$52,881,113. The net position and net expenses of governmental and business-type activities show two different results. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

**TABLE 1  
NET POSITION**

|                                  | <b>GOVERNMENTAL<br/>ACTIVITIES</b> |                      | <b>BUSINESS-TYPE<br/>ACTIVITIES</b> |                      | <b>TOTAL<br/>GOVERNMENT</b> |                      |
|----------------------------------|------------------------------------|----------------------|-------------------------------------|----------------------|-----------------------------|----------------------|
|                                  | <b>20/21</b>                       | <b>21/22</b>         | <b>20/21</b>                        | <b>21/22</b>         | <b>20/21</b>                | <b>21/22</b>         |
| CURRENT AND OTHER ASSETS         | \$ 6,783,313                       | \$ 8,394,228         | \$ 13,540,605                       | \$ 19,074,505        | \$ 20,323,918               | \$ 27,468,733        |
| CAPITAL ASSETS                   | 6,481,873                          | 6,125,406            | 41,803,167                          | 46,232,938           | 48,285,040                  | 52,358,344           |
| <b>TOTAL ASSETS</b>              | <b>\$ 13,265,186</b>               | <b>\$ 14,519,634</b> | <b>\$ 55,343,772</b>                | <b>\$ 65,307,443</b> | <b>\$ 68,608,958</b>        | <b>\$ 79,827,077</b> |
| DEFERRED OUTFLOWS OF RESOURCES   | \$ 1,475,577                       | \$ 1,305,425         | \$ 1,599,330                        | \$ 1,682,060         | \$ 3,074,907                | \$ 2,987,485         |
| NON-CURRENT LIABILITIES          | 5,567,054                          | 4,713,034            | 11,410,589                          | 11,812,450           | 16,977,643                  | 16,525,484           |
| CURRENT LIABILITIES              | 243,214                            | 345,998              | 4,748,446                           | 10,279,158           | 4,991,660                   | 10,625,156           |
| <b>TOTAL LIABILITIES</b>         | <b>\$ 5,810,268</b>                | <b>\$ 5,059,032</b>  | <b>\$ 16,159,035</b>                | <b>\$ 22,091,608</b> | <b>\$ 21,969,303</b>        | <b>\$ 27,150,640</b> |
| DEFERRED INFLOWS OF RESOURCES    | \$ 328,927                         | \$ 1,206,535         | \$ 682,081                          | \$ 1,576,274         | \$ 1,011,008                | \$ 2,782,809         |
| NET POSITION:                    |                                    |                      |                                     |                      |                             |                      |
| NET INVESTMENT IN CAPITAL ASSETS | \$ 6,478,129                       | \$ 6,125,406         | \$ 37,893,092                       | \$ 39,520,084        | \$ 44,371,221               | \$ 45,645,490        |
| RESTRICTED                       | 31,315                             | 35,106               | 602,839                             | 986,525              | 634,154                     | 1,021,631            |
| UNRESTRICTED                     | 2,092,124                          | 3,398,980            | 1,606,055                           | 2,815,012            | 3,698,179                   | 6,213,992            |
| <b>TOTAL NET POSITION</b>        | <b>8,601,568</b>                   | <b>9,559,492</b>     | <b>\$ 40,101,986 *</b>              | <b>\$ 43,321,621</b> | <b>\$ 48,703,554 *</b>      | <b>\$ 52,881,113</b> |

\*As restated

Net position of the City's governmental activities increased by 11.14% (\$9,559,492 compared to \$8,601,568 in the prior year.) Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints establish by debt covenants, enabling legislation, or other legal requirements – changed from \$2,092,124 at June 30, 2021 to \$3,398,980 to June 30, 2022.

The net position of our business-type activities increased by \$3.2M or 8.1% compared to prior year from \$40,101,986 to \$43,321,621, respectively. Unrestricted net position changed from \$1,606,055 fiscal year-end 2021 to \$2,815,012 fiscal year-end 2022. Net position attributable to the merger with West Carroll Water District was \$1,982,885 as referenced in Note 4.G. There was also a prior period adjustment to net position due to fixed asset removals of \$19,012 as referenced in Note 4.F. The City generally can only use the unrestricted net assets to finance the continuing operations of the gas, water and sewer operations.



**TABLE 2**  
**CHANGES IN NET POSITION**

|   | GOVERNMENTAL<br>ACTIVITIES |              | BUSINESS-TYPE<br>ACTIVITIES |               | TOTAL<br>GOVERNMENT |               |
|---|----------------------------|--------------|-----------------------------|---------------|---------------------|---------------|
|   | 20/21                      | 21/22        | 20/21                       | 21/22         | 20/21               | 21/22         |
| <b>REVENUES:</b>                                |                            |              |                             |               |                     |               |
| PROGRAM REVENUES:                               |                            |              |                             |               |                     |               |
| CHARGES FOR SERVICES                            | \$ 1,311,940               | \$ 1,412,290 | \$ 37,163,137               | \$ 68,813,032 | \$ 38,475,077       | \$ 70,225,322 |
| GRANTS AND CONTRIBUTIONS                        | 475,074                    | 1,250,938    |                             | -             | 475,074             | 1,250,938     |
| GENERAL REVENUES:                               |                            |              |                             |               |                     |               |
| PROPERTY TAXES                                  | 482,084                    | 499,338      | -                           | -             | 482,084             | 499,338       |
| FRANCHISE TAXES                                 | 397,005                    | 448,641      | -                           | -             | 397,005             | 448,641       |
| PEAK ANNUAL RETURN                              | 1,779,798                  | 1,948,790    | -                           | -             | 1,779,798           | 1,948,790     |
| INSURANCE LICENSES                              | 645,435                    | 682,787      | -                           | -             | 645,435             | 682,787       |
| OTHER GENERAL REVENUES                          | 16,584                     | 9,303        | 125,681                     | 199,305       | 142,265             | 208,608       |
| TOTAL REVENUES:                                 | \$ 5,107,920               | \$ 6,252,087 | \$ 37,288,818               | \$ 69,012,337 | \$ 42,396,738       | \$ 75,264,424 |
| <b>PROGRAM EXPENSES:</b>                        |                            |              |                             |               |                     |               |
| GENERAL GOVERNMENT                              | \$ 680,190                 | \$ 750,727   | \$ -                        | \$ -          | \$ 680,190          | \$ 750,727    |
| PUBLIC SAFETY                                   | 2,774,521                  | 2,513,182    | -                           | -             | 2,774,521           | 2,513,182     |
| PUBLIC WORKS                                    | 1,074,037                  | 1,022,219    | -                           | -             | 1,074,037           | 1,022,219     |
| CODE ENFORCEMENT                                | 52,550                     | 118,528      | -                           | -             | 52,550              | 118,528       |
| HEALTH & SANITATION                             | 356,378                    | 366,985      | -                           | -             | 356,378             | 366,985       |
| PARKS & RECREATION                              | 252,023                    | 308,643      | -                           | -             | 252,023             | 308,643       |
| COMMUNITY SERVICE                               | 4,600                      | 5,285        | -                           | -             | 4,600               | 5,285         |
| LOSS ON DISPOSITION OF ASSETS                   | (28,170)                   | 208,594      | (10,000)                    | -             | (38,170)            | 208,594       |
| GAS   | -                          | -            | 32,741,057                  | 64,256,850    | 32,741,057          | 64,256,850    |
| WATER   | -                          | -            | 1,722,881                   | 2,020,856     | 1,722,881           | 2,020,856     |
| SEWER   | -                          | -            | 2,780,004                   | 2,660,179     | 2,780,004           | 2,660,179     |
| MANAGEMENT SERVICES                             | -                          | -            | 322,456                     | -             | 322,456             | -             |
| TOTAL EXPENSES:                                 | \$ 5,166,129               | \$ 5,294,163 | \$ 37,556,398               | \$ 68,937,885 | \$ 42,722,527       | \$ 74,232,048 |
| EXCESS OF REVENUES OVER<br>(UNDER) EXPENDITURES | \$ (58,209)                | \$ 957,924   | \$ (267,580)                | \$ 74,452     | \$ (325,789)        | \$ 1,032,376  |
| CAPITAL CONTRIBUTIONS                           | -                          | -            | -                           | 3,145,183     | -                   | 3,145,183     |
| CHANGE IN NET POSITION                          | \$ (58,209)                | \$ 957,924   | \$ (267,580)                | \$ 3,219,635  | \$ (325,789)        | \$ 4,177,559  |

The City's total revenues increased by \$32,867,686. The total cost of all programs and services increased by \$31,509,521. Our analysis below separately considers the operations of governmental and business-type activities.

## Governmental Activities

Revenues for the City's governmental activities increased \$1,144,167 due mainly to revenues received associated with PEAK, insurance licenses, rentals at Two Rivers Campground and American Relief Plan Act Fund Proceeds. Total expenses increased by 2.48 percent (\$128,034). The increase in net position for governmental activities was \$957,924 in FY 2021-2022. This compares to a \$58,209 decrease in net position in FY 2020-2021.

The City budgeted the following capital outlay projects:

\$158,012 for new equipment for Dispatch  
\$75,000 for sidewalks  
\$12,500 new equipment for Public Works  
\$100,000 for Public Works capital outlays

- The City budgeted a 3% increase in departmental salaries
- The City continued with the self-insured health insurance plan along with several other Northern Kentucky government entities with a budgeted 0% premium increase and offered several different options to the employees with different deductibles. Also, if employees chose a Healthy Plan their plan would be provided at no cost to them when choosing certain plans.

The cost of all governmental activities this year was \$5,085,569 compared to \$5,194,299 last year. As shown in the Statement of Activities on pages 12-13, the amount that our taxpayers financed for these activities was \$1,412,290, and some of the cost was paid by other governments and organizations that subsidized certain programs with grants and contributions of \$1,250,938. Overall, the City's governmental program revenues, including intergovernmental aid and fees for services increased from \$1,787,014 to \$2,663,228.

Table 3 presents the cost of each of the City's departments - General Government, Fire Department, Police Department, Public Works Department, and Sanitation. The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

**TABLE 3**  
**GOVERNMENTAL ACTIVITIES**

|                            | TOTAL COST<br>OF SERVICES |                     | NET COST<br>OF SERVICES |                      |
|----------------------------|---------------------------|---------------------|-------------------------|----------------------|
|                            | 20/21                     | 21/22               | 20/21                   | 21/22                |
| GENERAL GOVERNMENT         | \$ 680,190                | \$ 750,727          | \$ (495,461)            | \$ 446,585           |
| FIRE DEPARTMENT            | 264,462                   | 230,560             | (210,815)               | (217,654)            |
| POLICE DEPARTMENT/DISPATCH | 2,510,059                 | 2,282,622           | (1,612,750)             | (1,509,862)          |
| PUBLIC WORKS DEPARTMENT    | 1,074,037                 | 1,022,219           | (998,644)               | (944,265)            |
| CODE ENFORCEMENT           | 52,550                    | 118,528             | (52,550)                | (118,528)            |
| SANITATION                 | 356,378                   | 366,985             | 46,237                  | 45,796               |
| ALL OTHERS                 | 256,623                   | 313,928             | (83,302)                | (124,413)            |
| TOTALS:                    | <u>\$ 5,194,299</u>       | <u>\$ 5,085,569</u> | <u>\$(3,407,285)</u>    | <u>\$(2,422,341)</u> |

## Business-type Activities

Total revenues of the City's business type activities (see table 2) increased \$31.7M or 85.08% and total expenses increased \$31.3M or 83.6% in FY 21-22 as compared to FY 20-21 attributed to significant increases in gas prices. In the prior fiscal year, management services related to West Carroll Water District were recorded separately, since merging the operations of West Carroll Water District into the business type activities the revenues and expenses associated with these are operations are reported in Water – Charges for Services and Expenses, as applicable.

**TABLE 4  
BUSINESS-TYPE ACTIVITIES**

|                     | PROGRAM REVENUES -<br>CHARGES FOR SERVICES |                      | EXPENSES             |                      |
|---------------------|--|----------------------|----------------------|----------------------|
|                     | 20/21                                      | 21/22                | 20/21                | 21/22                |
| GAS                 | \$ 33,029,227                              | \$ 64,308,584        | \$ 32,741,057        | \$ 64,256,850        |
| WATER               | 1,229,532                                  | 1,831,792            | 1,722,881            | 2,020,856            |
| SEWER               | 2,656,200                                  | 2,672,656            | 2,780,004            | 2,660,179            |
| MANAGEMENT SERVICES | 248,178                                    | -                    | 322,456              | -                    |
| TOTALS:             | <u>\$ 37,163,137</u>                       | <u>\$ 68,813,032</u> | <u>\$ 37,566,398</u> | <u>\$ 68,937,885</u> |

## THE CITY'S FUNDS

As the City completed fiscal year 2021-2022, its governmental funds (as presented in the balance sheet on page 14) reported a combined fund balance of \$6,224,278 which represents an increase of \$1,972,752 from last year's total of \$4,251,526.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The City Council revised the General Fund budget one time for fiscal year ending June 30, 2022. This amendment accounted for increases in revenues from property taxes, licenses/permits, and charges for services. In addition, it accounted for the increases in all departments as a result of annual salary increases.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of June 30, 2022, the City had \$52,358,344 (net of accumulated depreciation) invested in capital assets including buildings, utilities, police, fire, and public works equipment, park facilities, city streets, and water, sewer, and gas lines. (See table below.) This represents a net increase of \$4,092,316 or 8.48%.

**TABLE 5  
CAPITAL ASSETS AT YEAR-END  
(NET OF DEPRECIATION)**

|                          | GOVERNMENTAL<br>ACTIVITIES |                     | BUSINESS-TYPE<br>ACTIVITIES |                      | TOTALS               |                      |
|--------------------------|----------------------------|---------------------|-----------------------------|----------------------|----------------------|----------------------|
|                          | 20/21                      | 21/22               | 20/21                       | 21/22                | 20/21                | 21/22                |
| LAND                     | \$ 1,114,102               | \$ 1,077,962        | \$ 2,073,878                | \$ 2,092,733         | \$ 3,187,980         | \$ 3,170,695         |
| BUILDINGS & IMPROVEMENTS | 2,940,442                  | 2,750,271           | 5,985,648                   | 5,719,114            | 8,926,090            | 8,469,385            |
| EQUIPMENT                | 1,201,709                  | 1,197,103           | 2,269,109                   | 1,929,726            | 3,470,818            | 3,126,829            |
| INFRASTRUCTURE           | 1,225,620                  | 1,100,070           | 30,926,919                  | 32,316,069           | 32,152,539           | 33,416,139           |
| CONSTRUCTION-IN-PROGRESS |                            |                     | 547,613                     | 4,175,296            | 547,613              | 4,175,296            |
| TOTALS:                  | <u>\$ 6,481,873</u>        | <u>\$ 6,125,406</u> | <u>\$ 41,803,167</u>        | <u>\$ 46,232,938</u> | <u>\$ 48,285,040</u> | <u>\$ 52,358,344</u> |

\*Beginning 21/22 balances were adjusted to account for the West Carroll Water District assets acquired in the merger on July 1, 2021.

This year's major additions included:

- \$144,932 for new equipment for Dispatch; a voice recording system and ergonomic workstations and chairs.
- \$191,109 for improves at Point Park included playground equipment, a bathroom and an arboretum.
- \$12,654 on equipment for Public Works included a 2-post vehicle lift, snow blade, and John Deere snow pusher.
- \$68,825 for a new salt bin.
- \$2,922,762 for natural gas extension
- \$240,220 for sewer extensions
- \$168,658 hardware for gas, water, sewer installations
- \$65,390 for sewer lift station pumps
- \$50,053 for mini excavator

## Debt

At year-end, the City had zero in capital lease compared to \$3,744 last year as shown in Table 6 for one outstanding capital lease for police equipment that has been paid in full. No notes payable or bonds payable were outstanding in the governmental funds.

**TABLE 6  
OUTSTANDING DEBT AT YEAR-END**

|               | GOVERNMENTAL<br>ACTIVITIES |             | BUSINESS-TYPE<br>ACTIVITIES |                     | TOTALS              |                     |
|---------------|----------------------------|-------------|-----------------------------|---------------------|---------------------|---------------------|
|               | 20/21                      | 21/22       | 20/21                       | 21/22               | 20/21               | 21/22               |
| CAPITAL LEASE | \$ 3,744                   |             | \$ -                        | \$ -                | \$ 3,744            | \$ -                |
| NOTES PAYABLE | -                          | -           | 4,577,860                   | 4,064,015           | 4,577,860           | 4,064,015           |
| BONDS PAYABLE | -                          | -           | -                           | 2,186,106           | -                   | 2,186,106           |
| TOTALS:       | <u>\$ 3,744</u>            | <u>\$ -</u> | <u>\$ 4,577,860</u>         | <u>\$ 6,250,121</u> | <u>\$ 4,581,604</u> | <u>\$ 6,250,121</u> |

The City's long-term debt for its business-type activities consisted of the following notes payable to the Kentucky Infrastructure Authority:

- \$43,491 for a 30-year loan secured by sewer revenues with a final maturity in June 2032.
- \$74,577 for a 20-year loan secured by sewer revenues with a final maturity in December 2022.
- \$1,050,321 for a 20-year loan secured by sewer revenues with a final maturity in December 2026.
- \$478,235 for a 20-year loan secured by sewer revenues with a final maturity in December 2032.
- \$999,262 for a 30-year loan secured by water revenues with a final maturity in December 2044.
- \$1,016,618 for a 30-year loan secured by water revenues with a final maturity in June 2046.
- \$401,511 for a 30-year loan secured by water revenues with a final maturity in December 2046.

The City's bonds payable for its business-type activities consisted of the following bonds payable:

- \$1,990,000 for a 5-year 5% Combined Utility System Revenue Bond with a final maturity in June 2027.
- \$196,106 Series 2022 Bonds Payable Original Issue Bond Premium

Other obligations of the City represent accrued compensated absences for \$140,318 compared to \$126,131 last year.

Project Gas Supply Credits Payable of \$1,579,944 represents amounts that will be payable to long-term gas supply contract customers as a credit to their industrial gas bill as terms and conditions of those long-term gas supply contracts are met in future years.

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials considered many factors when setting the fiscal year 2022-2023 budget. One of those factors is the economy - specifically the Consumer Price Index (CPI). The CPI was reported at 8.3% according to the Commonwealth of Kentucky. Council decided to allocate a \$1.25/ per hour increase for departmental salaries.

The City chose not to raise the property tax rate by 4% as allowed per KRS 132.027. In FY 21-22 the property tax rate was \$.289 per \$100 of assessment. The FY 22-23 includes the following capital investments: new sidewalks for \$50,000, one new police cruiser for \$43,305, new recreational equipment for \$50,000, and \$100,000 on Public Works equipment.

As for the City's business-type activities, the CU Commission continues to monitor the highly volatile natural gas prices. Unfortunately, continued supply-chain issues and rising prices across the board will necessitate an increase in water and sewer rates for the next fiscal year. The Commission and the utility staff are working tirelessly to cut costs in as many ways as possible.

Fiscal Year 2022 substantial changes included the acquisition of the West Carroll Water District and the 20/20 Gas project. This upcoming fiscal year will not have the large impact projects but will nevertheless have many smaller important projects. The Commission is working to establish an up-to-date asset management plan and planning projects that replace, repair, or rehabilitate some of Carrollton Utilities' most important and oldest assets.

This would include several important natural gas regulator stations that serve the City of Carrollton, Kings Ridge, and the Carroll Co. High School. On the water side, CU is focusing on extending the life of the water treatment plant and ensuring that all the fire hydrants in our system are in good working order. Carrollton Utilities will be receiving some funding through the KY Cleaner Water program to do improvements on the Westside as well as replace a historically leaky line along KY 36 outside of Prestonville. The wastewater improvements will focus on pump stations that don't have second or back-up pumps available and improvements to the WWTP that will help keep the plant clean.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Treasurer's Office at 750 Clay Street, Carrollton, Kentucky 41008.

MELINDA WRIGHT  
City Clerk-Treasurer

TERRY A. ROACH  
Carrollton Utilities General Manager

**CITY OF CARROLLTON, KENTUCKY**  
**STATEMENT OF NET POSITION**  
June 30, 2022

|  | Governmental<br>Activities | Business-type<br>Activities | Total                |
|--|----------------------------|-----------------------------|----------------------|
| <b>ASSETS</b>  |                            |                             |                      |
| <b>Current Assets</b>                                  |                            |                             |                      |
| Cash, Including Time Deposits                          | \$ 5,861,551               | \$ 8,445,322                | \$ 14,306,873        |
| Interest Receivable                                    | -                          | 13,371                      | 13,371               |
| Accounts Receivable (Net)                              | 306,410                    | 7,996,905                   | 8,303,315            |
| Other Receivables                                      | -                          | 2,061,742                   | 2,061,742            |
| Due from Other Governments                             | 177,583                    | 413,562                     | 591,145              |
| Due from Other Funds                                   | 1,307,134                  | (1,307,134)                 | -                    |
| Current Portion - Interlocal Receivable                | -                          | 7,090                       | 7,090                |
| Prepaid Expense  | 12,397                     | 36,900                      | 49,297               |
| Total Current Assets                                   | <u>\$ 7,665,075</u>        | <u>\$ 17,667,758</u>        | <u>\$ 25,332,833</u> |
| <b>Noncurrent Assets</b>                               |                            |                             |                      |
| Restricted Assets                                      |                            |                             |                      |
| Cash, Including Time Deposits                          | \$ -                       | \$ 1,346,700                | \$ 1,346,700         |
| Due from Other Funds                                   | 729,153                    | (729,153)                   | -                    |
| Other Receivables - Noncurrent                         | -                          | 618,300                     | 618,300              |
| Interlocal Receivable                                  | -                          | 170,900                     | 170,900              |
| Capital Assets (Net)                                   | 6,125,406                  | 46,232,938                  | 52,358,344           |
| Total Noncurrent Assets                                | <u>\$ 6,854,559</u>        | <u>\$ 47,639,685</u>        | <u>\$ 54,494,244</u> |
| Total Assets   | <u>\$ 14,519,634</u>       | <u>\$ 65,307,443</u>        | <u>\$ 79,827,077</u> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                  |                            |                             |                      |
| Attributable to Employer Pension Plan                  | \$ 661,532                 | \$ 893,606                  | \$ 1,555,138         |
| Attributable to Employer OPEB Plan                     | 643,893                    | 788,454                     | 1,432,347            |
| Total Deferred Outflows of Resources                   | <u>\$ 1,305,425</u>        | <u>\$ 1,682,060</u>         | <u>\$ 2,987,485</u>  |
| <b>LIABILITIES</b>                                     |                            |                             |                      |
| <b>Current Liabilities</b>                             |                            |                             |                      |
| Accounts Payable                                       | \$ 224,677                 | \$ 7,785,253                | \$ 8,009,930         |
| Accrued Compensated Absences                           | 80,726                     | 10,185                      | 90,911               |
| Accrued Wages  | 39,850                     | 85,391                      | 125,241              |
| Sales Tax Payable                                      | 745                        | 36,519                      | 37,264               |
| Project Gas Supply Credits Payable                     | -                          | 850,791                     | 850,791              |
| Retainage & Contractors Payable                        | -                          | 617,849                     | 617,849              |
| Current Liabilities Payable from Restricted Assets:    |                            |                             |                      |
| Accrued Interest                                       | -                          | 40,037                      | 40,037               |
| Bonds & Notes Payable                                  | -                          | 853,133                     | 853,133              |
| Total Current Liabilities                              | <u>\$ 345,998</u>          | <u>\$ 10,279,158</u>        | <u>\$ 10,625,156</u> |
| <b>Noncurrent Liabilities</b>                          |                            |                             |                      |
| Accrued Compensated Absences                           | \$ 15,309                  | \$ 34,098                   | \$ 49,407            |
| Project Gas Supply Credits Payable                     | -                          | 729,153                     | 729,153              |
| Bonds & Notes Payable                                  | -                          | 5,396,988                   | 5,396,988            |
| Net Pension Liability                                  | 3,613,093                  | 4,151,018                   | 7,764,111            |
| Net OPEB Liability                                     | 1,084,632                  | 1,246,135                   | 2,330,767            |
| Noncurrent Liabilities Payable from Restricted Assets: |                            |                             |                      |
| Customer Deposits Payable                              | -                          | 255,058                     | 255,058              |
| Total Noncurrent Liabilities                           | <u>\$ 4,713,034</u>        | <u>\$ 11,812,450</u>        | <u>\$ 16,525,484</u> |
| Total Liabilities                                      | <u>\$ 5,059,032</u>        | <u>\$ 22,091,608</u>        | <u>\$ 27,150,640</u> |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                   |                            |                             |                      |
| Attributable to Employer Pension Plan                  | \$ 656,797                 | \$ 881,258                  | \$ 1,538,055         |
| Attributable to Employer OPEB Plan                     | 549,738                    | 695,016                     | 1,244,754            |
| Total Deferred Inflows of Resources                    | <u>\$ 1,206,535</u>        | <u>\$ 1,576,274</u>         | <u>\$ 2,782,809</u>  |
| <b>NET POSITION</b>                                    |                            |                             |                      |
| Net Investment in Capital Assets                       | \$ 6,125,406               | \$ 39,520,084               | \$ 45,645,490        |
| Restricted for:  |                            |                             |                      |
| Debt Service   | -                          | 986,525                     | 986,525              |
| Other Purposes   | 35,106                     | -                           | 35,106               |
| Unrestricted   | 3,398,980                  | 2,815,012                   | 6,213,992            |
| Total Net Position                                     | <u>\$ 9,559,492</u>        | <u>\$ 43,321,621</u>        | <u>\$ 52,881,113</u> |

**CITY OF CARROLLTON, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2022**

|                                 |               | Program Revenues |               |               |
|---------------------------------|---------------|------------------|---------------|---------------|
|                                 |               | Charges For      | Operating     | Capital       |
|                                 | Expenses      | Services         | Grants and    | Grants and    |
|                                 |               |                  | Contributions | Contributions |
| <b>Functions / Programs</b>     |               |                  |               |               |
| <b>Governmental Activities</b>  |               |                  |               |               |
| General Government              | \$ 750,727    | \$ 193,128       | \$ 818,601    | \$ 185,583    |
| Public Safety                   |               |                  |               |               |
| Fire Department                 | 230,560       | 1,906            | 11,000        | -             |
| Dispatch                        | 677,920       | 423,623          | -             | 96,140        |
| Police Department               | 1,604,702     | 205,540          | 47,457        | -             |
| Public Works                    | 1,022,219     | -                | 77,954        | -             |
| Sanitation                      | 366,985       | 412,781          | -             | -             |
| Code Enforcement                | 118,528       | -                | -             | -             |
| Parks & Recreation              | 308,643       | 175,312          | -             | -             |
| Community Service               | 5,285         | -                | 14,203        | -             |
| Total Governmental Activities   | \$ 5,085,569  | \$ 1,412,290     | \$ 969,215    | \$ 281,723    |
| <b>Business-type Activities</b> |               |                  |               |               |
| Gas                             | \$ 64,256,850 | \$ 64,308,584    | \$ -          | \$ 1,076,008  |
| Water                           | 2,020,856     | 1,831,792        | -             | 1,982,886     |
| Sewer                           | 2,660,179     | 2,672,656        | -             | 86,289        |
| Total Business-type Activities  | \$ 68,937,885 | \$ 68,813,032    | \$ -          | \$ 3,145,183  |
| Total Government                | \$ 74,023,454 | \$ 70,225,322    | \$ 969,215    | \$ 3,426,906  |

**General Revenues**

Taxes:

Property Taxes

Franchise Taxes

PEAK Returns

Insurance Licenses

Unrestricted Investment Income

Restricted Investment Income

Miscellaneous

Gain (Loss) on Disposition of Assets

Total General Revenues and Transfers

Change in Net Position

Net Position - July 1

Net Position - June 30

**Net (Expense) Revenue and  
Changes in Net Position**

| <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>          |
|------------------------------------|-------------------------------------|-----------------------|
| \$ 446,585                         | \$ -                                | \$ 446,585            |
| (217,654)                          | -                                   | (217,654)             |
| (158,157)                          | -                                   | (158,157)             |
| (1,351,705)                        | -                                   | (1,351,705)           |
| (944,265)                          | -                                   | (944,265)             |
| 45,796                             | -                                   | 45,796                |
| (118,528)                          | -                                   | (118,528)             |
| (133,331)                          | -                                   | (133,331)             |
| 8,918                              | -                                   | 8,918                 |
| <u>\$ (2,422,341)</u>              | <u>\$ -</u>                         | <u>\$ (2,422,341)</u> |
| <br>                               |                                     |                       |
| \$ -                               | \$ 1,127,742                        | \$ 1,127,742          |
| -                                  | 1,793,822                           | 1,793,822             |
| -                                  | 98,766                              | 98,766                |
| <u>\$ -</u>                        | <u>\$ 3,020,330</u>                 | <u>\$ 3,020,330</u>   |
| <u>\$ (2,422,341)</u>              | <u>\$ 3,020,330</u>                 | <u>\$ 597,989</u>     |
| <br>                               |                                     |                       |
| \$ 499,338                         | \$ -                                | \$ 499,338            |
| 448,641                            | -                                   | 448,641               |
| 1,948,790                          | -                                   | 1,948,790             |
| 682,787                            | -                                   | 682,787               |
| 9,303                              | 24,110                              | 33,413                |
| -                                  | 3,417                               | 3,417                 |
| -                                  | 171,778                             | 171,778               |
| (208,594)                          | -                                   | (208,594)             |
| <u>\$ 3,380,265</u>                | <u>\$ 199,305</u>                   | <u>\$ 3,579,570</u>   |
| <u>\$ 957,924</u>                  | <u>\$ 3,219,635</u>                 | <u>\$ 4,177,559</u>   |
| <u>\$ 8,601,568</u>                | <u>\$ 40,101,986</u>                | <u>\$ 48,703,554</u>  |
| <u>\$ 9,559,492</u>                | <u>\$ 43,321,621</u>                | <u>\$ 52,881,113</u>  |



**CITY OF CARROLLTON, KENTUCKY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2022**

|   | <b>General<br/>Fund</b> | <b>Other<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|-------------------------|---|---|
| <b>ASSETS</b>   |                         |   |   |
| Cash, Including Time Deposits                                 | \$ 5,813,692            | \$ 47,859                               | \$ 5,861,551                            |
| Accounts Receivable: (Net of Allowance<br>for Uncollectibles) |                         |   |   |
| Insurance Licenses  | 186,104                 | -                                       | 186,104                                 |
| Business Licenses   | 17,198                  | -                                       | 17,198                                  |
| Ad Valorem Tax  | 419                     | -                                       | 419                                     |
| Franchise Fees  | 79,965                  | -                                       | 79,965                                  |
| Miscellaneous   | 19,579                  | -                                       | 19,579                                  |
| Due from Other Governments                                    | 169,454                 | 8,129                                   | 177,583                                 |
| Due from Other Funds  | 285,605                 | -                                       | 285,605                                 |
| Total Assets  | <u>\$ 6,572,016</u>     | <u>\$ 55,988</u>                        | <u>\$ 6,628,004</u>                     |
| <b>LIABILITIES</b>  |                         |   |   |
| Accounts Payable  | \$ 224,677              | \$ -                                    | \$ 224,677                              |
| Sales Tax Payable   | 745                     | -                                       | 745                                     |
| Accrued Compensated Absences                                  | 80,726                  | -                                       | 80,726                                  |
| Accrued Wages   | 39,850                  | -                                       | 39,850                                  |
| Total Liabilities   | <u>\$ 345,998</u>       | <u>\$ -</u>                             | <u>\$ 345,998</u>                       |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                          |                         |   |   |
| KY 911 Services Board (CMRS) Grants                           | \$ 41,676               | \$ -                                    | \$ 41,676                               |
| PEAK 2021 Annual Return                                       | 16,052                  |   | 16,052                                  |
| Total Deferred Inflows of Resources                           | <u>\$ 57,728</u>        | <u>\$ -</u>                             | <u>\$ 57,728</u>                        |
| <b>FUND BALANCES</b>  |                         |   |   |
| Restricted  | \$ -                    | \$ 35,106                               | \$ 35,106                               |
| Committed   | 735,388                 | -                                       | 735,388                                 |
| Assigned  | -                       | 20,882                                  | 20,882                                  |
| Unassigned  | 5,432,902               | -                                       | 5,432,902                               |
| Total Fund Balances   | <u>\$ 6,168,290</u>     | <u>\$ 55,988</u>                        | <u>\$ 6,224,278</u>                     |
| Total Liabilities and Fund Balances                           | <u>\$ 6,572,016</u>     | <u>\$ 55,988</u>                        | <u>\$ 6,628,004</u>                     |

**CITY OF CARROLLTON, KENTUCKY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2022**

|                                  |    |           |
|----------------------------------|----|-----------|
| Total Governmental Fund Balances | \$ | 6,224,278 |
|----------------------------------|----|-----------|

***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 funds. Total capital assets \$13,595,075 net of accumulated depreciation \$7,469,669. |  | 6,125,406 |
|--|--|-----------|

|  |  |           |
|--|--|-----------|
| Revenues that do not provide current financial resources are not reported as revenues in the funds. Amounts due on such revenues but not received subsequent to year end within 60 days have been reported as receivable in the Statement of Net Position. |  | 1,811,555 |
|--|--|-----------|

|   |           |             |
|---|-----------|-------------|
| Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of: |           |             |
| Accrued Compensated Absences  | \$ 15,309 |             |
| Net Pension Liability   | 3,613,093 |             |
| Net OPEB Liability  | 1,084,632 | (4,713,034) |

|   |  |        |
|---|--|--------|
| Expenditures that have used current financial resources but have been made for goods and services to be received subsequent to year end have been reported as a prepaid expense in the Statement of Net Position. |  | 12,397 |
|---|--|--------|

|  |            |           |
|--|------------|-----------|
| Deferred Outflows of Resources:            |            |           |
| Attributable to CERS Employer Pension Plan | \$ 661,532 |           |
| Attributable to CERS Employer OPEB Plan    | 643,893    | 1,305,425 |

|  |            |             |
|--|------------|-------------|
| Deferred Inflows Of Resources:             |            |             |
| Attributable to CERS Employer Pension Plan | \$ 656,797 |             |
| Attributable to CERS Employer OPEB Plan    | 549,738    | (1,206,535) |

|   |    |           |
|---|----|-----------|
| Net Position of Governmental Activities | \$ | 9,559,492 |
|---|----|-----------|

**CITY OF CARROLLTON, KENTUCKY**  
**STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2022**

| <b>REVENUES</b>                              | <b>General<br/>Fund</b> | <b>Other<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|-------------------------|---|---|
| Taxes:                                       |                         |   |   |
| Property Taxes                               | \$ 499,338              | \$ -                                    | \$ 499,338                              |
| Franchise Taxes                              | 408,663                 | -                                       | 408,663                                 |
| Insurance Taxes                              | 682,787                 | -                                       | 682,787                                 |
| Bank Deposits                                | 39,978                  | -                                       | 39,978                                  |
| Licenses and Permits                         | 107,812                 | -                                       | 107,812                                 |
| Intergovernmental Revenues                   | 1,901,107               | 83,167                                  | 1,984,274                               |
| PEAK Revenue                                 | 2,217,956               | -                                       | 2,217,956                               |
| Charges for Sanitation Services              | 412,781                 | -                                       | 412,781                                 |
| Recreation Facility Services                 | 175,312                 | -                                       | 175,312                                 |
| CRMS/Landline E-911 Revenues                 | 110,254                 | -                                       | 110,254                                 |
| Contributions                                | -                       | 14,203                                  | 14,203                                  |
| Interest Revenue                             | 9,073                   | 230                                     | 9,303                                   |
| Miscellaneous                                | 61,051                  | -                                       | 61,051                                  |
| Total Revenues                               | <u>\$ 6,626,112</u>     | <u>\$ 97,600</u>                        | <u>\$ 6,723,712</u>                     |
| <b>EXPENDITURES</b>                          |                         |   |   |
| Current                                      |                         |   |   |
| Administrative                               | \$ 688,994              | \$ -                                    | \$ 688,994                              |
| Public Safety                                |                         |   |   |
| Fire Department                              | 183,827                 | -                                       | 183,827                                 |
| Emergency Dispatch                           | 571,265                 | -                                       | 571,265                                 |
| Police Department                            | 1,467,075               | -                                       | 1,467,075                               |
| Public Works                                 | 732,474                 | 79,580                                  | 812,054                                 |
| Sanitation                                   | 366,985                 | -                                       | 366,985                                 |
| Parks and Recreation                         | 175,430                 | -                                       | 175,430                                 |
| Community Service                            | -                       | 5,285                                   | 5,285                                   |
| Code Enforcement                             | 112,875                 | -                                       | 112,875                                 |
| Capital Outlay                               | 463,101                 | -                                       | 463,101                                 |
| Debt Service - Principal                     | 3,744                   | -                                       | 3,744                                   |
| Total Expenditures                           | <u>\$ 4,765,770</u>     | <u>\$ 84,865</u>                        | <u>\$ 4,850,635</u>                     |
| Excess of Revenues Over (Under) Expenditures | <u>\$ 1,860,342</u>     | <u>\$ 12,735</u>                        | <u>\$ 1,873,077</u>                     |
| <b>OTHER FINANCING SOURCES (USES)</b>        |                         |   |   |
| Proceeds from Asset Sales                    | \$ 99,675               | \$ -                                    | \$ 99,675                               |
| Total Other Financing Sources (Uses)         | <u>\$ 99,675</u>        | <u>\$ -</u>                             | <u>\$ 99,675</u>                        |
| Net Change in Fund Balance                   | \$ 1,960,017            | \$ 12,735                               | \$ 1,972,752                            |
| Fund Balances - Beginning of Year            | 4,208,273               | 43,253                                  | 4,251,526                               |
| Fund Balances - End of Year                  | <u>\$ 6,168,290</u>     | <u>\$ 55,988</u>                        | <u>\$ 6,224,278</u>                     |

**CITY OF CARROLLTON, KENTUCKY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2022**

Net Change in Fund Balances - Total Governmental Funds \$ 1,972,752

***Amounts reported for governmental activities in the Statement of Activities are different because:***

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.

Capitalized Expenditures 463,101

Depreciation Expense (511,299)

Repayment of capital lease obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 3,744

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds until paid.

Compensated Absences 5,403

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (269,166)

Expenditures in the Statement of Revenues, Expenditures, and Changes in Fund Balances that are for goods and services not yet received are not reported as expenses in the Statement of Activities. 1,535

Governmental funds report city pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. (150,391)

Governmental funds report city OPEB contributions as expenditures. However in the Statement of Activities, the cost of OPEB benefits earned net of employee contributions is reported as OPEB expense. (47,027)

Grant Funds received by the City attributable to CMRS reimbursable grant expenditures (\$215,608) and relief funds arising from eligible reimbursable coronavirus expenditures (\$28,527) recognized as income under the accrual basis in the previous fiscal year, reduce current year income in the Statement of Activities. (244,135)

Grant Funds due the City attributable to CMRS reimbursable grant expenditures (\$41,676) not available within 60 days, are recognized as deferred inflows in the Funds Statements. In the Statement of Activities, these transactions are recognized as revenue under the accrual basis. 41,676

Governmental Funds only report the disposal of assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal. This is the difference in the amount of the gain/loss vs. the proceeds received on asset disposals. (308,269)

Change in Net Position of Governmental Activities \$ 957,924

**CITY OF CARROLLTON, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
June 30, 2022

**Carrollton**  
**Utilities**  
**Enterprise Fund**

**ASSETS**

**Current Assets**

|   |                      |
|---|----------------------|
| Cash, Including Time Deposits           | \$ 8,445,322         |
| Interest Receivable                     | 13,371               |
| Accounts Receivable (Net)               | 7,996,905            |
| Other Receivables                       | 2,061,742            |
| Due from Other Governments              | 413,562              |
| Current Portion - Interlocal Receivable | 7,090                |
| Prepaid Expense                         | 36,900               |
| Total Current Assets                    | <u>\$ 18,974,892</u> |

**Noncurrent Assets**

|                                |                      |
|--------------------------------|----------------------|
| Restricted Assets              |                      |
| Cash, Including Time Deposits  | \$ 1,346,700         |
| Other Receivables - Noncurrent | 618,300              |
| Interlocal Receivable          | 170,900              |
| Capital Assets (Net)           | 46,232,938           |
| Total Noncurrent Assets        | <u>\$ 48,368,838</u> |

|              |                      |
|--------------|----------------------|
| Total Assets | <u>\$ 67,343,730</u> |
|--------------|----------------------|

**DEFERRED OUTFLOWS OF RESOURCES**

|                                       |                     |
|---------------------------------------|---------------------|
| Attributable to Employer Pension Plan | \$ 893,606          |
| Attributable to Employer OPEB         | 788,454             |
| Total Deferred Outflows               | <u>\$ 1,682,060</u> |

**LIABILITIES**

**Current Liabilities**

|   |                      |
|---|----------------------|
| Accounts Payable                                    | \$ 7,785,253         |
| Due to Other Funds                                  | 1,307,134            |
| Accrued Compensated Absences                        | 10,185               |
| Accrued Salaries, Wages & Benefits                  | 85,391               |
| Sales Tax Payable                                   | 36,519               |
| Project Gas Supply Credits Payable                  | 850,791              |
| Retainage & Contractors Payable                     | 617,849              |
| Current Liabilities Payable from Restricted Assets: |                      |
| Accrued Interest Payable                            | 40,037               |
| Bonds & Notes Payable                               | 853,133              |
| Total Current Liabilities                           | <u>\$ 11,586,292</u> |

**Noncurrent Liabilities**

|                                    |           |
|------------------------------------|-----------|
| Accrued Compensated Absences       | \$ 34,098 |
| Project Gas Supply Credits Payable | 729,153   |
| Due to Other Funds                 | 729,153   |
| Bonds & Notes Payable              | 5,396,988 |
| Net Pension Liability              | 4,151,018 |
| Net OPEB Liability                 | 1,246,135 |

Noncurrent Liabilities Payable from Restricted Assets:

|                              |                      |
|------------------------------|----------------------|
| Customer Deposits Payable    | 255,058              |
| Total Noncurrent Liabilities | <u>\$ 12,541,603</u> |

|                   |                      |
|-------------------|----------------------|
| Total Liabilities | <u>\$ 24,127,895</u> |
|-------------------|----------------------|

**DEFERRED INFLOWS OF RESOURCES**

|                                       |                     |
|---------------------------------------|---------------------|
| Attributable to Employer Pension Plan | \$ 881,258          |
| Attributable to Employer OPEB         | 695,016             |
| Total Deferred Inflows                | <u>\$ 1,576,274</u> |

**NET POSITION**

|                                  |                      |
|----------------------------------|----------------------|
| Net Investment in Capital Assets | \$ 39,520,084        |
| Restricted for:                  |                      |
| Debt Service                     | 986,525              |
| Unrestricted                     | 2,815,012            |
| Total Net Position               | <u>\$ 43,321,621</u> |

**CITY OF CARROLLTON, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND**  
**For the Year Ended June 30, 2022**

|  | <b>Carrollton<br/>Utilities<br/>Enterprise Fund</b> |
|--|---|
| <b>Operating Revenues:</b>                     |   |
| <b>Charges for Services:</b>                   |   |
| Gas Utility Charges (Net)                      | \$ 64,235,331                                       |
| Water Utility Charges (Net)                    | 1,769,122   |
| Sewer Utility Charges (Net)                    | 2,430,604   |
| Connection Fees & Service Charges              | 377,975   |
| Total Charges for Services                     | \$ 68,813,032                                       |
| Miscellaneous Revenues                         | 171,778   |
| Total Operating Revenues                       | <u>\$ 68,984,810</u>                                |
| <b>Operating Expenses:</b>                     |   |
| Cost of Goods Sold                             | \$ 61,813,255                                       |
| Operation & Maintenance                        | 2,230,470   |
| General & Administrative                       | 2,727,183   |
| Depreciation                                   | 2,029,610   |
| Total Operating Expenses                       | <u>\$ 68,800,518</u>                                |
| Net Operating Income                           | <u>\$ 184,292</u>                                   |
| <b>Nonoperating Revenue (Expenses):</b>        |   |
| Interest Income                                | \$ 27,527   |
| Interest and Fiscal Charges                    | <u>(137,367)</u>                                    |
| Total Nonoperating Revenue (Expenses)          | <u>\$ (109,840)</u>                                 |
| Income (Loss) Before Contributions             | \$ 74,452   |
| <b>Capital Contributions</b>                   | <u>3,145,183</u>                                    |
| <b>Change in Net Position</b>                  | \$ 3,219,635  |
| Net Position - July 1 - Restated - See Note 4F | <u>40,101,986</u>                                   |
| Net Position - June 30                         | <u><u>\$ 43,321,621</u></u>                         |

**CITY OF CARROLLTON, KENTUCKY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**For the Year Ended June 30, 2022**

|  | <b>Carrollton<br/>Utilities<br/>Enterprise Fund</b> |
|--|---|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                          |   |
| Receipts from Customers  | \$ 64,306,424                                       |
| Payments to Suppliers  | (60,468,557)  |
| Payments to Employees  | (1,790,476)   |
| Receipts of Customer Meter Deposits                                  | 129,353   |
| Refunds of Customer Meter Deposits                                   | (95,250)  |
| Net Cash Provided (Used) by Operating Activities                     | <u>\$ 2,081,494</u>                                 |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>      |   |
| Capital Contributions  | \$ 773,649  |
| Purchases of Capital Assets  | (3,277,329)   |
| Proceeds from Capital Debt Bond Issue Net of Issuance Costs          | 2,137,312   |
| Principal Paid on Capital Debt                                       | (513,846)   |
| Interest Paid on Capital Debt  | (53,113)  |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>\$ (933,327)</u>                                 |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                          |   |
| Principal Received on Interlocal Debt                                | \$ 7,037  |
| Interest and Fees Received on Interlocal Debt                        | 1,868   |
| Purchase of Certificates of Deposits                                 | (3,500,000)   |
| Interest Received  | 12,445  |
| Net Cash Provided (Used) by Investing Activities                     | <u>\$ (3,478,650)</u>                               |
| Net Increase (Decrease) in Cash and Cash Equivalents                 | \$ (2,330,483)                                      |
| Balances-July 1  | <u>8,622,505</u>                                    |
| Balances-June 30   | <u><u>\$ 6,292,022</u></u>                          |

|                          | <b>Balances<br/>Per June 30, 2022<br/>Statement of<br/>Net Position</b> | <b>Balances<br/>Per June 30, 2022<br/>Statement of<br/>Cash Flows</b> |
|--------------------------|---|---|
| Cash                     | \$ 4,945,322  | \$ 4,945,322  |
| Time Deposits            | 3,500,000   | -   |
| Restricted Cash          | 1,346,700   | 1,346,700   |
| Restricted Time Deposits | -   | -   |
| Total                    | <u>\$ 9,792,022</u>   | <u>\$ 6,292,022</u>   |

(Continued)

**CITY OF CARROLLTON, KENTUCKY**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**PROPRIETARY FUND**  
**For the Year Ended June 30, 2022**

**Carrollton  
Utilities  
Enterprise Fund**

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH  
PROVIDED (USED) BY OPERATING ACTIVITIES**

|   |                     |
|---|---------------------|
| Operating Income (Loss)                               | \$ 184,292          |
| Adjustments to Reconcile Operating Income to Net Cash |                     |
| Provided (Used) by Operating Activities:              |                     |
| Depreciation Expense                                  | 2,029,610           |
| Pension Expense                                       | 105,422             |
| OPEB Expense  | 44,087              |
| <b>Change in Assets and Liabilities:</b>              |                     |
| Receivables, Net (Increase) Decrease                  | (4,696,044)         |
| Other Receivables (Increase) Decrease                 | 247,334             |
| Prepaid Expenses (Increase) Decrease                  | 5,973               |
| Accounts and Other Payables Increase (Decrease)       | 4,297,635           |
| Due to Other Funds Increase (Decrease)                | (185,620)           |
| Customer Meter Deposits Payable Increase (Decrease)   | 34,103              |
| Accrued Expenses Increase (Decrease)                  | 14,702              |
| Net Cash Provided by Operating Activities             | <u>\$ 2,081,494</u> |

**NONCASH CAPITAL FINANCING ACTIVITIES:**

At June 30, 2022, Carrollton Utilities:

- had \$617,849 outstanding retainage and contractors payable related to the 2020 Gas Line Expansion
- had \$22,874 of capital assets in accounts payable
- through the July 1, 2021 merger with West Carroll Water District, acquired Net Capital Assets of \$2,549,408 - See Note 4.G.



**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**INDEX**

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- C. Measurement Focus and Basis of Accounting
- D. Assets, Liabilities, Deferred Outflows and Inflows of Resources and Equity
- E. Revenues, Expenditures, and Expenses
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**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2022**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Description of entity: The City of Carrollton, Kentucky is a "home rule" city with population of approximately 4,000. It is operated under Kentucky Revised Statutes mayor/council form of government. The entity serves approximately 5,000 water, sewer and gas customers. The city complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting principles are discussed in subsequent subsections of this Note.

**1.A. FINANCIAL REPORTING ENTITY**

The City's financial reporting entity comprises the following:

|                          |                                    |
|--------------------------|------------------------------------|
| Primary Government:      | City of Carrollton                 |
| Blended Component Units: | Utilities Commission of Carrollton |

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 61, "The Financial Reporting Entity: Omnibus," and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

***Blended Component Units***

Blended component units are separate entities that meet the component unit criteria described above and whose governing body is the same as or designated by the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type.

Component units that are blended into the reporting activity types of the City's report are presented below:

| <b>Component Unit</b>                   | <b>Brief Description/Inclusion Criteria</b>   | <b>Reporting</b> |
|---|---|------------------|
| Utilities Commission of Carrollton (CU) | <p>The Commission operates a combined utilities system to provide residents of the City and certain outlying areas with natural gas, water, sanitary sewers, and sewage treatment facilities. The City's mayor appoints the Commissioners and also designates management of the Commission. The City Council approves the utility rates charged by the Commission. The long-term debt of the Commission is backed by the full faith and credit of the City and is, therefore, a contingent liability to the general government.</p> <p>The Cities of Carrollton, Glencoe, Sanders, Sparta, Owenton, Prestonville, Worthville, Campbellsburg, and Ghent and the Counties of Carroll, Gallatin, Owen, and Henry entered into interlocal agreements for the construction, operation and maintenance of a regional sewer facility. Under these agreements the City of Carrollton, through Carrollton Utilities, owns and operates the system. In recognition of Carrollton's ownership of the completed facility, and its operation of same through its Enterprise Fund (Carrollton Utilities), the transactions of the regional sewer are included in the financial statements as part of that fund.</p> | Enterprise Fund  |

**Joint Venture:**

The Carroll County/E-911 Advisory Committee was established under an interlocal agreement between Carroll County Fiscal Court and the City of Carrollton in March 2018 to operate the E-911 Dispatch. The Committee has ten members. Under the interlocal agreement, Carroll County and the City of Carrollton share the costs of administering the E-911 Dispatch equally. Carroll County's telephone 911 surcharge tax and E-911 wireless tax are placed in a restricted fund held by the Carroll County Treasurer and distributed equally to the general funds of Carroll County and the City of Carrollton bi-annually on January 15 and July 15 of each year. Dispatchers and other personnel employed by the E-911 system are City of Carrollton employees. Equipment is owned and maintained jointly. Fiscal court remits its share of expenses monthly. The Carroll County/E-911 Advisory Committee does not produce separate financial statements.

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2022**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.A. FINANCIAL REPORTING ENTITY (Continued)**

**Excluded from the reporting entity:**

Carrollton Housing Authority – This potential component unit has a separate appointed board and provides services to residents, generally within the geographic boundaries of the City. It is excluded from the reporting entity because the City does not have the ability to exercise influence or control over its daily operations, approve budgets or provide funding.

Carrollton-Carroll County, Kentucky Recreation and Tourism Commission – This potential component unit has been appointed jointly by the area governments' governing bodies. It is an independent unit that selects management staff, establishes budgets and controls all aspects of its daily activities.

Public Energy Authority of Kentucky (PEAK) – formerly PEAK, Inc. – This potential component unit is a Kentucky nonprofit corporation created by the cities of Carrollton and Henderson, Kentucky, under the provisions of Kentucky Revised Statutes, Sections 273.161 through 273.390, Sections 65.210 through 65.300 and Section 58.180, as amended, and the Public Energy Authority of Kentucky, Inc. Interlocal Agreement dated March 1, 2003. Effective September 5, 2008 under the Natural Gas Acquisition Authority Act of the State of Kentucky, PEAK Inc. was converted into the Public Energy Authority of Kentucky (PEAK). The newly created entity assumed all assets, liabilities, and on going operations of PEAK Inc. PEAK was created for the purposes of providing gas acquisition, delivery and other related services to the Cities and other public agencies that may become signatories to the Interlocal Agreement (the Members). PEAK is excluded from the reporting entity because of the following: (i) It has a 4-member Board of Directors, which is appointed by the Membership; (ii) PEAK is a separate legal entity; and (iii) It is fiscally independent in that its budgets and charges are determined without substantive member approval.

**1.B. BASIS OF PRESENTATION**

***Government-wide Financial Statements:***

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

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

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2022**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.B. BASIS OF PRESENTATION (Continued)**

***Fund Financial Statements:***

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

**Governmental Funds**

***General Fund***

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

***Special Revenue Funds***

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

***Capital Project Funds***

The Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items.

**Proprietary Fund**

***Enterprise Fund***

Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Carrollton Utilities Commission Enterprise Fund.

**Fiduciary Funds (Not included in government-wide statements)**

None

**Major and Nonmajor Funds**

The funds are further classified as major or nonmajor as follows:

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2022**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.B. BASIS OF PRESENTATION (Continued)**

**Major and Nonmajor Funds (Continued)**

| <b>Fund</b>  | <b>Brief Description</b>  |
|--|---|
| <b>Major:</b><br>General Fund                                      | See above for description.  |
| <b>Proprietary Fund:</b><br>Carrollton Utilities                   | Accounts for activities in providing water, wastewater, and gas services to the public.   |
| <b>Nonmajor:</b><br><b>Special Revenue Funds:</b><br>L.G.E.A. Fund | Accounts for revenues and expenditures from the state mineral severance tax.  |
| Municipal Road Aid   | Accounts for revenues and expenditures from the state gasoline tax.   |
| Shop With A Cop Fund   | Accounts for contributions and expenditures associated with the Police Department's community service program for underprivileged children. |

**1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2022**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)**

- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**1.D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES AND EQUITY**

**Cash and Investments**

For the purpose of the Statement of Net Position, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value. Fair value is based on quoted market price.

**Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

**Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include insurance license taxes, franchise taxes, and amounts due from other governments. Business-type activities report utility billing and gas activities as their major receivables.

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2022**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES AND EQUITY  
(Continued)**

**Receivables (Continued)**

In the fund financial statements, material receivables in governmental funds include revenue accruals such as insurance license tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable, gas supply project receivables, and construction grants comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

In the proprietary fund financial statements, Interlocal Receivables are recorded for amounts due under Interlocal Agreements with other governmental entities who were subrecipients of loan proceeds from the Kentucky Infrastructure Authority. Such proceeds were used by those entities to fund various improvement projects.

**Inventories**

The cost of consumable materials and supplies on hand are immaterial to the financial statements. The proprietary fund reports materials on hand at year-end as part of construction in process. At June 30, 2022, there was \$186,890 included in construction in process.

**Fixed Assets**

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

**Government-wide Statements**

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable and updated for additions and retirements during the year. Donated fixed assets are recorded at their estimated fair value at the date of donation. The City maintains a capitalization threshold of one thousand dollars (proprietary fund \$5,000) with the exception of computers, digital cameras and real property for which there is no threshold. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 1989.

Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. Only major general infrastructure assets acquired, significantly reconstructed, or significantly improved in fiscal years ending after June 30, 1980 have been included. These assets have been valued at estimated historical cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

|                           |             |
|---------------------------|-------------|
| - Buildings               | 25-40 years |
| - Improvements            | 20-25 years |
| - Machinery and Equipment | 4-20 years  |
| - Utility System          | 20-60 years |
| - Infrastructure          | 25 years    |

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2022**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES AND EQUITY  
(Continued)**

**Fixed Assets (Continued)**

***Fund Financial Statements***

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**Restricted Assets**

Restricted assets include cash of the proprietary fund that is legally restricted as to use. The primary restricted cash assets are related to debt obligation accounts and utility meter deposits.

**Capital Lease Expenses**

Proprietary Fund capital lease fees are expensed as incurred.

**Long-term Debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debts to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable and accrued compensated absences.

Long-term debts of governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

Original issue debt premiums are amortized as a component of interest expense over the life of the associated debt using the interest method. Bonds are issued at a premium when the stated rate is higher than the market rate. Unamortized premiums are reported as an addition to the face amount of the debt in the Statement of Net Position.

Debt Issuance Costs are expensed as incurred.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Kentucky Public Pension Authority's County Employees' Retirement System (CERS), and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS.

**Post Employment Benefits Other Than Pensions**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the Kentucky Public Pension Authority's County Employees' Retirement System (CERS), and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS.

**Deferred Outflows of Resources and Deferred Inflows of Resources**

Deferred Outflows of Resources and Deferred Inflows of Resources are not assets or liabilities; revenues or expenses. Rather, they represent resources or the use of resources related to future periods.



**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2022**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES AND EQUITY (Continued)**

**Compensated Absences**

Under the City's policies, employees accumulate vacation time. Unused vacation time cannot be carried into the next calendar year. A portion of accumulated sick leave is available to employees at retirement. Employees are not paid for accumulated sick leave upon other termination. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

**Equity Classifications**

***Government-wide Statements***

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

***Fund Statements***

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

- a. Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund).
- b. Restricted – amounts that can be used only for specific purposes because of (a) constitutional provisions or enabling legislation or (b) externally imposed constraints.
- c. Committed – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- d. Assigned – amounts intended to be used for specific purposes but that do not meet the criteria to be classified as restricted or committed. This is the residual fund balance classification for all governmental funds except the general fund.

The City Council is the City's highest level of decision-making authority. Formal approval of a motion made at a public meeting of the City Council is necessary to establish (and modify or rescind) a fund balance commitment or assignment.

- e. Unassigned – this is the residual classification for the general fund.

Proprietary fund equity is classified the same as in the government-wide statements.

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2022**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.E. REVENUES, EXPENDITURES, AND EXPENSES**

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

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

**Property Tax**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent January 1, of the following year.

Property taxes receivable and deferred revenues are recognized when an enforceable legal claim has arisen.

Property tax revenues are recognized when they become available. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within sixty days after year end. An allowance for uncollectible delinquent property taxes is provided to the extent that their collectability is improbable. Due to the immaterial amount of any additional property taxes receivable after the sixty-day period, no additional accrual is made in the government-wide financial statements.

**Insurance License Tax**

The City levies an 8% (eight percent) license fee upon each insurance company which issues insurance policies on the lives of persons residing within the corporate limits of the City of the first year's premiums actually collected.

The City levies an 8% (eight percent) license fee upon each insurance company which issues any insurance policy which is not a life insurance policy of the premiums actually collected for policies on risks located within the corporate limits of the City. The tax imposed upon premium receipts is not levied upon premiums received for insuring employers against personal injuries to their employees, or death caused thereby, under the provisions of the Workers Compensation Act, or health insurance provided for state employees under KRS 18A.225(2). Insurance license fees are payable to the City within 30 (thirty) days after the end of each calendar quarter.

**PEAK Project Returns**

In consideration of the City's participation in the long-term gas supply projects through the Public Energy Authority of Kentucky, the City receives monthly and annual returns. The annual return is based on deemed excess revenues of the project, total gas supply sold to all project participants, and the amount of gas purchased by the City. Annual returns are not guaranteed. PEAK revenues also include payments due on project contract amendments in the general fund.

**Operating Revenues and Expenses**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2022**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.E. REVENUES, EXPENDITURES, AND EXPENSES (Continued)**

**Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

|  |  |
|--|--|
| Governmental Funds-By Character:               | Current (further classified by function) |
|  | Debt Service                             |
|  | Capital Outlay                           |
| Proprietary Fund-By Operating and Nonoperating |  |

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

The City adheres to the use restrictions established by Kentucky Revised Statutes when expenses are incurred for which both restricted and unrestricted net position is available. The City has no policy defining which resources (restricted or unrestricted) to use first. Restricted, committed, assigned or unassigned amounts are considered to have been spent when an expenditure is incurred for the purpose of such classifications.

**Interfund Transfers**

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

**1.F. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES**

**Governmental Accounting Standards Board Statement No. 87**

The City adopted the provisions of GASBS No. 87, Leases. The objective of this statement is to better meet the information needs of financial statement users by establishing uniform accounting and financial reporting requirements for leases, improving the comparability of financial statements among governments that have entered into leases, and enhancing the understandability, reliability, relevance, and consistency of information about leases.

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

By its nature as a local governmental unit, the City and its component unit are subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

**2.A. FUND ACCOUNTING REQUIREMENTS**

The City complies with all state and local laws and regulations requiring separate accounting or use of separate funds. Those funds requiring separate accounting used by the City include the following:

| <b>Fund</b>        | <b>Required By</b> |
|--------------------|--------------------|
| Municipal Road Aid | State Law          |
| L.G.E.A.F.         | State Law          |

**2.B. DEPOSITS AND INVESTMENTS, LAWS AND REGULATIONS**

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Kentucky or political subdivision debt obligations, or surety bonds. As required by the Financial Institutions Reform, Recovery and Enforcement Act of 1989, all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2022**

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)**

**2.B. DEPOSITS AND INVESTMENTS, LAWS AND REGULATIONS (Continued)**

KRS 66.480 authorizes the City to invest in obligations of the United States and its agencies and instrumentalities including repurchase agreements, through sources including national and state banks chartered in Kentucky, obligations and contracts for future delivery backed by the full faith of the United States or its Agency, certificates of deposit and interest bearing accounts in institutions insured by the Federal Depository Insurance Corporation and other investments described therein provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds. The City may also invest in mutual funds meeting the requirements of the statute.

**2.C. REVENUE RESTRICTIONS**

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

| <u>Revenue Source</u>  | <u>Legal Restrictions of Use</u>               |
|--|--|
| Municipal Road Aid   | Street & Alley Purposes                        |
| County Dispatch Revenue  | E-911 Emergency Services Purposes              |
| Water, Sewer, and Gas Revenue                                  | Debt Service and Utility Operations            |
| Law Enforcement Grants   | Police Programs/Salaries                       |
| Local Government Economic Assistance Funds                     | Approved Expenditures                          |
| State Fire Aid   | Fire Equipment Expenditures                    |
| KY Department of Local Government –<br>Coronavirus Relief Fund | Reimbursement of Eligible Costs                |
| Owen Co Fiscal Court – Community Development<br>Block Grant    | Sanitary Sewer Self-Help Project               |
| Kentucky 911 Services Board Grants (CMRS)                      | Recorder Upgrade/Console Upgrades              |
| Federal Economic Development Administration                    | Approved Grant Expenditures-Gas Infrastructure |

For the year ended June 30, 2022, the City complied, in all material respects, with these revenue restrictions.

**2.D. DEBT RESTRICTIONS AND COVENANTS**

**Kentucky Infrastructure Authority Maintenance, Replacement Reserve** – Loans AO1-03, B99-03, AO5-01, B08-06, F11-15, F13-007, and F14-013.

Funded Maintenance, Replacement Reserve Accounts are required by the City's Assistance Agreements AO1-03, B99-03, AO5-01, B08-06, F11-15, F13-007, and F14-013, with the Kentucky Infrastructure Authority. Under the agreements, the City must deposit into these accounts \$8,000 annually, \$236 semi-annually, \$30,000 annually, \$2,250 annually, \$5,100 annually, \$4,100 annually and \$2,400 annually, until the amounts accumulated on deposit are equal to \$80,000, \$5,610, \$300,000, \$22,500, \$51,000, \$41,000 and \$24,000, respectively. The reserve accounts for agreements AO1-03, B99-03, AO5-01, B08-06, F11-15, F13-007, and F14-13 are fully funded. The reserve for B08-06, F11-15, F13-007, and F14-013 were fully funded upon inception.

**City of Carrollton, Kentucky Combined Utility System Revenue Bonds, Series of 2022 – Bond Fund and Debt Reserve Fund**

Bond Fund – Monthly, on or before the 20<sup>th</sup> day of each month, sums no less than one-sixth (1/6) of the interest, and one-twelfth (1/12) of the principal of all bonds maturing on the next succeeding due date, is required to be deposited into a special fund identified as the "2022 Bond Fund". The required monthly transfers for June 30, 2022 were made as required.

Debt Reserve Fund – An account identified as the "2022 Debt Reserve Fund" was fully funded upon inception.

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2022**

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

**3.A. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

**Deposits**

City of Carrollton, Kentucky's policies regarding deposits of cash are in accordance with the state statutes. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2022, \$9,149,426 of the City's deposits were covered by federal depository insurance and \$6,709,121 respectively, were collateralized by securities held by the pledging financial institution's agent in the City's name.

Cash and cash equivalents and investments at June 30, 2022, consisted of the following:

**Governmental Activities**

| <u>Type of Deposits</u> | <u>Total Bank<br/>Balance</u> | <u>Total Carrying<br/>Value</u> |
|-------------------------|-------------------------------|---------------------------------|
| Demand Deposits         | \$ 4,022                      | \$ 4,022                        |
| Time/Savings Deposits   | 6,108,389                     | 5,855,824                       |
| Total Deposits          | <u>\$ 6,112,411</u>           | <u>\$ 5,859,846</u>             |

**Business-type Activities**

| <u>Type of Deposits</u> | <u>Total Bank<br/>Balance</u> | <u>Total Carrying<br/>Value</u> |
|-------------------------|-------------------------------|---------------------------------|
| Demand Deposits         | \$ 5,780,424                  | \$ 5,825,060                    |
| Time/Savings Deposits   | 3,965,712                     | 3,965,712                       |
| Total Deposits          | <u>\$ 9,746,136</u>           | <u>\$ 9,790,772</u>             |

|   | <u>Governmental<br/>Activities</u> | <u>Business-type<br/>Activities</u> | <u>Total</u>         |
|---|------------------------------------|-------------------------------------|----------------------|
| Reconciliation to Statement of Net Position |                                    |                                     |                      |
| Cash, including Time Deposits               | \$ 5,861,551                       | \$ 8,510,402                        | \$ 14,371,953        |
| Restricted Cash, including Time Deposits    | -                                  | 1,281,620                           | 1,281,620            |
|   | <u>\$ 5,861,551</u>                | <u>\$ 9,792,022</u>                 | <u>\$ 15,653,573</u> |
| Total Carrying Value                        | \$ 5,859,846                       | \$ 9,790,772                        | \$ 15,650,618        |
| Plus: Cash on Hand                          | 1,705                              | 1,250                               | 2,955                |
|   | <u>\$ 5,861,551</u>                | <u>\$ 9,792,022</u>                 | <u>\$ 15,653,573</u> |

**3.B. RESTRICTED ASSETS**

Restricted assets consist of the following:

|  | <u>Cash</u>         |
|--|---------------------|
| KIA Loan Reserve Accounts                    | \$ 560,850          |
| USGS Deposits                                | 65,080              |
| Series of 2022 Revenue Bond Reserve Accounts | 465,712             |
| Customer Deposits                            | 255,058             |
| Total  | <u>\$ 1,346,700</u> |

In addition to these restrictions, the Utility Commission has internally designated demand deposits of \$560,000 as reserved to mitigate the risk associated with industrial sales.

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2022**

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**3.C. ACCOUNTS RECEIVABLE**

Accounts receivable of the business-type activities consists of utilities revenue receivable. Accounts receivable of the governmental activities consists of franchise tax (26%) insurance licenses (61%), business licenses (6%) and other (7%) receivables. Receivables detail at June 30, 2022, is as follows:

|                                 | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>        |
|---------------------------------|------------------------------------|-------------------------------------|---------------------|
| Accounts receivable             | \$ 316,887                         | \$ 8,015,034                        | \$ 8,331,921        |
| Allowance for doubtful accounts | (10,477)                           | (18,129)                            | (28,606)            |
| Net accounts receivable         | <u>\$ 306,410</u>                  | <u>\$ 7,996,905</u>                 | <u>\$ 8,303,315</u> |

**3.D. OTHER RECEIVABLES**

Other Receivables of the business type activities consists of 99.7% gas supply contract payments receivable from PEAK. Of the \$2,672,086, \$2,053,785 will be received within one year. The remaining \$618,300 will be received over the remaining life of the TEAC gas supply project.

**3.E. INTERLOCAL RECEIVABLE**

The City of Carrollton f/b/o Carrollton Utilities entered into an interlocal agreement with Carroll County Water District under which Carroll County Water District was the subrecipient of loan proceeds from the Kentucky Infrastructure Authority with loan forgiveness provisions to fund various system improvement projects. The City of Carrollton f/b/o Carrollton Utilities was the recipient of the loan proceeds. Carrollton Utilities was also the entity overseeing the engineering and construction contracts, and other general costs associated with the project. Carroll County Water District, under the interlocal agreement, has agreed to pay Carrollton Utilities for the portion of the debt associated with improvements made to their distribution system. An interlocal receivable is presented in the Statement of Net Position to represent the amount due from Carroll County Water District to the City of Carrollton f/b/o Carrollton Utilities as follows:

| <u>Project:</u>             | <u>District:</u>     | <u>Original<br/>Balance<br/>of KIA<br/>Loan</u> | <u>Debt<br/>Forgiveness</u> | <u>Net Loan<br/>To District</u> | <u>Interlocal<br/>Agreement<br/>Balance<br/>June 30, 2022</u> |
|-----------------------------|----------------------|---|-----------------------------|---------------------------------|---|
| Carroll County Interconnect | Carroll County Water | \$ 301,721                                      | \$ 75,430                   | \$ 226,291                      | \$ 177,990  |

**3.F. INTERFUND TRANSACTIONS AND BALANCES**

Interfund balances reported in the financial statements at June 30, 2022, consisted of the following individual fund receivables and payables:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u>       | <u>Purpose</u>                                     |
|------------------------|---------------------|---------------------|--|
| General Fund           | Enterprise Fund     | <u>\$ 2,036,287</u> | Sanitation Receipt Reimbursements/<br>PEAK Returns |
| Total                  |                     | <u>\$ 2,036,287</u> |  |

Of the \$2,036,287 due from the City's proprietary fund to the General Fund, \$1,307,134 is anticipated to be received within one year. The remaining \$729,153 is subject to the policies and contracts surrounding long term gas contracts and will be paid to the General Fund as these conditions are met. Separately, a project gas supply credit payable has been recorded in the amount of \$729,153 to reflect the estimated percentage portion payable to long-term gas supply contract customers subject to contract terms and conditions.

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2022**

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**3.G. CAPITAL ASSETS**

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

|   | Balance at<br>July 1, 2021 | Additions          | Disposals           | Balance at<br>June 30, 2022 |
|---|----------------------------|--------------------|---------------------|-----------------------------|
| <b><u>Governmental Activities:</u></b>    |                            |                    |                     |                             |
| Land                                      | \$ 1,114,102               | \$ 33,860          | \$ (70,000)         | \$ 1,077,962                |
| Buildings & Improvements                  | 4,719,092                  | 206,146            | (288,500)           | 4,636,738                   |
| Machinery & Equipment                     | 3,666,173                  | 216,455            | -                   | 3,882,628                   |
| Infrastructure                            | 3,991,107                  | 6,640              | -                   | 3,997,747                   |
| Construction in Process                   | -                          | -                  | -                   | -                           |
| Totals at Historical Cost                 | <u>\$ 13,490,474</u>       | <u>\$ 463,101</u>  | <u>\$ (358,500)</u> | <u>\$ 13,595,075</u>        |
| <br><b>Less: Accumulated Depreciation</b> |                            |                    |                     |                             |
| Buildings & Improvements                  | \$ 1,778,650               | \$ 158,048         | \$ (50,231)         | \$ 1,886,467                |
| Machinery & Equipment                     | 2,464,464                  | 221,061            | -                   | 2,685,525                   |
| Infrastructure                            | 2,765,487                  | 132,190            | -                   | 2,897,677                   |
| Total Accumulated Depreciation            | <u>\$ 7,008,601</u>        | <u>\$ 511,299</u>  | <u>\$ (50,231)</u>  | <u>\$ 7,469,669</u>         |
| <br>Governmental Activities - Capital     |                            |                    |                     |                             |
| Assets, Net                               | <u>\$ 6,481,873</u>        | <u>\$ (48,198)</u> | <u>\$ (308,269)</u> | <u>\$ 6,125,406</u>         |

**Depreciation Expense was charged to governmental activities as follows:**

|   |                   |
|---|-------------------|
| General Government                          | \$ 40,757         |
| Public Safety                               |                   |
| E911 Dispatch                               | 64,324            |
| Fire Department                             | 42,739            |
| Police Department                           | 57,757            |
| Public Works                                | 40,435            |
| Parks & Recreation                          | 132,662           |
| Code Enforcement                            | 660               |
| Infrastructure (included with Public Works) | 131,965           |
| Total Depreciation Expense                  | <u>\$ 511,299</u> |

Land and Construction in process are assets which are not depreciated. \$2,644,477 of depreciable assets are fully depreciated.

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2022**

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**3.G. CAPITAL ASSETS (Continued)**

|  | Balance at<br>July 1, 2021* | Additions           | Disposals          | Balance at<br>June 30, 2022 |
|--|-----------------------------|---------------------|--------------------|-----------------------------|
| <b><u>Business-type Activities:</u></b>      |                             |                     |                    |                             |
| Land & Right of Ways                         | \$ 2,092,733                | \$ -                | \$ -               | \$ 2,092,733                |
| Structures & Improvements                    | 9,439,308                   | -                   | -                  | 9,439,308                   |
| Distribution System                          | 58,484,327                  | 138,737             | -                  | 58,623,064                  |
| Wells  | 815,727                     | -                   | -                  | 815,727                     |
| Plant, Machinery & Equipment                 | 8,320,317                   | 160,387             | (38,801)           | 8,441,903                   |
| Construction in Process                      | 564,446                     | 3,610,850           | -                  | 4,175,296                   |
| Totals at Historical Cost                    | <u>\$ 79,716,858</u>        | <u>\$ 3,909,974</u> | <u>\$ (38,801)</u> | <u>\$ 83,588,031</u>        |
| <b><u>Less: Accumulated Depreciation</u></b> |                             |                     |                    |                             |
| Structures & Improvements                    | \$ 3,453,660                | \$ 266,534          | \$ -               | \$ 3,720,194                |
| Distribution System                          | 25,372,413                  | 1,236,184           | -                  | 26,608,597                  |
| Wells  | 488,192                     | 25,933              | -                  | 514,125                     |
| Plant, Machinery & Equipment                 | 6,050,019                   | 500,959             | (38,801)           | 6,512,177                   |
| Total Accumulated Depreciation               | <u>\$ 35,364,284</u>        | <u>\$ 2,029,610</u> | <u>\$ (38,801)</u> | <u>\$ 37,355,093</u>        |
| Business-type Activities Capital Assets, Net | <u>\$ 44,352,574</u>        | <u>\$ 1,880,364</u> | <u>\$ -</u>        | <u>\$ 46,232,938</u>        |

\*Beginning Balances reflect prior period adjustment of \$19,079 and the acquisition of West Carroll Water District assets.

**Depreciation Expense was charged to the Business-type Activities as follows:**

|                            |                     |
|----------------------------|---------------------|
| Gas                        | \$ 640,231          |
| Water                      | 410,585             |
| Sewer                      | 978,794             |
| Total Depreciation Expense | <u>\$ 2,029,610</u> |

Land, right of ways, and construction in process are capital assets not being depreciated. \$11,658,191 of depreciable assets are fully depreciated.

**3.H. LONG-TERM DEBT**

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.

**Governmental Activities:**

**Capital Lease Obligation:**

Police equipment lease - \$19,376 through Axon Enterprises, Inc. Terms are: 5 years; non-interest bearing, secured by the underlying equipment. Initial payment of \$4,400; subsequent annual payments of \$3,744. Maturity, September, 2021.

**Accrued Compensated Absences:**

|                                    |                  |
|------------------------------------|------------------|
| Current Portion                    | \$ 80,726        |
| Noncurrent Portion                 | 15,309           |
| Total Accrued Compensated Absences | <u>\$ 96,035</u> |



**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2022**

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**3.H. LONG-TERM DEBT (Continued)**

**Business-type Activities:**

As of June 30, 2022, the long-term debt payable from proprietary fund resources consisted of the following:

**Notes Payable:**

|  |              |
|--|--------------|
| Kentucky Infrastructure Authority represents a 30 year loan secured by sewer revenues. Interest is charged at 1.6% per annum. The original principal balance was \$112,200. Semi-annual payments with final maturity June 1, 2032.   | \$ 43,491    |
| Kentucky Infrastructure Authority represents a 20 year loan secured by sewer revenues. Interest is charged at the rate of 1.8%. The original principal balance was \$2,518,301. Semi-annual payments with final maturity December 1, 2022.   | 74,577       |
| Kentucky Infrastructure Authority represents a 20 year loan secured by sewer revenues. Interest is charged at the rate of 1.0%. The original principal balance was \$4,288,600. Semi-annual payments with final maturity December 1, 2026.   | 1,050,321    |
| Kentucky Infrastructure Authority represents a 20 year loan secured by sewer revenues. Interest is charged at the rate of 1.07%. The original principal balance was \$867,091. Semi-annual payments with final maturity December 1, 2032.  | 478,235      |
| Kentucky Infrastructure Authority represents a 30 year loan secured by water revenues. Interest is charged at 1.00% per annum. In addition, a loan servicing fee of .25 percent of the annual outstanding loan balance is payable to the authority as a part of each interest payment. The original principal balance was \$1,977,731, reduced 35% by principal forgiveness of \$692,206. Semi-annual payments with final maturity December 1, 2044.   | 999,262      |
| Kentucky Infrastructure Authority represents a 30 year loan secured by water revenues. Interest is charged at .75% per annum. In addition, a loan servicing fee of .25 percent of the annual outstanding loan balance is payable to the authority as a part of each interest payment. The original principal balance was \$1,657,988, reduced by 25% principal forgiveness of \$414,497. Semi-annual payments with final maturity June 1, 2046.        | 1,016,618    |
| Kentucky Infrastructure Authority represents a 30 year loan secured by water revenues. Interest is charged at .75% per annum. In addition, a loan servicing fee of .25 percent of the annual outstanding loan balance will be payable to the authority as a part of each interest payment. The original principal balance was \$963,931, reduced by 50% principal forgiveness of \$481,966. Semi-annual payments with final maturity December 1, 2046. | 401,511      |
| Total Notes Payable  | \$ 4,064,015 |
| Current Portion  | \$ 444,853   |
| Noncurrent Portion   | 3,619,162    |
| Total Notes Payable  | \$ 4,064,015 |

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2022**

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**3.H. LONG-TERM DEBT (Continued)**

**Business Type Activities (Continued)**

**Bonds Payable:**

\$1,990,000 City of Carrollton, Kentucky Combined Utility System Revenue Bonds, Series of 2022, interest is due semi-annually beginning December 1, 2022 and principal amounts are due annually beginning June 1, 2023; interest rate 5% for the life of the bonds maturing June 1, 2027.

|                     |              |
|---------------------|--------------|
|                     | \$ 1,990,000 |
| Total Bonds Payable | \$ 1,990,000 |
| Current Portion     | \$ 345,000   |
| Noncurrent Portion  | 1,645,000    |
| Total Bonds Payable | \$ 1,990,000 |

**Series of 2022 Bonds Payable Original Issue Premium:**

|                    |            |
|--------------------|------------|
| Current Portion    | \$ 63,280  |
| Noncurrent Portion | 132,826    |
| Total              | \$ 196,106 |

**Accrued Compensated Absences:**

|                    |           |
|--------------------|-----------|
| Current Portion    | \$ 10,185 |
| Noncurrent Portion | 34,098    |
| Total              | \$ 44,283 |

**Changes in Long-term Debt**

The following is a summary of changes in long-term debt for the fiscal year ended June 30, 2022:

| <u>Type of Debt</u>                  | <u>Balance<br/>July 1, 2021</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance<br/>June 30, 2022</u> | <u>Current<br/>Portion</u> |
|--------------------------------------|---------------------------------|------------------|--------------------|----------------------------------|----------------------------|
| <b>Governmental Activities</b>       |                                 |                  |                    |                                  |                            |
| Capital Lease Obligation             | \$ 3,744                        | \$ -             | \$ 3,744           | \$ -                             | \$ -                       |
| Accrued Compensated Absences         | 80,720                          | 15,315 *         | -                  | 96,035                           | 80,726                     |
| Total General Long-term Debt         | \$ 84,464                       | \$ 15,315        | \$ 3,744           | \$ 96,035                        | \$ 80,726                  |
| <b>Business-type Activities</b>      |                                 |                  |                    |                                  |                            |
| Note Payable                         | \$ 4,577,860                    | \$ -             | \$ 513,845         | \$ 4,064,015                     | \$ 444,853                 |
| Bonds Payable                        | -                               | 1,990,000        | -                  | 1,990,000                        | 345,000                    |
| Bonds Payable Original Issue Premium | -                               | 223,047          | 26,941             | 196,106                          | 63,280                     |
| Accrued Compensated Absences         | 45,411                          | -                | 1,128 *            | 44,283                           | 10,185                     |
| Total Enterprise Fund Debt           | \$ 4,623,271                    | \$ 2,213,047     | \$ 541,914         | \$ 6,294,404                     | \$ 863,318                 |

\* Accrued Compensated Absences additions and retirements are presented as net changes.

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2022**

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**3.H. LONG-TERM DEBT (Continued)**

**Description of Debt Activity:**

**Business-type Activities**

**Notes Payable to Kentucky Infrastructure Authority**

On October 18, 2002, Carrollton Utilities closed a \$112,200 loan with Kentucky Infrastructure Authority that provided financing for the extension of sewer service to industrial sites on U.S. Highway 42. The first amortized payment commenced on December 1, 2002.

On March 19, 2003, Carrollton Utilities closed a \$2,518,301 Kentucky Infrastructure Authority loan that provided financing for the Regional Sewer Project. The first amortized payment commenced on June 1, 2003.

In March, 2010, Carrollton Utilities closed a \$4,288,600 Kentucky Infrastructure Authority loan that provided financing for the Wastewater Treatment Plant Project. The first amortized payment commenced on June 1, 2007.

In April, 2013, Carrollton Utilities closed a \$867,091 Kentucky Infrastructure Authority Loan that provided financing for the Eagle Creek Sewer Extension Project. The first amortized payment commenced on June 1, 2013.

In 2015, Carrollton Utilities closed a \$1,977,731 Kentucky Infrastructure Authority loan that provided financing for the Countywide Underserved Project under which improvements were made to the distribution systems of both Carrollton Utilities and West Carroll Water District. The loan contained a principal forgiveness clause in the amount of thirty-five percent (35%). An interlocal receivable from the West Carroll Water District was recorded in the amount of \$881,877 less the District's share of the principal forgiveness recognized, \$308,657, to account for the West Carroll Water District's portion of the loan. Principal forgiveness for Carrollton Utilities was recognized in the amount of \$383,549, in prior years. The first amortized payment commenced on June 1, 2015. The interlocal receivable from West Carroll Water District was eliminated with the merger on July 1, 2021.

On September 30, 2016, Carrollton Utilities closed a loan with Kentucky Infrastructure Authority for \$1,657,988. The loan provided financing for the Carroll County Interconnect Project to provide interconnections between Carrollton Utilities, Carroll County Water District, and West Carroll Water District. The loan contained a principal forgiveness clause in the amount of twenty-five percent (25%). An interlocal receivable from the West Carroll Water District was recorded in the amount of \$44,310 less the District's share of principal forgiveness of \$11,077. An interlocal receivable from the Carroll County Water District was recorded in the amount of \$301,721 less loan forgiveness of \$75,430. Principal forgiveness of \$327,990 for Carrollton Utilities was recognized in prior years. The interlocal receivable from West Carroll Water District was eliminated with the merger on July 1, 2021.

A loan with Kentucky Infrastructure Authority for \$963,931 closed on August 9, 2018. The loan provided financing for the Focusing on Core Missions Project, to provide distribution system improvements for Carrollton Utilities and system improvements to Carroll County Water District #1, West Carroll Water District, and Henry County Water District #2. All interlocal receivables for the Focus Project have been received in full. Principal forgiveness of \$389,516 for Carrollton Utilities was recognized in prior years.

Upon the occurrence of an event of default, the Kentucky Infrastructure Authority shall be entitled to the appointment of a receiver of the System and all receipts therefrom. The Kentucky Infrastructure Authority may pursue any available remedy to enforce payment obligations or to remedy any event of default. In the event that the City defaults, the defaulting party also agrees to pay the fees of such attorneys and other expenses incurred by the Kentucky Infrastructure Authority.

**Bonds Payable**

In March, 2022, the City sold \$1,990,000 of City of Carrollton, Kentucky Combined Utility System Revenue Bonds Series of 2022, issued at a premium of \$223,046. The bond proceeds provided financing for the Natural Gas 20/20 Expansion Project to allow Carrollton Utilities to provide expanded capacity required for recent and anticipated customer expansions.

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2022**

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**3.H. LONG-TERM DEBT (Continued)**

The combined obligations of the outstanding notes at June 30, 2022 are as follows:

| <b>Fiscal Year</b> | <b>Principal Payment</b> | <b>Interest Payment</b> | <b>Servicing Fee</b> | <b>Total Payment</b> | <b>Balance at End of Year</b> |
|--------------------|--------------------------|-------------------------|----------------------|----------------------|-------------------------------|
|                    |                          |                         |                      |                      | \$ 4,064,015                  |
| 2022-23            | \$ 444,853               | \$ 36,712               | \$ 9,066             | \$ 490,631           | 3,619,162                     |
| 2023-24            | 373,908                  | 32,409                  | 8,202                | 414,519              | 3,245,254                     |
| 2024-25            | 377,576                  | 28,742                  | 7,405                | 413,723              | 2,867,678                     |
| 2025-26            | 381,280                  | 25,037                  | 6,600                | 412,917              | 2,486,398                     |
| 2026-27            | 265,382                  | 21,296                  | 5,788                | 292,466              | 2,221,016                     |
| 2027-32            | 752,751                  | 82,494                  | 23,151               | 858,396              | 1,468,265                     |
| 2032-37            | 542,705                  | 51,637                  | 15,188               | 609,530              | 925,560                       |
| 2037-42            | 541,397                  | 28,808                  | 8,548                | 578,753              | 384,163                       |
| 2042-47            | 384,163                  | 6,429                   | 1,989                | 392,581              | -                             |
|                    | <u>\$4,064,015</u>       | <u>\$ 313,564</u>       | <u>\$ 85,937</u>     | <u>\$ 4,463,516</u>  | <u>\$ -</u>                   |

The obligation of the outstanding bond payable at June 30, 2022 is as follows:

| <b>Fiscal Year</b> | <b>Principal Payment</b> | <b>Interest Payment</b> | <b>Total Payment</b> | <b>Balance at End of Year</b> |
|--------------------|--------------------------|-------------------------|----------------------|-------------------------------|
|                    |                          |                         |                      | \$ 1,990,000                  |
| 2022-23            | \$ 345,000               | \$ 92,673               | \$ 437,673           | 1,645,000                     |
| 2023-24            | 380,000                  | 80,667                  | 460,667              | 1,265,000                     |
| 2024-25            | 400,000                  | 61,583                  | 461,583              | 865,000                       |
| 2025-26            | 420,000                  | 41,500                  | 461,500              | 445,000                       |
| 2026-27            | 445,000                  | 20,396                  | 465,396              | -                             |
|                    | <u>\$1,990,000</u>       | <u>\$ 296,819</u>       | <u>\$ 2,286,819</u>  | <u>\$ -</u>                   |

**Annual Debt Service Requirements**

The annual debt service requirements to maturity, including principal, interest, fiscal charges and servicing fees for long-term debt as of June 30, 2022 are as follows:

| <b>Fiscal Year</b> | <b>Governmental Activities</b> |                                      | <b>Business-type Activities</b> |                                      |
|--------------------|--------------------------------|--------------------------------------|---------------------------------|--------------------------------------|
|                    | <b>Principal</b>               | <b>Interest &amp; Fiscal Charges</b> | <b>Principal</b>                | <b>Interest &amp; Fiscal Charges</b> |
| 2022-23            | \$ -                           | \$ -                                 | \$ 789,853                      | \$ 138,451                           |
| 2023-24            | -                              | -                                    | 753,908                         | 121,278                              |
| 2024-25            | -                              | -                                    | 777,576                         | 97,730                               |
| 2025-26            | -                              | -                                    | 801,280                         | 73,137                               |
| 2026-27            | -                              | -                                    | 710,382                         | 47,480                               |
| 2027-32            | -                              | -                                    | 752,751                         | 105,645                              |
| 2032-37            | -                              | -                                    | 542,705                         | 66,825                               |
| 2037-42            | -                              | -                                    | 541,397                         | 37,356                               |
| 2042-47            | -                              | -                                    | 384,163                         | 8,418                                |
| Total              | <u>\$ -</u>                    | <u>\$ -</u>                          | <u>\$ 6,054,015</u>             | <u>\$ 696,320</u>                    |

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2022**

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**3.I. INTEREST EXPENSE AND FISCAL CHARGES**

Interest expense and fiscal charges for the Enterprise Fund for the year ended June 30, 2022, was \$137,367.

**3.J. FUND EQUITY**

**Restricted Net Position**

The following table shows the restricted net position as shown on the Statement of Net Position:

**Governmental Activities**

| Activity               | Restricted by |                  |
|------------------------|---------------|------------------|
| <b>Other Purposes:</b> |               |                  |
| Municipal Road Aid     | State Law     | \$ 8,646         |
| L.G.E.A.F.             | State Law     | 26,460           |
|                        |               | <u>\$ 35,106</u> |

**Business-type Activities**

**Restricted for Debt Service:**

|   |                   |
|---|-------------------|
| Kentucky Infrastructure Authority (KIA) Notes Payable | \$ 1,026,562      |
| Cash & Investments                                    | (40,037)          |
| Less: Accrued Interest Payable                        | <u>\$ 986,525</u> |

**Fund Balance Classifications**

The following classifications of fund balance on the Governmental Funds Balance Sheet (Fund Financial Statement) have been made:

Restricted for the following purposes under Kentucky Statutes:

**Other Governmental Funds:**

|                    |                  |
|--------------------|------------------|
| Municipal Road Aid | \$ 8,646         |
| L.G.E.A.F.         | 26,460           |
|                    | <u>\$ 35,106</u> |

|                               |                  |
|-------------------------------|------------------|
| Total Restricted Fund Balance | <u>\$ 35,106</u> |
|-------------------------------|------------------|

Committed for the following purposes by ordinance, resolution or contract by action of the City Council:

**General Fund:**

|                                |                   |
|--------------------------------|-------------------|
| American Rescue Plan Act Funds | \$ 735,388        |
|                                | <u>\$ 735,388</u> |

Assigned for expenditures associated with the Shop with a Cop program as constrained to that purpose:

**Other Governmental Funds:**

|                 |                  |
|-----------------|------------------|
| Shop with a Cop | \$ 20,882        |
| Total Assigned  | <u>\$ 20,882</u> |

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2022**

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**3.J. FUND EQUITY (Continued)**

**Fund Balance Classifications (Continued)**

Unrestricted net position of the governmental funds and proprietary fund was reduced by \$197,418 and \$149,509 respectively, as a result of the transactions recorded by the City to reflect its proportionate share of the County Employees Retirement System's Net Pension and Net OPEB Liabilities. The accounts affected were as follows:

|   | <b>Governmental Funds</b> | <b>Proprietary Fund</b> |
|---|---------------------------|-------------------------|
| Increase (Decrease) in Deferred Outflows of Resources | \$ (170,152)              | \$ 82,730               |
| (Increase) Decrease in Deferred Inflows of Resources  | (877,608)                 | (894,193)               |
| (Increase) Decrease in Net Pension Liability          | 606,819                   | 457,605                 |
| (Increase) Decrease in Net OPEB Liability             | 243,523                   | 204,349                 |
| Net Decrease in Unrestricted Net Position             | <u>\$ (197,418)</u>       | <u>\$ (149,509)</u>     |

**NOTE 4. OTHER NOTES**

**4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN)**

The City of Carrollton participates in the Commonwealth of Kentucky's County Employees' Retirement System (CERS) for non-hazardous employees administered by the Kentucky Public Pension Authority (KPPA). Under revised Statute Section 78.732 and 61.645, the KPPA oversees the administration and operation of the personnel and accounting systems for the CERS, which is administered by the CERS board.

The responsibility for the general administration and operation of CERS is vested in its Board of Trustees. The CERS Board of Trustees consists of 9 members. Six trustees are appointed by the governor and three are elected by CERS members and retired members. Of the six appointed trustees, three must have investment experience and three must have retirement experience as defined by statute. All appointments by the governor are subject to Senate confirmation.

The Kentucky Public Pensions Authority issues a publicly available financial report that includes financial statements and required supplementary information for CERS's pension and insurance funds. Additionally, the Kentucky Public Pensions Authority issues publicly available financial reports that include the Schedules of Employer Allocations and Pension amounts by Employer, and the Schedules of Employer Allocations and OPEB Amounts, by Employer. The most recent financial reports, may be obtained on-line as follows:

- Kentucky Retirement Systems Audit Report – 2021  
<https://kyret.ky.gov/Publications/Books/2021%20Annual%20Report.pdf>
- KRS Schedules of Employer Allocations & Pension Amount by Employer for the Fiscal Year Ended June 30, 2021  
<https://kyret.ky.gov/Employers/GASB/Current%20Audited%20Reports/2021%20GASB%2068%20Proportionate%20Share%20Audit%20Report%20with%20Schedules.pdf>
- KRS Schedules of Employer Allocations & OPEB Amounts by Employer for the Fiscal Year Ended June 30, 2021  
<https://kyret.ky.gov/Employers/GASB/Current%20Audited%20Reports/2021%20GASB%2075%20Proportionate%20Share%20Audit%20Report%20with%20Schedules.pdf>

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2022**

**NOTE 4. OTHER NOTES (Continued)**

**4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)**

- Kentucky CERS GASB 68 Accounting & Financial Reporting for Pensions as of June 30, 2021 (Actuarial Report)  
<https://kyret.ky.gov/Employers/GASB/GASB%2068%20and%2075%20Actuary%20Reports/2021%20GASB%2068%20Actuary%20Report%20CERS.pdf>
- Kentucky CERS GASB 75 Accounting & Financial Reporting for Postemployment Benefits Other Than Pensions as of June 30, 2021 (Actuarial Report)  
<https://kyret.ky.gov/Employers/GASB/GASB%2068%20and%2075%20Actuary%20Reports/2021%20GASB%2075%20Actuary%20Report%20CERS.pdf>

**Basis of Accounting** – CERS's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the plan. Premium payments are recognized when due and payable in accordance with the terms of the plan. Administrative and investment expenses are recognized when incurred.

**Method Used to Value Investments/Investment Objectives** – Investments of the plan are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Short-term investments are reported at cost, which approximates fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the dividend date. Gain (loss) on investments includes KRS' gains and losses on investments bought and sold as well as held during the fiscal year. Investment returns are recorded net of investment fees.

The investment objectives of the portfolios are to produce results that exceed the stated goals over both short-term and long-term periods.

- Shorter-Term (5 years and less): The returns of the particular asset classes of the managed funds of the Systems, measured on an annual basis, should exceed the return achieved by a policy benchmark portfolio composed of comparable unmanaged market indices.
- Medium-Term (5 to 30 years): The returns of the particular asset classes of the managed funds of the Systems, measured on a rolling year basis should exceed the returns achieved by a policy benchmark portfolio composed of comparable unmanaged market indices and perform above the median of an appropriate peer universe if there is one.
- Longer-Term: The total assets of the Systems should achieve a return of 6.25% for CERS pension and insurance plans. This is measured over 30 to 40 years which exceeds the actuarially required rate of return while also exceeding the return achieved by its total fund benchmark.

Target Asset Allocation – Pension and Insurance as of June 30, 2021:

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 are summarized in the tables below. The current long-term inflation assumption is 2.3% per annum.

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2022**

**NOTE 4. OTHER NOTES (Continued)**

**4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)**

|                       | Target<br>Asset Allocation | Long-Term<br>Expected Rate of Return |
|-----------------------|----------------------------|--------------------------------------|
|                       | 2021                       | 2021                                 |
| Combined Equity       | 53.50%                     | 5.70%-9.70%                          |
| Combined Fixed Income | 15.00%                     | 2.80%                                |
| Private Equity        | 10.00%                     | 0.00%                                |
| Real Return           | 10.00%                     | 4.55%                                |
| Real Estate           | 10.00%                     | 5.40%                                |
| Cash                  | 1.50%                      | -0.60%                               |
|                       | <u>100.00%</u>             | <u>5.00%</u>                         |

- The investment portfolio for the Pension Funds reported a net return of 25.00% for the fiscal year 2021 compared to 1.15% return for fiscal year 2020. The investment portfolio for the Insurance Fund reported a net return of 24.95% for the fiscal year, which was higher than fiscal year 2020 net return of 0.48%. The investment return was above the 6.25% assumed rate of return.

**PENSION PLAN DESCRIPTION** – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers all regular full-time members employed in non-hazardous and hazardous positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in CERS. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Prior to July 1, 2009, COLAs were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. After July 1, 2009, the COLAs were limited to 1.5%. No COLA has been granted since July 1, 2011. The City of Carrollton, Kentucky participates in the non-hazardous plan.

***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:

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

Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings for Tier 1 and Tier 2. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after earning a minimum months of service credit (120 months for Tier 2 and 180 months for Tier 3).



**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2022**

**NOTE 4. OTHER NOTES (Continued)**

**4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)**

Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in a lump sum. The beneficiary of a deceased active member is eligible for a monthly benefit if the member was (1) eligible for retirement at the time of death or, (2) under the age of 65 for non-hazardous members with at least 60 months of service credit and currently working for a participating agency at the time of death, or (3) no longer working for a participating agency but at the time of death had at least 144 months of service credit. If the beneficiary of a deceased active member is not eligible for a monthly benefit, the beneficiary will receive a lump-sum payment of the member's contributions and any accumulated interest.

Senate Bill 169 passed during the 2021 legislative session increased the disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability.

**Contributions** – Local Government participating employers are required to contribute at an actuarially determined rate per Kentucky Revised Statute Section 78.545(33). The CERS Board of Trustees establishes the employer contribution rate each year following the annual actuarial valuation as of July 1 and prior to July 1 of the succeeding fiscal year for local governments in Kentucky. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. Under House Bill 352, the 2020 General Assembly only passed a one year budget for the fiscal year ended June 30, 2021 due to the COVID-19 pandemic crisis. For the fiscal year ended June 30, 2021, participating non-hazardous employers contributed 24.06% of each employee's creditable compensation. The actuarially recommended rate for the fiscal year ended June 30, 2021 was 26.95%. Administrative costs of KRS are financed through employer contributions and investment earnings.

House Bill 362 passed during the 2018 legislative session caps CERS employer contribution rate increases up to 12% per year over the prior fiscal year for the period of July 1, 2018 to June 30, 2028.

Non-hazardous employer contributions for the year ended June 30, 2021, of 24.06% were allocated 19.30% to CERS's pension fund and 4.76% to CERS's OPEB (health insurance).

For the fiscal years ended June 30, 2021 membership consisted of:

**Tier 1:**

Plan members who began participating prior to September 1, 2008, are required to contribute 5% non-hazardous, of their annual creditable compensation. These members are classified in the Tier 1 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest.

**Tier 2:**

Plan members who began participating on, or after, September 1, 2008 and before January 1, 2014, are required to contribute a total of 6% non-hazardous, of their annual creditable compensation. These members were classified in the Tier 2 structure of benefits. Five percent of the contributions are deposited to the member's account. One percent of these contributions are deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). Interest is paid each June 30 on members' accounts at a rate of 2.5%.

If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited.

**Tier 3:**

Plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. These members are classified in the Tier 3 structure of benefits. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Non-hazardous members

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2022**

**NOTE 4. OTHER NOTES (Continued)**

**4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)**

contribute 5%, of their annual creditable compensation and an additional 1% to the health insurance fund which is not credited to the member's account and is not refundable. Tier 3 member accounts are also credited with an employer pay credit. The employer pay credit represents a portion of the employer contribution.

Interest is paid into the Tier 3 member's account. The account currently earns 4% interest credit on the member's account balance as of June 30<sup>th</sup> of the previous year. The member's account may be credited with additional interest if the system's five-year Geometric Average Net Investment Return (GANIR) exceeded 4%. If the member was actively employed and participating in the fiscal year, and if the systems' GANIR for the previous five years exceeds 4%, then the member's account will be credited with 75% of the amount of the returns over 4% on the account balance as of June 30<sup>th</sup> of the previous year (Upside Sharing Interest). It is possible that one system in KPPA may get an Upside Sharing Interest, while another may not.

The one percent of pay member contributions for Tier 2 and Tier 3 members to a 401(h) subaccount are considered an OPEB asset.

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2022**

**NOTE 4. OTHER NOTES (Continued)**

**4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)**

***Methods and Assumptions Used in Calculation of Actuarially Determined Contributions (Pension Plan)***

Per the Kentucky Public Pension Authority's 2021 Comprehensive Annual Financial Report, the actuarially determined contribution rates effective for fiscal year ending 2021 are calculated as of June 30, 2019. Based on the June 30, 2019 actuarial valuation report, (as amended by SB 249, passed during the 2020 legislative session), the actuarial methods and assumptions used to calculate these contribution rates are as follows:

| Item   | CERS<br>June 30, 2021<br>Non-Hazardous  |
|--|---|
| Determined by the Actuarial Valuation as of: | June 30, 2019   |
| Actuarial Cost Method:                       | Entry Age Normal  |
| Asset Valuation Method:                      | 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized.  |
| Amortization Method:                         | Level Percent of Pay  |
| Amortization Period:                         | 30 Years, closed period at June 30, 2019. Gains/Losses incurring after 2019 will be amortized over separate closed 20 year amortization bases.  |
| Payroll Growth Rate:                         | 2.00%   |
| Investment Return:                           | 6.25%   |
| Inflation:                                   | 2.30%   |
| Salary Increases:                            | 3.30% to 10.30%, varies by service  |
| Mortality:                                   | System specific mortality table based on mortality experience from 2013 - 2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. |
| Phase-in Provision                           | Board certified rate is phased into the actuarially determined rate in accordance with HB-362 enacted in 2018.  |

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2022**

**NOTE 4. OTHER NOTES (Continued)**

**4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)**

***Actuarial Methods and Assumptions Used in Calculation of the Actuarially Determined Total Pension Liability and Net Pension Liability***

The Board of Trustees, in consultation with the actuary, set the actuarial assumptions and methods in the actuarial valuation. In general, the assumptions used in the June 30, 2021 actuarial valuations were adopted for first use in the June 30, 2019 valuation and are based on an experience study conducted with experience through June 30, 2018. There were no changes in actuarial assumptions or methods since the prior valuation. The net pension liability as of June 30, 2021, is based on the June 30, 2020 actuarial valuation rolled forward to June 30, 2021. The total pension liability, net pension liability and sensitivity information as of June 30, 2020 were based on an actuarial valuation date of June 30, 2019. The total pension liability was rolled forward from the valuation date to the measurement date at June 30, 2021, using generally accepted actuarial principles.

There have been no changes in actuarial assumptions since June 30, 2020. Senate bill 169 passed during the 2021 legislative session increased the disability benefits for members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related liability. The total pension liability as of June 30, 2021, is determined using these updated benefit provisions.

The actuarial assumptions are:

| <u>Non-Hazardous</u><br><u>June 30, 2021</u> |                                  |
|--|----------------------------------|
| Payroll Growth                               | 2.00%                            |
| Inflation                                    | 2.30%                            |
| Salary Increases                             | 3.30% - 10.30% varies by service |
| Investment Rate of Return                    | 6.25%                            |

The mortality table(s) used in the determination of the total pension liability as of June 30, 2021 were as follows.

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

***Discount Rate***

The projection of cash flows used to determine the discount rate of 6.25% for CERS Non-hazardous for the year ended June 30, 2021 assumes that the fund received 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 does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the KRS Comprehensive Annual Financial Report.

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2022**

**NOTE 4. OTHER NOTES (Continued)**

**4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)**

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the County Employee Retirement System Pension***

At June 30, 2022 the City reported a (Government-wide) liability of \$7,764,111 [\$3,613,093 governmental funds and \$4,151,018 proprietary fund] for its proportionate share of the net pension liability. The net pension liability for CERS was measured as of June 30, 2021 and was based on the actual liability of the employees and former employees relative to the total liability of the system as determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021 the City's Governmental Funds proportion was 0.056669 percent, which is an increase of 0.00165% for the year. At June 30, 2021 the City's Proprietary Fund's proportionate share was 0.065106%, which is an increase of 0.005019% for the year.

The total payroll of the City's Governmental Funds for the year ended June 30, 2022 was \$1,762,221. Contributions to the CERS were based on \$1,480,521 (covered payroll). The total employer pension contributions for the year ended June 30, 2022 were \$313,426.

The total payroll of the City's Governmental Funds for the year ended June 30, 2021 was \$1,721,105. Contributions to the CERS were based on \$1,449,336 (covered payroll). The total employer pension contributions for the year ended June 30, 2021 were \$279,722.

The total payroll of the City's Proprietary Fund for the year ended June 30, 2022 was \$1,930,290. Contributions to the CERS were based on \$1,680,781 (covered payroll). The total employer pension contributions for the year ended June 30, 2022 were \$357,717.

The total payroll of the City's Proprietary Fund for the year ended June 30, 2021 was \$1,869,166. Contributions to the CERS were based on \$1,662,977 (covered payroll). The total employer pension contributions for the year ended June 30, 2021 were \$321,528.

All contributions were made as required.

The City's Governmental and Proprietary Funds' contributions to the County Employees' Retirement System for the year ended June 30, 2021 were 0.056669% and 0.065106%, respectively, of the system's total contribution requirements for all employers.

For the year ended June 30, 2022 the City recognized total pension expense of \$932,558 (\$461,750 Governmental Funds and \$470,808 Proprietary Fund, respectively). At June 30, 2022 the City reported deferred outflows of resources and deferred inflows of resources related to the CERS pension from the following sources:

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2022

**NOTE 4. OTHER NOTES (Continued)**

**4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)**

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the County Employee Retirement System Pension (Continued)*

|   | June 30, 2022                  |                               |                                |                               |
|---|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
|   | Governmental Funds             |                               | Proprietary Fund               |                               |
|   | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference Between Expected and Actual Experience   | \$ 41,489                      | \$ 35,068                     | \$ 47,666                      | \$ 40,288                     |
| Change in Assumptions   | 48,492                         | -                             | 55,712                         | -                             |
| Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | 120,028                        | -                             | 263,810                        | 126,677                       |
| Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments                   | 140,164                        | 621,729                       | 161,032                        | 714,293                       |
| City Contributions Made Subsequent to the NPL Measurement Date  | 311,359                        | -                             | 365,386                        | -                             |
| <b>Total</b>  | <b>\$ 661,532</b>              | <b>\$ 656,797</b>             | <b>\$ 893,606</b>              | <b>\$ 881,258</b>             |

\$676,745 (\$311,359 Governmental Funds and \$365,386 Proprietary Fund, respectively) reported as deferred outflows of resources related to pensions arising from City contributions made subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2023. Amounts reported as deferred inflows and outflows of resources due to the net difference between projected and actual investment earnings on pension plan investments will be netted and amortized over five years and recognized in pension expense. Amounts reported as deferred inflows and outflows of resources due to the difference between expected and actual experience, change of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions will be amortized and recognized in pension expense over the expected remaining service lives of all employees. Total amortization to be recognized in pension expense is presented below as follows:

|                                  |                   | Governmental Funds                     | Proprietary Fund                       |
|----------------------------------|-------------------|--|--|
|                                  |                   | Increase (Decrease) to Pension Expense | Increase (Decrease) to Pension Expense |
| <b>Year Ended June 30, 2022:</b> |                   |  |  |
|                                  | 2023              | \$ 22,020                              | \$ (34,473)                            |
|                                  | 2024              | (72,434)                               | (29,188)                               |
|                                  | 2025              | (105,408)                              | (116,125)                              |
|                                  | 2026              | (150,802)                              | (173,252)                              |
|                                  | 2027 & thereafter | -                                      | -                                      |
|                                  |                   | <b>\$ (306,624)</b>                    | <b>\$ (353,038)</b>                    |

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2022**

**NOTE 4. OTHER NOTES (Continued)**

**4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)**

***Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following table presents the net pension liability of CERS [as reported in its publicly available financial statements for the year ended June 30, 2021] calculated using the discount rate of 6.25% for the year ended June 30, 2021, as well as what CERS' 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 approved rate:

|                            | <b>1% Decrease</b><br><b>[5.25%]</b> | <b>Current Discount</b><br><b>[6.25%]</b> | <b>1% Increase</b><br><b>[7.25%]</b> |
|----------------------------|--------------------------------------|---|--------------------------------------|
| Net Pension Liability      | \$ 8,177,245,927                     | \$ 6,375,784,388                          | \$ 4,885,117,245                     |
| City's Proportionate Share | 9,957,841                            | 7,764,111                                 | 5,948,851                            |

***Payable to the Pension Plan***

At June 30, 2022, the City reported a payable of \$71,066 for the outstanding amount of contributions required for the year then ended. The amount represents the employee withholding and employer match for the last month of the year then ended.

**OPEB PLAN**

**Insurance (OPEB) Plan Description** – The Kentucky Public Pension Authority's Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS, and SPRS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. A portion of the insurance premiums are withheld from benefit payments for members including those of the CERS Non-Hazardous systems.

***Contributions***

The amount of benefit paid by the Insurance Fund is based on years of service. For members who began participating prior to July 1, 2003, a percentage of the contribution rate is paid based on years of service with 100% of the contribution rate being paid with 20 years of service. Since the passage of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits have been calculated differently for members who began participating on or after July 1, 2003. Once members reach a minimum vesting period of 10 years, Non-Hazardous employees whose participation began on or after July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. House Bill 1 (2008 Kentucky General Assembly) changed the minimum vesting requirement for participation in the health insurance plan to 15 years for members whose participation began on or after September 1, 2008. This benefit is not protected under the inviolable contract provision of Kentucky Revised Statutes 16.652, 61.692 and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2022**

**NOTE 4. OTHER NOTES (Continued)**

**4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)**

***Contributions (Continued)***

The Insurance Fund pays 100% of the contribution rate for hospital and medical insurance premiums for the spouse and dependents of members who die as a direct result of an act in the line of duty or from a duty-related injury.

The amount of benefit paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

| Portion Paid by Insurance Fund |                               |
|--------------------------------|-------------------------------|
| Years of Service               | Paid by<br>Insurance Fund (%) |
| 20+ years                      | 100.00%                       |
| 15-19 years                    | 75.00%                        |
| 10-14 years                    | 50.00%                        |
| 4-9 years                      | 25.00%                        |
| Less than 4 years              | 0.00%                         |

For members participating on or after July 1, 2003, for CERS Non-Hazardous, the dollar contribution for fiscal year 2021 was \$13.78.

For the fiscal year ended June 30, 2021, plan members who began on, or after, September 1, 2008 (classified in the Tier 2 or Tier 3 structure of benefits) were required to contribute 1% of their annual creditable compensation to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E), which is considered an OPEB asset.

If a member terminates employment the 1% contribution to the 401(h) account is non-refundable and is forfeited.

Participating employers are required to contribute at an actuarially determined rate as described previously.

***Methods and Assumptions Used in Calculation of Actuarially Determined Contributions (OPEB)***

Per the Schedule of Employer Allocations and OPEB Amounts by Employer for Kentucky Public Pension Authority (KPPA), *Reports for Postemployment Benefits* prepared as of June 30, 2021, the actuarially determined contribution rates effective for fiscal year ending June 30, 2021 are calculated based on the actuarial methods and assumptions as follows:



**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2022**

**NOTE 4. OTHER NOTES (Continued)**

**4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)**

***Methods and Assumptions Used in Calculation of Actuarially Determined Contributions (OPEB) (Continued)***

| Item   | CERS<br>June 30, 2021<br>Non-Hazardous  |
|--|---|
| Determined by the Actuarial Valuation as of: | June 30, 2019   |
| Experience Study                             | July 1, 2008 - June 30, 2013  |
| Actuarial Cost Method:                       | Entry Age Normal  |
| Asset Valuation Method:                      | 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized.  |
| Amortization Method:                         | Level Percent of Pay  |
| Remaining Amortization Period:               | 30 Years, closed period at June 30, 2019<br>Gains/Losses incurring after 2019, will be amortized over separate 20 year amortization bases.  |
| Payroll Growth:                              | 2.00%   |
| Investment Return:                           | 6.25%   |
| Inflation:                                   | 2.30%   |
| Salary Increases:                            | 3.30% - 10.30% varies by service  |
| Mortality:                                   | System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.   |
| <i>Healthcare Trend Rates:</i>               |   |
| Pre-65                                       | Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement. |
| Post-65                                      | Initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement. |
| Phase-In Provision                           | Board Certified Rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.  |

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2022**

**NOTE 4. OTHER NOTES (Continued)**

**4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)**

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

The assumed increase in future health care costs, or trend assumptions was reviewed during the June 30, 2020 valuation process and was updated to better reflect the plan's anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in healthcare costs. There were no other material assumption changes.

For financial reporting, the actuarial valuation as of June 30, 2021, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2021, were based on an actuarial valuation date of June 30, 2020. The total OPEB liability was rolled forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021, using generally accepted actuarial principles.

Senate Bill 169 passed during the 2021 legislative session increased the disability benefits for members who become "totally and permanently disabled" in the line of duty as a result of a duty-related disability. The total OPEB liability as of June 30, 2021 was determined using these updated benefit provision.

The actuarial methods and assumptions used to determine the Total OPEB Liability and Net OPEB Liability are as follows:

| <b>CERS</b>                    |  |
|--------------------------------|--|
| <b>June 30, 2021</b>           |  |
| <b>Non-hazardous</b>           |  |
| Inflation                      | 2.30%  |
| Payroll Growth Rate            | 2.00%  |
| Salary Increases               | 3.30% - 10.30% varies by service   |
| Investment Rate of Return      | 6.25%  |
| Healthcare Trend Rates         |  |
| Pre-65                         | Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.   |
| Post-65                        | Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.   |
| Mortality                      |  |
| Pre-retirement                 | PUB-2010 General Mortality Table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.  |
| Post-retirement (non-disabled) | System Specific Mortality Table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.                    |
| Post-retirement (disabled)     | PUB-2010 Disabled Mortality Table, with a 4-year set forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. |

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2022**

**NOTE 4. OTHER NOTES (Continued)**

**4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)**

***Discount Rate***

The projection of cash flows used to determine the June 30, 2021 discount rate of 5.20% for CERS Non-hazardous which is a decrease of 0.14% over the prior year, assumed that each participating employer would contribute the actuarially determined employer contribution each future year calculated in accordance with the current funding policy, as most recently reviewed by House Bill 8, passed during the 2021 legislative session which limit the increase to 12% over the prior fiscal year through June 30, 2028. The single discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 1.92%, as reported in Fidelity Index's "20-year Municipal GO AA Index" as of June 28, 2021.

***Implicit Employer Subsidy for Non-Medicare Retirees***

The fully-insured premiums KPPA pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. The liability associated with this implicit subsidy is included in the calculation of the total OPEB liability.

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. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the Kentucky Public Pension Authority's CAFR.

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to the County Employee Retirement System Insurance Plan***

At June 30, 2022 the City (Government-wide) reported a Net OPEB liability of \$2,330,767 [\$1,084,632 governmental funds and \$1,246,135 proprietary fund].

The total payroll of the City's Governmental Funds for the year ended June 30, 2022 was \$1,762,221. Contributions to the CERS were based on \$1,480,521 (covered payroll). The total employer contributions to the Health Insurance Fund for the year ended June 30, 2022 were \$85,574.

The total payroll of the City's Governmental Funds for the year ended June 30, 2021 was \$1,721,105. Contributions to the CERS were based on \$1,449,336 (covered payroll). The total employer contributions to the Health Insurance Fund for the year ended June 30, 2021 were \$68,988.

The total payroll of the City's Proprietary Fund for the year ended June 30, 2022 was \$1,930,290. Contributions to the CERS were based on \$1,680,781 (covered payroll). The total employer contributions to the Health Insurance Fund for the year ended June 30, 2022 were \$98,498.

The total payroll of the City's Proprietary Fund for the year ended June 30, 2021 was \$1,869,166. Contributions to the CERS were based on \$1,662,977 (covered payroll). The total employer contributions to the Health Insurance Fund for the year ended June 30, 2021 were \$79,299.

All contributions were made as required.

The City's Governmental and Proprietary Funds' contributions to the County Employees' Retirement System for the year ended June 30, 2021 were 0.056655% and 0.065091%, respectively, of the System's total contribution requirements for all employers.

The implicit employer subsidy for the non-Medicare eligible retirees for the year ended June 30, 2021 was \$32,070 and \$36,845 for the governmental funds and proprietary fund, respectively.

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2022

**NOTE 4. OTHER NOTES (Continued)**

**4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)**

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to the County Employee Retirement System Insurance Plan (Continued)***

For the year ended June 30, 2022 the City recognized total other post employments benefit (OPEB) expense of \$258,021 (\$123,818 governmental funds and \$134,203 proprietary fund, respectively). At June 30, 2022 the City reported deferred outflows of resources and deferred inflows of resources related to the CERS OPEB from the following sources:

|   | June 30, 2022                  |                               |                                |                               |
|---|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
|   | Governmental Funds             |                               | Proprietary Fund               |                               |
|   | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference Between Expected and Actual Experience   | \$ 170,559                     | \$ 323,835                    | \$ 195,955                     | \$ 372,054                    |
| Change in Assumptions   | 287,556                        | 1,009                         | 330,374                        | 1,159                         |
| Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | 54,340                         | 572                           | 109,225                        | 64,079                        |
| Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments                      | 54,647                         | 224,322                       | 62,784                         | 257,724                       |
| City Contributions Made Subsequent to the Net OPEB Measurement Date   | 76,791                         | -                             | 90,116                         | -                             |
| Total   | <u>\$ 643,893</u>              | <u>\$ 549,738</u>             | <u>\$ 788,454</u>              | <u>\$ 695,016</u>             |

\$166,907 (\$76,791, Governmental Funds and \$90,116, Proprietary Fund, respectively) reported as deferred outflows of resources related to OPEB arising from City contributions made subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended June 30, 2023. Amounts reported as deferred inflows and outflows of resources due to the net difference between projected and actual investment earnings on OPEB plan investments will be netted and amortized over five years and recognized in OPEB expense. Amounts reported as deferred outflows of resources and deferred inflows of resources due to the difference between expected and actual experience, change of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions will be amortized and recognized in OPEB expense over the expected remaining service lives of all employees. Total amortization to be recognized in OPEB expense is presented below as follows:

| Year Ended June 30, 2022: | Governmental Funds                        | Proprietary Fund                          |
|---------------------------|---|---|
|                           | Increase<br>(Decrease)<br>to OPEB Expense | Increase<br>(Decrease)<br>to OPEB Expense |
| 2023                      | \$ 42,860                                 | \$ 41,150                                 |
| 2024                      | 17,048                                    | 11,508                                    |
| 2025                      | 13,617                                    | 5,038                                     |
| 2026                      | (56,161)                                  | (54,374)                                  |
| 2027 & thereafter         | -   | -   |
|                           | <u>\$ 17,364</u>                          | <u>\$ 3,322</u>                           |

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2022**

**NOTE 4. OTHER NOTES (Continued)**

**4.A. COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)**

***Payable to the OPEB Health Insurance Plan***

At June 30, 2022, the City reported a payable of \$17,880 for the outstanding amount of contributions required for the year then ended. This amount represents the employee withholding and employer match for the last month of the year then ended.

***Sensitivity of the City's Proportionate Share of the Net Other Post Employment Benefit (OPEB) Liability to Changes in the Discount Rate and Healthcare Trend Rate***

The following table presents the net other post-employment benefit liability of CERS [as reported in its publicly available financial statements for the year ended June 30, 2021, calculated using the single discount rate of 5.20% as well as what CERS' net OPEB liability would be if it were calculated using a single discount rate that is one percentage point lower or one percentage point higher than the approved rate:

|                            | 1% Decrease<br>[4.20%] | Current Discount<br>[5.20%] | 1% Increase<br>[6.20%] |
|----------------------------|------------------------|-----------------------------|------------------------|
| Net OPEB Liability         | \$ 2,628,525,378       | \$ 1,914,449,967            | \$ 1,328,432,699       |
| City's Proportionate Share | 3,200,124              | 2,330,767                   | 1,617,314              |

The following table presents the net other post-employment benefit liability of CERS [as reported in its publicly available financial statements for the year ended June 30, 2021, calculated using the healthcare cost trend rate for the year ended June 30, 2021 as well as what CERS' net OPEB liability 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 approved rate:

|                            | 1%<br>Decrease   | Current Healthcare Cost<br>Trend Rate | 1%<br>Increase   |
|----------------------------|------------------|---------------------------------------|------------------|
| Net OPEB Liability         | \$ 1,378,176,465 | \$ 1,914,449,967                      | \$ 2,561,740,477 |
| City's Proportionate Share | 1,677,875        | 2,330,767                             | 3,118,816        |

**4.B. RISK MANAGEMENT**

**Insurance and Related Activities**

The City is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risks are covered through the purchase of commercial insurance through the Kentucky League of Cities. The City is also subject to the risks associated with employee injury. These risks are covered through premiums paid to Kentucky Employers' Mutual Insurance. Such coverage is retrospectively rated and premiums may be adjusted based on experience.

Due to the economic dependence of the City's utility system on gas purchases made by seven local industries, Carrollton Utilities is at risk for the financial impact on its cash flows and financial position from economic impacts on those industries that would affect each industry's ability to meet its obligations for such purchases. Credit risk insurance has been acquired to minimize this risk.

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2022**

**NOTE 4. OTHER NOTES (Continued)**

**4.C. COMMITMENTS & CONTINGENCIES**

Each employee is granted sick leave at the rate of eight hours per month up to a maximum of 1,040 hours. Employees shall not be paid for unused sick leave credit upon termination of employment, except that employees who retire and receive CERS retirement benefits may personally receive payment for unused sick leave for the same amount that CERS would charge for applying the accrued sick leave to extend retirement benefits. The total liability for accumulated sick leave at June 30, 2022 was \$539,098 [\$234,633 for the governmental fund and \$304,465 for the proprietary fund]. No accrual has been recorded in the financial statements due to the contingent nature of this liability.

The City receives funding from Federal, State, and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review, the funds are considered not to have been used for the intended purposes, the grantors may request a refund of monies advanced, or refuse to reimburse the City for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the City's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

Carrollton Utilities has access to storage as part of its transportation services with Texas Gas Transmission. Gas is withdrawn from its storage account during the winter period (November – February) to be replenished the following summer period (March – October). At June 30, 2022, Carrollton Utilities has a prepaid and accrued storage asset estimated to be \$41,598, based on actual cost following year end.

The City has various pending claims or lawsuits. The ultimate disposition of any settlement or other legal decision is not determined at the present time.

**Long Term Gas Supply Arrangements**

**Public Energy Authority of Kentucky (Formerly Public Energy Authority of Kentucky, Inc.)**

The Public Energy Authority of Kentucky, Inc. (the Authority) is a nonprofit corporation organized in 2003 by the City of Carrollton, Kentucky, and the City of Henderson, Kentucky (collectively, the Cities), under the Provisions of Kentucky Revised Statutes, Sections 273.161 through 273.390, Section 65.210 through 65.300, and Section 58.180, as amended, and the Public Energy Authority of Kentucky, Inc. Interlocal Agreement dated March 1, 2003, for the purposes of providing gas acquisition, delivery and other related services to the Cities and other public agencies that may become signatories to the Interlocal Agreement (the Members). The Public Energy Authority of Kentucky, Inc. was the operating entity at July 1, 2008.

The Kentucky Legislature enacted the Natural Gas Acquisition Authority Act with the legislation effective on July 15, 2008. Effective September 5, 2008 the Public Energy Authority of Kentucky, Inc. was converted to the Public Energy Authority of Kentucky (the Authority). The Public Energy Authority of Kentucky is a Natural Gas Acquisition Authority under the Provisions of the Kentucky Revised Statutes, Section 353.400 through 353.410, as amended, and the Public Energy Authority of Kentucky Interlocal Agreement dated as of July 15, 2008, for the purposes of providing gas acquisition, delivery and other related services to the Cities and other public agencies that may become signatories to the Interlocal Agreement (the Members). The newly created Authority assumed all assets, liabilities, and ongoing operations of the Public Energy Authority of Kentucky, Inc. in 2008.

The Public Energy Authority of Kentucky has entered in Gas Sale Contracts with the Cities, other municipal utilities, and joint action agencies (the Participants) providing for the sale of specific quantities of gas. Under the terms of the various agreements, the Authority is guaranteed to receive agreed-upon quantities of gas over an initial period of 5 to 30 years. The Participants are obligated under the contracts to make payments to the Authority from revenues of their public gas utilities as an operating and maintenance expense and as a cost of purchased natural gas.

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2022**

**NOTE 4. OTHER NOTES (Continued)**

**4.C. COMMITMENTS & CONTINGENCIES (Continued)**

**Long Term Gas Supply Arrangements (Continued)**

**Public Energy Authority of Kentucky (Formerly Public Energy Authority of Kentucky, Inc.) (Continued)**

PEAK issues separate financial statements available through its administrative offices. Summarized totals for PEAK, from its audited financial statements for the year ended June 30, 2022, are as follows:

|   |                  |
|---|------------------|
| Assets and Deferred Outflows                                      | \$ 6,134,694,165 |
| Liabilities and Deferred Inflows                                  | \$ 6,129,147,608 |
| Total Net Position  | \$ 5,546,557     |
| Costs Recoverable from Future Billings (Included in Assets Above) | \$ 231,182,944   |

- \* The long-term gas supply contracts establish a pricing mechanism outlining the methods for billing Members and project participants for gas supply services provided under the contract. Expenses in excess of amounts currently billable to the Members and project participants will be recovered from future billings.

**4.D. MISCELLANEOUS**

**Bad Debt Expense**

Utility revenue charges have been netted with an estimated bad debt expense of \$9,220, \$15,669, and \$11,744 for gas, water and sewer services, respectively.

**Income Tax Status**

The City is exempt from federal and state income taxes. Accordingly, the financial statements include no provision for income taxes.

**Economic Dependence**

Carrollton Utilities Commission provides natural gas to residential, commercial, and industrial customers. It should be noted that 97.48% of the total gas revenue is received from eight industrial customers. As described in Note 4.C., all natural gas purchases are made through the Public Energy Authority of Kentucky (PEAK). \$59,478,449 of the \$61,808,747 gas cost of goods sold are for natural gas purchases, excluding related transportation costs. Additionally, 33.5% of the City's General Fund revenues are attributable to gas prepurchase agreements with PEAK.

**Related Party Transactions**

For the year ended June 30, 2022, the City received \$44,578 from the Carrollton Housing Authority as payments in lieu of tax.

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2022

**NOTE 4. OTHER NOTES (Continued)**

**4.D. MISCELLANEOUS (Continued)**

**Carrollton Utilities Natural Gas Hedge Policy**

Carrollton Utilities encounters financial risk because natural gas accounts for the vast majority of its expenses, and the price of this commodity is volatile. This price risk can be managed with hedging techniques. Carrollton Utilities engages in hedge transactions that are consistent with prudent risk management practices. Hedge transactions must be related to Carrollton Utilities gas sales or acquisition commitments (including fixed price commitments made on behalf of customers), existing assets and liabilities, and foreseeable future purchase and sales requirements. Carrollton Utilities does not engage in speculation. Unless otherwise authorized by resolution of the Carrollton Utilities Commission, Carrollton Utilities executes financial hedges only with the Public Energy Authority of Kentucky (PEAK).

Subject to approved guidelines, Carrollton Utilities executes hedges for its large industrial customers without specific approval of the Carrollton Utilities Commission. The Commission shall approve all other hedges, including those relating to system supply gas requirements, *i.e.*, gas requirements for residential, commercial and industrial customers with annual requirements less than 15,000 Mcf per year.

**Segment Information – Enterprise Fund**

The City maintains an enterprise fund which provides gas, water, and sewer services. Selected financial information for business segments of the enterprise fund for the year ended June 30, 2022, is presented as follows:

| <b>CONDENSED STATEMENT OF NET POSITION</b> | <b>Gas</b>           | <b>Water</b>        | <b>Sewer</b>         | <b>Total</b>         |
|--|----------------------|---------------------|----------------------|----------------------|
| <b>Assets:</b>                             |                      |                     |                      |                      |
| Current Assets                             | \$ 22,065,817        | \$ (2,253,563)      | \$ (837,362)         | \$ 18,974,892        |
| Other Noncurrent Assets                    | 1,219,460            | 385,623             | 530,817              | 2,135,900            |
| Capital Assets (Net)                       | 14,055,243           | 8,225,885           | 23,951,810           | 46,232,938           |
| Total Assets                               | <u>\$ 37,340,520</u> | <u>\$ 6,357,945</u> | <u>\$ 23,645,265</u> | <u>\$ 67,343,730</u> |
| <b>Deferred Outflows:</b>                  | <u>\$ 706,466</u>    | <u>\$ 403,694</u>   | <u>\$ 571,900</u>    | <u>\$ 1,682,060</u>  |
| <b>Liabilities:</b>                        |                      |                     |                      |                      |
| Due to Other Funds                         | \$ 1,272,569         | \$ 34,565           | \$ -                 | \$ 1,307,134         |
| Other Current Liabilities                  | 9,734,713            | 136,283             | 408,162              | 10,279,158           |
| Due to Other Funds (Noncurrent)            | 729,153              | -                   | -                    | 729,153              |
| Other Noncurrent Liabilities               | 4,977,869            | 3,933,730           | 2,900,851            | 11,812,450           |
| Total Liabilities                          | <u>\$ 16,714,304</u> | <u>\$ 4,104,578</u> | <u>\$ 3,309,013</u>  | <u>\$ 24,127,895</u> |
| <b>Deferred Inflows:</b>                   | <u>\$ 655,573</u>    | <u>\$ 512,604</u>   | <u>\$ 408,097</u>    | <u>\$ 1,576,274</u>  |
| <b>Net Position:</b>                       |                      |                     |                      |                      |
| Net Investment in Capital Assets           | \$ 11,245,509        | \$ 5,985,718        | \$ 22,288,857        | \$ 39,520,084        |
| Restricted for Debt Service                | 429,641              | 112,529             | 444,355              | 986,525              |
| Unrestricted                               | 9,001,959            | (3,953,790)         | (2,233,157)          | 2,815,012            |
| Total Net Position                         | <u>\$ 20,677,109</u> | <u>\$ 2,144,457</u> | <u>\$ 20,500,055</u> | <u>\$ 43,321,621</u> |



**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2022**

**NOTE 4. OTHER NOTES (Continued)**

**4.D. MISCELLANEOUS (Continued)**

**Segment Information – Enterprise Fund (Continued)**

**CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**

|                                      | <b>Gas</b>           | <b>Water</b>        | <b>Sewer</b>         | <b>Total</b>         |
|--------------------------------------|----------------------|---------------------|----------------------|----------------------|
| Operating Revenues                   | \$ 64,377,891        | \$ 1,876,995        | \$ 2,729,924         | \$ 68,984,810        |
| Depreciation Expense                 | (640,231)            | (410,585)           | (978,794)            | (2,029,610)          |
| Other Operating Expenses             | (63,531,755)         | (1,582,914)         | (1,656,239)          | (66,770,908)         |
| Net Operating Income (Loss)          | \$ 205,905           | \$ (116,504)        | \$ 94,891            | \$ 184,292           |
| Nonoperating Revenues (Expenses):    |                      |                     |                      |                      |
| Interest Income                      | 22,088               | 3,738               | 1,701                | 27,527               |
| Interest & Fiscal Charges            | (84,864)             | (27,357)            | (25,146)             | (137,367)            |
| Capital Contributions                | 1,076,008            | 1,982,886           | 86,289               | 3,145,183            |
| Change in Net Position               | \$ 1,219,137         | \$ 1,842,763        | \$ 157,735           | \$ 3,219,635         |
| Beginning Net Position (As Restated) | 19,457,972           | 301,694             | 20,342,320           | 40,101,986           |
| Ending Net Position                  | <u>\$ 20,677,109</u> | <u>\$ 2,144,457</u> | <u>\$ 20,500,055</u> | <u>\$ 43,321,621</u> |

**CONDENSED STATEMENT OF CASH FLOWS**

|  | <b>Gas</b>          | <b>Water</b>          | <b>Sewer</b>        | <b>Total</b>        |
|--|---------------------|-----------------------|---------------------|---------------------|
| Net Cash Provided (Used) by:             |                     |                       |                     |                     |
| Operating Activities                     | \$ 662,893          | \$ 277,314            | \$ 1,141,287        | \$ 2,081,494        |
| Capital and Related Financing Activities | 131,732             | (361,989)             | (703,070)           | (933,327)           |
| Investing Activities                     | (3,350,603)         | (59,483)              | (68,564)            | (3,478,650)         |
| Net Increase (Decrease)                  | \$ (2,555,978)      | \$ (144,158)          | \$ 369,653          | \$ (2,330,483)      |
| Beginning Cash and Cash Equivalents      | 11,902,359          | (2,298,283)           | (981,571)           | 8,622,505           |
| Ending Cash and Cash Equivalents         | <u>\$ 9,346,381</u> | <u>\$ (2,442,441)</u> | <u>\$ (611,918)</u> | <u>\$ 6,292,022</u> |

**4.E. SUBSEQUENT EVENTS**

Management has considered subsequent events through the date of this report March 14, 2023, for disclosure. The immediate and long-term impact that ongoing pandemic issues may have on the financial position of the City is unknown at this time.

**4.F. PRIOR PERIOD ADJUSTMENT**

The following discloses the restatement of Proprietary Fund net position as of the beginning of the fiscal year:

|  | <u>Proprietary Fund</u> |
|--|-------------------------|
| Net Position, beginning of year, as previously stated:       | \$ 40,082,974           |
| *Change in net position increase due to fixed asset removals | 19,012                  |
| Net Position, beginning of year, as restated:                | <u>\$ 40,101,986</u>    |

\*During fiscal year June 30, 2021, the Proprietary Fund conducted a review of the capital asset inventory and removed impaired or idle capital assets. During fiscal year June 30, 2022, additional costs related to the idle assets were removed and reported as a prior period adjustment.

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2022**

**NOTE 4. OTHER NOTES (Continued)**

**4.G. WEST CARROLL WATER DISTRICT MERGER & CHANGE IN PRESENTATION**

July 1, 2021, West Carroll Water District merged with the Carrollton Utilities Commission. This merger was initiated as a requirement imposed on West Carroll Water District by the Kentucky Public Service Commission under CASE No. 2019-00041. The merger was approved by the Carrollton Utilities Commission, the City of Carrollton, the West Carroll Water District, and the Kentucky Public Service Commission. Under the merger agreement, all assets and liabilities of the West Carroll Water District was combined with those of the Carrollton Utilities Commission. The customers of the West Carroll Water District now receive water service from the Carrollton Utilities Commission.

The initial opening balances of the assets, liabilities, and net position recorded as of July 1, 2021, were determined based on the carrying values reported in the financial statements of West Carroll Water District as of June 30, 2021. The excess of Net Position transferred to the Carrollton Utilities Commission has been reported as contributed capital. The assets and liabilities received are as follows:

|                       |                     |
|-----------------------|---------------------|
| Current Assets        | \$ 470,621          |
| Capital Assets - Net  | 2,549,408           |
| Other Assets          | 1,370               |
| Total Assets          | <u>\$ 3,021,399</u> |
| Current Liabilities   | \$ 49,682           |
| Long-Term Liabilities | 988,832             |
| Total Liabilities     | <u>\$ 1,038,514</u> |
| Net Position          | <u>\$ 1,982,885</u> |

Capital asset and accumulated depreciation balances associated with the West Carroll Water District assets were included in the beginning capital asset and accumulated depreciation figures in Note 3.G. Accounts payable and notes payable to the Carrollton Utilities Commission prior to July 1, 2021 were eliminated [offset] in the records of the Carrollton Utilities Commission. All bonds payable to Rural Development were repaid at the date of the merger.

In previous periods, the City's proprietary fund reported revenues from the management of the West Carroll Water District and expenses related to these management services in a separate column in the enterprise fund departmental schedules as Contractual Services. The revenues associated with this service was also reported separately in the Statement of Revenues, Expenses, and Changes in Fund Net Position as Contractual Services. In the current year, following the merger, the water revenues and expenses associated with operating the West Carroll Water District water system is included in water revenues and expenses, as applicable.

**CITY OF CARROLLTON, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Year Ended June 30, 2022**

|   | <u>Budgeted Amounts</u> |              | <u>Actual</u>  | <u>Variance</u>  |
|---|-------------------------|--------------|----------------|--|
|   | <u>Original</u>         | <u>Final</u> | <u>Amounts</u> | <u>With Final</u><br><u>Budget</u><br><u>Favorable</u><br><u>(Unfavorable)</u> |
| Budgetary Fund Balance, July 1                                  | \$ 3,928,083            | \$ 3,797,898 | \$ 3,797,896   | \$ (2)   |
| <b>ESTIMATED REVENUES</b>                                       |                         |              |                |  |
| Payments in Lieu of Taxes                                       | \$ 37,000               | \$ 38,000    | \$ 44,578      | \$ 6,578   |
| Ad Valorem Taxes  | 461,320                 | 485,630      | 499,338        | 13,708   |
| Franchise Fees  | 388,500                 | 385,500      | 408,663        | 23,163   |
| Garbage Collection  | 390,000                 | 415,000      | 412,781        | (2,219)  |
| Bank Franchise Deposit Tax                                      | 27,000                  | 39,979       | 39,978         | (1)  |
| Business Licenses   | 100,000                 | 103,000      | 105,366        | 2,366  |
| Insurance Licenses  | 580,000                 | 643,000      | 682,787        | 39,787   |
| Building Permits  | 1,500                   | 2,300        | 2,446          | 146  |
| Penalty & Interest  | 9,000                   | 10,000       | 12,447         | 2,447  |
| Interest Revenue  | 14,107                  | 2,900        | 9,073          | 6,173  |
| PEAK Annual Return  | 1,895,771               | 2,216,367    | 2,217,956      | 1,589  |
| Two Rivers Campground Receipts                                  | 150,010                 | 167,500      | 175,312        | 7,812  |
| Other Revenue   | 12,500                  | 33,025       | 30,197         | (2,828)  |
| Proceeds from Outside Sources:                                  |                         |              |                |  |
| HB413/Citations/Police Misc. Receipts                           | 12,500                  | 11,500       | 15,407         | 3,907  |
| CC Fiscal Court - Dispatch                                      | 322,912                 | 379,150      | 313,369        | (65,781)   |
| CC Fiscal Court - CMRS Landlines                                | 100,000                 | 100,000      | 110,254        | 10,254   |
| Police & Firefighter's Incentive Pay                            | 60,000                  | 60,000       | 47,457         | (12,543)   |
| State Fire Aid  | 11,000                  | 11,000       | 11,000         | -  |
| Carroll County Board of Education - Resource Officer            | 189,800                 | 193,000      | 190,133        | (2,867)  |
| CRMS Dispatch Equipment Grant                                   | 95,667                  | 311,765      | 270,072        | (41,693)   |
| FEMA Grants   | -                       | 28,527       | 28,527         | -  |
| KIA Grant for CU  | -                       | 108,900      | 3,000          | (105,900)  |
| American Relief Plan Act Grant                                  | -                       | -            | 995,971        | 995,971  |
| Sale of Capital Assets  | 50                      | 99,675       | 99,675         | -  |
| Total Estimated Revenues  | \$ 4,858,637            | \$ 5,845,718 | \$ 6,725,787   | \$ 880,069   |
| Total Resources Available for Appropriation                     | \$ 8,786,720            | \$ 9,643,616 | \$ 10,523,683  | \$ 880,067   |
| <b>APPROPRIATIONS</b>   |                         |              |                |  |
| Administrative  | \$ 633,905              | \$ 749,157   | \$ 688,994     | \$ 60,163  |
| Public Safety   |                         |              |                |  |
| Fire Department   | 187,708                 | 170,266      | 183,827        | (13,561)   |
| Dispatch  | 559,503                 | 600,286      | 571,265        | 29,021   |
| Police Department   | 1,426,980               | 1,521,461    | 1,467,075      | 54,386   |
| Sanitation  | 350,000                 | 366,332      | 366,985        | (653)  |
| Public Works  | 902,357                 | 869,413      | 732,474        | 136,939  |
| Parks and Recreation  | 180,382                 | 194,084      | 175,430        | 18,654   |
| Code Enforcement  | 113,305                 | 129,715      | 112,875        | 16,840   |
| Capital Outlay  | 678,576                 | 353,512      | 463,101        | (109,589)  |
| Debt Service - Principal  | 3,744                   | 3,744        | 3,744          | -  |
| Total Appropriations  | \$ 5,036,460            | \$ 4,957,970 | \$ 4,765,770   | \$ 192,200   |
| Excess of Resources and Revenues Over<br>(Under) Appropriations | \$ 3,750,260            | \$ 4,685,646 | \$ 5,757,913   | \$ 1,072,267   |
| Estimated Fund Balance at June 30, 2022                         | \$ 3,750,260            | \$ 4,685,646 | \$ 5,757,913   | \$ 1,072,267   |

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO BUDGETARY COMPARISON SCHEDULE**  
**June 30, 2022**

**Budgetary Accounting**

The City Council follows these procedures in establishing the budgetary data for the general fund included in the required supplementary information.

- (1) The Mayor and City Clerk-Treasurer submit to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year. Detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.
- (2) Public hearings are conducted to obtain taxpayer comment.
- (3) Prior to June 30, the budget is legally enacted through passage of an ordinance.
- (4) The City Clerk-Treasurer presents monthly financial statements to the City Council comparing actual year to date expenditures to budgeted expenditures.
- (5) Formal budgetary integration is employed as a management control device during the year.
- (6) The City Council may authorize supplemental appropriations during the year. The budget was amended by ordinance at year end.

**Budget to Actual Reconciliation**

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

|   | <b>General<br/>Fund</b> |
|---|-------------------------|
| <b>Sources/inflows of resources:</b>  |                         |
| Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule   | \$ 10,523,683           |
| Differences - budget to GAAP:   |                         |
| The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes and consists of available cash | (3,797,896)             |
| Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds  | <u>\$ 6,725,787</u>     |
| <b>Uses/outflows of resources</b>   |                         |
| Actual amounts (budgetary basis) "total appropriation" from the budgetary comparison schedule   | \$ 4,765,770            |
| Differences - budget to GAAP:   |                         |
| None  | <u>-</u>                |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds  | <u>\$ 4,765,770</u>     |

CITY OF CARROLLTON, KENTUCKY  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
June 30, 2022

|  | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| City's proportion of the net pension liability (asset)   | 0.121775%     | 0.115106%     | 0.120539%     | 0.11435%      | 0.11108%      | 0.11029%      | 0.11158%      | 0.1112%       |
| City's proportionate share of the net pension liability (asset)  | \$ 7,764,111  | \$ 8,828,535  | \$ 8,477,562  | \$ 6,964,142  | \$ 6,501,971  | \$ 5,430,027  | \$ 4,797,556  | \$ 3,608,000  |
| City's covered payroll   | \$ 3,161,302  | \$ 3,112,313  | \$ 3,098,973  | \$ 2,839,838  | \$ 2,705,054  | \$ 2,609,781  | \$ 2,678,002  | \$ 2,390,302  |
| City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 245.60%       | 283.66%       | 273.56%       | 245.23%       | 240.36%       | 208.06%       | 179.15%       | 150.94%       |
| Plan fiduciary net position as a percentage of the total pension liability                             | 57.33%        | 47.81%        | 50.45%        | 53.5%         | 53.3%         | 55.5%         | 59.97%        | 62.60%        |

Calculations of the City's proportion of the net pension liability (%) and proportionate share of the net pension liability (\$) are based on reports of the Kentucky Public Pension Authority's, County Employees Retirement Systems' Schedule of Employer Allocations and Pension Amounts by Employer for the fiscal years ended June 30, shown.

City payroll is reported for its fiscal years ending June 30, 2014 through 2021.

GASB 68 requires the City to present the above information for 10 years. The information will be expanded annually until a full 10-year trend is compiled.

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.

Based on the June 30, 2019 actuarial report (as amended by SB249, passed during the 2020 legislative session), the actuarial methods and assumptions used to calculate the required contributions are below.

|                           | 2021         | 2020         | 2019         | 2018  | 2017  | 2016  | 2015  | 2014  |
|---------------------------|--------------|--------------|--------------|-------|-------|-------|-------|-------|
| Inflation                 | 2.30%        | 2.30%        | 2.30%        | 2.30% | 2.30% | 3.25% | 3.25% | 3.50% |
| Salary Increases          | 3.30%-10.30% | 3.30%-10.30% | 3.30%-10.30% | 3.05% | 3.05% | 4.00% | 4.00% | 4.50% |
| Investment Rate of Return | 6.25%        | 6.25%        | 6.25%        | 6.25% | 6.25% | 7.50% | 7.50% | 7.75% |

The mortality table(s) used in the determination of the total pension liability as of June 30, 2021 were as follows: 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-2014 mortality improvement scale using a base year of 2019. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019.

The mortality table(s) used in the determination of the total pension liability as of June 30, 2020 were as follows: 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-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

Prior to June 20, 2020, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

The assumed rates of retirement, withdrawal, and disability were based on an actuarial valuation performed as of June 30, 2019.

**CITY OF CARROLLTON, KENTUCKY**  
**SCHEDULE OF THE CITY'S CONTRIBUTIONS (PENSION)**  
**COUNTY EMPLOYEES RETIREMENT SYSTEM**  
**For the Fiscal Year Ending June 30**

|   | <u>2022</u>         | <u>2021</u>         | <u>2020</u>         | <u>2019</u>         | <u>2018</u>         | <u>2017</u>         | <u>2016</u>         | <u>2015</u>         |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Contractually (Employer) Required Contribution                        | \$ 671,143          | \$ 601,250          | \$ 569,045          | \$ 490,829          | \$ 406,760          | \$ 377,349          | \$ 324,154          | \$ 334,421          |
| Contributions in Relation to the Contractually Required Contributions | <u>\$ (671,143)</u> | <u>\$ (601,250)</u> | <u>\$ (569,045)</u> | <u>\$ (490,829)</u> | <u>\$ (406,760)</u> | <u>\$ (377,349)</u> | <u>\$ (324,154)</u> | <u>\$ (334,421)</u> |
| Contribution Deficiency (Excess)                                      | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         |
| City's Covered Payroll  | \$ 3,161,302        | \$ 3,112,313        | \$ 2,948,415        | \$ 3,098,973        | \$ 2,839,838        | \$ 2,705,054        | \$ 2,609,781        | \$ 2,678,002        |
| Contributions as a Percentage of Covered Payroll                      | 21.23%              | 19.30%              | 19.30%              | 16.22%              | 14.48%              | 13.95%              | 12.42%              | 12.49%              |

The City's contributions above include only the contributions to the County Employees Retirement Systems Pension Fund. GASB 68 required the City to present the above information for the CERS Pension Fund for 10 years. The information will be expanded annually until a full 10-year trend is compiled.

**CITY OF CARROLLTON, KENTUCKY**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**COUNTY EMPLOYEES RETIREMENT SYSTEM**  
**June 30, 2022**

|   | 2021         | 2020         | 2019         | 2018         | 2017         |
|---|--------------|--------------|--------------|--------------|--------------|
| City's proportion of the net OPEB liability (asset) %   | 0.121746%    | 0.115072%    | 0.12055%     | 0.11435%     | 0.111082%    |
| City proportionate share of the net OPEB liability (asset)  | \$ 2,330,767 | \$ 2,778,639 | \$ 2,027,512 | \$ 2,030,137 | \$ 2,233,128 |
| City's covered payroll  | \$ 3,161,302 | \$ 3,112,313 | \$ 3,098,973 | \$ 2,839,838 | \$ 2,705,054 |
| City proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll | 73.73%       | 89.28%       | 65.43%       | 71.49%       | 82.55%       |
| Plan fiduciary net position as a percentage of the total OPEB liability                           | 62.91%       | 51.87%       | 60.44%       | 57.6%        | 52.4%        |

Calculations of the City's proportion of the net OPEB liability (%) and proportionate share of the net OPEB liability (\$) are based on report of the Kentucky Public Pension Authority's, County Employees Retirement Systems' Schedule of Employer Allocations and OPEB Amounts by Employer for the fiscal years ended June 30, shown.

GASS 75 requires the City to present the above information for 10 years. The information will be expanded annually until a full 10-year trend is compiled.

City covered payroll is reported for the fiscal years ended June 30, 2017 through 2021.

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. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty.

Based on the June 30, 2019 actuarial report (as amended by SB249, passed during the 2020 legislative session), the actuarial methods and assumptions used to calculate the required contributions are below.

**Actuarial Methods and Assumptions for Determining Net OPEB Liability:**

|                                 | 2021   | 2020   | 2019   | 2018  | 2017  |
|---------------------------------|--|--|--|---|---|
| Payroll Growth Rate             | 2.0%   | 2.0%   | 2.0%   | 2.0%  | 2.0%  |
| Salary Increases                | 3.30%-10.30% varies by service   | 3.30%-10.30% varies by service   | 3.30%-10.30% varies by service   | 3.05% Average   | 3.05% Average   |
| Investment Rate of Return       | 6.25%  | 6.25%  | 6.25%  | 6.25%   | 6.25%   |
| Inflation                       | 2.3%   | 2.3%   | 2.3%   | 2.3%  | 2.3%  |
| Healthcare Trend Rates: Pre-65  | Initial trend at 6.25% at January 1, 2021, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.  | Initial trend at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.  | Initial trend at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.  | Initial trend at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.                             | Initial trend at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.                             |
| Healthcare Trend Rates: Post-65 | Initial trend starting at 5.50% at January 1, 2021, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.   | Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.   | Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.   | Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.                    | Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.                    |
| Mortality: Pre-Retirement       | PUB-2010 General Mortality Table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.  | PUB-2010 General Mortality Table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.  | PUB-2010 General Mortality Table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.  | RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).   | RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).   |
| Post-Retirement                 | System Specific Mortality Table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement Scale using a base year of 2019.  | System Specific Mortality Table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement Scale using a base year of 2019.  | System Specific Mortality Table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement Scale using a base year of 2019.  | RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females).   | RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females).   |
| Post-Retirement (disabled)      | PUB 2010 Disabled Mortality Table, with a 4-year set forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010 is used for the period after disability. | PUB 2010 Disabled Mortality Table, with a 4-year set forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010 is used for the period after disability. | PUB 2010 Disabled Mortality Table, with a 4-year set forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010 is used for the period after disability. | RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement. | RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement. |

**CITY OF CARROLLTON, KENTUCKY  
SCHEDULE OF THE CITY'S CONTRIBUTIONS (OPEB)  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
For the Fiscal Year Ending June 30**

|  | <u>2022</u>  | <u>2021</u>  | <u>2020</u>  | <u>2019</u>  | <u>2018</u>  | <u>2017</u>  | <u>2016</u>  | <u>2015</u>  |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually (Employer) Required Contributions                          | \$ 184,073   | \$ 148,287   | \$ 154,155   | \$ 145,360   | \$ 137,920   | \$ 127,946   | \$ 121,101   | \$ 129,047   |
| Contributions in Relation to the<br>Contractually Required Contributions | (184,073)    | (148,287)    | (154,155)    | (145,360)    | (137,920)    | (127,946)    | (121,101)    | (129,047)    |
| Contribution Deficiency (Excess)   | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  |
| City's Covered Payroll   | \$ 3,161,302 | \$ 3,112,313 | \$ 2,948,415 | \$ 3,098,973 | \$ 2,839,838 | \$ 2,705,054 | \$ 2,609,781 | \$ 2,678,002 |
| Contributions as a Percentage of<br>Covered Payroll                      | 5.82%        | 4.76%        | 4.76%        | 5.26%        | 4.70%        | 4.73%        | 4.64%        | 4.82%        |

The City's contributions above include only the contributions to the County Employees Retirement System's Insurance Fund. GASB 75 requires the City to present the above information for the CERS Insurance Fund for 10 years. The information will be expanded annually until a full 10-year trend is compiled.



**CITY OF CARROLLTON, KENTUCKY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2022**

|                                     | <u>Special Revenue Funds</u>  |                               |                                | <u>Total<br/>Nonmajor<br/>Governmental<br/>Funds</u> |
|-------------------------------------|-------------------------------|-------------------------------|--------------------------------|--|
|                                     | <u>Municipal<br/>Road Aid</u> | <u>L.G.E.A.F.<br/>Program</u> | <u>Shop<br/>With A<br/>Cop</u> |  |
| <b>ASSETS</b>                       |                               |                               |                                |  |
| Cash                                | \$ 517                        | \$ 26,460                     | \$ 20,882                      | \$ 47,859  |
| Due from Other Governments          | 8,129                         | -                             | -                              | 8,129  |
| Total Assets                        | <u>\$ 8,646</u>               | <u>\$ 26,460</u>              | <u>\$ 20,882</u>               | <u>\$ 55,988</u>                                     |
| <b>LIABILITIES</b>                  |                               |                               |                                |  |
| Accounts Payable                    | \$ -                          | \$ -                          | \$ -                           | \$ -   |
| Total Liabilities                   | <u>\$ -</u>                   | <u>\$ -</u>                   | <u>\$ -</u>                    | <u>\$ -</u>  |
| <b>FUND BALANCES</b>                |                               |                               |                                |  |
| Restricted                          | \$ 8,646                      | \$ 26,460                     | \$ -                           | \$ 35,106  |
| Assigned                            | -                             | -                             | 20,882                         | 20,882   |
| Total Fund Balances                 | <u>\$ 8,646</u>               | <u>\$ 26,460</u>              | <u>\$ 20,882</u>               | <u>\$ 55,988</u>                                     |
| Total Liabilities and Fund Balances | <u>\$ 8,646</u>               | <u>\$ 26,460</u>              | <u>\$ 20,882</u>               | <u>\$ 55,988</u>                                     |

**CITY OF CARROLLTON, KENTUCKY  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2022**

|   | <u>Special Revenue Funds</u>  |                               |                                | <b>Total<br/>Nonmajor<br/>Governmental<br/>Funds</b> |
|---|-------------------------------|-------------------------------|--------------------------------|--|
|   | <b>Municipal<br/>Road Aid</b> | <b>L.G.E.A.F.<br/>Program</b> | <b>Shop<br/>With A<br/>Cop</b> |  |
| <b>REVENUES</b>                                   |                               |                               |                                |  |
| Kentucky Municipal Road Aid                       | \$ 77,954                     | \$ -                          | \$ -                           | \$ 77,954  |
| Local Government Economic Assistance              | -                             | 5,213                         | -                              | 5,213  |
| Donations   | -                             | -                             | 14,203                         | 14,203   |
| Interest / Investment Revenue                     | 144                           | 60                            | 26                             | 230  |
| Total Revenues                                    | <u>\$ 78,098</u>              | <u>\$ 5,273</u>               | <u>\$ 14,229</u>               | <u>\$ 97,600</u>                                     |
| <b>EXPENDITURES</b>                               |                               |                               |                                |  |
| <b>Current:</b>                                   |                               |                               |                                |  |
| Public Works                                      | \$ 79,580                     | \$ -                          | \$ -                           | \$ 79,580  |
| Community Service                                 | -                             | -                             | 5,285                          | 5,285  |
| Total Expenditures                                | <u>\$ 79,580</u>              | <u>\$ -</u>                   | <u>\$ 5,285</u>                | <u>\$ 84,865</u>                                     |
| Excess (Deficiency) of Revenues over Expenditures | <u>\$ (1,482)</u>             | <u>\$ 5,273</u>               | <u>\$ 8,944</u>                | <u>\$ 12,735</u>                                     |
| Other Financing Sources (Uses)                    |                               |                               |                                |  |
| Transfers Out                                     | \$ -                          | \$ -                          | \$ -                           | \$ -   |
| Net Change in Fund Balances                       | <u>\$ (1,482)</u>             | <u>\$ 5,273</u>               | <u>\$ 8,944</u>                | <u>\$ 12,735</u>                                     |
| Fund Balances - July 1                            | <u>10,128</u>                 | <u>21,187</u>                 | <u>11,938</u>                  | <u>43,253</u>  |
| Fund Balances - June 30                           | <u>\$ 8,646</u>               | <u>\$ 26,460</u>              | <u>\$ 20,882</u>               | <u>\$ 55,988</u>                                     |

**CITY OF CARROLLTON, KENTUCKY**  
**SCHEDULE OF DEPARTMENTAL OPERATING REVENUES AND EXPENSES**  
**ENTERPRISE FUND**  
**(CARROLLTON UTILITIES)**  
**For the Year Ended June 30, 2022**

|   | <u>Departments</u>   |                     |                     |                      |
|---|----------------------|---------------------|---------------------|----------------------|
|   | <u>Gas</u>           | <u>Water</u>        | <u>Sewer</u>        | <u>Total</u>         |
| <b>Operating Revenues:</b>                |                      |                     |                     |                      |
| Charges for Services:                     |                      |                     |                     |                      |
| Utility Charges (Net of Bad Debt Expense) | \$ 64,235,331        | \$ 1,769,122        | \$ 2,430,604        | \$ 68,435,057        |
| Connection Fees & Service Charges         | 73,253               | 62,670              | 242,052             | 377,975              |
| Total Charges for Services                | <u>\$ 64,308,584</u> | <u>\$ 1,831,792</u> | <u>\$ 2,672,656</u> | <u>\$ 68,813,032</u> |
| Miscellaneous Revenues                    | 69,307               | 45,203              | 57,268              | 171,778              |
| Total Operating Revenues                  | <u>\$ 64,377,891</u> | <u>\$ 1,876,995</u> | <u>\$ 2,729,924</u> | <u>\$ 68,984,810</u> |
| <b>Operating Expenses:</b>                |                      |                     |                     |                      |
| Cost of Goods Sold                        | \$ 61,808,747        | \$ 4,508            | \$ -                | \$ 61,813,255        |
| Operation & Maintenance                   | 544,432              | 850,985             | 835,053             | 2,230,470            |
| General & Administrative                  | 1,178,576            | 727,421             | 821,186             | 2,727,183            |
| Depreciation                              | 640,231              | 410,585             | 978,794             | 2,029,610            |
| Total Operating Expenses                  | <u>\$ 64,171,986</u> | <u>\$ 1,993,499</u> | <u>\$ 2,635,033</u> | <u>\$ 68,800,518</u> |
| <b>Net Operating Income (Loss)</b>        | <u>\$ 205,905</u>    | <u>\$ (116,504)</u> | <u>\$ 94,891</u>    | <u>\$ 184,292</u>    |

**CITY OF CARROLLTON, KENTUCKY**  
**SCHEDULE OF OPERATION & MAINTENANCE, GENERAL &**  
**ADMINISTRATIVE EXPENSES BY DEPARTMENT**  
**ENTERPRISE FUND**  
**(CARROLLTON UTILITIES)**  
**For the Year Ended June 30, 2022**

|  | <u>Departments</u>  |                   |                   |                     |
|--|---------------------|-------------------|-------------------|---------------------|
|  | <u>Gas</u>          | <u>Water</u>      | <u>Sewer</u>      | <u>Total</u>        |
| <b>OPERATION &amp; MAINTENANCE</b>           |                     |                   |                   |                     |
| Customer Service                             | \$ 65,248           | \$ 79,879         | \$ 8,825          | \$ 153,952          |
| Mains  | 187,213             | 149,808           | 63,649            | 400,670             |
| Transportation                               | 47,204              | 45,998            | 60,970            | 154,172             |
| Plant and Equipment                          | 235,479             | 319,367           | 544,012           | 1,098,858           |
| Chemicals                                    | -                   | 125,756           | 84,241            | 209,997             |
| Electric, Light and Power                    | 9,288               | 130,177           | 73,356            | 212,821             |
| Total  | <u>\$ 544,432</u>   | <u>\$ 850,985</u> | <u>\$ 835,053</u> | <u>\$ 2,230,470</u> |
| <b>GENERAL &amp; ADMINISTRATIVE EXPENSES</b> |                     |                   |                   |                     |
| Office Salaries                              | \$ 257,527          | \$ 122,174        | \$ 146,895        | \$ 526,596          |
| Employee Benefits                            | 546,043             | 383,200           | 450,785           | 1,380,028           |
| Payroll Taxes                                | 57,630              | 45,636            | 41,222            | 144,488             |
| Commissioner Fees                            | 7,200               | 3,600             | 3,600             | 14,400              |
| Office Expenses                              | 59,885              | 66,413            | 59,288            | 185,586             |
| Professional and Outside Services            | 38,485              | 57,445            | 67,110            | 163,040             |
| Insurance                                    | 145,969             | 20,708            | 20,708            | 187,385             |
| Other  | 65,837              | 28,245            | 31,578            | 125,660             |
| Total  | <u>\$ 1,178,576</u> | <u>\$ 727,421</u> | <u>\$ 821,186</u> | <u>\$ 2,727,183</u> |

**CITY OF CARROLLTON, KENTUCKY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**for the Year Ended June 30, 2022**

| <b>Federal Grantor/Pass-through<br/>Grantor/Program or Cluster Title</b>                | <b>Federal<br/>Assistance Listing<br/>Number<br/>(Federal CFDA #)</b> | <b>Pass-through<br/>Entity<br/>Identifying<br/>Number</b> | <b>Total<br/>Federal<br/>Expenditures</b> |
|---|---|---|---|
| <b>U. S. Department of Commerce:</b>  |   |   |   |
| <b>Economic Development Cluster</b>   |   |   |   |
| Direct Grants   |   |   |   |
| Investments For Public Works and Economic Development Facilities                        | 11.300  | -   | \$ 1,076,008                              |
| Total Economic Development Cluster  |   |   | \$ 1,076,008                              |
| Total U. S. Department of Commerce  |   |   | \$ 1,076,008                              |
| <b>U. S. Department of the Treasury:</b>  |   |   |   |
| Passed through the Kentucky Department of Local Government                              |   |   |   |
| COVID-19-Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)                     | 21.027  | KY0049  | \$ 260,583                                |
| Total U. S. Department of the Treasury  |   |   | \$ 260,583                                |
| <b>U. S. Department of Housing and Urban Development</b>                                |   |   |   |
| Passed through the Kentucky Department of Local Government                              |   |   |   |
| Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii | 14.228  | 19-026  | \$ 86,289                                 |
| Total U. S. Department of Housing and Urban Development                                 |   |   | \$ 86,289                                 |
| <b>Total Expenditures of Federal Awards</b>   |   |   | <b>\$ 1,422,880</b>                       |

**CITY OF CARROLLTON, KENTUCKY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2022**

**NOTE A: Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Carrollton, Kentucky under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Carrollton, Kentucky, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Carrollton, Kentucky.

**NOTE B: Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE C: Non-Cash Awards**

The City of Carrollton, Kentucky did not receive any other federal awards in the form of non-cash assistance, insurance contracts, or loan guarantees for the year ended June 30, 2022.

**NOTE D: Passed Through to Sub-Recipients**

There were no awards passed through to sub-recipients.

**NOTE E: Indirect Cost Rate**

City of Carrollton, Kentucky has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance. City of Carrollton, Kentucky has not included indirect costs in the schedule.

# RAISOR, ZAPP & WOODS, PSC

## Certified Public Accountants

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Susan A. Dukes, CPA

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

The Mayor and Members of the City Council  
of the City of Carrollton  
Carrollton, Kentucky

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Carrollton, Kentucky as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise City of Carrollton, Kentucky's basic financial statements and have issued our report thereon dated March 14, 2023.

#### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

**The Mayor and Members of the City Council  
of the City of Carrollton  
Page Two**

## **REPORT ON COMPLIANCE AND OTHER MATTERS**

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

## **PURPOSE OF THIS REPORT**

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

*Raisor, Zapp & Woods PSC*

**RAISOR, ZAPP & WOODS, PSC  
Certified Public Accountants  
Carrollton, Kentucky**

**March 14, 2023**



# RAISOR, ZAPP & WOODS, PSC

## Certified Public Accountants

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### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Mayor and Members of the City Council  
of the City of Carrollton  
Carrollton, Kentucky 41008

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

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

We have audited City of Carrollton, Kentucky's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Carrollton, Kentucky's major federal programs for the year ended June 30, 2022. City of Carrollton, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Carrollton, Kentucky complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

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

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

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

##### *Responsibilities of Management for Compliance*

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

##### *Auditor's Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Carrollton, Kentucky's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Carrollton, Kentucky's compliance with the requirements of each major federal program as a whole.

**To the Mayor and Members of the City Council  
Of the City of Carrollton  
Page Two**

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

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

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

*Raisor, Zapp & Woods PSC*

RAISOR, ZAPP & WOODS, PSC  
Certified Public Accountants  
Carrollton, Kentucky

March 14, 2023

**CITY OF CARROLLTON, KENTUCKY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2022**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements:**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified ☐ Yes ☒ No

Significant deficiencies identified that are not  
considered to be material weaknesses ☐ Yes ☒ None Reported

Non-compliance material to financial statements noted ☐ Yes ☒ No

**Federal Awards:**

Internal control over major programs:

Material weaknesses identified ☐ Yes ☒ No

Significant deficiencies identified that are not  
considered to be material weaknesses ☐ Yes ☒ None Reported

Type of auditor's report issued on compliance for major programs:  
Unmodified for all major programs.

Any audit findings disclosed that are required to be  
reported in accordance with 2 CFR 200.5516 (a)? ☐ Yes ☒ No

**Major Program:**

**AL Numbers**

**Name of Federal Program or Cluster**

11.300 Investments for Public Works and Econ. Dev. Facilities

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

Auditee qualified as a low-risk auditee? ☐ Yes ☒ No

**CITY OF CARROLLTON, KENTUCKY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
For the Year Ended June 30, 2022**

**SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS**

NONE

**SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

NONE

**SECTION IV – PRIOR AUDIT FINDINGS: FINANCIAL STATEMENT FINDINGS**

**2021-001 SIZE OF ENTITY AND CHECKING PROCEDURES**

Internal controls should be implemented to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and allow timely preparation of financial data consistent with management assertions. The size of the administrative staff limits internal control and limits the ability to rotate duties and implement checking procedures. Some reconciliation procedures were not completed properly. (RESOLVED)

**2021-002 FAILURE TO PREPARE A COMPLETE SET OF FINANCIAL STATEMENTS INCLUDING REQUIRED NOTE DISCLOSURES**

Internal controls should be in place to provide management with reasonable, but not absolute, assurance that financial statements and required notes are prepared in accordance with generally accepted accounting principles. City financial statements, including the required disclosures, are prepared as part of the annual audit. (RESOLVED)