

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|---|---|------------|
| ELECTRONIC TARIFF FILING OF THE CITY OF |) | |
| SOMERSET WATER SERVICE TO INCREASE |) | CASE NO. |
| THE WHOLESALE RATE CHARGED TO |) | 2024-00007 |
| SOUTHEASTERN WATER ASSOCIATION AND |) | |
| WESTERN PULASKI COUNTY WATER DISTRICT |) | |

ORDER

On December 21, 2023, the city of Somerset Water Service (Somerset Water) filed a tariff to increase its wholesale water rates to Southeastern Water Association (Southeastern Water) and Western Pulaski County Water District (Western Pulaski District). Somerset Water’s proposed tariff had an effective date of January 25, 2024, but contained three rate increases to be phased in over a two-year period with the first phase becoming effective January 25, 2024, the second phase becoming effective January 25, 2025, and the third phase becoming effective January 25, 2026.

The proposed rates for Phase 1 reflect an increase of \$0.30 per 1,000 gallons, or 12 percent, from \$2.50 per 1,000 gallons to \$2.80 per 1,000 gallons. The proposed rates for Phase 2 reflect an increase of \$0.31 per 1,000 gallons, or 11 percent, from \$2.80 per 1,000 gallons to \$3.11 per 1,000 gallons. Finally, the proposed rates for Phase 3 reflect an increase of \$0.31 per 1,000 gallons, or 9.99 percent from \$3.11 per 1,000 gallons to \$3.42 per 1,000 gallons. Somerset Water responded to two requests for information from Commission Staff. Those responses are attached as Appendix B to this Order and are made a part of the evidentiary record of this case.

As part of its responses to Commission Staff, Somerset Water provided its audit reports for the fiscal years ending June 30, 2022, and June 30, 2023. Commission Staff's review of the audit reports shows that the proposed Phase 1 rate is reasonable. However, no information has been provided to date that would allow the Commission to determine the reasonableness of the proposed Phase 2 and Phase 3 rates. Somerset Water only indicated that the proposed rates were developed during conversations between the city of Somerset's Mayor and Southeastern Water and Western Pulaski District.

LEGAL STANDARD

The Commission has exclusive jurisdiction over the rates and service of utilities and is charged with enforcing the provisions of KRS Chapter 278.¹ A city-owned utility is generally exempt from the Commission's exclusive jurisdiction over utility rates and services.² However, pursuant to KRS 278.200, the Commission may, under the provisions of KRS Chapter 278:

[O]riginate, establish, change, promulgate and enforce any rate or service standard of any utility that has been or may be fixed by any contract, franchise or agreement between the utility and any city, and all rights, privileges and obligations arising out of any such contract, franchise or agreement, regulating any such rate or service standard, shall be subject to the jurisdiction and supervision of the commission.³

In *Simpson County Water District v. City of Franklin*, the Kentucky Supreme Court held that a city providing utility service loses its exemption and "is rendered subject to the PSC

¹ KRS 278.040.

² See KRS 278.010(3) (excluding city utilities from the definition of utilities subject to Commission jurisdiction).

³ KRS 278.200.

rates and service regulation” pursuant to KRS 278.200 when it enters into a contract to provide wholesale utility service to a public utility subject to the Commission's jurisdiction.⁴

KRS 278.030 provides that a utility may collect fair, just and reasonable rates and that the service it provides must be adequate, efficient and reasonable. “Whenever any utility files with the commission any schedule stating new rates, the commission may, upon its own motion . . . , and upon reasonable notice, hold a hearing concerning the reasonableness of the new rates.”⁵ Pending the final decision on a proposed schedule or rate, “the commission may, at any time before the schedule becomes effective, suspend the operation of the schedule and defer the use of the rate, charge, classification, or service” for a period up to five months beyond the time when it would otherwise go into effect if a historical test period is used, and up to six months if a forward-looking test period is used.⁶

DISCUSSION

Having reviewed the proposed tariff and being otherwise sufficiently advised, the Commission finds that the proposed Phase 1 rates are reasonable and should be approved. The Commission also finds that an investigation is necessary to determine the reasonableness of the proposed Phase 2 and Phase 3 rates, mainly to obtain evidence supporting the proposed rates, and that such investigation cannot be completed by

⁴ *Simpson County Water District v. City of Franklin*, 872 S.W.2d 460, 463 (Ky. 1994); see also *City of Russellville v. Public Service Com'n of Kentucky*, No. 2003-CA-002132-MR, 2005 WL 385077 (Ky. App. Feb. 18, 2005) (unpublished) (in which the court found that a city's failure to provide water districts notice and file a proposed wholesale rate increase for water districts pursuant to the provisions of KRS Chapter 278 and 807 KAR 5:011 prevented the city from charging the rate).

⁵ KRS 278.190(1).

⁶ KRS 278.190(2).

January 25, 2024, when Somerset Water proposed that the tariff containing all rates would become effective. Pursuant to KRS 278.190(2), the Commission will therefore suspend the effective date of the proposed Phase 2 and Phase 3 rates for five months, up to and including June 24, 2024.⁷

The Commission directs Somerset Water to the Commission's July 22, 2021 Order in Case No. 2020-00085⁸ in which the Commission mandated the use of electronic filing procedures listed in 807 KAR 5:001, Section 8. The Commission finds that electronic filing procedures is used, consistent with the filing procedures set forth in Case No. 2020-00085.

The Commission further finds that a procedural schedule should be established to review the reasonableness of the proposed tariff. The procedural schedule is attached as Appendix A to this Order.

IT IS THEREFORE ORDERED that:

1. This proceeding is established to investigate the reasonableness of Somerset Water's proposed Phase 2 and Phase 3 wholesale rates to Southeastern Water and Western Pulaski District.

⁷ The Commission notes that even if Somerset Water's tariff were accepted as filed, that the Phase 2 and Phase 3 rates would not actually be charged until 2025 and 2026, respectively. For that reason, if the portions of the schedule containing those rates are placed into effect subject to refund on June 25, 2024 after the suspension period, the Phase 2 and Phase 3 rates could still not be charged, because they would be subject to the conditions in the tariff regarding when they may be charged. However, it is necessary to suspend the tariff with respect to the Phase 2 and Phase 3 rates while evidence is collected to determine their reasonableness to ensure that the Phase 2 and Phase 3 rates, subject to the conditions included in the tariff, are not deemed to be the filed rates given the January 25, 2024 effective date included in the tariff as a whole.

⁸ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

2. Somerset Water's proposed Phase 1 wholesale rate of \$2.80 per 1,000 gallons is approved for service rendered on and after January 25, 2024.

3. Within 20 days of the date of service of this Order, Somerset Water shall file with the Commission, using the Commission's electronic Tariff Filing System, its revised tariff sheet setting forth the rates approved herein and reflecting their effective date and that they were authorized by this Order.

4. Somerset Water's proposed Phase 2 and Phase 3 wholesale rates are suspended for five months from January 25, 2024, up to and including June 24, 2024.

5. Somerset Water shall, by counsel, enter an appearance in this proceeding within seven days of the date of service of this Order. The entry of appearance shall include the name, address, telephone number, fax number, and electronic mail address of counsel.

6. Unless otherwise ordered by the Commission, the procedures set forth in 807 KAR 5:001, Section 8, related to service and electronic filing of papers shall be followed in this proceeding.

7. Pursuant to 807 KAR 5:001, Section 8(9), within seven days of the date of service of this Order, Somerset Water shall file by electronic means a written statement that it waives any right to service of Commission Orders by United States mail and that it or its authorized agent possess the facilities to receive electronic submissions.

8. Unless a party granted leave to intervene states its objection to the use of electronic filing procedures in a motion for intervention, the party shall:

a. Be deemed to have consented to the use of electronic filing procedures and the service of all papers, including Orders of the Commission, by electronic means; and

b. Within seven days of the date of service of an order of the Commission granting intervention, file with the Commission a written statement that:

(1) It or its authorized agent possesses the facilities to receive electronic transmissions; and

(2) Sets forth the electronic mail address to which all electronic notices and messages related to this proceeding shall be served.

9. If a party objects to the use of electronic filing procedures and the Commission determines that good cause exists to excuse that party from the use of electronic filing procedures, service of documents on that party and by that party shall be made in accordance with 807 KAR 5:001, Section 4(8).

10. The procedural schedule set forth in Appendix A to this Order shall be followed.

11. Any party shall respond to all requests for information propounded by Commission Staff, whether identified on the procedural schedule or otherwise, as provided in those requests.

12. As set forth in 807 KAR 5:001, Section 4(11)(a), a person requesting permissive intervention in a Commission proceeding is required to demonstrate either (1) a special interest in the proceeding, which is not adequately represented in the case, or (2) that the person requesting permissive intervention is likely to present issues or develop facts that will assist the Commission in fully considering the matter without unduly

complicating or disrupting the proceedings. Therefore, any person requesting to intervene in a Commission proceeding must state with specificity the person's special interest that is not otherwise adequately represented, or the issues and facts the person will present that will assist the Commission in fully considering the matter. A mere recitation of the quantity of utility service consumed by the movant or a general statement regarding the potential impact of possible modification of rates will not be deemed sufficient to establish a special interest.

13. Any motion to intervene after the date established in the procedural schedule shall also show good cause for being untimely. If the untimely motion is granted, the movant shall accept and abide by the existing procedural schedule.

14. Somerset Water shall give notice of the hearing in accordance with the provisions set forth in 807 KAR 5:001, Section 9(2). In addition, the notice of the hearing shall include the following statements: "This hearing will be streamed live and may be viewed on the PSC website, psc.ky.gov" and "Public comments may be made at the beginning of the hearing. Those wishing to make oral public comments may do so by following the instructions listed on the PSC website, psc.ky.gov." At the time publication is requested, Somerset Water shall forward a duplicate of the notice and request to the Commission.

15. At any public hearing in this matter, neither opening statements nor summarization of direct testimonies shall be permitted.

16. Any hearing scheduled in this matter shall be held on the designated day or days and continued until called from the bench by the presiding officer. Pursuant to 807 KAR 5:001, Section 2, if the hearing is not concluded on the designated day, the

hearing shall be continued upon verbal announcement by the presiding officer. A verbal announcement made by the presiding officer shall be proper notice of the continued hearing.

17. Witnesses who sponsor schedules, testimony, or responses to requests for information shall participate in person at any hearing scheduled in this matter.

18. Pursuant to KRS 278.360 and 807 KAR 5:001, Section 9(9), a digital video recording shall be made of the hearing.

19. The Commission does not look favorably upon motions for continuance. Accordingly, motions for extensions of times with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

20. The Commission does not look favorably upon motions to excuse witnesses from testifying at Commission hearings. Accordingly, motions to excuse a witness from testifying at a Commission hearing or from testifying in person at a Commission hearing shall be made in writing and will be granted only upon a showing of good cause.

21. The Executive Director shall serve a copy of this Order upon Southeastern Water and Western Pulaski District.

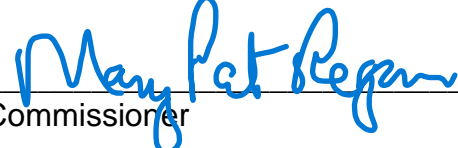
PUBLIC SERVICE COMMISSION



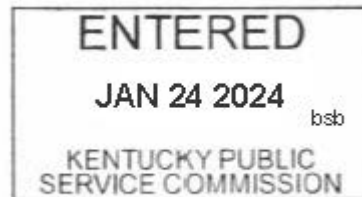
Chairman



Vice Chairman



Commissioner



ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00007 DATED JAN 24 2024

- Requests for intervention shall be filed no later than 02/01/2024
- Initial requests for information to Somerset Water shall be filed no later than 02/08/2024
- Somerset Water shall file responses to initial requests for information no later than.....02/22/2024
- All supplemental requests for information to Somerset Water shall be filed no later than 03/07/2024
- Somerset Water shall file responses to supplemental requests for information no later than 03/21/2024
- Intervenor testimony, if any, in verified prepared form shall be filed no later than..... 03/28/2024
- All requests for information to Intervenors shall be filed no later than..... 04/11/2024
- Intervenors shall file responses to requests for information no later than..... 04/25/2024
- Somerset Water shall file, in verified form, its rebuttal testimony no later than.....05/02/2024
- Somerset Water or any Intervenor shall request either a hearing or that the case be submitted for decision based on the record no later than.....05/09/2024

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00007 DATED JAN 24 2024

TWO HUNDRED TWELVE PAGES TO FOLLOW

Hinton, Daniel E (PSC)

From: Jeffrey Edwards <jedwards@cityofsomerset.com>
Sent: Tuesday, January 9, 2024 3:25 PM
To: Hinton, Daniel E (PSC)
Cc: Rogness, Benjamin (PSC)
Subject: RE: EXTERNAL SENDER: RE: EXTERNAL SENDER: RE: EXTERNAL SENDER: RE: EXTERNAL SENDER: RE: KY-PSC Electronic Filing Center NotificationTFS2023-00575
Attachments: City of Somerset - Ordinance-20-29 Annual Rate Adjustment - CPI.pdf; Budget Ord. 17-11.pdf; budget ord 15-11.pdf; Budget Ordinance-23-06.pdf; Budget Ordinance-21-18.pdf; Budget Ord. 10-05.pdf

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This Message Is From an External Sender.

Report Suspicious

Daniel,

Please find attached 6 different ordinances dating back to 2010. That is the same year the last wholesale agreements were signed. You will see increases on the City's retail rates in 2015, 2017, 2021, 2022 (however they were left out of budget ordinance but you will also find attached Ordinance 20-29 automatically putting on a rate adjustment each year based on the CPI, and an increase in 2023. All of the City's retail rates will continue to be adjusted according to the CPI in the future.

Thanks,
Jeffrey

From: Hinton, Daniel E (PSC) <dehinton@ky.gov>
Sent: Tuesday, January 9, 2024 12:16 PM
To: Jeffrey Edwards <jedwards@cityofsomerset.com>
Cc: Rogness, Benjamin (PSC) <benjamin.rogness@ky.gov>
Subject: EXTERNAL SENDER: RE: EXTERNAL SENDER: RE: EXTERNAL SENDER: RE: EXTERNAL SENDER: RE: KY-PSC Electronic Filing Center NotificationTFS2023-00575

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Mr. Edwards,

Staff has requested the following information:

- Are Somerset's retail rates also being revised? If so, please provide the ordinance approving the change to the retail rates and indicate when the retail rates were last revised.

- Calculation of costs that support the proposed 2024, 2025, and 2026 wholesale rates. This should include any assumptions used to calculate the proposed rates, water volume produced and sold, and any other information that supports the proposed rates.

If you have any questions, please let us know.

Thanks.

Daniel

From: Jeffrey Edwards <jedwards@cityofsomerset.com>

Sent: Thursday, January 4, 2024 3:48 PM

To: Hinton, Daniel E (PSC) <dehinton@ky.gov>

Cc: Rogness, Benjamin (PSC) <benjamin.rogness@ky.gov>

Subject: RE: EXTERNAL SENDER: RE: EXTERNAL SENDER: RE: EXTERNAL SENDER: RE: KY-PSC Electronic Filing Center NotificationTFS2023-00575

****CAUTION** PDF attachments may contain links to malicious sites. Please contact the COT Service Desk ServiceCorrespondence@ky.gov for any assistance.**

Daniel,

Please find attached our last 2 audits. We have not had a rate study done. The rates were determined through conversations between the Mayor and the District/Association after discussing rising cost, improvements that has been done and those currently in progress as well as some that is needed going forward to better serve our customers as well as those of the district/associations. The rates and the phasing were mutually agreed upon terms.

Thanks,
Jeffrey

From: Hinton, Daniel E (PSC) <dehinton@ky.gov>

Sent: Thursday, January 4, 2024 7:11 AM

To: Jeffrey Edwards <jedwards@cityofsomerset.com>; Dana Whitis <dwhitis@cityofsomerset.com>

Cc: Rogness, Benjamin (PSC) <benjamin.rogness@ky.gov>

Subject: EXTERNAL SENDER: RE: EXTERNAL SENDER: RE: EXTERNAL SENDER: RE: KY-PSC Electronic Filing Center NotificationTFS2023-00575

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Mr. Edwards,

I was checking to see if you have been able to gather the following information:

- Support for the rates (how they were calculated, copy of rate study if one was done, etc.)
- Last 2 audits of the City of Somerset Water Service

Staff will need that information in order to review the reasonableness of the proposed rates.

The information can be emailed to us at the addresses above.

If you have any questions, please let me know.

Thanks.

Daniel

ORDINANCE NUMBER 10-05

AN ORDINANCE ADOPTING THE CITY OF SOMERSET, KENTUCKY ANNUAL BUDGET FOR THE FISCAL YEAR BEGINNING JULY 1, 2010 AND ENDING JUNE 30, 2011 ESTIMATING REVENUES AND RESOURCES AND APPROPRIATING FUNDS OF THE CITY OF SOMERSET, KENTUCKY; AND AMENDING THE WATER AND WASTEWATER RATE STRUCTURE ADOPTED WITH THE 2009-2010 ANNUAL BUDGET, ALL WHICH SHALL BE IN EFFECT JULY 1, 2010;

WHEREAS, AN ANNUAL BUDGET PROPOSAL AND MESSAGE HAVE BEEN PREPARED AND DELIVERED TO THE COMMON COUNCIL OF THE CITY OF SOMERSET, KENTUCKY; AND WHEREAS AN AMENDMENT TO THE WATER AND WASTEWATER RATE STRUCTURE HAS BEEN DETERMINED BY THE CITY TO BE NECESSARY; AND

WHEREAS, THE COMMON COUNCIL HAS RECEIVED THE PROPOSED BUDGET AND MADE NECESSARY MODIFICATIONS; AND FURTHER HAS RECEIVED THE PROPOSED WATER AND WASTEWATER RATE STRUCTURE AS SET FORTH IN THE EXHIBIT ATTACHED HERETO;

NOW THEREFORE, BE IT ORDAINED BY THE CITY OF SOMERSET, KENTUCKY:

SECTION 1. THAT THE ANNUAL BUDGET FOR THE FISCAL YEAR BEGINNING JULY 1, 2010 AND ENDING JUNE 30, 2011 IS HEREBY ADOPTED AS FOLLOWS:

| | REVENUE | EXPENDITURES |
|--------------------|-----------------|-----------------|
| GENERAL FUND | \$12,979,241.00 | \$12,979,241.00 |
| SANITATION SERVICE | \$2,366,000.00 | \$2,366,000.00 |
| GAS SERVICE | \$19,246,100.00 | \$19,246,100.00 |
| WATER SERVICE | \$30,551,000.00 | \$30,551,000.00 |
| WASTEWATER | \$13,685,300.00 | \$13,685,300.00 |
| WATER PARK | \$1,780,550.00 | \$1,780,550.00 |
| PARKS AND REC | \$946,350.00 | \$946,350.00 |
| EMS | \$4,365,510.00 | \$4,365,510.00 |
| TOTAL ALL FUNDS | \$85,920,051.00 | \$85,920,051.00 |

SECTION 2.

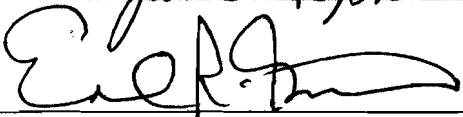
THE CITY OF SOMERSET HEREBY AMENDS THE WATER AND WASTEWATER RATE STRUCTURE AS SET FORTH IN EXHIBIT "A", ATTACHED HERETO AND INCORPORATED IN FULL HEREING BY REFERENCE, FOR THE PERIOD BEGINNING JULY 1, 2010, WHICH SHALL REMAIN IN EFFECT UNTIL SUCH TIME AS IT IS AMENDED OR REPEALED BY PROPER ACTION OF THE COUNCIL.

SECTION 3.


THIS ORDINANCE SHALL TAKE EFFECT AFTER ITS PASSAGE AND UPON PUBLICATION.

FIRST READING June 14, 2010

SECOND READING June 28, 2010

APPROVED 

EDWARD R. GIRDLER, MAYOR
CITY OF SOMERSET, KENTUCKY

ATTEST: 
DAVID GODSEY, CITY CLERK

CITY OF SOMERSET
WATER RATES
EFFECTIVE AS OF JULY 1, 2010

EXHIBIT "A"

(THESE RATES DO NOT REFLECT DISTRICT OR OTHER WATER CONTRACTS)

CITY-ALL CUSTOMERS AND INDUSTRIAL

| | |
|-----------------------------------|----------|
| First 1000 Gallons Used Per Month | \$7.94 |
| Next 9000 | 0.296508 |
| Next 15000 | 0.257833 |
| Next 25000 | 0.244942 |
| Next 50000 | 0.225604 |
| Next 100000 | 0.179196 |

FERGUSON

| | |
|-----------------------------------|----------|
| First 1000 Gallons Used Per Month | \$9.90 |
| Next 9000 | 0.37 |
| Next 15000 | 0.321312 |
| Next 25000 | 0.305247 |
| Next 50000 | 0.281148 |
| Next 100000 | 0.223314 |

ALL OTHER CUSTOMERS OUTSIDE CITY LIMITS

| | |
|-----------------------------------|---------|
| First 1000 Gallons Used Per Month | \$12.17 |
| Next 9000 | 0.45686 |
| Next 15000 | 0.39726 |
| Next 25000 | 0.37741 |
| Next 50000 | 0.34761 |
| Next 100000 | 0.2761 |

CITY OF SOMERSET
WASTEWATER UTILITY RATES
EFFECTIVE AS OF JULY 1, 2010

EXHIBIT "A"

(THESE RATES DO NOT REFLECT WHOLESALE CONTRACTS)

CITY RESIDENTIAL

| | |
|-------------|----------|
| MINIMUM | \$7.74 |
| 11 AND OVER | 0.257834 |

CITY COMMERCIAL AND ALL IN CITY OTHER

| | |
|-------------|----------|
| MINIMUM | 7.74 |
| 11 AND OVER | 0.355814 |

OUTSIDE CITY LIMITS RESIDENTIAL

| | |
|-------------|----------|
| MINIMUM | 11.93 |
| 11 AND OVER | 0.397271 |

OUTSIDE CITY LIMITS COMMERCIAL AND OTHER

| | |
|-------------|----------|
| MINIMUM | 11.93 |
| 11 AND OVER | 0.548238 |

INDUSTRIAL

| | |
|-------------|----------|
| MINIMUM | 7.74 |
| 11 AND OVER | 0.315937 |

ORDINANCE NUMBER 15 - 11

AN ORDINANCE ADOPTING THE CITY OF SOMERSET, KENTUCKY ANNUAL BUDGET FOR THE FISCAL YEAR BEGINNING JULY 1, 2015 AND ENDING JUNE 30, 2016 ESTIMATING REVENUES AND RESOURCES AND APPROPRIATING FUNDS OF THE CITY OF SOMERSET, KENTUCKY; AND ADOPTING THE 2015-2016 FISCAL YEAR WATER AND WASTEWATER RATE STRUCTURE; AND REVIEWING AND APPROVING THE CITY'S CURRENT PAY AND CLASSIFICATION PLAN; AND REVIEWING AND APPROVING THE CITY'S ALCOHOL BEVERAGE CONTROL REGULATORY LICENSE FEE RATE STRUCTURE; ALL WHICH SHALL BE IN EFFECT UPON ADOPTION OF THIS ORDINANCE AND THEREAFTER THE DATE OF PUBLICATION BY LAW, UNLESS OTHERWISE STATED HEREIN; AND

WHEREAS, AN ANNUAL BUDGET PROPOSAL AND MESSAGE HAVE BEEN PREPARED AND DELIVERED TO THE COMMON COUNCIL OF THE CITY OF SOMERSET, KENTUCKY; AND

WHEREAS, ANY NECESSARY AMENDMENTS TO THE CITY'S ANNUAL BUDGET, AND WATER, GAS AND WASTEWATER RATE STRUCTURE, HAS BEEN DETERMINED BY THE COUNCIL AND IS ADOPTED AS SET FORTH HEREIN; AND

WHEREAS, THE CITY'S PAY AND CLASSIFICATION PLAN HAS BEEN REVIEWED AS REQUIRED BY LAW AND ANY NECESSARY AMENDMENTS TO SAID PAY AND CLASSIFICATION PLAN HAS BEEN DETERMINED BY THE COUNCIL AND IS ADOPTED AS SET FORTH HEREIN; AND

WHEREAS THE CITY'S CURRENT ALCOHOL REGULATORY LICENSE FEE RATE STRUCTURE HAS BEEN REVIEWED AS PREVIOUSLY ADOPTED AND AMENDED, AND IS CONFIRMED AS SET FORTH HEREIN;

NOW THEREFORE, BE IT ORDAINED BY THE CITY OF SOMERSET, KENTUCKY:

SECTION 1. THAT THE ANNUAL BUDGET FOR THE FISCAL YEAR BEGINNING JULY 1, 2015 AND ENDING JUNE 30, 2016 IS HEREBY ADOPTED AS FOLLOWS:

| | REVENUE | EXPENDITURES |
|---------------|-----------------|-----------------|
| GENERAL FUND | \$18,957,595.00 | \$18,957,595.00 |
| CEMETERY FUND | \$95,350.00 | \$95,350.00 |

| | | |
|--------------------|-----------------|-----------------|
| SANITATION SERVICE | \$2,612,500.00 | \$2,612,500.00 |
| GAS SERVICE | \$17,131,500.00 | \$17,131,500.00 |
| WATER SERVICE | \$7,650,700.00 | \$7,650,700.00 |
| WASTEWATER | \$3,182,000.00 | \$3,182,000.00 |
| WATER PARK | \$1,399,800.00 | \$1,399,800.00 |
| FUEL CENTER | \$217,100.00 | \$217,100.00 |
| TRAVEL AND TOURISM | \$200,000.00 | \$200,000.00 |
| PARKS AND REC | \$1,230,750.00 | \$1,230,750.00 |
| EMS | \$4,477,336.00 | \$4,477,336.00 |
| TOTAL ALL FUNDS | \$57,154,631.00 | \$57,154,631.00 |

SECTION 2. THE CITY OF SOMERSET HEREBY AMENDS THE WATER AND WASTEWATER RATE STRUCTURE AS SET FORTH IN EXHIBIT "A", ATTACHED HERETO AND INCORPORATED IN FULL HEREIN BY REFERENCE, BEGINNING JULY 1, 2015, WHICH SHALL REMAIN IN EFFECT UNTIL SUCH TIME AS IT IS AMENDED OR REPEALED BY PROPER ACTION OF THE COUNCIL.

SECTION 3. THE CITY OF SOMERSET HEREBY REVIEWS AS REQUIRED BY LAW, AND AMENDS THE CITY'S PAY AND CLASSIFICATION PLAN AS SET FORTH IN EXHIBIT "B", ATTACHED HERETO AND INCORPORATED IN FULL HEREIN BY REFERENCE, BEGINNING ON THE EFFECTIVE DATE OF THIS ORDINANCE, WHICH SHALL REMAIN IN EFFECT UNTIL SUCH TIME AS IT IS AMENDED OR REPEALED BY PROPER ACTION OF THE COUNCIL.

SECTION 4. THE CITY OF SOMERSET HEREBY REVIEWS, AND APPROVES, THE CITY'S CURRENT ALCOHOL REGULATORY LICENSE FEE RATE STRUCTURE AS SET FORTH IN EXHIBIT "C", ATTACHED HERETO AND INCORPORATED IN FULL HEREIN BY REFERENCE, BEGINNING THE EFFECTIVE DATE OF THIS ORDINANCE, WHICH SHALL REMAIN IN EFFECT UNTIL SUCH TIME AS

IT IS AMENDED OR REPEALED BY PROPER ACTION OF THE COUNCIL.

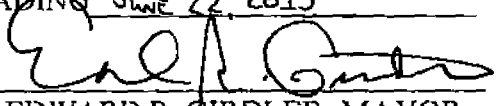
SECTION 5. IF ANY PART OF THIS ORDINANCE, INCLUDING BUT LIMITED TO REVIEWS, AMENDMENTS, AND APPROVALS, IS DEEMED BY A COURT OF COMPETENT JURISDICTION TO BE UNENFORCEABLE OR UNCONSTITUTIONAL, THE REMAINING PROVISIONS OF THIS ORDINANCE AMENDMENT, AND ANY UN-AMENDED PORTIONS OF THE ORIGINAL ORDINANCES REFERRED TO HEREIN SHALL CONTINUE IN FULL FORCE AND EFFECT.

SECTION 6. ANY ORDINANCE IN CONFLICT WITH THIS ORDINANCE, OR ANY POLICIES IN CONFLICT WITH THE ONES ENACTED HEREIN ARE REPEALED IN SO FAR AS THE SAME ARE IN CONFLICT HEREWITH.

SECTION 7. THIS ORDINANCE SHALL TAKE EFFECT AFTER ITS APPROVAL AND UPON THE DATE OF PUBLICATION UNLESS STATED OTHERWISE IN THE BODY OF THIS ORDINANCE.

FIRST READING JUNE 8, 2015

SECOND READING JUNE 22, 2015

APPROVED 
EDWARD R. GIRDLER, MAYOR
CITY OF SOMERSET, KENTUCKY

ATTEST: 
NICK BRADLEY, CITY CLERK

CITY OF SOMERSET, KENTUCKY

WATER RATES

EXHIBIT "A"

EFFECTIVE Jul-15

July, 2015

(THESE RATES DO NOT REFLECT WHOLESALE DISTRICT OR OTHER CONTRACTS)

CITY-ALL CUSTOMERS INCLUDING INDUSTRIAL IN CITY LIMITS

| | |
|-----------------------------------|--------|
| First 1000 gallons Used Per Month | \$7.94 |
| Next 9000 | 0.296 |
| Next 15000 | 0.258 |
| Next 25000 | 0.245 |
| Next 50000 | 0.226 |
| Next 100000 | 0.181 |

FERGUSON

| | |
|-----------------------------------|---------|
| First 1000 gallons Used Per Month | \$10.85 |
| Next 9000 | 0.43 |
| Next 15000 | 0.36 |
| Next 25000 | 0.34 |
| Next 50000 | 0.32 |
| Next 100000 | 0.29 |

ALL OTHER CUSTOMERS INCLUDING INDUSTRIAL OUTSIDE CITY

| | |
|-----------------------------------|---------|
| First 1000 Gallons Used Per Month | \$13.80 |
| Next 9000 | 0.52 |
| Next 15000 | 0.48 |
| Next 25000 | 0.42 |
| Next 50000 | 0.39 |
| Next 100000 | 0.35 |

CITY OF SOMERSET, KENTUCKY

WASTEWATER UTILITY RATES

EFFECTIVE Jul-15

EXHIBIT "A"

(THESE RATES DO NOT INCLUDE WHOLESALE CONTRACTS)

CITY RESIDENTIAL

| | |
|-------------------|--------|
| MINIMUM | \$7.74 |
| 11 UNITS AND OVER | 0.26 |

CITY COMMERCIAL AND ALL IN CITY OTHER

| | |
|-------------------|---------|
| MINIMUM | \$10.00 |
| 11 UNITS AND OVER | 0.36 |

OUTSIDE CITY LIMITS RESIDENTIAL

| | |
|-------------------|---------|
| MINIMUM | \$13.75 |
| 11 UNITS AND OVER | 0.55 |

OUTSIDE CITY LIMITS COMMERCIAL AND OTHER

| | |
|-------------------|---------|
| MINIMUM | \$20.00 |
| 11 UNITS AND OVER | 0.62 |

INDUSTRIAL IN CITY LIMITS

| | |
|-------------------|---------|
| MINIMUM | \$20.00 |
| 11 UNITS AND OVER | 0.37 |

INDUSTRIAL OUTSIDE CITY LIMITS

| | |
|-------------------|---------|
| MINIMUM | \$25.00 |
| 11 UNITS AND OVER | 0.62 |

FERGUSON

| | |
|----------------|-------|
| MINIMUM | 12.48 |
| 1000 AND ABOVE | 0.44 |

CITY OF SOMERSET
NATURAL GAS RATES
JULY 2015

Exhibit A-Utility Rates

These rates do not reflect contractual or special rates as may be determined by City for economic development related activities.

CITY RESIDENTIAL

| | |
|----------------|-----------------------------|
| Minimum Charge | \$6.43 (*) Less than 1 unit |
| All Volumes | 7.08 |

CITY COMMERCIAL

| | |
|----------------|------------------------------|
| Minimum Charge | 7.08 (Any usage less than 1) |
| All Volumes | 7.98 |

CITY INDUSTRIAL

| | |
|----------------|------------------------------|
| Minimum Charge | 7.50 (Any usage less than 1) |
| All Volumes | 8.93 |

NON-CITY RESIDENTIAL

| | |
|----------------|------------------------------|
| Minimum Charge | 7.08 (Any usage less than 1) |
| All Volumes | 12.36/DTH |

NON-CITY COMMERCIAL/INDUSTRIAL

| | |
|----------------|-------------------------------|
| Minimum Charge | 12.15 (Any usage less than 1) |
| All Volumes | 12.36 |

EDUCATIONAL/SERVICE

| | |
|----------------|------------------------------|
| Minimum Charge | 7.08 (Any usage less than 1) |
| All Volumes | 7.08 |

HEAVY INDUSTRIAL OR LARGE USERS-NEGOTIATED RATES AND CONTRACT AUTHORIZED

CLASSIFICATION AND PAY SCHEDULE
 CITY OF SOMERSET
 EFFECTIVE Jul-15

10

| TITLE/CLASSIFICATION | NO. | MINIMUM | | AVG | | MAXIMUM | SUBJECT TO OVERTIME |
|----------------------------------|-----|---------|-------|-------|-------|---------|---------------------|
| CITY CLERK | 1 | 40000 | 19.23 | 50000 | 24.03 | 68500 | 32.93 x |
| ASST CITY CLERKS | 2 | 18200 | 8.75 | 24000 | 11.53 | 38500 | 16.83 X |
| BUDGET DIRECTOR | 1 | 35000 | 16.83 | 45000 | 21.63 | 57500 | 27.64 X |
| ACCOUNTANT | 2 | 25000 | 12.02 | 30000 | 14.42 | 65000 | 31.25 X |
| CHIEF FINANCIAL OFFICER | 1 | 65000 | 31.25 | 70000 | 33.65 | 79500 | 38.22 x |
| ACCOUNTING/CLERKS | 4 | 18200 | 8.75 | 24000 | 11.53 | 40500 | 19.47 X |
| PURCHASING AGENT | 1 | 30000 | 14.42 | 38000 | 18.26 | 49000 | 23.56 X |
| OFFICE MANAGER/SECRETARY | 1 | 22880 | 11 | 28000 | 13.46 | 35360 | 17 X |
| HR DIRECTOR | 1 | 28000 | 13.46 | 37000 | 16.82 | 49500 | 23.8 X |
| SAFETY /PROPERTY INS COORDINATOR | 1 | 35000 | 16.82 | 40000 | 19.23 | 46000 | 22.11 X |
| CITY ATTORNEY | 1 | 65000 | 31.25 | 75000 | 36.06 | 90000 | 43.27 |
| HOUSING SPECIALIST | 1 | 28500 | 13.7 | 32500 | 15.63 | 38000 | 18.27 X |
| CITY ENGINEER | 1 | 55000 | 26.44 | 65000 | 31.25 | 82750 | 39.78 X |
| CITY PLANNER | 1 | 35000 | 16.83 | 42500 | 20.43 | 48500 | 23.31 X |
| BUILDING INSPECTOR | 1 | 35000 | 16.83 | 40000 | 19.23 | 47500 | 22.11 X |
| CODE ENFORCEMENT | 1 | 35000 | 16.83 | 40000 | 19.23 | 58000 | 27.88 X(LONGEVITY) |
| PLANNING ASSISTANTS | 3 | 18720 | 9 | 24000 | 11.53 | 35360 | 17 X |
| CLERKS | 2 | 18720 | 9 | 24000 | 11.53 | 38000 | 18.27 X |
| INFORMATION TECHNOLOGY | 2 | 40000 | 19.23 | 50000 | 24.03 | 65000 | 31.25 X |
| DOWNTOWN DIRECTOR | 1 | 40000 | 19.23 | 50000 | 24.03 | 56000 | 26.92 X(TRANSFER) |
| DOWNTOWN ASSISTANT | 1 | 25000 | 12.02 | 30000 | 14.42 | 36000 | 17.31 X(TRANSFER) |
| ABC ADMINISTRATOR | 1 | 35000 | 16.82 | 45000 | 21.63 | 50000 | 24.03 x |
| ABC LICENSING AND REVENUE COORD | 1 | 28000 | 13.46 | 35000 | 16.83 | 38000 | 18.27 X |

NATURAL GAS DEPARTMENT

| | | | | | | | |
|-----------------------------|---|-------|-------|-------|-------|-------|---------------|
| DIRECTOR | 1 | 55000 | 26.44 | 65000 | 31.25 | 75000 | 36.06 x |
| OPERATIONS MANAGER | 1 | 35000 | 16.83 | 40000 | 19.23 | 54000 | 25.96 X |
| NG ENGINEER | 1 | 55000 | 26.44 | 65000 | 31.25 | 73000 | 35.1 x |
| ECONOMIC/BUSINESS/MARKETING | 4 | 40000 | 19.23 | 45000 | 21.63 | 50000 | 24.04 X |
| FOREMEN | 4 | 30000 | 14.42 | 35000 | 16.83 | 55000 | 25 XLONGEVITY |
| OPERATORS/SPECIALIST | 6 | 25000 | 12.02 | 30000 | 14.42 | 49500 | 23.8 X |
| SERVICE TECHNICIANS | 4 | 18200 | 8.75 | 30000 | 14.42 | 48500 | 23.31 X |
| CORROSION TECHNICIANS | 2 | 30000 | 14.42 | 35000 | 16.83 | 42000 | 20.19 X |
| METER READERS/GENERAL | 3 | 18200 | 8.75 | 24000 | 11.53 | 32990 | 15.86 X |
| CLERK/ACCOUNTING | 2 | 18200 | 8.75 | 24000 | 11.53 | 32990 | 15.86 X |

11

WATER AND SEWER DEPARTMENT

| | | | | | | | |
|-----------------------------------|----|-------|-------|-------|-------|-------|--------------------|
| WATER/SEWER DIRECTOR | 1 | 45000 | 21.63 | 55000 | 26.44 | 71500 | 34.37 X |
| TECHNICIANS | 22 | 22500 | 10.81 | 35000 | 16.82 | 50500 | 24.28 X |
| FOREMEN | 4 | 24000 | 11.53 | 36000 | 17.3 | 50500 | 24.28 X |
| PLANT SUPERVISOR/WATER | 1 | 30000 | 14.42 | 38000 | 18.27 | 55600 | 26.73 x |
| COORDINATOR/W-S PROGRAMS | 1 | 28000 | 13.46 | 35000 | 16.82 | 41000 | 19.23 X |
| CROSS CONNECTION SPECIALIST | 1 | 25000 | 12.01 | 35000 | 16.82 | 41500 | 18.51 X |
| EQUIPMENT OPERATORS | 3 | 25000 | 12.01 | 35000 | 16.82 | 38500 | 18.51 X |
| METER READERS/GENERAL | 4 | 18200 | 8.75 | 24000 | 11.53 | 32990 | 15.86 X |
| PLANT SUPERVISOR/SEWER | 2 | 30000 | 14.42 | 36000 | 17.3 | 60500 | 26.44 X(LONGEVITY) |
| ASSISTANT DIRECTOR FOR OPERATIONS | 1 | 35000 | 16.83 | 42000 | 20.19 | 58000 | 27.88 XLONGEVITY |
| OPERATIONS CLERKS | 2 | 18200 | 8.75 | 30000 | 14.42 | 44930 | 21.6 X |
| LIFT STATION TECHNICIANS | 2 | 25000 | 12.01 | 35000 | 16.82 | 46000 | 22.11 X |
| GENERAL | 4 | 18200 | 8.75 | 24000 | 11.53 | 33000 | 15.86 X |
| PRETREATMENT CLERK | 1 | 18200 | 8.75 | 24000 | 11.53 | 33000 | 15.86 X |

UTILITY BILLING

| | | | | | | | |
|--------------------|---|-------|-------|-------|------|-------|------------------|
| BILLING SUPERVISOR | 1 | 25000 | 12.02 | 28500 | 13.7 | 38500 | 18.51 x |
| BILLING CLERKS | 6 | 18200 | 8.75 | 26000 | 12.5 | 41000 | 19.71 XLONGEVITY |

PARKS AND RECREATION

| | | | | | | | |
|------------------------|---|-------|-------|-------|-------|-------|------------------|
| DIRECTOR | 1 | 40000 | 19.23 | 47500 | 22.84 | 56000 | 26.92 X |
| SUPERVISORS/PROGRAM | 2 | 25000 | 12.01 | 30000 | 14.42 | 40500 | 19.47 X |
| PROGRAM SPECIALIST | 5 | 25000 | 12.01 | 30000 | 14.42 | 40500 | 19.47 X |
| ACTIVITIES/MAINTENANCE | 5 | 18200 | 8.75 | 25000 | 12.02 | 36000 | 17.31 XLONGEVITY |
| GENERAL LABORER | 2 | 18200 | 8.75 | 22000 | 10.58 | 27500 | 13.22 X |
| CEMETARY MANAGER | 1 | 28500 | 13.7 | 30000 | 14.42 | 35000 | 16.83 X |

12

WATER PARK

| | | | | | | | |
|-----------------------|---|-------|-------|-------|-------|-------|---------|
| MANAGER | 1 | 38000 | 18.27 | 44000 | 21.15 | 50000 | 24.04 X |
| OPERATIONS/SUPERVISOR | 1 | 26000 | 12.5 | 34000 | 16.34 | 40000 | 19.23 X |
| MAINTENANCE | 1 | 18200 | 8.75 | 25000 | 12.01 | 30000 | 14.42 X |

STREETS AND SANITATION

| | | | | | | | |
|----------------------|----|-------|-------|-------|-------|-------|------------------|
| MANAGER/STREETS | 1 | 36000 | 17.31 | 42000 | 20.19 | 56000 | 26.92 X |
| FORE MAN | 2 | 26000 | 12.5 | 32000 | 15.38 | 43500 | 20.91 X |
| SOLID WASTE HANDLERS | 11 | 18200 | 8.75 | 32000 | 15.38 | 48000 | 23.08 X |
| TRUCK DRIVERS | 4 | 24000 | 11.54 | 32000 | 15.38 | 48500 | 23.31 X |
| SERVICE WORKERS | 9 | 18200 | 8.75 | 25000 | 12.01 | 45000 | 21.63 XLONGEVITY |
| MECHANICS | 2 | 22800 | 10.96 | 30000 | 14.42 | 46000 | 22.11 XLONGEVITY |
| CLERK | 2 | 18200 | 8.75 | 25000 | 12.01 | 30000 | 14.42 X |
| MANAGER/SANITATION | 1 | 36000 | 17.31 | 42000 | 20.19 | 56000 | 26.92 X |

FUEL CENTER

| | | | | | | | |
|---------|---|-------|------|-------|-------|-------|---------|
| MANAGER | 1 | 26000 | 12.5 | 32000 | 15.38 | 36500 | 17.54 X |
| CLERK | 1 | 18200 | 8.75 | 24000 | 11.54 | 28000 | 13.46 X |

FIRE DEPARTMENT

| | | | | | | | |
|---------------------------|----|-------|-------|-------|-------|-------|---------|
| FIRE CHIEF | 1 | 42000 | 20.19 | 48000 | 23.08 | 58000 | 27.89 X |
| TRAINING OFFICER /CAPTAIN | 1 | 37000 | 17.79 | 43000 | 20.67 | 55000 | 26.44 X |
| MAJOR | 3 | 34000 | 16.34 | 38500 | 18.51 | 59000 | 28.37 X |
| CAPTAIN | 3 | 32000 | 15.38 | 37500 | 18.03 | 52000 | 23.55 X |
| LIEUTENANT | 7 | 30500 | 14.66 | 33500 | 16.1 | 49000 | 23.56 X |
| FIREFIGHTERS | 12 | 23000 | 11.06 | 26500 | 12.74 | 44000 | 21.15 X |

13

POLICE DEPARTMENT

| | | | | | | | |
|------------------|----|-------|-------|-------|-------|-------|--------------------|
| POLICE CHIEF | 1 | 45000 | 21.63 | 55000 | 26.44 | 62000 | 29.81 X |
| CAPTAIN | 4 | 37500 | 18.01 | 45000 | 21.63 | 56000 | 26.92 X(LONGEVITY) |
| LIEUTENANTS | 3 | 35000 | 16.82 | 42500 | 20.43 | 50000 | 24.01 X |
| SARGENTS | 3 | 32500 | 15.62 | 40000 | 19.23 | 47500 | 22.84 X |
| DETECTIVES | 3 | 35000 | 16.82 | 42500 | 20.43 | 50000 | 24.01 X |
| POLICE OFFICERS | 25 | 23000 | 11.05 | 35000 | 16.82 | 42000 | 20.19 X |
| PROPERTY OFFICER | 1 | 18200 | 8.75 | 25000 | 12.02 | 34000 | 16.35 X |
| SPANISH LIASON | 1 | 18200 | 8.75 | 25000 | 12.01 | 30000 | 14.42 X |
| CLERK/DATA ENTRY | 2 | 18200 | 8.75 | 25000 | 12.01 | 38000 | 18.27 LONGEVITY |
| SAFETY OFFICER | 1 | 18200 | 8.75 | 25000 | 12.02 | 30000 | 14.42 X |

EMS DEPARTMENT

| | | | | | | | |
|-----------------------|----|-------|-------|-------|-------|-------|-----------------|
| EMS CHIEF | 1 | 48000 | 23.08 | 54000 | 25.96 | 60000 | 28.85 X |
| MAJOR | 3 | 44000 | 21.15 | 50000 | 24.04 | 55000 | 26.44 X |
| CAPTAIN | 4 | 42000 | 20.19 | 48000 | 23.01 | 53000 | 25.48 X |
| LIEUTENANT | 4 | 35000 | 18.27 | 40000 | 19.23 | 51000 | 24.52 X |
| PARAMEDICS(*) | 29 | 30000 | 14.42 | 35000 | 16.83 | 45000 | 21.63 X |
| EMT (*) | 6 | 23000 | 11.06 | 28000 | 13.46 | 36000 | 17.31 X |
| TRAINING DIRECTOR | 1 | 26000 | 12.5 | 35000 | 16.83 | 45000 | 21.63 X |
| OFFICE/CLERICAL | 3 | 18200 | 8.75 | 28500 | 13.7 | 41500 | 19.95 LONGEVITY |
| EMS QUALITY ASSURANCE | 1 | 26000 | 12.5 | 28500 | 13.7 | 38000 | 18.27 X |

(*) PARAMEDICS AND EMT INTERCHANGEABLE WITH POSITIONS

City of Somerset

Alcoholic Beverage Regulatory License Fee Schedule

- All alcoholic beverages sold by the drink 6% of gross sales
- Retail sales of package distilled spirits and wine 5% of gross sales
- Retail sales of package malt beverages 4% of gross sales

**CITY OF SOMERSET
FINDING IN SUPPORT OF
ALCOHOLIC BEVERAGE REGULATORY LICENSE FEE SCHEDULE**

At the regularly scheduled meeting of the Common Council of the City of Somerset, Kentucky, held on Monday, June 22, 2015, the Council met and upon motion and sufficient vote as reflected in the minutes, hereby, approved and made the following findings in support of the City of Somerset's Alcoholic Beverage Regulatory License Fee Schedule, which was adopted by Alcohol Beverage Control Ordinance 13-19 and which is attached as Exhibit C to the 2015-2016 Budget of the City of Somerset. The City Clerk is hereby directed to make and include these findings as an addition to this Exhibit C of the 2015-2016 Budget.

1. Pursuant to KRS 243.075(1), the City of Somerset "is authorized to impose a regulatory license fee upon the gross receipts of the sale of alcoholic beverages," which "may be levied at the beginning of each budget period."
2. City of Somerset Ordinance 12-09 first imposed and levied the regulatory license fee authorized by KRS 243.075(1) and the fee has continued to be levied by the City's budget ordinance for each budget period thereafter, including the City's 2015-2016 budget herein.
3. The fee authorized by KRS 243.075(1) is subject to KRS 243.075(4) "[a]fter July 15, 2014," which becomes applicable to the City beginning with its 2015-2016 budget period from July 1, 2015 through June 30, 2016.
4. In relevant part, KRS 243.075(4) requires:

[The fee] shall be established at a rate that will generate revenue that does not exceed the total of the reasonable expenses actually incurred by the city or county in the immediately previous fiscal year for the additional cost, as demonstrated by reasonable evidence, of:

- (a) Policing;
- (b) Regulation; and
- (c) Administration;

as a result of the sale of alcoholic beverages within the city or county.

5. For the City's 2015-2016 budget period, the alcohol regulatory license fee rates levied above are estimated to generate revenues in the amount of \$600,000.00.

6. Pursuant to and in accordance with KRS 243.075(4), it is the finding of the City Council of the City of Somerset that revenues in the amount of \$600,000.00 do not exceed the total reasonable expenses for the additional costs of policing, regulation, and administration incurred by the City from the immediately previous fiscal year as a result of the sale of alcoholic beverages based on the following reasonable evidence:
- a. Personnel costs for the City's Alcoholic Beverage Control office have been \$172,896.07 (including compensation and benefits) for July 2014 through May 2015, with data for June 2015 incomplete at the time of preparation of these findings. Final personnel costs to include June 2015 are reasonably estimated to be \$189,000.00.¹ It is the finding of the City Council that these personnel costs to staff the City's Alcoholic Beverage Control office were actually incurred and reasonable for the regulation and administration of the sale of alcoholic beverages within the City.
 - b. Rent for the City's Alcoholic Beverage Control office is \$1,000.00 per month, or \$12,000.00 annually.² It is the finding of the City Council that this rent for the City's Alcoholic Beverage Control office was actually incurred and reasonable for the regulation and administration of the sale of alcoholic beverages within the City.
 - c. Other operating costs (excluding personnel and rent) reported by the City's Alcoholic Beverage Control office have been \$69,513.80 for July 2014 through May 2015, with data for June 2015 incomplete at the time of preparation of these findings. Final operating costs to include June 2015 are reasonably estimated to be \$76,000.00.³ It is the finding of the City Council that these operating costs for the City's Alcoholic Beverage Control office were actually incurred and reasonable for the regulation and administration of the sale of alcoholic beverages within the City.
 - d. In addition to operating costs reported by the City's Alcoholic Beverage Control Office, the City's departments, including its Alcoholic Beverage Control office, receive general and administrative support from the City for certain operations, such as accounting, payroll, human resources, etc. The City's total allocable general and administrative expenses have been \$2,368,584.51 for July 2014 through May 2015, with data for June 2015 incomplete at the time of preparation of these findings. Final total allocable general and administrative expenses to include June 2015 are reasonably estimated to be \$2,583,910.37. Using total department costs less out of ordinary expenses to allocate general and administrative expenses, the Alcoholic

¹ Source: Expense reports maintained by Somerset Chief Finance Officer Michelle King. For convenience, final projected costs have been rounded to the nearest thousand. Since data for 2014-2015 is incomplete, the figures are unaudited at this time. However, the findings are believed to be conservative and reasonable because final figures will likely increase.

² Source: Expense reports maintained by Somerset Chief Finance Officer Michelle King.

³ Source: Expense reports maintained by Somerset Chief Finance Officer Michelle King. For convenience, final projected costs have been rounded to the nearest thousand. Since data for 2014-2015 is incomplete, the figures are unaudited at this time. However, the findings are believed to be conservative and reasonable because final figures will likely increase.

Beverage Control office's allocation is 1.10%, which equals \$28,000.⁴ It is the finding of the City Council that these allocated general and administrative expenses for the City's Alcoholic Beverage Control office were actually incurred and reasonable for the regulation and administration of the sale of alcoholic beverages within the City.

e. Total operating expenses for the City's Police Department have been \$3,086,047.73 for July 2014 through May 2015, with data for June 2015 incomplete at the time of preparation of these findings. Final operating costs to include June 2015 are reasonably estimated to be \$3,367,000.00.⁵ It is the finding of the City Council that the sale of alcoholic beverages within the City has consumed at least 10% or more of the Police Department's resources through additional policing costs, which equals at least \$337,000.00 of the Police Department's operating budget. The reasonable evidence in support of this finding includes:

i. Since the City discontinued prohibition in mid-2012, the increase in arrests for all crimes as well as for alcohol-specific offenses has been significant and well above average. Table 1.1 compares arrests for all crimes as well as for alcohol-specific offenses from 2011 (the City's last full year of prohibition) with 2013 and 2014 (the City's first two full years of alcohol sales). Table 1.2 reflects the average number of arrests for all crimes as well as for alcohol-specific offenses for the three-year period from 2009 to 2011 with the two-year period from 2013 to 2014. The City's 2013 and 2014 arrests ranged from 19% to 29% higher from 2011. Although DUI arrests did not increase as dramatically, AI arrests spiked by 57% during those time periods. Based on multi-year average comparisons, total arrests increased by 20% and AI arrests increased by 37%.⁶

Table 1.1

| | 2011 | 2013 | 2014 | % Change |
|-----------------------------|-------------|-------------|-------------|--|
| Total arrests all crimes | 1,572 | 1,871 | 2,025 | 19% increase between 2011 and 2013 29% increase between 2011 and 2014 |
| DUI arrests | 237 | 259 | 235 | 9% increase between 2011 and 2013 No increase between 2011 and 2014 |
| AI arrests | 125 | 196 | 196 | 57% increase from 2011 compared to 2013 and 2014 |

⁴ Source: Department General and Administrative Expense allocation based on total department cost prepared by Somerset Chief Finance Officer Michelle King. For convenience, final projected allocation has been rounded to the nearest thousand. Since data for 2014-2015 is incomplete, the figures are unaudited at this time. However, the findings are believed to be conservative and reasonable because final figures will likely increase.

⁵ Source: Expense reports maintained by Somerset Chief Finance Officer Michelle King. For convenience, final projected costs have been rounded to the nearest thousand. Since data for 2014-2015 is incomplete, the figures are unaudited at this time. However, the findings are believed to be conservative and reasonable because final figures will likely increase.

⁶ Source: Crime data maintained by the Somerset Police Captain Shannon Smith.

Table 1.2

| | 2009 to 2011 avg. | 2013 to 2014 avg. | % Change |
|-----------------------------|------------------------------|------------------------------|------------------------------------|
| Total arrests all crimes | 1,628 | 1,948 | 20% more arrests for all crimes |
| DUI arrests | 300 | 247 | 21% less DUI arrests |
| AI arrests | 143 | 196 | 37% more AI arrests |

- ii. The increase in arrests after prohibition was discontinued as reflected by Somerset's internal police crime data is corroborated by county-wide arrest data. In addition to Somerset's Police Department, several other law enforcement agencies operate within Somerset and/or Pulaski County. Published county-wide arrest data, which includes all of these agencies, establishes similar increases in arrest data. Table 2 compares 2011 to 2013 arrest data. Total arrests in Pulaski County increased by 48% from 2011 to 2013 and drunkenness offenses increased by 25%, which corroborates the City's arrest data. While DUI arrests by Somerset's Police Department only increased by 9% from 2011 to 2013, DUI arrests in Pulaski County by all law enforcement agencies increased by 27%.⁷

Table 2

| | 2011 | 2013 | Increase |
|--------------------------|-------------|-------------|-----------------|
| Total arrests all crimes | 3,416 | 5,046 | 48% |
| DUI arrests | 377 | 478 | 27% |
| Drunkenness arrests | 266 | 333 | 25% |

- iii. The correlation between discontinuing prohibition and increased police activity is not isolated to the City of Somerset or Pulaski County. The most recent state-wide published arrest data also reflects higher arrest rates for jurisdictions having discontinued prohibition (wet counties) compared to jurisdictions that have not (dry counties). Table 3.1 compares 2013 arrest data for all crimes between dry counties (all of which have populations below 30,000) and similarly sized wet counties with populations below 30,000 as well as wet counties with populations between 30,000 and 90,000. Tables 3.2 and 3.3 reflect the same comparison for 2013 DUI and drunkenness arrest data. To adjust for population differences, total arrests were divided by total population and then multiplied by 1000 to compute arrest rates per 1000

⁷ Source: Kentucky State Police, Crime in Kentucky (2011) and (2013) (available at www.kentuckystatepolice.org). County-wide arrest data published by Kentucky State Police is not yet available for 2014.

persons. The arrest rates for jurisdictions having discontinued prohibition are 30% to 60% higher, which further corroborates the City's arrest data.⁸

Table 3.1

| | Arrest rate all crimes | Increase |
|-----------------------------------|-----------------------------------|--|
| Dry Counties (below 30K pop.) | 77.6 | - |
| Wet Counties (below 30K pop.) | 100.5 | 30% higher arrest rate than dry counties |
| Wet Counties (30K to 90K pop.) | 115.6 | 49% higher arrest rate than dry counties |

Table 3.2

| | DUI arrest rate | Increase |
|-----------------------------------|----------------------------|--|
| Dry Counties (below 30K pop.) | 5.1 | - |
| Wet Counties (below 30K pop.) | 8.2 | 61% higher DUI arrest rate than dry counties |
| Wet Counties (30K to 90K pop.) | 7.6 | 49% higher DUI arrest arrest than dry counties |

Table 3.3

| | Drunkenness arrest rate | Increase |
|-----------------------------------|------------------------------------|--|
| Dry Counties (below 30K pop.) | 3.9 | - |
| Wet Counties (below 30K pop.) | 5.8 | 49% higher drunkenness arrest rate than dry counties |
| Wet Counties (30K to 90K pop.) | 5.7 | 46% higher drunkenness arrest rate than dry counties |

⁸ Source: Kentucky State Police, Crime in Kentucky (2013) (available at www.kentuckystatepolice.org); Kentucky Department of Alcoholic Beverage Control, Wet-Dry-Moist Territories (January 2015) (available at www.abc.ky.gov); U.S. Census Bureau, Annual Estimates of Resident Population (July 2014) (available at www.factfinder.census.gov). The 2013 crime report is the most recent state-wide published crime data; the 2014 crime report has not yet been released by Kentucky State Police. Since 2013 crime data was used, 2013 population estimates were also used, which were released as recently as July 2014. To compare dry and wet jurisdictions, dry counties include those for which prohibition had not been discontinued by the county or any cities or precincts within the county while wet counties included those for which prohibition had been discontinued by the county or all of its cities. Counties which were moist or wet in some but not all cities or precincts were not compared because of the difficulty in evaluating and controlling for the effect of partial or limited introduction of alcohol sales.

- iv. The 2013 and 2014 increase in the City's arrests has been demonstrably above average and coincides with prohibition having been discontinued, which has been further correlated with increased arrest rates throughout Pulaski Count as well as in other jurisdictions that have also discontinued prohibition. While many variables may influence arrest data, it is the opinion of Somerset Police Chief Doug Nelson that the sale of alcoholic beverages has been an appreciable factor in the City's above-average 2013 and 2014 increases in arrests. The City Council credits the opinion of Chief Nelson as reasonable evidence based on: (a) his experience and expertise from managing the police department for ___ years; (b) his first-hand knowledge of the police department's operations both before and after prohibition was discontinued within the City in mid-2012; and (c) the corroborating local and state statistical data.
- v. It is also the finding of the City Council that an estimated 10% increase in police activity and corresponding consumption of police department resources is supported by reasonable evidence. State arrest data indicates increased police activity in the range of 30% to 60% for jurisdictions having discontinued prohibition, with most increases measuring between 40% and 50%. Somerset's 2013 and 2014 arrest data indicates increased police activity in the range of 20% to 30% after prohibition was discontinued, which Chief Nelson has attributed, in part, to the sale of alcoholic beverages within the City based on his experience and observation. The estimated 10% increase in police activity and corresponding consumption of resources is conservatively below the statistical ranges above and is accordingly reasonable.
- f. Some of the City's policing requires and is performed in conjunction with assistance from the City's Fire Department and EMS services. Total operating expenses for the City's Fire Department have been \$1,861,020.02 for July 2014 through May 2015, with data for June 2015 incomplete at the time of preparation of these findings. Final operating costs to include June 2015 are reasonably estimated to be \$2,030,000.00.⁹ Total operating expenses for the City's EMS have been \$3,485,416.65 for July 2014 through May 2015, with data for June 2015 incomplete at the time of preparation of these findings. Final operating costs to include June 2015 are reasonably estimated to be \$3,802,000.00.¹⁰ It is the finding of the City Council that the sale of alcoholic beverages within the City has consumed approximately 5% of the Fire Department and EMS resources through additional policing assistance, which equals \$292,000.00

⁹ Source: Expense reports maintained by Somerset Chief Finance Officer Michelle King. For convenience, final projected costs have been rounded to the nearest thousand. Since data for 2014-2015 is incomplete, the figures are unaudited at this time. However, the findings are believed to be conservative and reasonable because final figures will likely increase.

¹⁰ Source: Expense reports maintained by Somerset Chief Finance Officer Michelle King. For convenience, final projected costs have been rounded to the nearest thousand. Since data for 2014-2015 is incomplete, the figures are unaudited at this time. However, the findings are believed to be conservative and reasonable because final figures will likely increase.

of the combined operating budgets of those two departments. The reasonable evidence in support of this finding includes:

- i. When police respond to fatal or non-fatal injury vehicular accidents, both fire and EMS generally respond to assist. Since the City discontinued prohibition in mid-2012, the increase in alcohol-related fatal and non-fatal injury vehicle accidents has been above average. Table 4.1 compares total alcohol-related fatal and non-fatal injury accidents from 2011 (the City's last full year of prohibition) with 2013 (the City's first full year of alcohol sales) in proportion to total fatal and non-fatal injury accidents during both of those years. Table 4.2 reflects the same data compared to a three-year average from 2009 to 2011 before prohibition was discontinued. Although the number of fatal and non-fatal accidents declined in 2013 by 19% to 28% compared to 2011 and the three-year 2009 to 2011 average, the number of alcohol-related accidents nearly doubled by comparison. Due to the declining total accidents and increasing alcohol-related accidents, the proportion of alcohol-related accidents more than doubled from 3.9% to 8.8%.¹¹ For reported collisions, Somerset Police Department records also indicate whether drinking is suspected. Somerset Police Department records also reflect a near doubling of suspected alcohol-related vehicular collisions in 2013 compared to 2009 to 2011, which is reflected by Table 4.3.¹²

Table 4.1

| | 2011 | 2013 | % Change |
|---|-------------|-------------|-----------------|
| Alcohol-related fatal and non-fatal vehicle accidents | 12 | 23 | 92% increase |
| Total fatal and non-fatal vehicle accidents | 311 | 262 | 19% decrease |
| Proportion | 3.9% | 8.8% | - |

¹¹ Source: Kentucky State Police, Traffic Collision Facts (2009), (2010), (2011), and (2013). The traffic collision facts published by Kentucky State Police do not reflect city-by-city statistics but are aggregated based on state and county jurisdictions only; however, the City's EMS responds county-wide. Tables 4.1 and 4.2 reflect traffic collision facts published for Pulaski County for 2009, 2010, 2011, and 2013. Since prohibition was discontinued in mid-2012, the data from that year has not been included. Traffic collision data for 2014 has not yet been published by the Kentucky State Police. Neither the City's fire nor EMS services maintain internal statistics distinguishing alcohol from non-alcohol incidents. The City's Fire Department does not respond county-wide but collisions within the City account for most of Pulaski County's collision data.

¹² Source: Crime data maintained by the Somerset Captain Shannon Smith.

Table 4.2

| | 2009-2011 Average | 2013 | % Change |
|---|------------------------------|-------------|-----------------|
| Alcohol-related fatal and non-fatal vehicle accidents | 13 | 23 | 77% increase |
| Total fatal and non-fatal vehicle accidents | 335 | 262 | 28% decrease |
| Proportion | 3.9% | 8.8% | - |

Table 4.3

| | 2009 | 2010 | 2011 | 2013 |
|---|-------------|-------------|-------------|-------------|
| Collisions for which police reported that alcohol was suspected | 15 | 10 | 17 | 28 |

- ii. It is the opinion of Somerset Fire Chief Stephen Jasper that the sale of alcoholic beverages is an appreciable factor in the above-average 2013 increases in alcohol-related fatal and non-fatal vehicle accidents. The City Council credits the opinion of Chief Jasper as reasonable evidence based on: (a) his experience and expertise from working within emergency services for five years; (b) his first-hand knowledge of the fire department's operations both before and after prohibition was discontinued within the City in mid-2012; and (c) the corroborating statistical data.
- iii. It is the opinion of Somerset/Pulaski EMS Chief Duncan that the sale of alcoholic beverages is an appreciable factor in the above-average 2013 increases in alcohol-related fatal and non-fatal vehicle accidents. The City Council credits the opinion of Chief Duncan as reasonable evidence based on: (a) his experience and expertise from managing the EMS department for ___ years; (b) his first-hand knowledge of EMS department operations both before and after prohibition was discontinued within the City in mid-2012; and (c) the corroborating statistical data
- iv. In addition to assisting with police with fatal and non-fatal vehicle accidents, fire and EMS also assist police on other non-vehicular calls. Although data is unavailable regarding whether these calls involved alcohol, it is the opinion of Chief Jasper and Chief Duncan, based on their experience and observation, that alcohol-related non-vehicular calls have increased in similar proportion, with the sale of alcoholic beverages being a factor for that increase. The City Council credits the opinions of Chief Jasper and Chief Duncan for the same reasons stated above.

v. Based on the opinions of Chief Jasper and Chief Duncan as well as the statistical data, the proportion of alcohol-related calls to assist police has increased by approximately 5%. It is the finding of the City Council that an estimated 5% increase in police assistance and corresponding consumption of fire and EMS resources related to the sale of alcoholic beverages within the City is supported by reasonable evidence.

7. From the above findings, the total reasonable expenses for the additional costs of policing, regulation, and administration incurred by the City from the immediately previous fiscal year as a result of the sale of alcoholic beverages based on reasonable evidence includes the sums identified by Table 5, which do not exceed the \$600,000.00 revenues estimated to be generated from the City's alcohol regulatory license fee rates for the 2015-2016 budget period.

Table 5

| Expense | Amount |
|--|---------------------|
| ABC personnel (compensation and benefits) | \$189,000.00 |
| ABC office space rental | \$12,000.00 |
| ABC operating expenses (excluding personnel and rent) | \$76,000.00 |
| ABC general and administrative expense allocation (1.10% of City's total) | \$28,000 |
| Increased consumption of police department resources (10% of operating budget) | \$337,000.00 |
| Increased consumption of fire and EMS resources (5% of combined operating budgets) | \$292,000.00 |
| Total | \$934,000.00 |

8. Since it is the finding of the City Council based on reasonable evidence that total reasonable expenses for the additional costs of policing, regulation, and administration incurred by the City from the immediately previous fiscal year as a result of the sale of alcoholic beverages do not exceed the \$600,000.00 revenues estimated to be generated from the City's alcohol regulatory license fee rates, it is the further finding that the alcohol regulatory license fee rates levied by the City comply with KRS 243.075(4).

ORDINANCE NUMBER 17 - 11

AN ORDINANCE ADOPTING THE CITY OF SOMERSET, KENTUCKY ANNUAL BUDGET FOR THE FISCAL YEAR BEGINNING JULY 1, 2017 AND ENDING JUNE 30, 2018 ESTIMATING REVENUES AND RESOURCES AND APPROPRIATING FUNDS OF THE CITY OF SOMERSET, KENTUCKY; AND ADOPTING THE 2017-2018 FISCAL YEAR WATER AND WASTEWATER RATE STRUCTURE; ALL WHICH SHALL BE IN EFFECT AFTER ADOPTION OF THIS ORDINANCE AND PUBLICATION ACCORDING TO LAW;

WHEREAS, AN ANNUAL BUDGET PROPOSAL AND MESSAGE HAVE BEEN PREPARED AND DELIVERED TO THE COMMON COUNCIL OF THE CITY OF SOMERSET, KENTUCKY; AND

WHEREAS, ANY NECESSARY AMENDMENTS TO THE CITY'S ANNUAL BUDGET HAVE BEEN MADE, AND NECESSARY AMENDMENTS TO THE WATER/WASTEWATER RATE STRUCTURES HAVE BEEN MADE BY THE COUNCIL AS ATTACHED HERETO, SPECIFICALLY IN EXHIBIT "A", INCORPORATED IN FULL HEREIN BY REFERENCE;

NOW THEREFORE, BE IT ORDAINED BY THE CITY OF SOMERSET, KENTUCKY:

SECTION 1. THAT THE ANNUAL BUDGET FOR THE FISCAL YEAR BEGINNING JULY 1, 2017 AND ENDING JUNE 30, 2018 IS HEREBY ADOPTED AS FOLLOWS:

| | REVENUE | EXPENDITURES |
|--------------------|-----------------|-----------------|
| GENERAL FUND | \$15,493,532.00 | \$15,493,532.00 |
| CEMETERY FUND | \$91,890.00 | \$91,890.00 |
| SANITATION SERVICE | \$3,708,500.00 | \$3,708,500.00 |
| GAS SERVICE | \$16,733,500.00 | \$16,733,500.00 |
| WATER SERVICE | \$8,796,000.00 | \$8,796,000.00 |
| WASTEWATER | \$7,792,731.00 | \$7,792,731.00 |
| WATER PARK | \$1,401,850.00 | \$1,401,850.00 |
| FUEL CENTER | \$608,300.00 | \$608,300.00 |
| TRAVEL AND TOURISM | \$262,150.00 | \$262,150.00 |

| | | |
|-----------------|-----------------|-----------------|
| PARKS AND REC | \$1,554,000.00 | \$1,554,000.00 |
| EMS | \$5,307,100.00 | \$5,307,100.00 |
| TOTAL ALL FUNDS | \$61,749,553.00 | \$61,749,553.00 |

SECTION 2. THE CITY OF SOMERSET HEREBY AMENDS THE WATER AND WASTEWATER RATE STRUCTURE AS SET FORTH IN EXHIBIT "A", ATTACHED HERETO AND INCORPORATED IN FULL HEREIN BY REFERENCE, BEGINNING JULY 1, 2017, AND SAME SHALL REMAIN IN EFFECT UNTIL SUCH TIME AS THEY ARE AMENDED OR REPEALED BY PROPER ACTION OF THE COUNCIL.

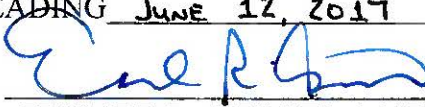
SECTION 3. IF ANY PART OF THIS ORDINANCE, INCLUDING BUT LIMITED TO REVIEWS, AMENDMENTS, AND APPROVALS, IS DEEMED BY A COURT OF COMPETENT JURISDICTION TO BE UNENFORCEABLE OR UNCONSTITUTIONAL, THE REMAINING PROVISIONS OF THIS ORDINANCE SHALL CONTINUE IN FULL FORCE AND EFFECT.

SECTION 4. ANY ORDINANCE IN CONFLICT WITH THIS ORDINANCE OR ANY POLICIES IN CONFLICT WITH THE ONES ENACTED HEREIN, ARE HEREBY REPEALED IN SO FAR AS THE SAME ARE IN CONFLICT HEREWITH.

SECTION 5. THIS ORDINANCE SHALL TAKE EFFECT AFTER ITS APPROVAL AND UPON PUBLICATION ACCORDING TO LAW.

FIRST READING MAY 22, 2017

SECOND READING JUNE 12, 2017

APPROVED 
 EDWARD R. GIRDLER, MAYOR
 CITY OF SOMERSET, KENTUCKY

ATTEST: 
 NICK BRADLEY, CITY CLERK

CITY OF SOMERSET, KENTUCKY

WATER RATES

EXHIBIT "A"

EFFECTIVE Jul-17

JULY, 2017

(THESE RATES DO NOT REFLECT WHOLESALE DISTRICT OR OTHER CONTRACTS)

CITY-ALL CUSTOMERS INCLUDING INDUSTRIAL IN CITY LIMITS

| | | |
|-----------------------------------|-----------|--------|
| First 1000 gallons Used Per Month | (Minimum) | \$8.10 |
| Over 1000 gallons per month | | 0.302 |

FERGUSON

| | | |
|-----------------------------------|-----------|---------|
| First 1000 gallons Used Per Month | (Minimum) | \$11.07 |
| Over 1000 gallons per month | | 0.44 |

ALL OTHER CUSTOMERS INCLUDING INDUSTRIAL OUTSIDE CITY

| | | |
|-----------------------------------|--|---------|
| First 1000 Gallons Used Per Month | | \$14.07 |
| Over 1000 gallons per month | | 0.53 |

These rates may be adjusted by the City of Somerset for Industrial and manufacturing developments in order to promote the growth of economic development, so long s the rate charged is not less than the actual cost(s) incurred by the City of Somerset.

CITY OF SOMERSET, KENTUCKY

WASTEWATER UTILITY RATES

EFFECTIVE Jul-17

EXHIBIT "A"

These rates may be adjusted by the City of Somerset for industrial and manufacturing developments in order to promote the growth of economic development, so long as the rate charged is not less than the actual cost(s) incurred by the City.

CITY RESIDENTIAL

| | |
|-------------------|--------|
| MINIMUM | \$7.90 |
| 11 UNITS AND OVER | 0.28 |

CITY COMMERCIAL AND ALL IN CITY OTHER

| | |
|-------------------|---------|
| MINIMUM | \$10.20 |
| 11 UNITS AND OVER | 0.4 |

OUTSIDE CITY LIMITS RESIDENTIAL

| | |
|-------------------|---------|
| MINIMUM | \$14.02 |
| 11 UNITS AND OVER | 0.62 |

OUTSIDE CITY LIMITS COMMERCIAL AND OTHER

| | |
|-------------------|---------|
| MINIMUM | \$20.40 |
| 11 UNITS AND OVER | 0.72 |

INDUSTRIAL IN CITY LIMITS

| | |
|-------------------|---------|
| MINIMUM | \$30.60 |
| 11 UNITS AND OVER | 0.46 |

INDUSTRIAL OUTSIDE CITY LIMITS

| | |
|-------------------|---------|
| MINIMUM | \$35.70 |
| 11 UNITS AND OVER | 0.63 |

FERGUSON

| | |
|----------------|-------|
| MINIMUM | 12.92 |
| 1000 AND ABOVE | 0.47 |

ORDINANCE NO. 20-29

AN ORDINANCE TO THE CITY OF SOMERSET, KENTUCKY, STATING CURRENT WATER AND WASTEWATER END USER RATES AND ESTABLISHING A SYSTEMIC ANNUAL ADJUSTMENT OF WATER AND WASTEWATER RATES FOR INFLATION BASED UPON A CERTAIN CPI STATISTIC PUBLISHED BY THE U.S. BUREAU OF LABOR STATISTICS;

WHEREAS, the City of Somerset provides Water and Wastewater Services to end users in the City of Somerset, City of Ferguson, and other parts of Pulaski County; and,

WHEREAS, the City has last set principally end user Water and Wastewater rates in Budget Ordinance 17-11 and the current rates as of the date of passage are restated herein by Exhibits A (Water) & B (Wastewater) attached hereto; and,

WHEREAS, the 2019-2020 financial audit of the City of Somerset demonstrated that Wastewater rates had not kept pace with inflation and were becoming so low that the rates did not generate a reasonable return on and of capital; and,

WHEREAS, the City Water rates have no provision for inflation and the erosion of the reasonable return on and of capital is feared; and,

WHEREAS, the City of Somerset has a desire to impose a systemic adjustment of City Water and City Wastewater Rates for inflation on Water and Wastewater End User Rates based upon the United States Bureau of Statistics Consumer Price Index.

THEREFORE, be it ordained by the Common Council of the City of Somerset:

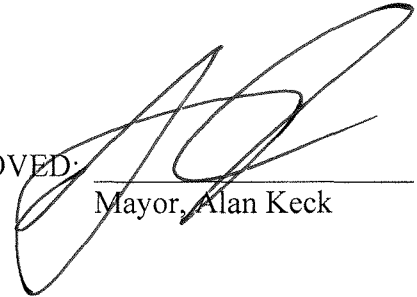
- (A) The City's End User Water and Wastewaters rates are restated here from Budget Ordinance 17-11.
- (B) Beginning on July 1, 2021 the rates herein shall be adjusted annually on July 1st of each years (the beginning of the fiscal year) from the previous year. The July 1, 2021 adjustment shall be for one single year only. The annual adjustment shall be equal to the average percentage change in the Consumer Price Index for all Urban Consumers (the "CPI-U" statistic) published by the U.S. Department of Labor Statistics. The annual adjustment shall never be less than zero.
- (C) This ordinance does not affect wholesale rates which are regularly negotiated.
- (D) Any Ordinance in conflict with this Ordinance, or any policies in conflict with the ones enacted herein are repealed in so far as the same are in conflict herewith.

(E) This Ordinance shall be in full force and effect upon approval and publication according to law. The implementation date for this Ordinance shall be July 1, 2021 as described above.

FIRST READING: December 14, 2020

SECOND READING: January 11, 2021

ATTEST: 
City Clerk, Nick Bradley

APPROVED: 
Mayor, Alan Keck

ORDINANCE NUMBER 21-18

AN ORDINANCE ADOPTING THE CITY OF SOMERSET, KENTUCKY ANNUAL BUDGET FOR THE FISCAL YEAR BEGINNING JULY 1, 2021 AND ENDING JUNE 30, 2022 ESTIMATING REVENUES AND RESOURCES AND APPROPRIATING FUNDS OF THE CITY OF SOMERSET, KENTUCKY; STATEMENT OF THE CITY'S PAY AND CLASSIFICATION PLAN, STATEMENT OF UTILITY FEE CHARGES, ALL WHICH SHALL BE IN EFFECT AFTER ADOPTION OF THIS ORDINANCE AND PUBLICATION ACCORDING TO LAW;

WHEREAS, AN ANNUAL BUDGET PROPOSAL AND MESSAGE HAVE BEEN PREPARED AND DELIVERED TO THE COMMON COUNCIL OF THE CITY OF SOMERSET, KENTUCKY; AND

NOW THEREFORE, BE IT ORDAINED BY THE CITY OF SOMERSET, KENTUCKY:

SECTION 1. THAT THE ANNUAL BUDGET FOR THE FISCAL YEAR BEGINNING JULY 1, 2021 AND ENDING JUNE 30, 2022 IS HEREBY ADOPTED AS FOLLOWS:

| | REVENUE | EXPENDITURES |
|---------------------|-----------------|-----------------|
| GENERAL FUND | \$25,901,515.00 | \$25,901,515.00 |
| SANITATION SERVICE | \$5,108,750.00 | \$5,108,750.00 |
| GAS SERVICE | \$11,644,200.00 | \$11,644,200.00 |
| WATER SERVICE | \$15,921,038.00 | \$15,921,038.00 |
| WASTEWATER | \$14,855,875.00 | \$14,855,875.00 |
| WATER PARK | \$1,993,500.00 | \$1,993,500.00 |
| FUEL CENTER | \$1,144,100.00 | \$1,144,100.00 |
| TRAVEL AND TOURISM | \$460,200.00 | \$460,200.00 |
| EMS | \$7,756,100.00 | \$7,756,100.00 |
| MUNICIPAL AID (MAP) | \$320,695.00 | \$320,695.00 |
| TOTAL ALL FUNDS | \$85,105,973.00 | \$85,105,973.00 |

SECTION 2. THE CITY OF SOMERSET HEREBY REVIEWS AS REQUIRED BY LAW AND AMENDS THE CITY'S PAY AND CLASSIFICATION PLAN AS SET FORTH IN EXHIBIT "A", ATTACHED HERETO AND INCORPORATED IN FULL HEREIN BY REFERENCE, BEGINNING ON THE EFFECTIVE DATE OF THIS ORDINANCE, WHICH SHALL REMAIN IN EFFECT UNTIL SUCH TIME AS IT IS AMENDED OR REPEALED BY PROPER ACTION OF THE COUNCIL.

SECTION 3. THE "BASE" UTILITY RATES CHARGED BY THE CITY FOR ITS WATER, WASTEWATER, AND NATURAL GAS ARE STATED IN EXHIBIT B. THE WATER AND WASTEWATER RATES ARE SUBJECT TO THE INFLATION ADJUSTMENT FOUND IN ORDINANCE NO. 20-29 WHICH IS NOT SUBJECT TO SECTION 5. HEREIN AND IS INCLUDED HEREIN BY REFERENCE. THE WASTEWATER BASE RATE INCLUDES A 4% INCREASE FROM THE PRIOR RATE FOR FY2021-22 AS REQUIRED BY THE KENTUCKY INFRASTRUCTURE AUTHORITY ("KIA") PREFERENTIAL FINANCING FOR A MANDATORY CAPITAL IMPROVEMENT. KIA HAS MANDATED A 4% INCREASE FOR FY2022-23 AND A 6% INCREASE FOR FY2023-24.

SECTION 4. IF ANY PART OF THIS ORDINANCE, INCLUDING BUT LIMITED TO REVIEWS, AMENDMENTS, AND APPROVALS, IS DEEMED BY A COURT OF COMPETENT JURISDICTION TO BE UNENFORCEABLE OR UNCONSTITUTIONAL, THE REMAINING PROVISIONS OF THIS ORDINANCE SHALL CONTINUE IN FULL FORCE AND EFFECT.

SECTION 5. ANY ORDINANCE IN CONFLICT WITH THIS ORDINANCE OR ANY POLICIES IN CONFLICT WITH THE ONES ENACTED HEREIN, ARE HEREBY REPEALED IN SO FAR AS THE SAME ARE IN CONFLICT HEREWITH.

SECTION 6. THIS ORDINANCE SHALL TAKE EFFECT AFTER ITS APPROVAL AND UPON PUBLICATION ACCORDING TO LAW.

FIRST READING: May 24, 2021

SECOND READING: June 14, 2021

APPROVED



ALAN KECK, MAYOR
CITY OF SOMERSET, KENTUCKY

ATTEST:



NICK BRADLEY, CITY CLERK

EXHIBIT "B"
CITY OF SOMERSET
GAS RATES
AS OF JULY 2021

CITY-RESIDENTIAL

| | |
|-------------------|-----------------------------|
| FACILITIES CHARGE | 6.43* (*LESS THAN ONE UNIT) |
| ALL VOLUMES | 7.08/DTH |

CITY-COMMERCIAL

| | |
|-------------------|----------|
| FACILITIES CHARGE | 7.98 |
| ALL VOLUMES | 7.98/DTH |

CITY INDUSTRIAL

| | |
|-------------------|----------|
| FACILITIES CHARGE | 8.93 |
| ALL VOLUMES | 8.93/DTH |

COUNTY-RESIDENTIAL including FERGUSON

| | |
|-------------------|-----------|
| FACILITIES CHARGE | 12.54 |
| ALL VOLUMES | 12.54/DTH |

COUNTY-COMMERCIAL/LIGHT INDUSTRIAL including FERGUSON

| | |
|-------------------|-----------|
| FACILITIES CHARGE | 12.54 |
| ALL VOLUMES | 12.54/DTH |

EDUCATION/SERVICE

| | |
|-------------------|----------|
| FACILITIES CHARGE | 7.08 |
| ALL VOLUMES | 7.08/DTH |

HEAVY INDUSTRIAL – NEGOTIATED RATES AND CONTRACTS

EXHIBIT "B"
CITY OF SOMERSET
WATER UTILITY RATES
AS OF JULY 2021

CITY-ALL CUSTOMERS AND INDUSTRIAL

| | | |
|-------------------|-------------------------------|---------------|
| FIRST 1000 | GALLONS USED PER MONTH | \$8.10 |
| NEXT 9000 | GALLONS USED PER MONTH | 0.302 |

COUNTY-RESIDENTIAL, COMMERCIAL, INDUSTRIAL

| | | |
|-------------------|-------------------------------|----------------|
| FIRST 1000 | GALLONS USED PER MONTH | \$14.07 |
| NEXT 9000 | GALLONS USED PER MONTH | 0.53 |

FERGUSON

| | | |
|-------------------|-------------------------------|----------------|
| FIRST 1000 | GALLONS USED PER MONTH | \$11.07 |
| NEXT 9000 | GALLONS USED PER MONTH | 0.44 |

EXHIBIT "B"
CITY OF SOMERSET KENTUCKY
WASTEWATER UTILITY RATES
AS OF JULY 2021

CITY RESIDENTIAL

| VOLUME | MINIMUM | RATE |
|----------------------|----------------|-------------|
| 11 & OVER | \$8.22 | 0.29 |

CITY COMMERCIAL

| VOLUME | MINIMUM | RATE |
|----------------------|----------------|-------------|
| 11 & OVER | \$10.66 | 0.42 |

CITY INDUSTRIAL

| VOLUME | MINIMUM | RATE |
|----------------------|----------------|-------------|
| 11 & OVER | \$32.24 | 0.49 |

COUNTY RESIDENTIAL

| VOLUME | MINIMUM | RATE |
|----------------------|----------------|-------------|
| 11 & OVER | \$14.60 | 0.65 |

COUNTY COMMERCIAL

| VOLUME | MINIMUM | RATE |
|----------------------|----------------|-------------|
| 11 & OVER | \$21.84 | 0.75 |

COUNTY INDUSTRIAL

| VOLUME | MINIMUM | RATE |
|----------------------|----------------|-------------|
| 11 & OVER | \$37.44 | 0.66 |

GOVERNMENT/NON-PROFIT/EDUCATION

| VOLUME | MINIMUM | RATE |
|----------------------|----------------|-------------|
| 11 & OVER | \$10.66 | 0.42 |

FERGUSON

| VOLUME | MINIMUM | RATE |
|----------------------|----------------|-------------|
| 11 & OVER | \$13.52 | 0.52 |

EXHIBIT A

PAY AND CLASSIFICATION PLAN 2021-2022

**CITY OF SOMERSET
EFFECTIVE JULY 2021**

| <u>TITLE/CLASSIFICATION</u> | <u>NO</u> | <u>MINIMUM</u> | <u>MAXIMUM</u> |
|------------------------------------|------------------|-----------------------|-----------------------|
| <u>EXECUTIVE</u> | | | |
| CITY CLERK | 1 | 50000 | 80000 |
| ASST CITY CLERK | 2 | 28000 | 45000 |
| EXEC ASSISTANT/CHIEF OF STAFF | 1 | 40000 | 70000 |
| MAYORS OFFICE SECRETARY | 1 | 25000 | 50000 |
| CLERK/LEGAL/FLEET | 1 | 20800 | 45000 |
| CLERK/COMMUNICATIONS | 1 | 20800 | 45000 |
| CLERK/FRONT DESK | 1 | 20800 | 45000 |
| CHIEF FINANCIAL OFFICER | 1 | 65000 | 90000 |
| ACCOUNTANT | 1 | 35000 | 65000 |
| ACCOUNTING CLERKS | 3 | 25000 | 55000 |
| PURCHASING AGENT | 1 | 37500 | 60000 |
| PAYROLL CLERKS | 2 | 25000 | 50000 |
| BILLING SUPERVISOR | 1 | 30000 | 55000 |
| CLERKS/COLLECTIONS | 4 | 20800 | 45000 |
| CLERKS/CUSTOMER SERVICE | 2 | 20800 | 45000 |
| CITY ATTORNEY | 1 | 65000 | 98000 |
| CITY ENGINEER | 1 | 60000 | 90000 |
| HR DIRECTOR | 1 | 43000 | 65000 |
| HR/HOUSING/CD | 1 | 43000 | 65000 |
| CITY PLANNER | 1 | 38000 | 60000 |
| PLANNING ASSISTANT | 1 | 25000 | 45000 |
| BUILDING INSPECTOR | 1 | 40000 | 65000 |
| CODE ENFORCEMENT/SAFETY | 1 | 38000 | 60000 |
| INFORMATION TECHNOLOGY | 2 | 45000 | 77000 |
| COMMUNITY DEVELOPMENT | 1 | 30000 | 58500 |
| TOURISM | 1 | 30000 | 58500 |
| ABC ADMINISTRATOR | 1 | 40000 | 65000 |
| ABC ASSISTANT | 1 | 30000 | 48500 |

STREET DEPARTMENT

| | | | |
|------------------------|---|-------|-------|
| STREET DEPT. MANAGER | 1 | 40000 | 65000 |
| STREET DEPT. CLERK | 1 | 20000 | 40000 |
| STREET DEPT. FOREMAN | 1 | 28000 | 50000 |
| TRUCK/EQUIPMENT DRIVER | 3 | 24000 | 52000 |
| MECHANICS | 2 | 31800 | 55000 |
| SERVICE WORKERS | 7 | 22500 | 48000 |

SANITATION

| | | | |
|------------------------|----|-------|-------|
| SANITATION MANGER | 1 | 40000 | 65000 |
| SANITATION FOREMAN | 1 | 30000 | 50000 |
| SANITATION CLERK | 2 | 22500 | 47000 |
| TRUCK/EQUIPMENT DRIVER | 10 | 24000 | 52000 |
| SERVICE WORKERS | 9 | 22500 | 48000 |

WATER/SEWER DEPARTMENT

| | | | |
|-----------------------------|----|-------|-------|
| WATER/SEWER MANAGER | 1 | 45000 | 70000 |
| PLANT SUPERVISOR – WATER | 1 | 40000 | 65000 |
| PLANT SUPERVISOR – SEWER | 2 | 40000 | 65000 |
| DISTRIBUTION SUPERVISOR | 1 | 40000 | 65000 |
| FOREMEN | 4 | 30000 | 57000 |
| CROSS CONNECTION SPECIALIST | 1 | 25000 | 47000 |
| EQUIPMENT OPERATORS | 3 | 27000 | 52000 |
| METER READERS/GENERAL | 3 | 20000 | 42000 |
| PRETREATMENT CLERK | 1 | 22500 | 50000 |
| OPERATIONS CLERK | 2 | 22500 | 50000 |
| LIFT STATION TECHNICIANS | 2 | 25000 | 52000 |
| FACILITY OPERTIONS | 1 | 27500 | 50000 |
| TECHNICIANS | 21 | 22500 | 52000 |
| GENERAL LABOR | 3 | 20000 | 42000 |
| SPECIAL OPERATIONS | 1 | 20000 | 45000 |

NATURAL GAS DEPARTMENT

| | | | |
|-----------------------|---|-------|-------|
| DIRECTOR | 1 | 55000 | 85000 |
| NG ENGINEER | 1 | 55000 | 80000 |
| SYSTEMS MANGER | 1 | 45000 | 62000 |
| FOREMEN | 4 | 35000 | 65000 |
| OPERATORS/SPECIALIST | 6 | 28000 | 55000 |
| SERVICE TECHNICIANS | 4 | 22500 | 50000 |
| CORROSION TECHNICIANS | 2 | 30000 | 50000 |
| METER READES/GENERAL | 3 | 20000 | 40000 |
| CLERK/ACCOUNTING | 1 | 22500 | 45000 |

PARKS AND RECREATION

| | | | |
|---------------------------|---|-------|-------|
| DIRECTOR | 1 | 42000 | 64000 |
| ASST DIRECTOR | 1 | 40000 | 50000 |
| MAINTENANCE SUPERVISOR | 1 | 30000 | 47500 |
| PROGRAM SPECIALIST | 4 | 25000 | 40000 |
| PROGRAMS/HEALTHY SOMERSET | 1 | 27000 | 42000 |
| MAINTENANCE | 3 | 20000 | 45000 |
| GENERAL | 3 | 20000 | 30000 |
| CEMETERY MANAGER | 1 | 28500 | 45000 |

WATER PARK

| | | | |
|-----------------------|---|-------|-------|
| MANAGER | 1 | 40000 | 64000 |
| OPERATIONS SPECIALIST | 1 | 22500 | 40000 |
| MAINTENANCE | 2 | 22000 | 45000 |

FUEL CENTER

| | | | |
|---------|---|-------|-------|
| MANAGER | 1 | 22600 | 37000 |
| CLERK | 1 | 18200 | 28000 |

FIRE DEPARTMENT

| | | | |
|----------------------------|----|-------|-------|
| FIRE CHIEF | 1 | 45000 | 67000 |
| BATTALION CHIEF/MAJOR | 4 | 39000 | 60000 |
| CAPTAIN (TRAINING OFFICER) | 1 | 40000 | 60000 |
| CAPTAIN | 3 | 40000 | 57000 |
| LIEUTENANT | 7 | 33500 | 52000 |
| FIREFIGHTERS | 18 | 26000 | 48000 |

POLICE DEPARTMENT

| | | | |
|---------------------------------|----|-------|-------|
| POLICE CHIEF | 1 | 50000 | 85000 |
| CAPTAINS | 5 | 42000 | 75000 |
| LIEUTENANTS | 4 | 39500 | 65000 |
| SERGEANTS | 4 | 36000 | 60000 |
| DETECTIVES | 4 | 35000 | 65000 |
| POLICE OFFICERS/SRO'S/NARCOTICS | 32 | 34000 | 62500 |
| RECRUITS | 3 | 34000 | 37000 |
| PROPERTY OFFICER | 1 | 28000 | 50000 |
| CLERK/DATA ENTRY | 3 | 20800 | 50000 |
| SAFETY OFFICER | 1 | 19500 | 37500 |

EMS DEPARTMENT

| | | | |
|-------------------|----|-------|-------|
| EMS CHIEF | 1 | 45000 | 67000 |
| MAJOR | 3 | 44000 | 60000 |
| CAPTAIN | 4 | 42000 | 57000 |
| LIEUTENANT | 4 | 35000 | 52500 |
| PARAMEDICS** | 26 | 30000 | 58000 |
| EMT** | 13 | 26000 | 50000 |
| TRAINING DIRECTOR | 1 | 26000 | 55000 |
| OFFICE/CLERICAL | 2 | 20800 | 50000 |

**PARAMEDICS AND EMT POSITION INTERCHANGABLE BY MGT

ORDINANCE NUMBER 23-06

AN ORDINANCE ADOPTING THE CITY OF SOMERSET, KENTUCKY ANNUAL BUDGET FOR THE FISCAL YEAR BEGINNING JULY 1, 2023 AND ENDING JUNE 30, 2024 ESTIMATING REVENUES AND RESOURCES AND APPROPRIATING FUNDS OF THE CITY OF SOMERSET, KENTUCKY; ALL WHICH SHALL BE IN EFFECT AFTER ADOPTION OF THIS ORDINANCE AND PUBLICATION ACCORDING TO LAW;

WHEREAS, AN ANNUAL BUDGET PROPOSAL AND MESSAGE HAVE BEEN PREPARED AND DELIVERED TO THE COMMON COUNCIL OF THE CITY OF SOMERSET, KENTUCKY; AND

NOW THEREFORE, BE IT ORDAINED BY THE CITY OF SOMERSET, KENTUCKY:

SECTION 1. THAT THE ANNUAL BUDGET FOR THE FISCAL YEAR BEGINNING JULY 1, 2023, AND ENDING JUNE 30, 2024 IS HEREBY ADOPTED AS FOLLOWS:

| | REVENUE | EXPENDITURES |
|---------------------|------------------|------------------|
| GENERAL FUND | \$28,560,030.00 | \$28,560,030.00 |
| SANITATION SERVICE | \$6,893,350.00 | \$6,893,350.00 |
| GAS SERVICE | \$13,033,950.00 | \$13,033,950.00 |
| WATER SERVICE | \$25,112,425.00 | \$25,112,425.00 |
| WASTEWATER | \$12,813,800.00 | \$12,813,800.00 |
| WATER PARK | \$2,562,000.00 | \$2,562,000.00 |
| FUEL CENTER | \$1,339,700.00 | \$1,339,700.00 |
| TRAVEL AND TOURISM | \$483,900.00 | \$483,900.00 |
| EMS | \$9,481,500.00 | \$9,481,500.00 |
| THE VIRGINIA | \$1,208,100.00 | \$1,208,100.00 |
| MUNICIPAL AID (MAP) | \$251,150.00 | \$251,150.00 |
| TOTAL ALL FUNDS | \$101,739,905.00 | \$101,739,905.00 |

SECTION 2. THE CITY OF SOMERSET HEREBY REVIEWS AS REQUIRED BY LAW AND AMENDS THE CITY'S PAY AND CLASSIFICATION PLAN AS SET FORTH IN EXHIBIT "A", ATTACHED HERETO AND INCORPORATED IN FULL HEREIN BY REFERENCE, BEGINNING ON THE EFFECTIVE DATE OF THIS ORDINANCE, WHICH SHALL REMAIN IN EFFECT UNTIL SUCH TIME AS IT IS AMENDED OR REPEALED BY PROPER ACTION OF THE COUNCIL.

SECTION 3. EXHIBIT "B" SET FORTH RATES AND SERVICE FEES FOR UTILITY AND SERVICES SOLD BY THE CITY. THE RATES AND SERVICE FEES SET FORTH IN THE EXHIBIT INCLUDE THE REQUIRED KIA ESCALATIONS FOUND IN ORDINANCE 21-18.

SECTION 4. IF ANY PART OF THIS ORDINANCE, INCLUDING BUT LIMITED TO REVIEWS, AMENDMENTS, AND APPROVALS, IS DEEMED BY A COURT OF COMPETENT JURISDICTION TO BE UNENFORCEABLE OR UNCONSTITUTIONAL, THE REMAINING PROVISIONS OF THIS ORDINANCE SHALL CONTINUE IN FULL FORCE AND EFFECT.

SECTION 5. ANY ORDINANCE IN CONFLICT WITH THIS ORDINANCE OR ANY POLICIES IN CONFLICT WITH THE ONES ENACTED HEREIN, ARE HEREBY REPEALED IN SO FAR AS THE SAME ARE IN CONFLICT HEREWITH.

SECTION 6. THIS ORDINANCE SHALL TAKE EFFECT AFTER ITS APPROVAL AND UPON PUBLICATION ACCORDING TO LAW.

FIRST READING: JUNE 12, 2023

SECOND READING: JUNE 26, 2023

APPROVED


ALAN KECK, MAYOR
CITY OF SOMERSET, KENTUCKY

ATTEST: 
NICK BRADLEY, CITY CLERK

EXHIBIT A

PAY AND CLASSIFICATION PLAN 2023-2024

**CITY OF SOMERSET
EFFECTIVE JULY 2023]**

| <u>TITLE/CLASSIFICATION</u> | <u>NO</u> | <u>MINIMUM</u> | <u>MAXIMUM</u> |
|------------------------------------|------------------|-----------------------|-----------------------|
| <u>EXECUTIVE</u> | | | |
| CITY CLERK | 1 | 50000 | 84500 |
| ASST CITY CLERK | 2 | 28000 | 47000 |
| EXEC ASSISTANT/CHIEF OF STAFF | 1 | 45000 | 79500 |
| MAYORS OFFICE SECRETARY | 1 | 27500 | 50000 |
| CLERK/LEGAL/FLEET | 1 | 25000 | 45000 |
| CLERK/COMMUNICATIONS | 1 | 30000 | 60000 |
| CLERK/FRONT DESK | 1 | 25000 | 45000 |
| CHIEF FINANCIAL OFFICER | 1 | 65000 | 99500 |
| ACCOUNTING SUPERVISOR | 1 | 37500 | 70000 |
| ACCOUNTING CLERKS | 3 | 27000 | 55000 |
| PURCHASING AGENT | 1 | 37500 | 75000 |
| PAYROLL CLERKS | 2 | 27000 | 52000 |
| BILLING SUPERVISOR | 1 | 30000 | 59000 |
| CLERKS/COLLECTIONS | 4 | 25000 | 45000 |
| CLERKS/CUSTOMER SERVICE | 2 | 25000 | 45000 |
| CITY ATTORNEY | 1 | 65000 | 98500 |
| CITY ENGINEER | 1 | 60000 | 90000 |
| HR DIRECTOR | 1 | 45000 | 70000 |
| HR/HOUSING/CD | 1 | 43000 | 67000 |
| CITY PLANNER | 1 | 38000 | 60000 |
| ASSISTANT | 1 | 25000 | 45000 |
| BUILDING INSPECTOR | 1 | 40000 | 70000 |
| CODE ENFORCEMENT/SAFETY | 1 | 40000 | 64500 |
| INFORMATION TECHNOLOGY | 2 | 45000 | 77000 |
| COMMUNITY DEVELOPMENT | 1 | 30000 | 58500 |
| TOURISM | 1 | 35000 | 65000 |
| ABC ADMINISTRATOR | 1 | 40000 | 65000 |
| ABC ASSISTANT | 1 | 30000 | 48500 |

THE VIRGINIA

| | | | |
|-------------------------------|---|-------|-------|
| EVENT/VENUE DIRECTOR | 1 | 35000 | 55000 |
| TECH DIRECTOR | 1 | 35000 | 55000 |
| FACILITY OPERATIONS ASSISTANT | 1 | 27500 | 50000 |

STREET DEPARTMENT

| | | | |
|------------------------|---|-------|-------|
| STREET DEPT. MANAGER | 1 | 40000 | 67500 |
| STREET DEPT. CLERK | 1 | 20000 | 40000 |
| STREET DEPT. FOREMAN | 1 | 28000 | 50000 |
| TRUCK/EQUIPMENT DRIVER | 3 | 24000 | 52000 |
| MECHANICS | 2 | 31800 | 55000 |
| SERVICE WORKERS | 7 | 25000 | 55000 |

SANITATION

| | | | |
|------------------------|---|-------|-------|
| SANITATION MANGER | 1 | 40000 | 67500 |
| SANITATION FOREMAN | 1 | 35000 | 55500 |
| SANITATION CLERK | 2 | 25000 | 47000 |
| TRUCK/EQUIPMENT DRIVER | 9 | 27000 | 52000 |
| TRUCK DRIVER/MECHANIC | 1 | 32000 | 55000 |
| SERVICE WORKERS | 9 | 24000 | 48000 |

WATER/SEWER DEPARTMENT

| | | | |
|--------------------------------|---|-------|-------|
| WATER/SEWER MANAGER | 1 | 45000 | 72000 |
| PLANT SUPERVISOR – WATER | 1 | 40000 | 70000 |
| PLANT SUPERVISOR – SEWER | 2 | 40000 | 70000 |
| DISTRIBUTION SUPERVISOR | 1 | 40000 | 70000 |
| FOREMEN | 4 | 30000 | 62500 |
| CROSS CONNECTION SPECIALIST | 1 | 29000 | 52500 |
| EQUIPMENT OPERATORS | 3 | 27000 | 57500 |
| METER READERS/GENERAL | 3 | 25000 | 42000 |
| PRETREATMENT CLERK | 1 | 22500 | 50000 |
| OPERATIONS CLERK | 2 | 22500 | 50000 |
| LIFT STATION TECHNICIANS | 2 | 25000 | 54000 |
| FACILITY OPERTIONS TECHNICIANS | 1 | 27500 | 50000 |
| GENERAL LABOR | 3 | 23000 | 42000 |
| SPECIAL OPERATIONS | 2 | 27500 | 50000 |

NATURAL GAS DEPARTMENT

| | | | |
|-------------|---|-------|-------|
| DIRECTOR | 1 | 55000 | 87500 |
| NG ENGINEER | 1 | 55000 | 80000 |

| | | | |
|-----------------------|---|-------|-------|
| SYSTEMS MANGER | 1 | 45000 | 70000 |
| FOREMEN | 4 | 45000 | 70000 |
| OPERATORS/SPECIALIST | 6 | 28000 | 60000 |
| SERVICE TECHNICIANS | 4 | 22500 | 50000 |
| CORROSION TECHNICIANS | 2 | 30000 | 50000 |
| METER READES/GENERAL | 3 | 25000 | 40000 |
| CLERK/ACCOUNTING | 1 | 25000 | 49500 |

PARKS AND RECREATION

| | | | |
|--------------------------|---|-------|-------|
| DIRECTOR | 1 | 45000 | 64000 |
| ASST DIRECTOR | 1 | 40000 | 52500 |
| MAINTENANCE SUPERVISOR | 1 | 30000 | 52500 |
| PROGRAM SPECIALIST | 4 | 27000 | 47500 |
| PROGRAMS/HEALTY SOMERSET | 1 | 27000 | 47500 |
| MAINTENANCE | 3 | 22500 | 45000 |
| GENERAL | 3 | 22500 | 40000 |
| CEMETERY MANAGER | 1 | 28500 | 47000 |

WATER PARK

| | | | |
|-----------------------|---|-------|-------|
| MANAGER | 1 | 45000 | 67500 |
| OPERATIONS SPECIALIST | 1 | 25000 | 43000 |
| MAINTENANCE | 2 | 22000 | 45000 |

FUEL CENTER

| | | | |
|---------|---|-------|-------|
| MANAGER | 1 | 23000 | 39500 |
| CLERK | 1 | 18200 | 28000 |

FIRE DEPARTMENT

| | | | |
|-------------------------------|----|-------|-------|
| FIRE CHIEF | 1 | 45000 | 70000 |
| BATTALION CHIEF/MAJOR | 4 | 40000 | 65000 |
| TRAINING OFFICER/Fire Marshal | 1 | 40000 | 60000 |
| CAPTAIN | 3 | 40000 | 58500 |
| LIEUTENANT | 7 | 33500 | 57000 |
| FIREFIGHTERS | 18 | 26000 | 48000 |

POLICE DEPARTMENT

| | | | |
|--------------|---|-------|-------|
| POLICE CHIEF | 1 | 55000 | 92500 |
| MAJOR | 1 | 50000 | 85000 |
| CAPTAINS | 4 | 45000 | 80000 |
| LIEUTENANTS | 4 | 42500 | 77500 |

| | | | |
|---------------------------------|----|-------|-------|
| SERGEANTS | 4 | 39500 | 72500 |
| DETECTIVES | 4 | 37400 | 65000 |
| POLICE OFFICERS/SRO'S/NARCOTICS | 32 | 37400 | 65000 |
| RECRUITS | 3 | 37400 | 40000 |
| PROPERTY OFFICER | 1 | 28000 | 50000 |
| CLERK/DATA ENTRY | 3 | 20800 | 52500 |
| SAFETY OFFICER | 1 | 19500 | 37500 |

EMS DEPARTMENT

| | | | |
|-------------------|----|-------|-------|
| EMS CHIEF | 1 | 45000 | 72000 |
| MAJOR | 3 | 44000 | 68000 |
| CAPTAIN | 4 | 42000 | 66500 |
| LIEUTENANT | 4 | 35000 | 64000 |
| PARAMEDICS** | 26 | 33800 | 62500 |
| EMT** | 13 | 27500 | 55000 |
| TRAINING DIRECTOR | 1 | 26000 | 62500 |
| OFFICE/CLERICAL | 2 | 20800 | 55000 |

**PARAMEDICS AND EMT POSITION INTERCHANGABLE BY MGT

**Exhibit B – Service Rates
Supporting the 2023-2024
City of Somerset Budget Ordinance**

Natural Gas

CITY RESIDENTIAL CUSTOMERS

| | |
|-------------------|------------------------------|
| FACILITIES CHARGE | \$6.43 (*LESS THAN ONE UNIT) |
| ALL VOLUMES | \$7.08/DTH |

CITY COMMERCIAL CUSTOMERS

| | |
|-------------------|------------|
| FACILITIES CHARGE | \$7.98 |
| ALL VOLUMES | \$7.98/DTH |

CITY INDUSTRIAL CUSTOMERS

| | |
|-------------------|------------|
| FACILITIES CHARGE | \$8.93 |
| ALL VOLUMES | \$8.93/DTH |

COUNTY RESIDENTIAL CUSTOMERS including FERGUSON

| | |
|-------------------|-------------|
| FACILITIES CHARGE | \$12.54 |
| ALL VOLUMES | \$12.54/DTH |

COUNTY COMMERCIAL/LIGHT INDUSTRIAL CUSTOMERS including FERGUSON

| | |
|-------------------|-------------|
| FACILITIES CHARGE | \$12.54 |
| ALL VOLUMES | \$12.54/DTH |

EDUCATION/SERVICE

| | |
|-------------------|------------|
| FACILITIES CHARGE | \$7.08 |
| ALL VOLUMES | \$7.08/DTH |

HEAVY INDUSTRIAL – NEGOTIATED RATES AND CONTRACTS

Emergency Market Surcharge: Should spot gas purchase or immediate delivery gas prices as measured by the New York Mercantile Exchange’s Henry Hub Price Chart or Index go over the trigger price of \$5.00 (Dollars per Million BTU); Somerset Gas may charge to its customers the short-term additional cost of gas incurred in the purchased of immediate delivery or spot gas while that gas is above the trigger price.

**Exhibit B – Service Rates
Supporting the 2023-2024
City of Somerset Budget Ordinance**

SANITATION RATES

Small Business (Non-Dumpster)

1 Can Per Week= 1 1/3 Yard (\$25)

2 Cans Per Week= 2 2/3 Yards (\$35)

3 Cans Per Week= 4 Yards (\$45) Same as a 4yd Dumpster (Broken Down by Cubic Yard Price Per Square Yd)

4yd, 6yd, and 8yd Dumpsters 4 Yard \$45 Each Dump*

6 Yard \$55 Each Dump 8

Yard \$65 Each dump

(min. 1 dump charge per month)

Roll-Off Dumpsters*

10yd \$300 Over 4 Tons Plus 45 Extra Per Ton Over

20yd \$450 Over 8 Tons Plus 45 Extra Per Ton Over

30yd \$600 Over 10 Tons Plus 45 Extra Per Ton Over

40yd \$750 Over 12 Tons Plus 45 Extra Per Ton Over

(min. 1 dump charge per month)

Compactors (Non- Contracted Locations) *

\$700 Each Dump

Residential Customers

\$15.56 Per Month for 2023-24 with the following inflation “catch-up rates” for 2024-2025 -

\$18.56 Per Month and 2025-2026 - \$21.56 Per Month

*Large Volume Users may contract for other rates based upon volume or other considerations.

**Exhibit B – Service Rates
Supporting the 2023-2024
City of Somerset Budget Ordinance**

WASTEWATER RATES

CITY RESIDENTIAL

| VOLUME | MINIMUM | RATE |
|-----------|---------|---------|
| 11 & OVER | \$10.48 | \$ 0.38 |

CITY COMMERCIAL

| VOLUME | MINIMUM | RATE |
|-----------|---------|---------|
| 11 & OVER | \$13.60 | \$ 0.54 |

CITY INDUSTRIAL

| VOLUME | MINIMUM | RATE |
|-----------|---------|---------|
| 11 & OVER | \$41.12 | \$ 0.62 |

COUNTY RESIDENTIAL

| VOLUME | MINIMUM | RATE |
|-----------|---------|---------|
| 11 & OVER | \$18.63 | \$ 0.82 |

COUNTY COMMERCIAL

| VOLUME | MINIMUM | RATE |
|-----------|---------|---------|
| 11 & OVER | \$27.86 | \$ 0.96 |

COUNTY INDUSTRIAL

| VOLUME | MINIMUM | RATE |
|-----------|---------|---------|
| 11 & OVER | \$47.75 | \$ 0.84 |

GOVERNMENT/NON-PROFIT/EDUCATION

| VOLUME | MINIMUM | RATE |
|-----------|---------|---------|
| 11 & OVER | \$13.60 | \$ 0.54 |

FERGUSON

| VOLUME | MINIMUM | RATE |
|-----------|---------|---------|
| 11 & OVER | \$17.24 | \$ 0.66 |

**Exhibit B – Service Rates
Supporting the 2023-2024
City of Somerset Budget Ordinance**

WATER RATES

CITY RESIDENTIAL & COMMERCIAL CUSTOMERS

| | |
|---------------------------------------|--------|
| FIRST 1000 GALLONS USED PER MONTH | \$9.38 |
| 1001 AND ABOVE GALLONS USED PER MONTH | \$.35 |

CITY INDUSTRIAL CUSTOMERS

| | |
|---------------------------------------|--------|
| FIRST 1000 GALLONS USED PER MONTH | \$9.38 |
| 1001 AND ABOVE GALLONS USED PER MONTH | \$.35 |

CITY GOVERNMENT/NON-PROFIT/EDUCATION CUSTOMERS

| | |
|---------------------------------------|--------|
| FIRST 1000 GALLONS USED PER MONTH | \$9.38 |
| 1001 AND ABOVE GALLONS USED PER MONTH | \$.35 |

COUNTY RESIDENTIAL & COMMERCIAL CUSTOMERS

| | |
|---------------------------------------|---------|
| FIRST 1000 GALLONS USED PER MONTH | \$16.28 |
| 1001 AND ABOVE GALLONS USED PER MONTH | \$.62 |

COUNTY INDUSTRIAL CUSTOMERS

| | |
|---------------------------------------|---------|
| FIRST 1000 GALLONS USED PER MONTH | \$16.28 |
| 1001 AND ABOVE GALLONS USED PER MONTH | \$.62 |

COUNTY GOVERNMENT/NON-PROFIT/EDUCATION CUSTOMERS

| | |
|---------------------------------------|---------|
| FIRST 1000 GALLONS USED PER MONTH | \$16.28 |
| 1001 AND ABOVE GALLONS USED PER MONTH | \$.62 |

FERGUSON RESIDENTIAL & COMMERCIAL CUSTOMERS

| | |
|---------------------------------------|---------|
| FIRST 1000 GALLONS USED PER MONTH | \$12.80 |
| 1001 AND ABOVE GALLONS USED PER MONTH | \$.51 |

FERGUSON INDUSTRIAL CUSTOMERS

| | |
|---------------------------------------|---------|
| FIRST 1000 GALLONS USED PER MONTH | \$12.80 |
| 1001 AND ABOVE GALLONS USED PER MONTH | \$.51 |

FERGUSON GOVERNMENT/NON-PROFIT/EDUCATION CUSTOMERS

| | |
|---------------------------------------|---------|
| FIRST 1000 GALLONS USED PER MONTH | \$12.80 |
| 1001 AND ABOVE GALLONS USED PER MONTH | \$.5 |

CITY OF SOMERSET
Somerset, Kentucky



FINANCIAL STATEMENTS
June 30, 2023

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INDEPENDENT AUDITORS' REPORT

To the Mayor and the City Council
City of Somerset, 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 Somerset, Kentucky, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Somerset, Kentucky, as of June 30, 2023, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Somerset, Kentucky 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 Somerset, Kentucky's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and other post-employment benefits (OPEB) schedules on pages 4–12 and 48–59 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 Somerset, Kentucky's basic financial statements. The accompanying combining nonmajor fund financial statements, proprietary statements of revenues and expenses – budget to actual 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 fund financial statements, proprietary statements of revenues and expenses – budget to actual 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 November 17, 2023, on our consideration of the City of Somerset, 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 Somerset, 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 Somerset, Kentucky's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
November 17, 2023

Management's Discussion and Analysis

Our discussion and analysis of the City of Somerset, Kentucky's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- Total assets and deferred outflows of resources were \$158.30 million
- Bank balances totaled \$10.92 million
- Total long-term debt increased by \$3.59 million
- General fund reported a fund balance of \$2.03 million
- During the year, the City's business-type activities generated net revenues of \$1.57 million which were primarily transferred to the general governmental activities.
- Due to GASB accounting rules, the City had to state over \$47.94 million in unfunded liability for future pension cost.
- Due to GASB accounting rules, the City had to state over \$13.27 million in unfunded liability for future OPEB cost.
- Of the major business components, natural gas and water continued to generate adequate revenues compared to expenses.

USING THIS ANNUAL REPORT

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

Management's Discussion and Analysis, Continued

Reporting the City as a Whole

Government-Wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. You can think of the City's net position—the difference between assets and liabilities—as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, 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, emergency medical services, fuel center, water park, cemetery, public works and parks departments, as well as general administration. Property taxes, franchise fees and state and federal grants finance most of these activities.
- **Business-type activities**—The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's gas, water, wastewater, sanitation and Virginia theater departments are reported here.

Management's Discussion and Analysis, Continued

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds-not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City has two types of funds that use different accounting approaches: governmental and proprietary.

- Governmental funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation that follows the fund financial statements.
- Proprietary funds - When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's Proprietary funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Management's Discussion and Analysis, Continued

THE CITY AS A WHOLE

The City's combined net position decreased by \$6.47 million from the prior year. This decrease is primarily due to GASB accounting rules for reporting unfunded liability for future pension and OPEB costs and rising costs related to inflation and employee cost. 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
(in Millions)

| | <u>Governmental</u> <u>Activities</u> | | <u>Business-Type</u> <u>Activities</u> | | <u>Total Primary</u> <u>Activities</u> | |
|------------------------------------|--|-------------------|---|-----------------|---|-----------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> |
| Current & Other Assets | \$ (1.55) | \$ (.39) | \$ 21.32 | \$ 25.19 | \$ 19.77 | \$ 24.80 |
| Capital and Leased Assets | 34.02 | 35.08 | 88.48 | 84.55 | 122.50 | 119.63 |
| Deferred Outflows | <u>13.63</u> | <u>11.38</u> | <u>2.39</u> | <u>2.83</u> | <u>16.02</u> | <u>14.21</u> |
| Total Assets and Deferred Outflows | <u>46.10</u> | <u>46.07</u> | <u>112.19</u> | <u>112.57</u> | <u>158.29</u> | <u>158.64</u> |
| Current Liabilities | 3.81 | 3.78 | 6.06 | 4.80 | 9.87 | 8.58 |
| Long Term Liabilities | 64.47 | 61.69 | 44.70 | 40.32 | 109.17 | 102.01 |
| Deferred Inflows | <u>6.73</u> | <u>7.63</u> | <u>1.31</u> | <u>2.74</u> | <u>8.04</u> | <u>10.37</u> |
| Total Liabilities/Deferred Inflows | <u>75.01</u> | <u>73.10</u> | <u>52.07</u> | <u>47.86</u> | <u>127.08</u> | <u>120.96</u> |
| Net investment in capital assets | 16.87 | 17.64 | 53.05 | 53.20 | 69.92 | 70.84 |
| Restricted | 1.48 | 1.18 | 2.30 | 2.36 | 3.78 | 3.54 |
| Unrestricted | <u>(47.26)</u> | <u>(45.85)</u> | <u>4.77</u> | <u>9.15</u> | <u>(42.49)</u> | <u>(36.70)</u> |
| Total Net Position | <u>\$ (28.91)</u> | <u>\$ (27.03)</u> | <u>\$ 60.12</u> | <u>\$ 64.71</u> | <u>\$ 31.21</u> | <u>\$ 37.68</u> |

Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, decreased by \$5.79 million during fiscal year 2023. The major contributing factor for this decrease is due to the increases in GASB Pension and OPEB expenses as well as increase in cost for supplies, insurance, and employee related costs.

Total assets and deferred outflows for Governmental Activities increased from \$46.07 million at June 30, 2022 to \$46.10 million at June 30, 2023. The major contributing factor for this increase is due to deferred outflow.

Management's Discussion and Analysis, Continued

Table 2
Change in Net Position
(in Millions)

| | Governmental Activities | | Business-Type Activities | | Total Primary Activities | |
|---|----------------------------|-------------------|-----------------------------|-----------------|-----------------------------|-----------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for Services | \$ 7.94 | \$ 7.51 | \$ 26.83 | \$ 25.13 | \$ 34.77 | \$ 32.64 |
| Federal & State Grants | 3.62 | 6.28 | - | - | 3.62 | 6.28 |
| General Revenues | | | | | | |
| Property Taxes | 1.96 | 1.91 | - | - | 1.96 | 1.91 |
| Other Taxes and License Fees | 9.43 | 9.04 | - | - | 9.43 | 9.04 |
| Other General Revenues | <u>1.66</u> | <u>1.50</u> | <u>.10</u> | <u>-</u> | <u>1.76</u> | <u>1.50</u> |
| Total Revenues | <u>\$ 24.61</u> | <u>\$ 26.24</u> | <u>\$ 26.93</u> | <u>\$ 25.13</u> | <u>\$ 51.54</u> | <u>\$ 51.37</u> |
| Program Expenses | | | | | | |
| General Government | \$ 5.27 | \$ 5.15 | \$ - | \$ - | \$ 5.27 | \$ 5.15 |
| Public Safety | 11.87 | 11.55 | - | - | 11.87 | 11.55 |
| Public Services | .24 | .30 | - | - | .24 | .30 |
| Streets | 1.94 | 2.08 | - | - | 1.94 | 2.08 |
| Parks and Recreation | 1.31 | 1.36 | - | - | 1.31 | 1.36 |
| Emergency Medical Services | 7.10 | 6.51 | - | - | 7.10 | 6.51 |
| Cemetery | .13 | .13 | - | - | .13 | .13 |
| Fuel Center | 1.16 | 1.38 | - | - | 1.16 | 1.38 |
| Waterpark | 2.75 | 2.29 | - | - | 2.75 | 2.29 |
| Travel & Tourism | .36 | .30 | - | - | .36 | .30 |
| Intergovernmental Programs | .12 | .12 | - | - | .12 | .12 |
| Downtown Revitalization | .01 | .01 | - | - | .01 | .01 |
| Debt Service – Interest & bond costs | .41 | .50 | - | - | .41 | .50 |
| Interest on long-term leases | .04 | .03 | - | - | .04 | .03 |
| Gas | - | - | 9.19 | 8.12 | 9.19 | 8.12 |
| Water | - | - | 7.66 | 6.24 | 7.66 | 6.24 |
| Wastewater | - | - | 3.68 | 4.02 | 3.68 | 4.02 |
| Sanitation | - | - | 4.12 | 4.35 | 4.12 | 4.35 |
| Virginia Theater | - | - | .81 | .19 | .81 | .19 |
| Total Expense | <u>\$ 32.71</u> | <u>\$ 31.71</u> | <u>\$ 25.46</u> | <u>\$ 22.92</u> | <u>\$ 58.17</u> | <u>\$ 54.63</u> |
| Gain (Loss) on disposal of capital assets | \$.06 | \$.16 | \$.1 | \$.19 | \$.16 | \$.35 |
| Excess (Deficiency) before Transfer | (8.04) | (5.31) | 1.57 | 2.40 | (6.47) | (2.91) |
| Transfer | <u>6.16</u> | <u>5.45</u> | <u>(6.16)</u> | <u>(5.45)</u> | <u>-</u> | <u>-</u> |
| Increase (Decrease) in Net Position | (1.88) | .14 | (4.59) | (3.05) | (6.47) | (2.91) |
| Net Position, beginning | <u>(27.03)</u> | <u>(27.17)</u> | <u>64.71</u> | <u>67.76</u> | <u>37.68</u> | <u>40.59</u> |
| Net Position, ending | <u>\$ (28.91)</u> | <u>\$ (27.03)</u> | <u>\$ 60.12</u> | <u>\$ 64.71</u> | <u>\$ 31.21</u> | <u>\$ 37.68</u> |

Management's Discussion and Analysis, Continued

The City's total revenues increased by \$0.17 million. The total cost of all programs and services increased by \$ 3.54 million. The major change in revenue comes from an increase in charges for services. Expenses are up in all the emergency services as well as additional costs related to current inflation. Our analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

The cost of all governmental activities this year was \$32.71 million compared to \$31.71 million last year. Overall, the City's governmental program fees for services increased from \$7.51 million in 2022 to \$7.94 million in 2023. The City paid for the remaining "public benefit" portion of governmental activities with \$11.39 million in taxes and license fees, \$3.62 million in grants and entitlements, \$1.66 million of other revenues, and \$6.16 million in transfers.

Table 3 presents the cost of each of the City's five largest programs-emergency medical and fire services, police, streets, waterpark, and parks and recreation-as well as each program's net cost (total cost less revenues generated by the activities). The net cost increased by \$3.25 million and shows the financial burden that was placed on the City's taxpayers by each of these functions. The major contributing factors for this increase is due to increases in employee related expenses and less grant money.

Table 3
Governmental Activities
(in Millions)

| | <u>Total Cost of Services</u> | | <u>Net Cost of Services</u> | |
|----------------------------|-----------------------------------|-----------------|---------------------------------|-----------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> |
| Emergency Medical Services | \$ 7.10 | \$ 6.51 | \$ 1.75 | \$ 1.39 |
| Police and Fire Department | 11.87 | 11.50 | 11.06 | 7.53 |
| Streets | 1.94 | 2.08 | 1.67 | 1.75 |
| Waterpark | 2.75 | 2.29 | 1.06 | .26 |
| Parks and recreation | 1.31 | 1.36 | .12 | 1.20 |
| All Others | <u>7.74</u> | <u>7.97</u> | <u>5.50</u> | <u>5.78</u> |
| Totals | <u>\$ 32.71</u> | <u>\$ 31.71</u> | <u>\$ 21.16</u> | <u>\$ 17.91</u> |

Management's Discussion and Analysis, Continued

Business-Type Activities

Revenues of the City's business-type activities (see Table 2) increased by \$1.80 million (\$25.13 million in 2022 compared to \$26.93 million in 2023) and expenses increased by \$2.54 million (\$22.92 million in 2022 compared to \$25.46 million in 2023). The factors driving these results include:

The major increase in revenue for this fiscal year is due to a increase in charges for service. The major contributing factor for the increase in expense is due to the increase in employee related expenses, gas purchases, maintenance, and depreciation.

- The City continues to monitor revenue and expenses in an effort to be as efficient as possible in all activities.

THE CITY'S FUNDS

As the City completed the year, its general fund (as presented in the balance sheet on page 15) reported a fund balance of \$2.03 million.

General Fund Budgetary Highlights

Over the course of the year, the City Council amended the City budget due to revenue and expenses that occurred during the year that were unknown at the time of the original budget.

For the General Fund, actual revenues were \$.75 million less than the \$16.01 million budgeted, while actual expenditures were \$4.80 million less than the expected \$26.61 million budgeted. (Required supplementary budgetary comparison General Fund audit draft)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2023, the City had \$122.47 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water, gas and sewer lines. (See Table 4 below).

Management's Discussion and Analysis, Continued

Table 4
Capital Assets at Year End
(Net of Depreciation and Amortization, in Millions)

| | <u>Governmental</u> | | <u>Business-Type</u> | | <u>Total Primary</u> | |
|---------------------------------------|---------------------|-----------------|----------------------|-----------------|----------------------|------------------|
| | <u>Activities</u> | | <u>Activities</u> | | <u>Government</u> | |
| | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> |
| Land | \$ 3.96 | \$ 3.96 | \$ 1.08 | \$ 1.08 | \$ 5.04 | \$ 5.04 |
| Right of Way and Easements | .01 | .01 | .15 | .15 | .16 | .16 |
| Construction in Progress | 1.26 | .58 | 7.91 | 5.37 | 9.17 | 5.95 |
| Infrastructure | 11.39 | 12.11 | - | - | 11.39 | 12.11 |
| Utility Plant and Distribution System | - | - | 40.77 | 41.89 | 40.77 | 41.89 |
| Buildings and Improvements | 13.68 | 14.24 | 34.63 | 32.75 | 48.31 | 46.99 |
| Vehicles | 2.70 | 2.72 | 1.63 | .86 | 4.33 | 3.58 |
| Equipment | .15 | .31 | .95 | .79 | 1.10 | 1.10 |
| Office Equipment | .05 | .04 | .44 | .45 | 0.49 | 0.49 |
| Land Improvements | .20 | .24 | .06 | .06 | 0.26 | 0.30 |
| Leased vehicles | .47 | .68 | .35 | .50 | .82 | 1.18 |
| Leased equipment | .14 | .19 | .49 | .65 | .63 | .84 |
| Total | <u>\$ 34.01</u> | <u>\$ 35.08</u> | <u>\$ 88.46</u> | <u>\$ 84.55</u> | <u>\$ 122.47</u> | <u>\$ 119.63</u> |

This year's major additions were:

Construction project still not finished as of June 30, 2023: Fischer Fun Park #2, Sewer Sludge Dewatering, and Oak Hill Water Booster station.

The City is continuing its goal of improving quality of life in our town. The City has upgraded our fleet across several departments, upgraded our utility plant and distribution systems, upgraded our equipment in several departments and had several other projects all around the City including streets, sidewalks, beautification and more.

More detailed information about the City's capital assets is presented in Note 6 to the financial statements.

Management's Discussion and Analysis, Continued

Debt

As of June 30, 2023, the City's Governmental Activities long term debt had decreased by \$.76 million and the Business-Type Activities long term debt increased by \$4.35 million from the prior year. We are now required to include our Net Pension Liability, which increased in the Governmental and Business-Type Activities by \$3.72 million and \$.87 million respectively. We are now required to include our OPEB Liability, which increased in the Governmental Activities by \$.15 million and increased in the Business-Type activities by \$.01 million. We are now required to include our Lease Liability, which decreased in the Governmental Activities by \$.26 million and decreased in the Business-Type activities by \$.30 million. Table 5 below contains the details.

Table 5
Outstanding Debt at Year End
(in Millions)

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|-----------------------|----------------------------|-----------------|-----------------------------|-----------------|-----------------------------|------------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> |
| Long-Term Debt | \$ 16.52 | \$ 17.28 | \$ 34.56 | \$ 30.21 | \$ 51.08 | \$ 47.49 |
| Net Pension Liability | 38.39 | 34.67 | 9.55 | 8.68 | 47.94 | 43.35 |
| Net OPEB Liability | 10.66 | 10.51 | 2.61 | 2.60 | 13.27 | 13.11 |
| Lease Liability | <u>.63</u> | <u>.89</u> | <u>.87</u> | <u>1.17</u> | <u>1.50</u> | <u>2.06</u> |
| Totals | <u>\$ 66.20</u> | <u>\$ 63.35</u> | <u>\$ 47.59</u> | <u>\$ 42.66</u> | <u>\$ 113.79</u> | <u>\$ 106.01</u> |

Insurance costs and retirement contribution percentages continue to have a major impact on the current and all future budgets. The City is continuing to pay for the employee's single health coverage and plans are to continue this practice until it becomes unaffordable for the City. The retirement percentages are a major concern for all cities and all cities are lobbying the State for legislation to help in this area.

The City is always looking at changes in bond market interest rates that would make financial sense for the City to refinance when/if rates continue down to a favorable point.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors 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 Chief Financial Officer or Accounting Supervisor at Somerset City Hall, 306 E. Mt. Vernon Street, Somerset, Kentucky 42501.

CITY OF SOMERSET, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2023

| | Primary Government | | |
|---|------------------------------------|-------------------------------------|-----------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 1,877,167 | \$ 1,687,387 | \$ 3,564,554 |
| Certificates of deposit | - | 3,404,432 | 3,404,432 |
| Investments | - | 449,810 | 449,810 |
| Receivables, net | 3,235,176 | 3,115,048 | 6,350,224 |
| Accrued interest receivable | - | 4,074 | 4,074 |
| Inventories | 186,468 | 2,255,828 | 2,442,296 |
| Prepaid expenses | 9,154 | 13,961 | 23,115 |
| Internal balances, net | <u>(8,088,600)</u> | <u>8,088,600</u> | <u>-</u> |
| Total current assets | <u>(2,780,635)</u> | <u>19,019,140</u> | <u>16,238,505</u> |
| Noncurrent assets | | | |
| Restricted cash and cash equivalents | 1,233,569 | 2,294,055 | 3,527,624 |
| Excess cost over market value of assets acquired, net | - | 24,127 | 24,127 |
| Capital assets | | | |
| Nondepreciable capital assets | 5,230,454 | 9,141,391 | 14,371,845 |
| Depreciable capital assets, net | 28,181,330 | 78,480,536 | 106,661,866 |
| Leased vehicles and equipment, net | <u>608,167</u> | <u>845,809</u> | <u>1,453,976</u> |
| Total noncurrent assets | <u>35,253,520</u> | <u>90,785,918</u> | <u>126,039,438</u> |
| Total assets | <u>32,472,885</u> | <u>109,805,058</u> | <u>142,277,943</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows - pension | 9,769,169 | 1,320,044 | 11,089,213 |
| Deferred outflows - OPEB | <u>3,861,614</u> | <u>1,072,538</u> | <u>4,934,152</u> |
| Total deferred outflows of resources | <u>13,630,783</u> | <u>2,392,582</u> | <u>16,023,365</u> |
| Total assets and deferred outflows of resources | <u>\$ 46,103,668</u> | <u>\$ 112,197,640</u> | <u>\$ 158,301,308</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | \$ 491,342 | \$ 1,927,061 | \$ 2,418,403 |
| Deferred revenue | - | 3,275 | 3,275 |
| Accrued interest payable | 100,501 | 159,416 | 259,917 |
| Other current liabilities | 1,482,093 | 500,606 | 1,982,699 |
| Retainage payable | - | 583,141 | 583,141 |
| Current portion of lease liability | 254,733 | 278,320 | 533,053 |
| Current portion of long-term debt | <u>1,480,746</u> | <u>2,613,188</u> | <u>4,093,934</u> |
| Total current liabilities | <u>3,809,415</u> | <u>6,065,007</u> | <u>9,874,422</u> |
| Noncurrent liabilities | | | |
| Lease liability | 378,517 | 596,070 | 974,587 |
| Notes payable | 771,565 | 10,807,087 | 11,578,652 |
| Bonds payable | 14,267,524 | 21,141,873 | 35,409,397 |
| Net pension liability | 38,386,600 | 9,549,767 | 47,936,367 |
| Net OPEB liability | <u>10,662,801</u> | <u>2,606,461</u> | <u>13,269,262</u> |
| Total noncurrent liabilities | <u>64,467,007</u> | <u>44,701,258</u> | <u>109,168,265</u> |
| Total liabilities | <u>68,276,422</u> | <u>50,766,265</u> | <u>119,042,687</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows - pension | 3,608,349 | 238,836 | 3,847,185 |
| Deferred inflows - OPEB | <u>3,126,971</u> | <u>1,072,470</u> | <u>4,199,441</u> |
| Total deferred inflows of resources | <u>6,735,320</u> | <u>1,311,306</u> | <u>8,046,626</u> |
| NET POSITION | | | |
| Net investment in capital assets | 16,866,866 | 53,055,325 | 69,922,191 |
| Restricted for | | | |
| Debt service | - | 2,294,055 | 2,294,055 |
| Other purposes | 1,486,427 | - | 1,486,427 |
| Unrestricted | <u>(47,261,367)</u> | <u>4,770,689</u> | <u>(42,490,678)</u> |
| Total net position | <u>(28,908,074)</u> | <u>60,120,069</u> | <u>31,211,995</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 46,103,668</u> | <u>\$ 112,197,640</u> | <u>\$ 158,301,308</u> |

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

CITY OF SOMERSET, KENTUCKY
STATEMENT OF ACTIVITIES
for the year ended June 30, 2023

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Primary government | | | | | | | |
| Governmental activities | | | | | | | |
| General government | \$ 5,273,603 | \$ 988,876 | \$ 211,167 | \$ - | \$ (4,073,560) | \$ - | \$ (4,073,560) |
| Public safety | 11,870,822 | - | 814,695 | - | (11,056,127) | - | (11,056,127) |
| Public services | 240,620 | - | - | - | (240,620) | - | (240,620) |
| Streets | 1,940,872 | - | 68,056 | 205,191 | (1,667,625) | - | (1,667,625) |
| Parks and recreation | 1,313,518 | 188,690 | - | 1,000,000 | (124,828) | - | (124,828) |
| Emergency medical services | 7,096,896 | 4,024,512 | 1,319,000 | - | (1,753,384) | - | (1,753,384) |
| Cemetery | 132,754 | 30,185 | - | - | (102,569) | - | (102,569) |
| Waterpark | 2,749,133 | 1,693,691 | - | - | (1,055,442) | - | (1,055,442) |
| Fuel center | 1,159,120 | 1,010,192 | - | - | (148,928) | - | (148,928) |
| Travel and tourism | 361,967 | - | - | - | (361,967) | - | (361,967) |
| Intergovernmental programs | 116,955 | - | - | - | (116,955) | - | (116,955) |
| Downtown revitalization | 9,546 | - | - | - | (9,546) | - | (9,546) |
| Interest on long-term debt | 402,492 | - | - | - | (402,492) | - | (402,492) |
| Interest on long-term leases | 42,898 | - | - | - | (42,898) | - | (42,898) |
| Total governmental activities | 32,711,196 | 7,936,146 | 2,412,918 | 1,205,191 | (21,156,941) | - | (21,156,941) |
| Business-type activities | | | | | | | |
| Gas department | 9,188,985 | 10,033,567 | - | - | - | 844,582 | 844,582 |
| Water department | 7,662,472 | 8,439,891 | - | - | - | 777,419 | 777,419 |
| Wastewater department | 3,675,704 | 4,106,369 | - | - | - | 430,665 | 430,665 |
| Sanitation department | 4,122,071 | 4,088,939 | - | - | - | (33,132) | (33,132) |
| Virginia Theater | 814,062 | 163,438 | - | - | - | (650,624) | (650,624) |
| Total business-type activities | 25,463,294 | 26,832,204 | - | - | - | 1,368,910 | 1,368,910 |
| Total primary government | \$ 58,174,490 | \$ 34,768,350 | \$ 2,412,918 | \$ 1,205,191 | (21,156,941) | 1,368,910 | (19,788,031) |
| General revenues | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | | 1,720,019 | - | 1,720,019 |
| Transient room tax | | | | | 242,861 | - | 242,861 |
| License fees: | | | | | | | |
| Franchise | | | | | 1,106,971 | - | 1,106,971 |
| Insurance premiums | | | | | 2,358,917 | - | 2,358,917 |
| Occupational | | | | | 5,001,599 | - | 5,001,599 |
| ABC | | | | | 963,079 | - | 963,079 |
| Investment earnings | | | | | 25,091 | 103,005 | 128,096 |
| Miscellaneous | | | | | 1,635,826 | - | 1,635,826 |
| Total general revenues | | | | | 13,054,363 | 103,005 | 13,157,368 |
| Gain (loss) on disposal of capital assets | | | | | 60,577 | 98,202 | 158,779 |
| Transfers in (out) | | | | | 6,158,127 | (6,158,127) | - |
| Change in Net Position | | | | | (1,883,874) | (4,588,010) | (6,471,884) |
| Net position-beginning | | | | | (27,024,200) | 64,708,079 | 37,683,879 |
| NET POSITION-ENDING | | | | | \$ (28,908,074) | \$ 60,120,069 | \$ 31,211,995 |

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

CITY OF SOMERSET, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

| | General | EMS | Waterpark | Fuel Center | Other Governmental Funds | Total Governmental Funds |
|---|----------------|-------------|------------------|------------------------|---|---|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 2,107,139 | \$ 431,526 | \$ 221,102 | \$ 50,688 | \$ 300,281 | \$ 3,110,736 |
| Receivables, net | 2,714,501 | 427,606 | 9,109 | 17,464 | 66,496 | 3,235,176 |
| Inventories | 32,314 | - | 58,064 | 96,090 | - | 186,468 |
| Prepaid expenses | 8,815 | - | 339 | - | - | 9,154 |
| Due from other funds | 6,366,013 | - | - | 20,634 | - | 6,386,647 |
| Total assets | \$ 11,228,782 | \$ 859,132 | \$ 288,614 | \$ 184,876 | \$ 366,777 | \$ 12,928,181 |
| LIABILITIES | | | | | | |
| Accounts payable | \$ 288,783 | \$ 45,701 | \$ 85,567 | \$ 70,143 | \$ 1,148 | \$ 491,342 |
| Due to other funds | 7,318,019 | 2,899,080 | 3,930,486 | 273,764 | 53,898 | 14,475,247 |
| Other current liabilities | 1,035,300 | 340,604 | 87,206 | 5,206 | 13,777 | 1,482,093 |
| Total liabilities | 8,642,102 | 3,285,385 | 4,103,259 | 349,113 | 68,823 | 16,448,682 |
| DEFERRED INFLOWS | | | | | | |
| Deferred inflows - unavailable revenue | 558,363 | - | - | - | - | 558,363 |
| FUND BALANCE | | | | | | |
| Nonspendable | 41,129 | - | 58,403 | 96,090 | - | 195,622 |
| Restricted | 1,233,569 | - | - | - | 315,328 | 1,548,897 |
| Unassigned | 753,619 | (2,426,253) | (3,873,048) | (260,327) | (17,374) | (5,823,383) |
| Total fund balance | 2,028,317 | (2,426,253) | (3,814,645) | (164,237) | 297,954 | (4,078,864) |
| Total liabilities, deferred inflows and fund balance | \$ 11,228,782 | \$ 859,132 | \$ 288,614 | \$ 184,876 | \$ 366,777 | \$ 12,928,181 |

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

| | |
|---|-----------------|
| Fund balance reported above | \$ (4,078,864) |
| Capital and leased assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 34,019,951 |
| Deferred inflows - unavailable revenue related to the opioid settlement is recognized as revenue in the year of settlement in the governmental activities in accordance with the accrual basis of accounting. | 558,363 |
| Interest accrued on general long-term debt is not a current expenditure and is not reported in the funds. | (100,501) |
| Net deferred inflows/outflows related to the long-term net pension and net OPEB liabilities are not reported in the funds. | 6,895,463 |
| Long-term liabilities, including bonds, leases, notes payable and net pension/OPEB liability, are not due and payable in the current period and therefore are not reported in the funds. | (66,202,486) |
| Net position of governmental activities | \$ (28,908,074) |

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

CITY OF SOMERSET, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
for the year ended June 30, 2023

| | <u>General</u> | <u>EMS</u> | <u>Waterpark</u> | <u>Fuel Center</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|-----------------------|-----------------------|---------------------|---------------------------------|---------------------------------|
| REVENUES | | | | | | |
| Taxes | \$ 1,720,019 | \$ - | \$ - | \$ - | \$ 242,861 | \$ 1,962,880 |
| Licenses and permits | 9,430,566 | - | - | - | - | 9,430,566 |
| Fines and forfeits | 14,379 | - | - | - | - | 14,379 |
| Charges for services | 649,388 | 4,024,512 | 1,693,691 | 1,010,192 | - | 7,377,783 |
| Intergovernmental | 2,025,862 | 1,319,000 | - | - | 273,247 | 3,618,109 |
| Interest income | 23,365 | 623 | 524 | 210 | 369 | 25,091 |
| Other revenues | 1,398,759 | 54,372 | 103,080 | - | 65,236 | 1,621,447 |
| Total revenues | <u>15,262,338</u> | <u>5,398,507</u> | <u>1,797,295</u> | <u>1,010,402</u> | <u>581,713</u> | <u>24,050,255</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General administration | 4,812,225 | - | - | - | - | 4,812,225 |
| Public safety | 10,872,100 | - | - | - | - | 10,872,100 |
| Public services | 240,620 | - | - | - | - | 240,620 |
| Streets | 1,142,922 | - | - | - | 100,085 | 1,243,007 |
| Parks and recreation | 1,115,829 | - | - | - | - | 1,115,829 |
| Emergency medical services | - | 6,669,390 | - | - | - | 6,669,390 |
| Cemetery | 129,925 | - | - | - | - | 129,925 |
| Waterpark | - | - | 2,014,348 | - | - | 2,014,348 |
| Fuel center | - | - | - | 1,128,409 | - | 1,128,409 |
| Travel and tourism | - | - | - | - | 357,204 | 357,204 |
| Downtown revitalization | 9,546 | - | - | - | - | 9,546 |
| Intergovernmental programs | 116,182 | - | - | - | - | 116,182 |
| Capital outlay | 1,596,752 | 114,310 | - | 17,849 | 205,191 | 1,934,102 |
| Debt service | 1,774,810 | 153,839 | 226,855 | - | - | 2,155,504 |
| Total expenditures | <u>21,810,911</u> | <u>6,937,539</u> | <u>2,241,203</u> | <u>1,146,258</u> | <u>662,480</u> | <u>32,798,391</u> |
| Excess (deficiency) of revenues over expenditures | <u>(6,548,573)</u> | <u>(1,539,032)</u> | <u>(443,908)</u> | <u>(135,856)</u> | <u>(80,767)</u> | <u>(8,748,136)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Proceeds from issuance of debt | 596,370 | 92,085 | - | - | - | 688,455 |
| Proceeds from sale of capital assets | 224,808 | 384 | - | - | - | 225,192 |
| Transfers in (out) | 5,708,627 | (50,000) | 424,500 | - | 75,000 | 6,158,127 |
| Total other financing sources and uses | <u>6,529,805</u> | <u>42,469</u> | <u>424,500</u> | <u>-</u> | <u>75,000</u> | <u>7,071,774</u> |
| Net change in fund balances | (18,768) | (1,496,563) | (19,408) | (135,856) | (5,767) | (1,676,362) |
| Fund balance-beginning | <u>2,047,085</u> | <u>(929,690)</u> | <u>(3,795,237)</u> | <u>(28,381)</u> | <u>303,721</u> | <u>(2,402,502)</u> |
| Fund balance-ending | \$ 2,028,317 | \$ (2,426,253) | \$ (3,814,645) | \$ (164,237) | \$ 297,954 | \$ (4,078,864) |

Reconciliation to government-wide change in net position:

| | |
|---|----------------|
| Net change in fund balances | \$ (1,676,362) |
| add: capital outlay expenditures capitalized | 1,934,102 |
| add: debt service expenditures | 2,155,504 |
| add: gain from sale of capital assets | 60,577 |
| add: opioid settlement revenue | 558,363 |
| less: proceeds from sale of assets | (225,192) |
| less: proceeds from issuance of debt | (688,455) |
| less: depreciation and amortization on governmental activities assets | (2,833,026) |
| less: change in net pension liability | 86,083 |
| less: change in net OPEB liability | (810,078) |
| less: interest on long term debt and long term leases | (445,390) |

Change in net position governmental activities \$ (1,883,874)

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

CITY OF SOMERSET, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2023

| | Business-type Activities | | | | | Total |
|---|--------------------------|----------------------|--------------------------|--------------------------|---------------------|-----------------------|
| | Gas Department | Water Department | Wastewater Department | Sanitation Department | Virginia Theater | |
| ASSETS | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | \$ 287,553 | \$ 961,165 | \$ 414,253 | \$ 14,107 | \$ 10,309 | \$ 1,687,387 |
| Certificates of deposit | - | - | 2,803,627 | 600,805 | - | 3,404,432 |
| Investments | 224,905 | 224,905 | - | - | - | 449,810 |
| Receivables, net | 701,121 | 1,246,971 | 603,410 | 560,271 | 3,275 | 3,115,048 |
| Accrued interest receivable | - | - | 3,181 | 893 | - | 4,074 |
| Inventories | 320,306 | 1,887,497 | 39,907 | - | 8,118 | 2,255,828 |
| Prepaid expenses | - | - | - | - | 13,961 | 13,961 |
| Due from other funds | 1,548,815 | 6,925,256 | 144,506 | 47,238 | - | 8,665,815 |
| Total current assets | <u>3,082,700</u> | <u>11,245,794</u> | <u>4,008,884</u> | <u>1,223,314</u> | <u>35,663</u> | <u>19,596,355</u> |
| Noncurrent assets | | | | | | |
| Restricted cash and cash equivalents | - | 2,105,055 | 189,000 | - | - | 2,294,055 |
| Excess cost over market value of assets acquired, net | - | 24,127 | - | - | - | 24,127 |
| Capital assets | | | | | | |
| Nondepreciable capital assets | 251,391 | 8,087,415 | 621,355 | 75,000 | 106,230 | 9,141,391 |
| Leased vehicles and equipment | 1,043,304 | 106,369 | 158,620 | 89,182 | - | 1,397,475 |
| Depreciable capital assets | 28,347,960 | 71,682,135 | 47,172,910 | 4,806,448 | 3,005,963 | 155,015,416 |
| Less accumulated depreciation and amortization | <u>(22,082,600)</u> | <u>(27,784,765)</u> | <u>(24,570,852)</u> | <u>(2,535,605)</u> | <u>(112,724)</u> | <u>(77,086,546)</u> |
| Total noncurrent assets | <u>7,560,055</u> | <u>54,220,336</u> | <u>23,571,033</u> | <u>2,435,025</u> | <u>2,999,469</u> | <u>90,785,918</u> |
| Total assets | <u>10,642,755</u> | <u>65,466,130</u> | <u>27,579,917</u> | <u>3,658,339</u> | <u>3,035,132</u> | <u>110,382,273</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| Deferred outflows - pension | 355,794 | 416,058 | 215,102 | 304,716 | 28,374 | 1,320,044 |
| Deferred outflows - OPEB | 289,083 | 338,048 | 174,771 | 247,582 | 23,054 | 1,072,538 |
| Total deferred outflows of resources | <u>644,877</u> | <u>754,106</u> | <u>389,873</u> | <u>552,298</u> | <u>51,428</u> | <u>2,392,582</u> |
| Total assets and deferred outflows of resources | <u>\$ 11,287,632</u> | <u>\$ 66,220,236</u> | <u>\$ 27,969,790</u> | <u>\$ 4,210,637</u> | <u>\$ 3,086,560</u> | <u>\$ 112,774,855</u> |
| LIABILITIES | | | | | | |
| Current liabilities | | | | | | |
| Accounts payable | \$ 509,143 | \$ 1,101,113 | \$ 147,336 | \$ 158,359 | \$ 11,110 | \$ 1,927,061 |
| Due to other funds | 4,612 | 2,838 | 3,815 | 78,792 | 487,158 | 577,215 |
| Accrued interest payable | 2,701 | 138,019 | 11,243 | 1,730 | 5,723 | 159,416 |
| Unearned revenue | - | - | - | - | 3,275 | 3,275 |
| Other current liabilities | 158,893 | 162,281 | 83,027 | 88,331 | 8,074 | 500,606 |
| Retainage payable | - | 583,141 | - | - | - | 583,141 |
| Current portion of lease liability | 211,437 | 19,830 | 28,218 | 18,835 | - | 278,320 |
| Current portion of long-term debt | 95,243 | 568,472 | 647,487 | 1,194,162 | 107,824 | 2,613,188 |
| Total current liabilities | <u>982,029</u> | <u>2,575,694</u> | <u>921,126</u> | <u>1,540,209</u> | <u>623,164</u> | <u>6,642,222</u> |
| Noncurrent liabilities | | | | | | |
| Notes payable | 102,542 | 6,392,880 | 4,268,133 | 43,532 | - | 10,807,087 |
| Lease liability | 444,258 | 43,372 | 61,167 | 47,273 | - | 596,070 |
| Bonds payable | 488,427 | 15,861,537 | 2,101,906 | - | 2,690,003 | 21,141,873 |
| Net pension liability | 2,573,965 | 3,009,947 | 1,556,141 | 2,204,444 | 205,270 | 9,549,767 |
| Net OPEB liability | 702,524 | 821,518 | 424,725 | 601,669 | 56,025 | 2,606,461 |
| Total noncurrent liabilities | <u>4,311,716</u> | <u>26,129,254</u> | <u>8,412,072</u> | <u>2,896,918</u> | <u>2,951,298</u> | <u>44,701,258</u> |
| Total liabilities | <u>5,293,745</u> | <u>28,704,948</u> | <u>9,333,198</u> | <u>4,437,127</u> | <u>3,574,462</u> | <u>51,343,480</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Deferred inflows - pension | 64,373 | 75,280 | 38,920 | 55,130 | 5,133 | 238,836 |
| Deferred inflows - OPEB | 289,066 | 338,028 | 174,760 | 247,563 | 23,053 | 1,072,470 |
| Total deferred inflows of resources | <u>353,439</u> | <u>413,308</u> | <u>213,680</u> | <u>302,693</u> | <u>28,186</u> | <u>1,311,306</u> |
| NET POSITION | | | | | | |
| Net investment in capital assets | 6,218,148 | 29,229,190 | 16,275,122 | 1,131,223 | 201,642 | 53,055,325 |
| Restricted for debt service | - | 2,105,055 | 189,000 | - | - | 2,294,055 |
| Unrestricted | <u>(577,700)</u> | <u>5,767,735</u> | <u>1,958,790</u> | <u>(1,660,406)</u> | <u>(717,730)</u> | <u>4,770,689</u> |
| Total net position | <u>5,640,448</u> | <u>37,101,980</u> | <u>18,422,912</u> | <u>(529,183)</u> | <u>(516,088)</u> | <u>60,120,069</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 11,287,632</u> | <u>\$ 66,220,236</u> | <u>\$ 27,969,790</u> | <u>\$ 4,210,637</u> | <u>\$ 3,086,560</u> | <u>\$ 112,774,855</u> |

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

CITY OF SOMERSET, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
for the year ended June 30, 2023

| | Business-type Activities | | | | | Total |
|--|---------------------------------|-----------------------------|----------------------------------|----------------------------------|-----------------------------|----------------------|
| | Gas Department | Water Department | Wastewater Department | Sanitation Department | Virginia Theater | |
| Operating revenues | | | | | | |
| Sales to customers | \$ 8,890,833 | \$ 7,821,856 | \$ 3,255,387 | \$ 4,003,816 | \$ 162,193 | \$ 24,134,085 |
| Transportation/surcharges | 798,602 | 226,980 | 16,720 | - | - | 1,042,302 |
| Other operating revenues | <u>344,132</u> | <u>391,055</u> | <u>834,262</u> | <u>85,123</u> | <u>1,245</u> | <u>1,655,817</u> |
| Total operating revenues | <u>10,033,567</u> | <u>8,439,891</u> | <u>4,106,369</u> | <u>4,088,939</u> | <u>163,438</u> | <u>26,832,204</u> |
| Operating expenses | | | | | | |
| Gas purchases, net of refunds | 5,288,277 | - | - | - | - | 5,288,277 |
| Operating expenses | 2,590,020 | 4,523,396 | 1,816,075 | 3,470,933 | 634,433 | 13,034,857 |
| Maintenance | 560,868 | 1,125,384 | 564,897 | 311,574 | - | 2,562,723 |
| Depreciation and amortization | <u>708,933</u> | <u>1,639,320</u> | <u>1,135,611</u> | <u>304,916</u> | <u>112,724</u> | <u>3,901,504</u> |
| Total operating expenses | <u>9,148,098</u> | <u>7,288,100</u> | <u>3,516,583</u> | <u>4,087,423</u> | <u>747,157</u> | <u>24,787,361</u> |
| Operating income (loss) | <u>885,469</u> | <u>1,151,791</u> | <u>589,786</u> | <u>1,516</u> | <u>(583,719)</u> | <u>2,044,843</u> |
| Nonoperating revenues (expenses) | | | | | | |
| Gain (loss) on disposal of capital assets | 1,396 | - | - | 96,806 | - | 98,202 |
| Interest and investment income (loss) | (3,904) | 13,437 | 83,790 | 9,631 | 51 | 103,005 |
| Interest expense | <u>(40,887)</u> | <u>(374,372)</u> | <u>(159,121)</u> | <u>(34,648)</u> | <u>(66,905)</u> | <u>(675,933)</u> |
| Total nonoperating revenues (expenses) | <u>(43,395)</u> | <u>(360,935)</u> | <u>(75,331)</u> | <u>71,789</u> | <u>(66,854)</u> | <u>(474,726)</u> |
| Income (loss) before capital contributions and transfers | 842,074 | 790,856 | 514,455 | 73,305 | (650,573) | 1,570,117 |
| Transfers in (out) | <u>(2,900,000)</u> | <u>(2,791,028)</u> | <u>32,401</u> | <u>(499,500)</u> | <u>-</u> | <u>(6,158,127)</u> |
| Change in net position | (2,057,926) | (2,000,172) | 546,856 | (426,195) | (650,573) | (4,588,010) |
| Total net position-beginning | <u>7,698,374</u> | <u>39,102,152</u> | <u>17,876,056</u> | <u>(102,988)</u> | <u>134,485</u> | <u>64,708,079</u> |
| TOTAL NET POSITION-ENDING | <u>\$ 5,640,448</u> | <u>\$ 37,101,980</u> | <u>\$ 18,422,912</u> | <u>\$ (529,183)</u> | <u>\$ (516,088)</u> | <u>\$ 60,120,069</u> |

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

CITY OF SOMERSET, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
for the year ended June 30, 2023

| | Business-type Activities | | | | | Total |
|---|---------------------------------|-----------------------------|----------------------------------|----------------------------------|-----------------------------|---------------------|
| | Gas Department | Water Department | Wastewater Department | Sanitation Department | Virginia Theater | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Cash received from customers | \$ 9,618,559 | \$ 8,028,407 | \$ 3,299,801 | \$ 4,457,418 | \$ 162,194 | \$ 25,566,379 |
| Cash payments to suppliers for goods and services | (7,039,107) | (3,913,728) | (1,536,005) | (2,318,486) | (300,139) | (15,107,465) |
| Cash payments to employees | (1,827,863) | (2,114,879) | (1,168,137) | (1,593,544) | (116,360) | (6,820,783) |
| Other operating revenues | <u>344,132</u> | <u>391,055</u> | <u>834,262</u> | <u>85,123</u> | <u>1,245</u> | <u>1,655,817</u> |
| Net cash provided (used) by operating activities | <u>1,095,721</u> | <u>2,390,855</u> | <u>1,429,921</u> | <u>630,511</u> | <u>(253,060)</u> | <u>5,293,948</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | | | | |
| Receipts (payments) on interfund loans | 1,488,637 | (451,310) | (333,640) | 337,663 | 484,784 | 1,526,134 |
| Transfers (to) from other funds | <u>(2,900,000)</u> | <u>(1,438,627)</u> | <u>(1,320,000)</u> | <u>(499,500)</u> | <u>-</u> | <u>(6,158,127)</u> |
| Net cash provided (used) by non-capital financing activities | <u>(1,411,363)</u> | <u>(1,889,937)</u> | <u>(1,653,640)</u> | <u>(161,837)</u> | <u>484,784</u> | <u>(4,631,993)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | |
| Principal paid on bonds, notes and leases | (318,836) | (568,007) | (696,462) | (670,744) | (103,824) | (2,357,873) |
| Interest paid on bonds, notes and leases | (41,022) | (372,556) | (163,056) | (33,860) | (67,206) | (677,700) |
| Proceeds from issuance of debt | 107,340 | 5,158,010 | - | 1,146,313 | - | 6,411,663 |
| Acquisition and construction of capital assets | (107,340) | (5,503,321) | (327,726) | (1,146,292) | (182,601) | (7,267,280) |
| Proceeds from sale of assets | <u>1,396</u> | <u>-</u> | <u>-</u> | <u>230,624</u> | <u>-</u> | <u>232,020</u> |
| Net cash provided (used) by capital and related financing activities | <u>(358,462)</u> | <u>(1,285,874)</u> | <u>(1,187,244)</u> | <u>(473,959)</u> | <u>(353,631)</u> | <u>(3,659,170)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Proceeds from certificates of deposit | - | 1,259,830 | - | - | - | 1,259,830 |
| Purchase of investments | - | - | (99) | (98) | - | (197) |
| Interest income | <u>(1,016)</u> | <u>16,366</u> | <u>81,072</u> | <u>8,745</u> | <u>51</u> | <u>105,218</u> |
| Net cash provided (used) by investing activities | <u>(1,016)</u> | <u>1,276,196</u> | <u>80,973</u> | <u>8,647</u> | <u>51</u> | <u>1,364,851</u> |
| Net increase (decrease) in cash and cash equivalents | (675,120) | 491,240 | (1,329,990) | 3,362 | (121,856) | (1,632,364) |
| Balances-beginning of the year | <u>962,673</u> | <u>2,574,980</u> | <u>1,933,243</u> | <u>10,745</u> | <u>132,165</u> | <u>5,613,806</u> |
| BALANCES-END OF THE YEAR | <u>\$ 287,553</u> | <u>\$ 3,066,220</u> | <u>\$ 603,253</u> | <u>\$ 14,107</u> | <u>\$ 10,309</u> | <u>\$ 3,981,442</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | | | |
| Operating income (loss): | \$ 885,469 | \$ 1,151,791 | \$ 589,786 | \$ 1,516 | \$ (583,719) | \$ 2,044,843 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | | | |
| Depreciation and amortization expense | 708,933 | 1,639,320 | 1,135,611 | 304,916 | 112,724 | 3,901,504 |
| Net pension liability activity | (136,928) | 108,623 | (222,296) | (166,066) | 182,029 | (234,638) |
| Net OPEB liability activity | 32,862 | 112,809 | (18,746) | 14,639 | 56,024 | 197,588 |
| Change in assets and liabilities: | | | | | | |
| Receivables, net | (70,876) | (20,429) | 27,694 | 453,602 | 4,421 | 394,412 |
| Inventory | (68,568) | (969,538) | 7,438 | - | (5,868) | (1,036,536) |
| Prepaid expenses | - | - | - | - | (9,711) | (9,711) |
| Accounts and retainage payable | 171,745 | 339,290 | (85,750) | 26,239 | (11,200) | 440,324 |
| Other liabilities | (426,916) | 28,989 | (3,816) | (4,335) | 6,660 | (399,418) |
| Unearned revenue | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(4,420)</u> | <u>(4,420)</u> |
| Net cash provided by operating activities | <u>\$ 1,095,721</u> | <u>\$ 2,390,855</u> | <u>\$ 1,429,921</u> | <u>\$ 630,511</u> | <u>\$ (253,060)</u> | <u>\$ 5,293,948</u> |
| Supplemental disclosure of cash flow information: | | | | | | |
| Noncash capital and related financing activities: | | | | | | |
| Payables for capital items, net | <u>\$ -</u> | <u>\$ 669,763</u> | <u>\$ 7,314</u> | <u>\$ -</u> | <u>\$ 3,770</u> | <u>\$ 680,847</u> |

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

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Somerset, Kentucky (the City), operates under the Mayor-Council form of government and provides such services as public safety; streets; parks and recreation; emergency medical services; cemetery; fuel center; waterpark; theater; economic and community development; gas, water, wastewater and sanitation utilities. The accounting policies of the City conform to accounting principles generally accepted in the United States of America applicable to governmental units. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The accompanying financial statements of the City present the City's primary government over which the Mayor and Council exercise significant oversight responsibility. Oversight responsibility, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, was determined on the basis of the City's ability to significantly influence operation, select the governing body, participate in fiscal management and the scope of public service. All related entities were evaluated using these criteria and no related entities require inclusion in the general purpose financial statements. The Pulaski County Industrial Foundation has been dissolved and Somerset-Pulaski Development Authority (SPEDA) was newly formed in place of the former foundation. SPEDA was evaluated and excluded because its operations are primarily funded by a county-wide occupational tax. The Lake Cumberland Area Drug Task Force was evaluated and excluded because the board which oversees the task force contains one member from each participating government and the task force does not provide services primarily to the City.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Fund financial statements report detailed information about the City. The accounts of the City are organized on the basis of funds each of which is considered to be a separate fiscal and accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that is comprised of its assets, liabilities, fund balance or net position, revenues and expenditures or expenses.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues that are not considered available are reported as deferred inflows of resources. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, insurance premium, occupational, and franchise fees, and grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City allocates indirect expenses primarily comprised of central governmental services to operating functions and programs benefiting from those services. Central services include overall City management, centralized budgetary formulation and oversight, accounting, financial reporting, payroll, procurement contracting and oversight, investing and cash management, personnel services and other central administrative services. Allocations are charged equally among the effected departments. These charges are reported in the statement of activities as part of revenues and expenses. As a matter of policy, certain functions that use significant central services are not charged for the use of these services. These functions or programs include public safety, public services, streets and parks and recreation.

The City reports the following major governmental funds:

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

EMS Fund - A special revenue fund used to account for the activities of the Somerset-Pulaski County Emergency Medical Services. The City of Somerset City Council has the responsibility of approving all expenditures by the Somerset-Pulaski County Emergency Medical Service.

Waterpark Fund - A special revenue fund used to account for the waterpark activities provided to residents and visitors of the area, the operation of which is financed primarily by the general government.

Fuel Center Fund - A special revenue fund used to account for the activities of the fuel center provided to city departments, various organizations and the public.

Proprietary funds are used to account for the ongoing organizations and activities of the City, which are similar to those found in private business enterprises. The measurement focus is upon determination of net income, financial position and changes in cash flow.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The City reports the following major proprietary funds:

Gas Department Fund - The gas department fund is used to account for the gas utility services provided to the residents and industries of the City, the operation of which is financed by user charges. The fund also collects user charges for transporting gas for producers and various gas companies.

Water Department Fund - The water department fund is used to account for the water utility services provided to the residents and industries of the City and area water districts, the operation of which is financed by user charges.

Wastewater Department Fund - The wastewater department fund is used to account for the wastewater utility services provided to the residents and industries of the City, the operation of which is financed by user charges.

Sanitation Department Fund - The sanitation department fund is used to account for the sanitation services provided to the residents and industries of the City, the operation of which is financed by user charges.

Virginia Theater Fund – The Virginia Theater fund is used to account for the theater’s events available to the residents of the City, the operation of which is financed by event revenue.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's gas, water, wastewater, sanitation, and fuel center funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue tap fees intended to recover the costs of connecting new customers to the utility system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Fund Balance

In fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts constrained for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed - amounts that can be used only for specific purposes determined by a formal action of the City Council. The council is the highest level of decision-making authority for the City of Somerset. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the council.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Balance (continued)

Assigned - for all governmental funds, other than the General Fund, any remaining positive amounts not classified as nonspendable, restricted or committed. For the General Fund, amounts constrained, by intent, to be used for a specific purpose by the City or the elected City official given authority to assign amounts. For resources considered to be assigned, the City has designated the Mayor to carry the intent of the City Council.

Unassigned - for the General Fund, amounts not classified as nonspendable, restricted, committed or assigned. For all other government funds, amounts expended in excess of resources that are nonspendable, restricted, committed or assigned.

It is the policy of the City to spend restricted funds first when both restricted and unrestricted funds are available. Once restricted funds are spent, the City will use committed funds first, assigned funds second, and unassigned funds last.

| | General | EMS Fund | Waterpark | Fuel Center | Other Governmental Funds | Total Governmental Funds |
|----------------|---------------------|----------------------|----------------------|--------------------|--------------------------------|--------------------------------|
| Nonspendable: | | | | | | |
| Inventory | \$ 32,314 | \$ - | \$ 58,064 | \$ 96,090 | \$ - | \$ 186,468 |
| Prepays | 8,815 | - | 339 | - | - | 9,154 |
| Restricted | | | | | | |
| Other | 1,233,569 | - | - | - | - | 1,233,569 |
| Coal & mineral | - | - | - | - | 62,471 | 62,471 |
| Tourism | - | - | - | - | 252,857 | 252,857 |
| Unassigned | <u>753,944</u> | <u>(2,426,253)</u> | <u>(3,873,048)</u> | <u>(260,327)</u> | <u>(17,374)</u> | <u>(5,823,058)</u> |
| Total | <u>\$ 2,028,642</u> | <u>\$(2,426,253)</u> | <u>\$(3,814,645)</u> | <u>\$(164,237)</u> | <u>\$ 297,954</u> | <u>\$(4,078,539)</u> |

E. Pensions

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

F. Postemployment Benefits Other Than Pensions (OPEB)

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

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities and Net Position or Fund Balance

Deposits and Investments

Cash and cash equivalents include cash on hand and demand deposits. Certificates of deposit include all certificates owned by the City. Investments include shares in the Kentucky League of Cities Investment Pool Plus Program which are measured at net asset value. KRS 66.480 authorizes the City to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which have a physical presence in Kentucky and are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). The Statute also authorizes investment in mutual funds, exchange traded funds, individual equity securities and high-quality corporate bonds that are managed by a professional investment manager and subject to additional requirements outlined in KRS 66.480.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the proprietary funds consider all highly liquid investments (both restricted and unrestricted) with a maturity of 90 days or less when purchased to be cash equivalents.

Interfund Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Inventories

Inventories in the general and proprietary funds consist of expendable supplies held for consumption and inventory for concessions and retail sale in the waterpark and Virginia theater stated on a first-in, first-out method. Inventory in the fuel center fund consists of fuel held for sale. They are reported at cost which is recorded as an expenditure/expense at the time individual inventory items are used. Inventories of the special revenue funds are recorded as expenditures when purchased rather than when consumed.

Accounts Receivable

Governmental activities accounts receivable consists of property taxes, occupational license fees, insurance premium fees, franchise fees, service revenues and grant funds which are disbursed on an expenditure-reimbursement plan.

Business-type activities extend credit to substantially all of their customers.

The City maintains allowances for doubtful accounts based on evaluation by management and percentages applied to the various aging periods of accounts receivable. Specific accounts deemed uncollectible are charged to the allowance upon evaluation by management. Evaluation factors include familiarity with the customer, credit history and the age of the unpaid bill.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities and Net Position or Fund Balance (continued)

Capital Assets and Depreciation

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Leased assets are recorded at the amount of the initial measurement of the lease liability, plus any payments made at or before the commencement of the lease term. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$10,000 for assets other than buildings, building/land improvements and infrastructure that have an estimated useful life of at least two years. The capitalization threshold for buildings and building improvements and infrastructure is \$50,000 and for land improvements the capitalization threshold is \$25,000.

Transfers of capital assets between funds are recorded at the net book value of the transferred asset at the time of transfer.

All reported capital assets are depreciated with the exception of land and construction in progress.

Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

| Description | Years |
|--------------------------|--------------|
| Buildings and structures | 20-50 |
| Vehicles | 4-15 |
| Other equipment | 3-25 |
| Infrastructure | 20-100 |

All leased assets are amortized over the shorter of the lease term or the useful life of the underlying asset.

Compensated Absences

The City allows employees to accumulate unused sick leave to a maximum of 960 hours. Upon termination, employees in Tier 1 or Tier 2 of the Kentucky Public Pensions Authority are given the option of taking credit towards their retirement for accumulated sick days or taking payment for the accumulated days with a maximum of 480 hours to be paid out and then rolling over the rest. Employees in Tier 3 of the Kentucky Public Pensions Authority may be paid up to 480 hours sick hours at time of retirement but are not allowed any roll over hours to the retirement system. At termination employees can be paid for up to 320 hours of bonus leave. Earned vacation time is generally required to be used within one year. At time of termination vested but unused vacation leave will be paid out. The City's accrued liabilities for future compensated absences are recorded to the extent the future leave (1) relate to rights attributable to employee services already rendered, (2) relate to rights that vest or accumulate, (3) where payment is probable and (4) where amounts can be reasonably estimated. The amount of vacation liability is included in the financial statements in the accrued liabilities total. The amount of sick leave due is not practicably determinable.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Budgeting

The City follows the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgets for all funds are adopted on the accrual basis. With the exception of the proprietary funds, this approximates accounting principles generally accepted in the United States of America. The primary difference for the proprietary funds between accounting principles generally accepted in the United States of America and the cash basis is in the treatment of capital improvements and the related depreciation and principal payments on debt. All annual appropriations lapse at fiscal year-end, even if encumbered.

In June of each year, the City Council adopts the annual fiscal year budgets for city operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

I. Other Accounting Policies

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources to provide services, construct assets, transfer assets and service debt. The accompanying financial statements generally reflect such transactions as transfers.

Use of Estimates

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

J. Change in Accounting Policy

Effective July 1, 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-based Information Technology Arrangements. GASB Statement No. 96 requires recognition of a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability for subscription-based information technology arrangements (SBITA) that were previously classified as operating expenses. It establishes uniform guidance for SBITA accounting based on the foundational principle that SBITA are financings of the right to use vendor-provided information technology assets. Government entities are required to recognize a subscription liability and an intangible right-to-use subscription asset. These changes had no effect on the financial statements.

K. Management's Review of Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through November 17, 2023, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2023, have not been evaluated by the City.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

2. CASH

Custodial Credit Risks – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk beyond that specified in KRS 66.480.

The balances for cash and cash equivalents and certificates of deposit for the primary government at June 30, 2023 are as follows:

| | |
|---|---------------|
| Carrying amount | \$ 10,496,610 |
| Bank balance | \$ 11,226,403 |
| FDIC Insurance | \$ 2,549,173 |
| Bank Deposit Guaranty Bond | \$ 651,249 |
| Uninsured and collateral held by the pledging financial institution’s trust department or agent and pledged to the City, in the depositor-government’s name | \$ 8,025,981 |
| Uninsured and uncollateralized | \$ - |

3. INVESTMENTS

As of June 30, 2023, the City had a total of \$449,810 in investments. Investments consisted of shares purchased in the Kentucky League of Cities Investment Pool Plus Program (KLCIP) measured at net asset value. Shares held in the KLCIP are invested in short and intermediate-term U.S. Treasury Bonds.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. As of June 30, 2023, the City had the following investments:

| | June 30, 2023 | Weighted Average Maturity (in days) |
|------------------------------------|-------------------|--|
| Investments Measured at NAV | | |
| KLCIP | <u>\$ 449,810</u> | N/A |

4. ACCOUNTS AND NOTES RECEIVABLE

Accounts Receivable

Account receivables at June 30, 2023 for all funds of the City are as follows:

| | Accounts | Taxes | Licenses & Permits | Intergov. | Other | Allowance | Total |
|------------------|---------------------|------------------|-----------------------|------------------|---------------------|---------------------|---------------------|
| General Fund | \$ 31,710 | \$ 28,841 | \$ 1,825,542 | \$ 26,764 | \$ 833,309 | \$ (31,665) | \$ 2,714,501 |
| EMS Fund | 1,029,823 | - | - | - | 1,111 | (603,328) | 427,606 |
| Waterpark | 9,109 | - | - | - | - | - | 9,109 |
| Fuel Center | - | - | - | - | 17,464 | - | 17,464 |
| Other Gov. | - | 26,606 | - | 39,890 | - | - | 66,496 |
| Gas | 566,807 | - | - | - | 134,314 | - | 701,121 |
| Water | 1,223,839 | - | - | - | 23,132 | - | 1,246,971 |
| Wastewater | 494,434 | - | - | - | 108,976 | - | 603,410 |
| Sanitation | 560,271 | - | - | - | - | - | 560,271 |
| Virginia Theater | <u>3,275</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,275</u> |
| Totals | <u>\$ 3,919,268</u> | <u>\$ 55,447</u> | <u>\$ 1,825,542</u> | <u>\$ 66,654</u> | <u>\$ 1,118,306</u> | <u>\$ (634,993)</u> | <u>\$ 6,350,224</u> |

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

5. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables within governmental activities and business-type activities not eliminated for purposes of government-wide financial statements as of June 30, 2023 are as follows:

| Receivable Fund | Payable Fund | Amount |
|------------------------|-----------------------|-----------------------|
| Fuel Center Fund | Gas Department | \$ 4,582 |
| Fuel Center Fund | Water Department | 2,838 |
| Fuel Center Fund | Wastewater Department | 3,287 |
| Fuel Center Fund | Virginia Theater | 397 |
| Gas Department | General Fund | (1,548,815) |
| Water Department | General Fund | (5,624,698) |
| Water Department | Waterpark | (1,300,000) |
| Wastewater Department | General Fund | (144,506) |
| Sanitation Department | Fuel Center | (46,278) |
| Sanitation Department | Tourism & Travel | (77) |
| General Fund | Sanitation Department | 78,792 |
| General Fund | Virginia Theater | <u>485,878</u> |
| Internal balances, net | | <u>\$ (8,088,600)</u> |

Interfund receivables and payables within governmental activities and business-type activities eliminated for purposes of government-wide financial statements as of June 30, 2023 are as follows:

| Receivable Fund | Payable Fund | Amount |
|------------------------|------------------------|---------------|
| General Fund | EMS Fund | \$ 2,889,890 |
| General Fund | Waterpark | \$ 2,630,146 |
| General Fund | Fuel Center | \$ 227,486 |
| General Fund | Municipal Aid Projects | \$ 50,000 |
| General Fund | Tourism & Travel | \$ 3,821 |
| Fuel Center Fund | Waterpark | \$ 340 |
| Fuel Center Fund | Travel and Tourism | \$ - |
| Fuel Center Fund | EMS Fund | \$ 9,190 |
| Water Department | Gas Department | \$ 30 |
| Water Department | Wastewater Department | \$ 528 |
| Sanitation Department | Virginia Theater | \$ 883 |

The City's interfund balances are anticipated to be repaid over a period of time. Some of the interfund balances will not be repaid within one year of the date of these financial statements. The City is unable to identify which balances will not be repaid in the next fiscal year. The interfund balances will be repaid as resources become available.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

6. CAPITAL ASSETS

A summary of changes in the City's capital assets during the year ended June 30, 2023, is as follows:

| | June 30, 2022 | Additions/ Transfers | Disposals/ Transfers | June 30, 2023 |
|---|----------------------|-------------------------|-------------------------|----------------------|
| Governmental Activities | | | | |
| Capital assets not depreciated: | | | | |
| Land | \$ 3,960,782 | \$ - | \$ - | \$ 3,960,782 |
| Right of way and easements | 11,068 | - | - | 11,068 |
| Construction in progress | <u>583,889</u> | <u>674,715</u> | - | <u>1,258,604</u> |
| Totals | <u>4,555,739</u> | <u>674,715</u> | - | <u>5,230,454</u> |
| Capital assets that are depreciated: | | | | |
| Infrastructure | 38,483,817 | 440,476 | - | 38,924,293 |
| Building and improvements | 20,177,744 | - | - | 20,177,744 |
| Vehicles | 7,628,685 | 678,553 | (784,771) | 7,522,467 |
| Equipment | 2,832,240 | 86,868 | (9,600) | 2,909,508 |
| Office equipment | 1,071,830 | 29,459 | (11,980) | 1,089,309 |
| Land improvements | 1,434,124 | - | - | 1,434,124 |
| Leased vehicles | 850,525 | - | (27,834) | 822,691 |
| Leased equipment | <u>257,318</u> | <u>24,031</u> | <u>(5,428)</u> | <u>275,921</u> |
| Totals | <u>72,736,283</u> | <u>1,259,387</u> | <u>(839,613)</u> | <u>73,156,057</u> |
| Total capital assets | <u>77,292,022</u> | <u>1,934,102</u> | <u>(839,613)</u> | <u>78,386,511</u> |
| Accumulated depreciation: | | | | |
| Infrastructure | 26,374,187 | 1,159,263 | - | 27,533,450 |
| Buildings and improvements | 5,934,570 | 563,983 | - | 6,498,553 |
| Vehicles | 4,906,179 | 537,611 | (621,332) | 4,822,458 |
| Equipment | 2,526,373 | 239,091 | (8,720) | 2,756,744 |
| Office equipment | 1,032,627 | 15,222 | (11,780) | 1,036,069 |
| Land improvements | <u>1,193,040</u> | <u>35,801</u> | - | <u>1,228,841</u> |
| Totals | <u>41,966,976</u> | <u>2,550,971</u> | <u>(641,832)</u> | <u>43,876,115</u> |
| Accumulated amortization: | | | | |
| Leased vehicles | 169,292 | 208,924 | (27,760) | 350,456 |
| Leased equipment | <u>72,264</u> | <u>73,131</u> | <u>(5,406)</u> | <u>139,989</u> |
| Totals | <u>241,556</u> | <u>282,055</u> | <u>(33,166)</u> | <u>490,445</u> |
| Total accumulated depreciation and amortization | <u>42,208,532</u> | <u>2,833,026</u> | <u>(674,998)</u> | <u>44,366,560</u> |
| Capital Assets, Net | <u>\$ 35,083,490</u> | <u>\$ (898,924)</u> | <u>\$ (164,615)</u> | <u>\$ 34,019,951</u> |

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

6. CAPITAL ASSETS (CONTINUED)

| | June 30, 2022 | Additions/ Transfers | Disposals/ Transfers | June 30, 2023 |
|---|----------------------|-------------------------|-------------------------|----------------------|
| Business-type Activities | | | | |
| Capital assets not depreciated: | | | | |
| Land | \$ 1,079,933 | \$ - | \$ - | \$ 1,079,933 |
| Right of way and easements | 147,022 | - | - | 147,022 |
| Construction in progress | <u>5,371,879</u> | <u>6,393,127</u> | <u>(3,850,570)</u> | <u>7,914,436</u> |
| Totals | <u>6,598,834</u> | <u>6,393,127</u> | <u>(3,850,570)</u> | <u>9,141,391</u> |
| Capital assets that are depreciated: | | | | |
| Utility plant and dist. system | 91,904,495 | 844,607 | - | 92,749,102 |
| Building and improvements | 50,046,571 | 3,005,963 | - | 53,052,534 |
| Vehicles | 3,256,524 | 1,200,039 | (158,981) | 4,297,582 |
| Equipment | 3,581,499 | 354,961 | (46,146) | 3,890,314 |
| Office equipment | 915,159 | - | (3,502) | 911,657 |
| Land improvements | 114,227 | - | - | 114,227 |
| Leased vehicles | 621,799 | - | (25,269) | 596,530 |
| Leased equipment | <u>800,945</u> | <u>-</u> | <u>-</u> | <u>800,945</u> |
| Totals | <u>151,241,219</u> | <u>5,405,570</u> | <u>(233,898)</u> | <u>156,412,891</u> |
| Total capital assets | <u>157,840,053</u> | <u>11,798,697</u> | <u>(4,084,468)</u> | <u>165,554,282</u> |
| Accumulated depreciation: | | | | |
| Utility plant and dist. system | 50,027,145 | 1,949,686 | - | 51,976,831 |
| Buildings and improvements | 17,296,515 | 1,125,841 | - | 18,422,356 |
| Vehicles | 2,392,524 | 302,152 | (25,163) | 2,669,513 |
| Equipment | 2,786,971 | 198,917 | (46,149) | 2,939,739 |
| Office equipment | 466,721 | 10,443 | (3,502) | 473,662 |
| Land improvements | <u>51,949</u> | <u>830</u> | <u>-</u> | <u>52,779</u> |
| Totals | <u>73,021,825</u> | <u>3,587,869</u> | <u>(74,814)</u> | <u>76,534,880</u> |
| Accumulated amortization: | | | | |
| Leased vehicles | 125,482 | 144,424 | (25,269) | 244,637 |
| Leased equipment | <u>146,840</u> | <u>160,189</u> | <u>-</u> | <u>307,029</u> |
| Totals | <u>272,322</u> | <u>304,613</u> | <u>(25,269)</u> | <u>551,666</u> |
| Total accumulated depreciation and amortization | <u>73,294,147</u> | <u>3,892,482</u> | <u>(100,083)</u> | <u>77,086,546</u> |
| Capital Assets, Net | <u>\$ 84,545,906</u> | <u>\$ 7,906,215</u> | <u>\$ (3,984,385)</u> | <u>\$ 88,467,736</u> |

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

6. CAPITAL ASSETS (CONTINUED)

Depreciation expense was allocated to functions/programs of the primary government as follows:

Primary Government

| <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | |
|--------------------------------|---------------------|---------------------------------|---------------------|
| Waterpark | \$ 726,423 | Water | \$ 1,603,891 |
| Streets | 554,149 | Wastewater | 1,093,656 |
| Public Safety | 443,158 | Gas | 490,518 |
| General Government | 376,068 | Sanitation | 287,080 |
| Emergency Medical Services | 164,858 | Virginia | <u>112,724</u> |
| Parks and Recreation | 173,841 | | |
| Fuel Center | 30,132 | | <u>\$ 3,587,869</u> |
| Cemetery | 2,217 | | |
| Municipal Aid Projects | 76,367 | | |
| Travel & Tourism | <u>3,758</u> | | |
| | <u>\$ 2,550,971</u> | | |

Amortization expense was allocated to functions/programs of the primary government as follows:

Primary Government

| <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | |
|--------------------------------|-------------------|---------------------------------|-------------------|
| Waterpark | \$ 5,562 | Water | \$ 26,407 |
| Streets | 62,575 | Wastewater | 41,955 |
| Public Safety | 131,670 | Gas | 218,415 |
| General Government | 58,870 | Sanitation | <u>17,836</u> |
| Emergency Medical Services | 5,562 | | |
| Parks and Recreation | <u>17,816</u> | | <u>\$ 304,613</u> |
| | <u>\$ 282,055</u> | | |

7. LONG-TERM LIABILITIES

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2023:

| Description | Balance June 30, 2022 | Issued/ Transfers | Retired | June 30, 2023 | Due within One year |
|---|--------------------------|----------------------|----------|---------------|------------------------|
| Primary Government | | | | | |
| <u>Governmental Activities</u> | | | | | |
| <u>General Fund</u> | | | | | |
| Direct Borrowing - Street sweeper loan with interest at 3.50% maturing in FY 2023 | \$ 6,528 | \$ - | \$ 6,528 | \$ - | \$ - |
| Series 2021 with interest at 2.00% to 5.00% maturing in fiscal year 2041 | 1,979,000 | - | 184,000 | 1,795,000 | 193,000 |
| Series 2021 Bond Premium | 285,077 | - | 15,004 | 270,073 | 15,004 |
| Series 2020 with interest at 2.00% to 3.00% maturing in fiscal year 2045 | 8,100,000 | - | 270,000 | 7,830,000 | 275,000 |
| Series 2020 Bond Premium | 260,392 | - | 14,466 | 245,926 | 14,466 |

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

7. LONG-TERM LIABILITIES (CONTINUED)

| Description | Balance June 30, 2022 | Issued/ Transfers | Retired | June 30, 2023 | Due within One year |
|---|-----------------------------|----------------------------|----------------------------|-----------------------------|----------------------------|
| Primary Government, continued | | | | | |
| <u>Governmental Activities, continued</u> | | | | | |
| <u>General Fund, continued</u> | | | | | |
| Direct Borrowing - Police car loan with interest at 1.99% maturing in fiscal year 2026 | \$ 154,114 | \$ - | \$ 39,982 | \$ 114,132 | \$ 40,780 |
| Direct Borrowing - Cinder pumper loan with interest at 2.31% maturing in fiscal year 2031 | 501,306 | - | 53,940 | 447,366 | 55,190 |
| Series 2021 GO Refunding with interest at 2.80% maturing in fiscal year 2032 | 3,748,742 | - | 329,243 | 3,419,499 | 338,279 |
| Monticello Commercial Loan with interest at 1.97% maturing in fiscal year 2023 | 145,444 | - | 145,444 | - | - |
| Citizens National Bank Loan with interest at 2.91% maturing in fiscal year 2028 | - | 39,000 | 5,492 | 33,508 | 7,509 |
| Cumberland Security Commercial Loan with interest at 2.60% maturing in fiscal year 2028 | - | 315,000 | 49,668 | 265,332 | 61,038 |
| Citizens National Bank Loan with interest at 2.91% maturing in fiscal year 2028 | - | 45,750 | 6,443 | 39,307 | 8,809 |
| Cumberland Valley National Bank Loan with interest at 3.99% maturing in fiscal year 2024 | - | 172,589 | - | 172,589 | 172,589 |
| <i>EMS</i> | | | | | |
| Direct Borrowing – Ambulance loan with interest at 4.15% maturing in fiscal year 2023 | 26,278 | - | 26,278 | - | - |
| Direct Borrowing – Ambulance loan with interest at 2.31% maturing in fiscal year 2026 | 110,529 | - | 32,255 | 78,274 | 33,029 |
| Direct Borrowing – Equipment loan with interest at 2.31% maturing in fiscal year 2026 | 132,120 | - | 66,060 | 66,060 | 66,060 |
| Stryker EMS Loan with interest at 0.00% maturing in fiscal year 2026 | - | 92,085 | 17,905 | 74,180 | 30,696 |
| <i>Waterpark</i> | | | | | |
| Series 2021 GO with interest at 2.0 to 5.0% maturing in fiscal year 2041 | 544,000 | - | 51,000 | 493,000 | 53,000 |
| Series 2021 GO Refunding with interest at 2.80% maturing in fiscal year 2032 | 1,288,780 | - | 113,191 | 1,175,589 | 116,297 |
| Net pension liability | <u>34,673,512</u> | <u>3,713,088</u> | <u>-</u> | <u>38,386,600</u> | <u>-</u> |
| Net OPEB liability | <u>10,506,240</u> | <u>156,561</u> | <u>-</u> | <u>10,662,801</u> | <u>-</u> |
| Lease liability | <u>888,463</u> | <u>24,031</u> | <u>279,244</u> | <u>633,250</u> | <u>254,733</u> |
| Total governmental activities | <u>\$ 63,350,525</u> | <u>\$ 4,558,104</u> | <u>\$ 1,706,143</u> | <u>\$ 66,202,486</u> | <u>\$ 1,735,479</u> |

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

7. LONG-TERM LIABILITIES (CONTINUED)

| Description | Balance June 30, 2022 | Issued/ Transfers | Retired | June 30, 2023 | Due within One year |
|---|--------------------------|----------------------|-------------------|----------------------|------------------------|
| Primary Government, continued | | | | | |
| <u>Business-type Activities</u> | | | | | |
| <u>Gas Department</u> | | | | | |
| Direct Borrowing - Note payable to City of Ferguson with interest at 2.0% maturing in FY 2034 | \$ 20,975 | \$ - | \$ 1,652 | \$ 19,323 | \$ 1,686 |
| Direct Borrowing - Note payable local bank with interest at 2.48%, maturing in FY 2026 | 19,383 | - | 5,502 | 13,881 | 5,641 |
| Direct Borrowing – Cumberland Security loan with interest at 2.85%, maturing in FY 2024 | 34,626 | - | 25,844 | 8,782 | 8,782 |
| Direct Borrowing – Cumberland Security loan with interest at 2.79%, maturing in FY 2024 | 16,515 | - | 11,589 | 4,926 | 4,926 |
| Series 2021 GO Refunding with interest at 2.80% maturing in FY 2032 | 594,241 | - | 52,191 | 542,050 | 53,623 |
| Cumberland Security Bank Loan with interest at 2.70% maturing in fiscal year 2028 | - | 107,340 | 10,090 | 97,250 | 20,585 |
| Total Gas Department | \$ 685,740 | \$ 107,340 | \$ 106,868 | \$ 686,212 | \$ 95,243 |
| <u>Water Department</u> | | | | | |
| Series 2012 with interest at 2.125% maturing in FY 2052 | \$ 11,991,000 | \$ - | \$ 278,500 | \$ 11,712,500 | \$ 285,500 |
| Direct Borrowing - KIA loan with interest at .5% maturing in FY 2055 | 1,198,563 | 4,993,763 | - | 6,192,326 | - |
| Direct Borrowing – Citizens National Bank loan with interest at 2.75%, maturing in FY 2024 | 11,373 | - | 7,124 | 4,249 | 4,249 |
| Direct Borrowing – Cumberland Security Bank loan with interest at 3.79% maturing in FY 2024 | 13,226 | - | 7,834 | 5,392 | 5,392 |
| Series 2021 GO with interest at 2.00 to 5.00% maturing in FY 2041 | 3,140,000 | 1,267,000 | 162,000 | 4,245,000 | 162,000 |
| Series 2021 GO Bond Premium | 302,748 | 85,401 | 15,934 | 372,215 | 20,679 |
| Direct Borrowing – Citizens National Bank loan with interest at 2.35%, maturing in FY 2026 | 159,502 | - | 47,772 | 111,730 | 48,917 |
| Direct Borrowing - Monticello Bank loan with interest at 2.50% to 5.00% maturing in FY 2026 | 38,390 | - | 10,663 | 27,727 | 10,904 |
| Citizens National Bank Loan with interest at 3.75% maturing in fiscal year 2028 | - | 53,747 | 5,763 | 47,984 | 10,168 |
| Citizens National Bank Loan with interest at 3.86% maturing in fiscal year 2028 | - | 110,500 | 6,734 | 103,766 | 20,663 |
| Total Water Department | \$ 16,854,802 | \$ 6,510,411 | \$ 542,324 | \$ 22,822,889 | \$ 568,472 |

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

7. LONG-TERM LIABILITIES (CONTINUED)

| Description | Balance June 30, 2022 | Issued/ Transfers | Retired | June 30, 2023 | Due within One year |
|---|--------------------------|----------------------|-------------------|---------------------|------------------------|
| Primary Government, continued | | | | | |
| <u>Business-type Activities, continued</u> | | | | | |
| <u>Wastewater Department</u> | | | | | |
| Direct Borrowing – KIA Loan with interest at 1%, maturing in fiscal year 2032 | \$ 4,876,743 | \$ - | \$ 402,210 | \$ 4,474,533 | \$ 406,241 |
| Direct Borrowing - Note payable to City of Ferguson with interest at 2.0%, maturing in FY 2034 | 237,656 | - | 18,719 | 218,937 | 19,095 |
| Series 2021 GO with interest at 2.0% to 5.0%, maturing in FY 2041 | 2,658,000 | (1,267,000) | 133,000 | 1,258,000 | 119,000 |
| Series 2021 Bond Premium | 246,571 | (85,401) | 12,976 | 148,194 | 12,350 |
| Series 2021 GO Bond Refunding with interest at 2.80%, maturing in fiscal year 2032 | <u>1,006,237</u> | <u>-</u> | <u>88,375</u> | <u>917,862</u> | <u>90,801</u> |
| Total Wastewater Department | <u>\$ 9,025,207</u> | <u>\$(1,352,401)</u> | <u>\$ 655,280</u> | <u>\$ 7,017,526</u> | <u>\$ 647,487</u> |
| <u>Sanitation Department</u> | | | | | |
| Direct Borrowing – Cumberland Valley National Bank loan with interest at 3.5%, maturing in fiscal year 2023 | \$ 24,428 | \$ - | \$ 24,428 | \$ - | \$ - |
| Direct Borrowing - Note payable to local bank with interest at 3.85%, maturing in FY 2024 | 47,377 | - | 31,276 | 16,101 | 16,101 |
| Direct Borrowing – Citizens National Bank loan with interest at 2.36%, maturing in FY 2026 | 106,281 | - | 31,001 | 75,280 | 31,748 |
| Direct Borrowing – Magnolia Bank loan with interest at 3.75%, maturing in FY 2023 | 407,997 | - | 407,997 | - | - |
| Direct Borrowing Monticello Bank loan with interest at 2.49%, maturing in fiscal year 2023 | 159,022 | - | 159,022 | - | - |
| Forcht Bank Loan with interest at 3.00% maturing in fiscal year 2024 | - | 482,480 | - | 482,480 | 482,480 |
| Cumberland Security Bank Loan with interest at 3.84% maturing in fiscal year 2024 | - | 184,374 | - | 184,374 | 184,374 |
| Cumberland Security Bank Loan with interest at 2.63% maturing in fiscal year 2024 | <u>-</u> | <u>479,459</u> | <u>-</u> | <u>479,459</u> | <u>479,459</u> |
| Total Sanitation Department | <u>\$ 745,105</u> | <u>\$ 1,146,313</u> | <u>\$ 653,724</u> | <u>\$ 1,237,694</u> | <u>\$ 1,194,162</u> |
| <u>Virginia Theater Fund</u> | | | | | |
| Series 2021 GO with interest at 2.0% to 5.0% maturing in fiscal year 2031 | \$ 2,734,000 | \$ - | \$ 95,000 | \$ 2,639,000 | \$ 99,000 |
| Premium on Series 2021 GO | <u>167,650</u> | <u>-</u> | <u>8,823</u> | <u>158,827</u> | <u>8,824</u> |
| Total Virginia Theatre Fund | <u>\$ 2,901,650</u> | <u>\$ -</u> | <u>\$ 103,823</u> | <u>\$ 2,797,827</u> | <u>\$ 107,824</u> |
| Net pension liability | <u>\$ 8,676,022</u> | <u>\$ 873,745</u> | <u>\$ -</u> | <u>\$ 9,549,767</u> | <u>\$ -</u> |
| Net OPEB liability | <u>\$ 2,604,527</u> | <u>\$ 1,934</u> | <u>\$ -</u> | <u>\$ 2,606,461</u> | <u>\$ -</u> |

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

7. LONG-TERM LIABILITIES (CONTINUED)

| Description | Balance June 30, 2022 | Issued/ Transfers | Retired | June 30, 2023 | Due within One year |
|---|-----------------------------|----------------------------|----------------------------|-----------------------------|----------------------------|
| Primary Government, continued | | | | | |
| <u>Business-type Activities, continued</u> | | | | | |
| Lease Liability | \$ 1,170,243 | \$ - | \$ 295,853 | \$ 874,390 | \$ 278,320 |
| Total Business-type activities | <u>\$ 42,663,296</u> | <u>\$ 7,287,342</u> | <u>\$ 2,357,872</u> | <u>\$ 47,592,766</u> | <u>\$ 2,891,508</u> |

The Series 2011 Bond issue was dated November 1, 2011 in the amount of \$8,810,000 and carried a interest rate of 2.10% to 4.25%. The issue was intended to benefit the general fund, waterpark, wastewater department, and gas department. The Series 2011 Bond issue was refinanced during fiscal year 2022 with the Series 2021 GO Refunding Bond issue on October 29, 2021 in the amount of \$6,769,000 with interest at 2.8%. The issue is included on the statement of net position under long-term debt as follows:

| | |
|-----------------------|----------------------------|
| General | \$ 3,419,498 |
| Waterpark | 1,175,589 |
| Gas department | 542,050 |
| Wastewater department | <u>917,862</u> |
| Total | <u>\$ 6,054,999</u> |

The Series 2021 GO Bond issue is dated June 17, 2021 in the amount of \$11,665,000 and carries a interest rate of 2.00% to 5.00%. The issue was intended to benefit the general fund, waterpark, water department, wastewater department, Virginia Theater, and to be determined future capital projects. The issue is included on the statement of net position under long-term debt as follows:

| | |
|-----------------------|-----------------------------|
| General | \$ 1,795,000 |
| Waterpark | 493,000 |
| Water department | 4,245,000 |
| Wastewater department | 1,258,000 |
| Virginia Theater | <u>2,639,000</u> |
| Total | <u>\$ 10,430,000</u> |

During fiscal year 2014, the City entered into a perpetual agreement with the City of Ferguson, Kentucky ("Ferguson"), in which the City obtained the sewer and gas utility system from Ferguson, in order to preserve the integrity of the utility system and to mitigate any risks regarding natural gas distribution lines, of which the City would have been held ultimately liable by governing agencies. Under the terms of the agreement, the City will pay Ferguson an amount not to exceed \$65,000 annually. A portion of this payment is considered compensation for the transfer of assets, and is being paid over a twenty year period at an interest rate of 2.0%. This amount has been recorded in the gas and sewer departments as a note payable based upon the value of each system, which has been determined to be \$33,750 and \$382,179, respectively.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

7. LONG-TERM LIABILITIES (CONTINUED)

The annual debt service requirements, to maturity, for all long-term debt (excluding the lease liabilities, net pension liability and the net OPEB liability are as follows):

Governmental Activities

| Year ended | Principal | Interest | Total |
|------------|----------------------|---------------------|----------------------|
| 2024 | \$ 1,480,746 | \$ 404,202 | \$ 1,884,948 |
| 2025 | 1,277,550 | 371,386 | 1,648,936 |
| 2026 | 1,266,358 | 324,901 | 1,591,259 |
| 2027 | 1,242,403 | 287,836 | 1,530,239 |
| 2028 | 1,054,515 | 250,805 | 1,305,320 |
| 2029-2033 | 4,718,966 | 819,057 | 5,538,023 |
| 2034-2038 | 1,936,351 | 462,328 | 2,398,679 |
| 2039-2043 | 2,257,946 | 232,425 | 2,490,371 |
| 2044-2048 | <u>1,285,000</u> | <u>18,869</u> | <u>1,303,869</u> |
| | <u>\$ 16,519,835</u> | <u>\$ 3,171,809</u> | <u>\$ 19,691,644</u> |

Business-type Activities

| Year ended | Principal | Interest | Total |
|----------------|----------------------|---------------------|----------------------|
| 2024 | \$ 2,613,188 | \$ 617,469 | \$ 3,230,657 |
| 2025 | 1,510,688 | 555,166 | 2,065,854 |
| 2026 | 1,450,456 | 519,661 | 1,970,117 |
| 2027 | 1,458,196 | 484,942 | 1,943,138 |
| 2028 | 1,468,235 | 449,313 | 1,917,548 |
| 2029-2033 | 7,603,960 | 1,677,539 | 9,281,499 |
| 2034-2038 | 4,725,091 | 1,041,123 | 5,766,214 |
| 2039-2043 | 3,027,508 | 649,877 | 3,677,385 |
| 2044-2048 | 2,393,500 | 380,099 | 2,773,599 |
| 2049-2052 | <u>2,119,000</u> | <u>112,642</u> | <u>2,231,642</u> |
| | <u>28,369,822</u> | <u>6,487,831</u> | <u>34,857,653</u> |
| KIA Water Loan | <u>6,192,326</u> | <u>-</u> | <u>6,192,326</u> |
| Totals | <u>\$ 34,562,148</u> | <u>\$ 6,487,831</u> | <u>\$ 41,049,979</u> |

The bond ordinances contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds and minimum revenue bond coverages. Funds held in the various reserves at June 30, 2023 required by the revenue bond ordinances are reported in the accompanying financial statements as restricted net position in the respective funds. At June 30, 2023, the City had sufficient funds in restricted accounts to meet required existing bond ordinances.

8. LEASE LIABILITIES

Governmental Activities

One March 10, 2020 the City entered into a lease agreement for a phone system. The lease calls for monthly payments of \$1,090 over a period of 60 months and bears interest at 3%. The balance of the lease liability as of June 30, 2023 totaled \$22,270.

As of June 30, 2023, the City has entered into five separate lease agreements for copiers which are utilized by various departments throughout the City. The term of these lease agreements varies from 60-63 months. Monthly payments due on the copier leases total \$5,477 and bear interest at 2.6%. The balance of the liability related to the copier leases as of June 30, 2023 totaled \$120,665.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

8. LEASE LIABILITIES (CONTINUED)

Governmental Activities, continued

On September 30, 2016 the City entered into a master lease agreement with Enterprise FM Trust. The agreement allows the City to enter into separate individual lease agreements for vehicles as needed. The lease term for the vehicle leases ranges from 48-72 months. The interest rates for the vehicle leases range from 2.9 – 5.37%. The balance of the liability related to the vehicle leases as of June 30, 2023 totaled \$490,315.

Annual requirements to maturity for all governmental long-term lease obligations are as follows:

| Year ended | Principal | Interest | Total |
|------------|-------------------|------------------|-------------------|
| 2024 | \$ 254,733 | \$ 11,260 | \$ 265,993 |
| 2025 | 180,290 | 13,974 | 194,264 |
| 2026 | 131,582 | 5,986 | 137,568 |
| 2027 | 62,909 | 3,997 | 66,906 |
| 2028 | <u>3,736</u> | <u>60</u> | <u>3,796</u> |
| | <u>\$ 633,250</u> | <u>\$ 35,277</u> | <u>\$ 668,527</u> |

Business-type Activities

On June 9, 2021, the City entered into a lease agreement for a gas compressor with USA Compression. The lease calls for monthly payments of \$14,250 over a period of 60 months and bears interest at 2.6%. The balance of the lease liability as of June 30, 2023 totaled \$506,143.

On September 30, 2016 the City entered into a master lease agreement with Enterprise FM Trust. The agreement allows the City to enter into separate individual lease agreements for vehicles as needed. The lease term for the vehicle leases ranges from 48-60 months. The interest rates for the vehicle leases range from 2.90 – 7.04%. The balance of the liability related to the vehicle leases as of June 30, 2023 totaled \$368,247.

Annual requirements to maturity for all business-type long-term lease obligations are as follows:

| Year ended | Principal | Interest | Total |
|------------|-------------------|------------------|-------------------|
| 2024 | \$ 278,320 | \$ 16,358 | \$ 294,678 |
| 2025 | 270,020 | 11,331 | 281,351 |
| 2026 | 274,334 | 7,018 | 281,352 |
| 2027 | <u>51,716</u> | <u>2,569</u> | <u>54,285</u> |
| | <u>\$ 874,390</u> | <u>\$ 37,276</u> | <u>\$ 911,666</u> |

9. RETIREMENT PLAN

CERS

The City of Somerset is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Public Pensions Authority administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Public Pensions Authority website.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

9. RETIREMENT PLAN (CONTINUED)

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, school board, and any additional eligible local agencies electing to participate in the System. 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. Cost-of-living (COLA) adjustments are provided at the discretion of state legislature.

Contributions – For the year ended June 30, 2023, plan members were required to contribute 5% of wages for non-hazardous job classifications and 8% of wages for hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium.

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 basis adopted by the Board. For the year ended June 30, 2023, participating employers contributed 26.79% of each employee's wages for non-hazardous job classifications and 49.59% of each employee's wages for hazardous job classifications.

The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 10. Plan members contributed 23.40% to the pension trust for non-hazardous job classifications and 42.81% to the pension trust for hazardous job classifications. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account for non-hazardous job classifications and 8% of wages to their own account for hazardous classifications. Plan members also contribute 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. Each member's account is credited with a 4% employer pay credit for non-hazardous members, and a 7.5% pay credit for hazardous members. The employer pay credit represents a portion of the employer contribution.

For the year ended June 30, 2023, the City contributed \$1,665,083 or 100% of the required contribution for non-hazardous job classifications, and \$3,172,597, for the year ended June 30, 2023, or 100% of the required contribution for hazardous job classifications.

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

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

9. RETIREMENT PLAN (CONTINUED)

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 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+ with sum of service years plus age equal to 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+ with sum of service years plus age equal to 87+ |
| | Reduced retirement | Not available |

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

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2023, the City reported a liability for its proportionate share of the net pension liability as follows:

| Total Net | | |
|--------------------------|----------------------|----------------------|
| Pension Liability | Non-hazardous | Hazardous |
| <u>\$ 47,936,367</u> | <u>\$ 17,383,682</u> | <u>\$ 30,552,685</u> |

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 and rolled forward using generally accepted actuarial procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2022, was as follows:

| Non-hazardous | Hazardous |
|----------------------|------------------|
| .240% | 1.001% |

The proportionate share at June 30, 2022 relative to June 30, 2021 decreased for non-hazardous by .007% and decreased for hazardous by .039%.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

9. RETIREMENT PLAN (CONTINUED)

For the year ended June 30, 2023, the City recognized pension expense of \$4,673,451. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual results | \$ 894,585 | \$ 2,857,254 |
| Changes of assumptions | - | 709,974 |
| Net difference between projected and actual earnings on Plan investments | 3,853,782 | - |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 1,575,565 | 279,957 |
| City contributions subsequent to the measurement date | 4,765,281 | - |
| Total | \$ 11,089,213 | \$ 3,847,185 |

The \$4,765,281 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

| Year ending June 30, | |
|-----------------------------|--------------|
| 2024 | \$ 1,162,976 |
| 2025 | \$ 450,327 |
| 2026 | \$ (320,357) |
| 2027 | \$ 1,183,801 |

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

Non-hazardous

| | |
|---------------------------|--|
| Inflation | 2.30% |
| Salary increases | 3.30% to 10.30%, varies by service, including inflation |
| Investment rate of return | 6.25%, net of Plan investment expense, including inflation |

Hazardous

| | |
|---------------------------|--|
| Inflation | 2.30% |
| Salary increases | 3.55 to 19.05%, varies by service, including inflation |
| Investment rate of return | 6.25%, net of Plan investment expense, including inflation |

Mortality rates were based on the Pub-2010 General Mortality Table 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 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 MP-2014 Mortality Improvement Scale using a base year of 2010.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

9. RETIREMENT PLAN (CONTINUED)

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2021) to the plan's fiscal year ending June 30, 2022. The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|--|-------------------|--|
| Growth | 60.00% | |
| Public Equity | 50.00% | 4.45% |
| Private Equity | 10.00% | 10.15% |
| Liquidity | 20.00% | |
| Core Bonds | 10.00% | 0.28% |
| Specialty Credit/High Yield | 10.00% | 2.28% |
| Cash | 0.00% | -0.91% |
| Diversifying Strategies | 20.00% | |
| Real Estate | 7.00% | 3.67% |
| Real Return | 13.00% | 4.07% |
| Total | 100.00% | 4.28% |
| Long term inflation assumption | | 2.30% |
| Expected nominal return for portfolio | | 6.58% |

Discount Rate – The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the closed 30-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

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

| | Non-hazardous | | Hazardous | |
|-----------------------|---------------|---|---------------|---|
| | Discount rate | City's proportionate share of net pension liability | Discount rate | City's proportionate share of net pension liability |
| 1% decrease | 5.25% | \$ 21,727,444 | 5.25% | \$ 38,058,370 |
| Current discount rate | 6.25% | \$ 17,383,682 | 6.25% | \$ 30,552,685 |
| 1% increase | 7.25% | \$ 13,791,028 | 7.25% | \$ 24,439,769 |

Payable to the Pension Plan – At June 30, 2023, the City reported a payable of \$684,257 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2023. The payable includes both the pension and insurance contribution allocation.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – As more fully described in Note 9, the City of Somerset participates in the County Employees’ Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

Contributions – As more fully described in Note 8, plan members contribute to CERS for non-hazardous and hazardous job classifications. For the year ending June 30, 2023, the employer’s contribution was 3.39% to the insurance trust for non-hazardous job classifications and 6.78% to the insurance trust for hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. 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 basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

For the year ended June 30, 2023, the City contributed \$241,223, or 100% of the required contribution for non-hazardous job classifications, and \$502,457, or 100% of the required contribution for hazardous job classifications.

Benefits – CERS provides health insurance benefits to Plan employees and beneficiaries.

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

| | | |
|--------|--|--|
| Tier 1 | Participation date Insurance eligibility Benefit | Before July 1, 2003 10 years of service credit required Set percentage of single coverage health insurance based on service credit accrued at retirement |
| Tier 1 | Participation date Insurance eligibility Benefit | Before September 1, 2008 but after July 1, 2003 10 years of service credit required Set dollar amount based on service credit accrued, increased annually |
| Tier 2 | Participation date Insurance eligibility Benefit | After September 1, 2008 and before December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually |
| Tier 3 | Participation date Insurance eligibility Benefit | After December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually |

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2023, the City reported a liability for its proportionate share of the net OPEB liability as follows:

| Total Net Pension Liability | Non-hazardous | Hazardous |
|--|----------------------|---------------------|
| <u>\$ 13,269,262</u> | <u>\$ 4,744,939</u> | <u>\$ 8,524,323</u> |

The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021 and rolled forward using generally accepted actuarial procedures. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2022, was as follows:

| Non-hazardous | Hazardous |
|----------------------|------------------|
| .240% | 1.001% |

The proportionate share at June 30, 2022 relative to June 30, 2021 for non-hazardous decreased by .007% and hazardous decreased by .036%.

For the year ended June 30, 2023, the City recognized OPEB expense of \$1,782,364. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual results | \$ 665,968 | \$ 1,592,984 |
| Changes of assumptions | 2,173,403 | 2,085,093 |
| Net difference between projected and actual earnings on Plan investments | 503,718 | - |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 598,493 | 521,364 |
| City contributions subsequent to the measurement date | <u>992,570</u> | <u>-</u> |
| Total | <u>\$ 4,934,152</u> | <u>\$ 4,199,441</u> |

The \$992,570 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. This includes adjustments of \$171,074 for the nonhazardous implicit subsidy and \$92,994 for the hazardous implicit subsidy, which are required to be recognized as deferred outflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

| Year ending June 30, | | |
|-----------------------------|----|-----------|
| 2024 | \$ | 108,371 |
| 2025 | \$ | 79,645 |
| 2026 | \$ | (318,723) |
| 2027 | \$ | 179,935 |
| 2028 | \$ | (307,087) |

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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

Non-hazardous

| | |
|---------------------------|--|
| Inflation | 2.30% |
| Salary increases | 3.30 to 10.30%, varies by service, including inflation |
| Investment rate of return | 6.25%, net of Plan investment expense, including inflation |
| Healthcare trend | |
| Pre – 65: | Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. |
| Post – 65: | Initial trend starting at 9.00% at January 1, 2024, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years |

Hazardous

| | |
|---------------------------|--|
| Inflation | 2.30% |
| Salary increases | 3.55 to 19.05%, varies by service, including inflation |
| Investment rate of return | 6.25%, net of Plan investment expense, including inflation |
| Healthcare trend | |
| Pre – 65: | Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. |
| Post – 65: | Initial trend starting at 9.00% at January 1, 2024, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years |

Mortality rates were based on the Pub-2010 General Mortality Table 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 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 MP-2014 Mortality Improvement Scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2021) to the plan's fiscal year ending June 30, 2022.

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

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|--|-------------------|--|
| Growth | 60.00% | |
| Public Equity | 50.00% | 4.45% |
| Private Equity | 10.00% | 10.15% |
| Liquidity | 20.00% | |
| Core Bonds | 10.00% | 0.28% |
| Specialty Credit/High Yield | 10.00% | 2.28% |
| Cash | 0.00% | -0.91% |
| Diversifying Strategies | 20.00% | |
| Real Estate | 7.00% | 3.67% |
| Real Return | 13.00% | 4.07% |
| Total | 100.00% | 4.28% |
| Long term inflation assumption | | 2.30% |
| Expected nominal return for portfolio | | 6.58% |

Discount Rate – The discount rate used to measure the total OPEB liability was 5.70% and 5.61% for non-hazardous and hazardous classifications, respectively. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index.” However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net OPEB liability calculated using the discount rate as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

| | Non-hazardous | | Hazardous | |
|-----------------------|---------------|--|---------------|--|
| | Discount rate | City’s proportionate share of net OPEB liability | Discount rate | City’s proportionate share of net OPEB liability |
| 1% decrease | 4.70% | \$ 6,343,226 | 4.61% | \$ 11,844,292 |
| Current discount rate | 5.70% | \$ 4,744,939 | 5.61% | \$ 8,524,323 |
| 1% increase | 6.70% | \$ 3,423,687 | 6.61% | \$ 5,827,888 |

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the City's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| | Non-hazardous | Hazardous |
|--------------------|---|---|
| | City's proportionate share of net OPEB liability | City's proportionate share of net OPEB liability |
| 1% decrease | \$ 3,527,756 | \$ 5,952,427 |
| Current trend rate | \$ 4,744,939 | \$ 8,524,323 |
| 1% increase | \$ 6,206,545 | \$ 11,659,325 |

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

11. PROPERTY TAX CALENDAR

Property taxes for fiscal year 2023 were levied in September 2022 on the assessed valuation of property located in Pulaski County as of the preceding January 1, the lien date. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

| Description | Per K.R.S. 134.020 |
|---|--------------------------------|
| 1. Due date for payment of taxes, 2% discount | November 1 |
| 2. Face value amount payment due | November 2 through December 31 |

Vehicle taxes are collected by the County Clerk of Pulaski and are due and collected in the birth month of the vehicle's licensee.

11. TRANSFER OF FUNDS

The following transfers were made during the year:

| From Fund | To Fund | Purpose | Amount |
|------------------|------------------|--------------------|---------------|
| EMS | General | Administration | \$ 50,000 |
| Gas | General | General operations | \$ 2,900,000 |
| Water | Wastewater | Debt transfer | \$ 32,401 |
| Water | General | General operations | \$ 2,758,627 |
| Sanitation | Travel & Tourism | General Operations | \$ 75,000 |
| Sanitation | Water Park | General operations | \$ 424,500 |

12. CONDUIT DEBT

The City is the issuer of certain industrial revenue bonds issued in order to promote the local construction of production facilities. The facilities, which are constructed from the bond proceeds, are leased to the industrial companies for an amount required to annually service the debt. The lessee assumes ownership of the facilities at the completion of all lease payments required to fully service the debt. The lease payments are remitted directly to the trustee (bank) with whom the facilities are mortgaged. These bonds constitute a limited obligation of the City, payable solely from the revenues and receipts derived from the lease agreement. Accordingly, the assets and liabilities relating to these bonds are not recorded on the books of the City. The amount of bonds outstanding at June 30, 2023, is not readily available.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

13. LEGAL CONTINGENCIES

The City is subject to legal actions in various stages of litigation, the outcome of which is not determinable at this time. City officials and legal counsel believe these actions are without merit, adequately covered by insurance or that the ultimate liability, if any, will not materially affect the City's financial position.

14. RISK MANAGEMENT

The City is exposed to various forms of loss associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, employee injury, fiduciary responsibility, etc. Each of these risks areas is covered through the purchase of commercial insurance. The City has purchased certain policies which are retrospectively rated which include worker's compensation insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

15. SUBSEQUENT LOANS

On August 10, 2023, the City took out a loan totaling \$29,875 to finance the purchase of a vehicle for the water department. The loan is to be paid over 36 months and bears interest at 4.93%.

On August 29, 2023, the City took out a loan totaling \$64,003 to finance the purchase of a truck for the fire department. The loan is to be paid over 60 months and bears interest at 5.16%.

On August 29, 2023, the City took out a loan totaling \$420,595.82 to finance the purchase of two sanitation trucks for the sanitation department. The loan is the be paid over 18 months and bears interest at 4.93%

On September 12, 2023, the City took out a loan totaling \$29,875 to finance the purchase of a vehicle for the water department. The loan is to be paid over 36 months and bears interest at 5.16%.

On September 15, 2023, the City took out a loan totaling \$191,924 to finance the purchase of a truck for the street department. The loan is to be paid over 18 months and bears interest at 5.16%.

On September 29, 2023, the City took out a loan totaling \$260,021 to finance the purchase of five vehicles for the police department. The loan is to be paid over 60 months and bears interest at 5.99%.

On October 10, 2023, the City took out a loan totaling \$218,295 to finance the purchase of a sanitation truck for the sanitation department. The loan is the be paid over 18 months and bears interest at 5.60%

On November 13, 2023, the City took out a loan totaling \$652,922 to finance the purchase of two sanitation trucks for the sanitation department. The loan is to be paid over 18 months and bears interest at 5.79%.

On November 13, 2023, the City took out a loan totaling \$218,295 to finance the purchase of a sanitation truck for the sanitation department. The loan is to be paid over 18 months and bears interest at 5.79%.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SOMERSET, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2023

| | <u>Enacted Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---|---------------------------|---------------------------|---------------------|---------------------|
| REVENUES | | | | |
| Taxes | \$ 1,723,500 | \$ 1,723,500 | \$ 1,720,019 | \$ (3,481) |
| Licenses and permits | 8,777,500 | 8,777,500 | 9,430,566 | 653,066 |
| Fines and forfeits | 40,000 | 40,000 | 14,379 | (25,621) |
| Charges for services | 552,800 | 552,800 | 649,388 | 96,588 |
| Intergovernmental | 3,711,000 | 3,711,000 | 2,025,862 | (1,685,138) |
| Interest income | 22,500 | 22,500 | 23,365 | 865 |
| Other revenues | 1,185,000 | 1,185,000 | 1,398,759 | 213,759 |
| TOTAL REVENUES | <u>16,012,300</u> | <u>16,012,300</u> | <u>15,262,338</u> | <u>(749,962)</u> |
| EXPENDITURES | | | | |
| General administration | 5,311,350 | 5,311,350 | 4,812,225 | (499,125) |
| Public safety | 11,955,850 | 11,955,850 | 10,872,100 | (1,083,750) |
| Public services | 397,500 | 397,500 | 240,620 | (156,880) |
| Streets | 1,409,240 | 1,409,240 | 1,142,922 | (266,318) |
| Parks and recreation | 2,256,600 | 2,256,600 | 1,115,829 | (1,140,771) |
| Cemetery | 145,130 | 145,130 | 129,925 | (15,205) |
| Downtown revitalization | 78,000 | 78,000 | 9,546 | (68,454) |
| Intergovernmental programs | 142,010 | 142,010 | 116,182 | (25,828) |
| Capital outlay | 3,180,000 | 3,180,000 | 1,596,752 | (1,583,248) |
| Debt service - principal | 1,385,362 | 1,385,362 | 1,385,362 | - |
| Debt service - interest | 352,788 | 352,788 | 389,448 | 36,660 |
| TOTAL EXPENDITURES | <u>26,613,830</u> | <u>26,613,830</u> | <u>21,810,911</u> | <u>(4,802,919)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from issuance of debt | - | - | 596,370 | 596,370 |
| Proceeds from sale of capital assets | - | - | 224,808 | 224,808 |
| Transfer from other funds | 4,475,000 | 5,745,000 | 5,708,627 | (36,373) |
| Transfer to other funds | (730,000) | (730,000) | - | 730,000 |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>3,745,000</u> | <u>5,015,000</u> | <u>6,529,805</u> | <u>1,514,805</u> |
| NET CHANGE IN FUND BALANCE | (6,856,530) | (5,586,530) | (18,768) | 5,567,762 |
| FUND BALANCE, BEGINNING OF YEAR | <u>6,856,530</u> | <u>5,586,530</u> | <u>2,047,085</u> | <u>(3,539,445)</u> |
| FUND BALANCE, END OF YEAR | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,028,317</u> | <u>\$ 2,028,317</u> |

CITY OF SOMERSET, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
EMS FUND
for the year ended June 30, 2023

| | <u>Enacted Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---|---------------------------|---------------------------|-----------------------|-----------------------|
| REVENUES | | | | |
| Charges for services | \$ 3,593,000 | \$ 3,593,000 | \$ 4,024,512 | \$ 431,512 |
| Intergovernmental revenues | 2,024,000 | 2,024,000 | 1,319,000 | (705,000) |
| Interest income | 600 | 600 | 623 | 23 |
| Other revenues | <u>25,600</u> | <u>25,600</u> | <u>54,372</u> | <u>28,772</u> |
| TOTAL REVENUES | <u>5,643,200</u> | <u>5,643,200</u> | <u>5,398,507</u> | <u>(244,693)</u> |
| EXPENDITURES | | | | |
| Emergency medical services | 7,161,100 | 7,161,100 | 6,669,390 | (491,710) |
| Capital outlay | 200,000 | 200,000 | 114,310 | (85,690) |
| Debt service - principal | 151,073 | 151,073 | 151,073 | - |
| Debt service - interest | <u>47,027</u> | <u>47,027</u> | <u>2,766</u> | <u>(44,261)</u> |
| TOTAL EXPENDITURES | <u>7,559,200</u> | <u>7,559,200</u> | <u>6,937,539</u> | <u>(621,661)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from issuance of debt | - | - | 92,085 | 92,085 |
| Proceeds from sale of capital assets | - | - | 384 | 384 |
| Transfer from other funds | 1,941,000 | 1,941,000 | - | (1,941,000) |
| Transfer to other funds | <u>(25,000)</u> | <u>(25,000)</u> | <u>(50,000)</u> | <u>(25,000)</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>1,916,000</u> | <u>1,916,000</u> | <u>42,469</u> | <u>(1,873,531)</u> |
| NET CHANGE IN FUND BALANCE | - | - | (1,496,563) | (1,496,563) |
| FUND BALANCE, BEGINNING OF YEAR | <u>-</u> | <u>-</u> | <u>(929,690)</u> | <u>(929,690)</u> |
| FUND BALANCE, END OF YEAR | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (2,426,253)</u> | <u>\$ (2,426,253)</u> |

CITY OF SOMERSET, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
WATERPARK FUND
for the year ended June 30, 2023

| | <u>Enacted Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---|---------------------------|---------------------------|-----------------------|-----------------------|
| REVENUES | | | | |
| Charges for services | \$ 1,777,000 | \$ 1,832,000 | \$ 1,693,691 | \$ (138,309) |
| Interest income | 300 | 300 | 524 | 224 |
| Other revenues | <u>30,000</u> | <u>90,000</u> | <u>103,080</u> | <u>13,080</u> |
| TOTAL REVENUES | <u>1,807,300</u> | <u>1,922,300</u> | <u>1,797,295</u> | <u>(125,005)</u> |
| EXPENDITURES | | | | |
| Waterpark | 1,915,700 | 2,125,700 | 2,014,348 | (111,352) |
| Debt service - principal | - | 169,708 | 169,708 | - |
| Debt service - interest | <u>221,100</u> | <u>51,392</u> | <u>57,147</u> | <u>5,755</u> |
| TOTAL EXPENDITURES | <u>2,136,800</u> | <u>2,346,800</u> | <u>2,241,203</u> | <u>(105,597)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer from other funds | <u>329,500</u> | <u>424,500</u> | <u>424,500</u> | <u>-</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>329,500</u> | <u>424,500</u> | <u>424,500</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | - | - | (19,408) | (19,408) |
| FUND BALANCE, BEGINNING OF YEAR | <u>-</u> | <u>-</u> | <u>(3,795,237)</u> | <u>(3,795,237)</u> |
| FUND BALANCE, END OF YEAR | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (3,814,645)</u> | <u>\$ (3,814,645)</u> |

CITY OF SOMERSET, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
FUEL CENTER FUND
for the year ended June 30, 2023

| | <u>Enacted Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---|---------------------------|---------------------------|---------------------|---------------------|
| REVENUES | | | | |
| Charges for services | \$ 1,206,000 | \$ 1,486,000 | \$ 1,010,192 | \$ (475,808) |
| Interest income | <u>100</u> | <u>100</u> | <u>210</u> | <u>110</u> |
| TOTAL REVENUES | <u>1,206,100</u> | <u>1,486,100</u> | <u>1,010,402</u> | <u>(475,698)</u> |
| EXPENDITURES | | | | |
| Fuel center | 1,206,100 | 1,206,100 | 1,128,409 | (77,691) |
| Capital outlay | <u>-</u> | <u>-</u> | <u>17,849</u> | <u>17,849</u> |
| TOTAL EXPENDITURES | <u>1,206,100</u> | <u>1,206,100</u> | <u>1,146,258</u> | <u>(59,842)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer from other funds | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | - | 280,000 | (135,856) | (415,856) |
| FUND BALANCE, BEGINNING OF YEAR | <u>-</u> | <u>-</u> | <u>(28,381)</u> | <u>(28,381)</u> |
| FUND BALANCE, END OF YEAR | <u>\$ -</u> | <u>\$ 280,000</u> | <u>\$ (164,237)</u> | <u>\$ (444,237)</u> |

CITY OF SOMERSET, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NONHAZARDOUS
Last Ten Fiscal Years

| Reporting Fiscal Year (Measurement Date) | 2014 (2013) | 2015 (2014) | 2016 (2015) | 2017 (2016) | 2018 (2017) | 2019 (2018) | 2020 (2019) | 2021 (2020) | 2022 (2021) | 2023 (2022) |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| City's proportion of the net pension liability | 0.257% | 0.257% | 0.266% | 0.247% | 0.253% | 0.251% | 0.243% | 0.234% | 0.247% | 0.240% |
| City's proportionate share of the net pension liability (asset) | \$ 9,448,091 | \$ 8,349,736 | \$ 11,416,098 | \$ 12,144,563 | \$ 14,800,439 | \$ 15,215,713 | \$ 17,086,150 | \$ 17,968,238 | \$ 15,733,332 | \$ 17,383,682 |
| City's covered employee payroll | \$ 5,358,488 | \$ 5,861,806 | \$ 6,313,654 | \$ 5,859,201 | \$ 6,150,570 | \$ 6,245,488 | \$ 6,294,251 | \$ 6,186,406 | \$ 6,506,027 | \$ 6,867,462 |
| City's share of the net pension liability (asset) as a percentage of its covered employee payroll | 176.32% | 142.44% | 180.82% | 207.27% | 240.64% | 243.63% | 271.46% | 290.45% | 241.83% | 253.13% |
| Plan fiduciary net position as a percentage of the total pension liability | 61.22% | 66.80% | 59.97% | 55.50% | 53.32% | 53.54% | 50.45% | 47.81% | 57.33% | 52.42% |

**CITY OF SOMERSET, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - HAZARDOUS
Last Ten Fiscal Years**

| Reporting Fiscal Year (Measurement Date) | 2014 (2013) | 2015 (2014) | 2016 (2015) | 2017 (2016) | 2018 (2017) | 2019 (2018) | 2020 (2019) | 2021 (2020) | 2022 (2021) | 2023 (2022) |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| City's proportion of the net pension liability | 0.923% | 0.923% | 0.922% | 0.882% | 0.908% | 0.904% | 0.905% | 1.013% | 1.040% | 1.001% |
| City's proportionate share of the net pension liability (asset) | \$ 12,345,466 | \$ 11,098,449 | \$ 14,149,168 | \$ 15,135,833 | \$ 20,325,117 | \$ 21,852,161 | \$ 24,996,287 | \$ 30,552,097 | \$ 27,616,202 | \$ 30,552,685 |
| City's covered employee payroll | \$ 4,724,814 | \$ 4,681,614 | \$ 4,822,081 | \$ 4,556,589 | \$ 4,912,100 | \$ 5,022,840 | \$ 5,128,499 | \$ 5,926,948 | \$ 6,212,394 | \$ 6,518,645 |
| City's share of the net pension liability (asset) as a percentage of its covered employee payroll | 261.29% | 237.06% | 293.42% | 332.17% | 413.78% | 435.06% | 487.40% | 515.48% | 444.53% | 468.70% |
| Plan fiduciary net position as a percentage of the total pension liability | 57.74% | 63.46% | 57.52% | 53.95% | 49.78% | 49.26% | 46.63% | 44.11% | 52.26% | 47.11% |

**CITY OF SOMERSET, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF PENSION CONTRIBUTIONS - NONHAZARDOUS
Last Ten Fiscal Years**

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|----------------|----------------|----------------|----------------|----------------|------------------|------------------|------------------|------------------|------------------|
| Contractually required employer contribution | \$ 805,078 | \$ 804,991 | \$ 727,713 | \$ 863,880 | \$ 904,347 | \$ 1,020,927 | \$ 1,193,976 | \$ 1,255,663 | \$ 1,564,408 | \$ 1,665,083 |
| Contributions relative to contractually required employer contribution | <u>805,078</u> | <u>804,991</u> | <u>727,713</u> | <u>863,880</u> | <u>904,347</u> | <u>1,020,927</u> | <u>1,193,976</u> | <u>1,255,663</u> | <u>1,564,408</u> | <u>1,665,083</u> |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| City's covered employee payroll | \$ 5,861,806 | \$ 6,313,654 | \$ 5,859,201 | \$ 6,150,570 | \$ 6,245,488 | \$ 6,294,251 | \$ 6,186,406 | \$ 6,506,027 | \$ 6,867,462 | \$ 7,115,737 |
| Employer contributions as a percentage of covered-employee payroll | 13.73% | 12.75% | 12.42% | 14.05% | 14.48% | 16.22% | 19.30% | 19.30% | 22.78% | 23.40% |

**CITY OF SOMERSET, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF PENSION CONTRIBUTIONS - HAZARDOUS
Last Ten Fiscal Years**

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|------------------|------------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually required employer contribution | \$ 1,016,016 | \$ 1,002,090 | \$ 924,463 | \$ 1,066,417 | \$ 1,115,070 | \$ 1,275,458 | \$ 1,781,641 | \$ 1,867,445 | \$ 2,320,637 | \$ 3,172,597 |
| Contributions relative to contractually required employer contribution | <u>1,016,016</u> | <u>1,002,090</u> | <u>924,463</u> | <u>1,066,417</u> | <u>1,115,070</u> | <u>1,275,458</u> | <u>1,781,641</u> | <u>1,867,445</u> | <u>2,320,637</u> | <u>3,172,597</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered employee payroll | \$ 4,681,614 | \$ 4,822,081 | \$ 4,556,589 | \$ 4,912,100 | \$ 5,022,840 | \$ 5,128,499 | \$ 5,926,948 | \$ 6,212,394 | \$ 6,518,645 | \$ 7,410,878 |
| Employer contributions as a percentage of covered-employee payroll | 21.70% | 20.78% | 20.29% | 21.71% | 22.20% | 24.87% | 30.06% | 30.06% | 35.60% | 42.81% |

**CITY OF SOMERSET, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - NONHAZARDOUS
Last Seven Fiscal Years**

| Reporting Fiscal Year (Measurement Date) | 2017 (2016) | 2018 (2017) | 2019 (2018) | 2020 (2019) | 2021 (2020) | 2022 (2021) | 2023 (2022) |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| City's proportion of the net OPEB liability | 0.247% | 0.253% | 0.251% | 0.243% | 0.234% | 0.247% | 0.240% |
| City's proportionate share of the net OPEB liability (asset) | \$ 3,987,166 | \$ 5,083,271 | \$ 4,435,842 | \$ 4,085,519 | \$ 5,656,811 | \$ 4,723,120 | \$ 4,744,939 |
| City's covered employee payroll | \$ 5,859,201 | \$ 6,150,570 | \$ 6,245,488 | \$ 6,294,251 | \$ 6,186,406 | \$ 6,506,027 | \$ 6,867,462 |
| City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll | 68.05% | 82.65% | 71.02% | 64.91% | 91.44% | 72.60% | 69.09% |
| Plan fiduciary net position as a percentage of the total OPEB liability | unavailable | 52.39% | 57.62% | 60.44% | 51.67% | 62.91% | 60.95% |

The above schedule will present 10 years of historical data, once available.

**CITY OF SOMERSET, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - HAZARDOUS
Last Seven Fiscal Years**

| Reporting Fiscal Year (Measurement Date) | 2017 (2016) | 2018 (2017) | 2019 (2018) | 2020 (2019) | 2021 (2020) | 2022 (2021) | 2023 (2022) |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| City's proportion of the net OPEB liability | 0.882% | 0.908% | 0.904% | 0.905% | 1.013% | 1.037% | 1.001% |
| City's proportionate share of the net OPEB liability (asset) | \$ 4,487,562 | \$ 7,510,105 | \$ 6,442,359 | \$ 6,694,644 | \$ 9,361,254 | \$ 8,387,647 | \$ 8,524,323 |
| City's covered employee payroll | \$ 4,556,589 | \$ 4,912,100 | \$ 5,022,840 | \$ 5,128,499 | \$ 5,926,948 | \$ 6,212,394 | \$ 6,518,645 |
| City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll | 98.49% | 152.89% | 128.26% | 130.54% | 157.94% | 135.01% | 130.77% |
| Plan fiduciary net position as a percentage of the total OPEB liability | unavailable | 58.99% | 64.24% | 64.44% | 58.84% | 66.81% | 64.13% |

The above schedule will present 10 years of historical data, once available.

**CITY OF SOMERSET, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF OPEB CONTRIBUTIONS - NONHAZARDOUS
Last Ten Fiscal Years**

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Contractually required employer contribution | \$ 301,758 | \$ 310,632 | \$ 271,867 | \$ 292,914 | \$ 293,538 | \$ 331,078 | \$ 294,473 | \$ 309,687 | \$ 286,373 | \$ 241,223 |
| Contributions relative to contractually required employer contribution | <u>301,758</u> | <u>310,632</u> | <u>271,867</u> | <u>292,914</u> | <u>293,538</u> | <u>331,078</u> | <u>294,473</u> | <u>309,687</u> | <u>286,373</u> | <u>241,223</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered employee payroll | \$ 5,861,806 | \$ 6,313,654 | \$ 5,859,201 | \$ 6,150,570 | \$ 6,245,488 | \$ 6,294,251 | \$ 6,186,406 | \$ 6,506,027 | \$ 6,867,462 | \$ 7,115,737 |
| Employer contributions as a percentage of covered-employee payroll | 5.15% | 4.92% | 4.64% | 4.76% | 4.70% | 5.26% | 4.76% | 4.76% | 4.17% | 3.39% |

**CITY OF SOMERSET, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF OPEB CONTRIBUTIONS - HAZARDOUS
Last Ten Fiscal Years**

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Contractually required employer contribution | \$ 650,120 | \$ 656,458 | \$ 579,045 | \$ 459,281 | \$ 469,636 | \$ 536,954 | \$ 564,245 | \$ 591,420 | \$ 569,078 | \$ 502,457 |
| Contributions relative to contractually required employer contribution | <u>650,120</u> | <u>656,458</u> | <u>579,045</u> | <u>459,281</u> | <u>469,636</u> | <u>536,954</u> | <u>564,245</u> | <u>591,420</u> | <u>569,078</u> | <u>502,457</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered employee payroll | \$ 4,681,614 | \$ 4,822,081 | \$ 4,556,589 | \$ 4,912,100 | \$ 5,022,840 | \$ 5,128,499 | \$ 5,926,948 | \$ 6,212,394 | \$ 6,518,645 | \$ 7,410,878 |
| Employer contributions as a percentage of covered-employee payroll | 13.89% | 13.61% | 12.71% | 9.35% | 9.35% | 10.47% | 9.52% | 9.52% | 8.73% | 6.78% |

CITY OF SOMERSET, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023

1. GENERAL INFORMATION

Contributions

Contractually required employer contributions reported on the Schedule of Pension Contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The insurance contributions are reported on the Schedule of OPEB Contributions.

Payroll

The City's covered payroll reported on the Proportionate Share of the Net Pension Liability and the Proportionate Share of the Net OPEB Liability Schedules is one year prior to the City's fiscal year payroll as reported on the Schedule of Contributions for Pension and OPEB.

2. CHANGES OF ASSUMPTIONS

June 30, 2022 – Pension and OPEB – Hazardous and Nonhazardous

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.30% to 6.40%.

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for pension.

June 30, 2021 – Pension and OPEB – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for CERS pension.

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.40% to 6.30%. The initial healthcare trend rate for post-65 was changed from 2.90% to 6.30%.

June 30, 2020 – Pension and OPEB – Hazardous and Nonhazardous

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 7% to 6.40%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years. The initial healthcare trend rate for post-65 was changed from 5% to 2.90%, which increases to 6.30% in 2023 and then gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years.

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for pension.

CITY OF SOMERSET, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2019 – Pension and OPEB Hazardous and Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for both pension and OPEB:

- The assumed rate of salary increases was increased from 3.05% to 3.3% to 10.3% on average.

June 30, 2018 – Pension and OPEB – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018 for either pension or OPEB.

June 30, 2017 – Pension – Hazardous and Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017:

- The assumed rate of return was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.3%.
- Payroll growth assumption was reduced from 4% to 2%

June 30, 2016 – Pension and OPEB – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016 for either pension or OPEB.

June 30, 2015 – Pension – Hazardous and Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

- The assumed rate of return was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.5% to 3.25%.
- The assumed rate of wage inflation was reduced from 1% to .75%.
- Payroll growth assumption was reduced from 4.5% to 4%.
- Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females).
- For Disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.

June 30, 2014 – Pension – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2014.

CITY OF SOMERSET, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2013 – Pension – Hazardous and Nonhazardous

The following assumptions were made by the Kentucky Legislature and reflected in the initial valuation performed as of June 30, 2013:

- The assumed rate of return was 7.75%.
- The assumed rate of inflation was 3.5%.
- The assumed rate of wage inflation was 1%.
- Payroll growth assumption was 4.5%.
- Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006. The 1994 Group Annuity Mortality Table was used for all other members.

SUPPLEMENTARY INFORMATION

**CITY OF SOMERSET, KENTUCKY
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2023**

| | <u>Municipal Aid Projects Fund</u> | <u>Coal & Mineral Severance Fund</u> | <u>Travel & Tourism Fund</u> | <u>2023 Total</u> |
|-------------------------------------|--|--|--|-----------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 7,919 | \$ 47,288 | \$ 245,074 | \$ 300,281 |
| Receivables, net | <u>24,707</u> | <u>15,183</u> | <u>26,606</u> | <u>66,496</u> |
| Total assets | <u>\$ 32,626</u> | <u>\$ 62,471</u> | <u>\$ 271,680</u> | <u>\$ 366,777</u> |
| LIABILITIES AND FUND BALANCE | | | | |
| Liabilities | | | | |
| Accounts payable | \$ - | \$ - | \$ 1,148 | \$ 1,148 |
| Due to other funds | 50,000 | - | 3,898 | 53,898 |
| Other current liabilities | <u>-</u> | <u>-</u> | <u>13,777</u> | <u>13,777</u> |
| Total liabilities | 50,000 | - | 18,823 | 68,823 |
| Fund balance | <u>(17,374)</u> | <u>62,471</u> | <u>252,857</u> | <u>297,954</u> |
| Total liabilities and fund balance | <u>\$ 32,626</u> | <u>\$ 62,471</u> | <u>\$ 271,680</u> | <u>\$ 366,777</u> |

CITY OF SOMERSET, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ALL NONMAJOR GOVERNMENTAL FUNDS
for the year ended June 30, 2023

| | Municipal Aid Projects Fund | Coal & Mineral Severance Fund | Travel & Tourism Fund | 2023 Total |
|---|--|--|--|-----------------------|
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ 242,861 | \$ 242,861 |
| Intergovernmental revenues | 228,915 | 44,332 | - | 273,247 |
| Interest income | 258 | 111 | - | 369 |
| Other revenues | - | - | 65,236 | 65,236 |
| Total revenues | <u>229,173</u> | <u>44,443</u> | <u>308,097</u> | <u>581,713</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Streets | 100,085 | - | - | 100,085 |
| Travel and tourism | - | - | 357,204 | 357,204 |
| Capital outlay | <u>205,191</u> | <u>-</u> | <u>-</u> | <u>205,191</u> |
| Total expenditures | <u>305,276</u> | <u>-</u> | <u>357,204</u> | <u>662,480</u> |
| Excess revenues over (under) expenditures before other sources (uses) | (76,103) | 44,443 | (49,107) | (80,767) |
| Other financing sources (uses) | | | | |
| Transfers from (to) other funds | <u>-</u> | <u>-</u> | <u>75,000</u> | <u>75,000</u> |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>75,000</u> | <u>75,000</u> |
| Excess revenues and other sources over (under) expenditures | (76,103) | 44,443 | 25,893 | (5,767) |
| Fund balance, beginning of year | <u>58,729</u> | <u>18,028</u> | <u>226,964</u> | <u>303,721</u> |
| FUND BALANCE - END OF YEAR | <u>\$ (17,374)</u> | <u>\$ 62,471</u> | <u>\$ 252,857</u> | <u>\$ 297,954</u> |

CITY OF SOMERSET, KENTUCKY
STATEMENT OF REVENUES AND EXPENSES - BUDGET TO ACTUAL
GAS DEPARTMENT
for the year ended June 30, 2023

| | Budget | Actual | Variance |
|--|----------------|----------------|-----------------|
| OPERATING REVENUES | | | |
| Sales to customers | \$ 9,000,000 | \$ 8,890,833 | \$ (109,167) |
| Transportation/surcharges | 867,500 | 798,602 | (68,898) |
| Other operating revenues | 345,000 | 344,132 | (868) |
| TOTAL OPERATING REVENUES | 10,212,500 | 10,033,567 | (178,933) |
| OPERATING EXPENSES | | | |
| Gas purchases, net of refunds | 4,202,000 | 5,288,277 | 1,086,277 |
| Maintenance | 757,600 | 560,868 | (196,732) |
| Personnel services | 1,807,000 | 1,723,797 | (83,203) |
| Supplies | 119,300 | 118,673 | (627) |
| Utilities | 63,000 | 61,845 | (1,155) |
| Insurance | 53,500 | 52,490 | (1,010) |
| Engineering | 100,000 | 44,100 | (55,900) |
| Severance tax | 10,000 | 30,462 | 20,462 |
| Contract compression | 250,000 | 37,200 | (212,800) |
| Management fees | 360,000 | 360,000 | - |
| Other | 287,000 | 161,453 | (125,547) |
| Depreciation and amortization | 550,000 | 708,933 | 158,933 |
| TOTAL OPERATING EXPENSES | 8,559,400 | 9,148,098 | 588,698 |
| OPERATING INCOME | 1,653,100 | 885,469 | (767,631) |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Investment income (loss) | 5,000 | (3,904) | (8,904) |
| Interest expense | (35,132) | (40,887) | (5,755) |
| Gain (loss) on disposal of capital assets | - | 1,396 | 1,396 |
| TOTAL NONOPERATING REVENUES (EXPENSES) | (30,132) | (43,395) | (13,263) |
| INCOME (LOSS) BEFORE OPERATING TRANSFERS | 1,622,968 | 842,074 | (780,894) |
| OPERATING TRANSFERS | | | |
| Transfers out | (3,547,000) | (2,900,000) | 647,000 |
| TOTAL OPERATING TRANSFERS | (3,547,000) | (2,900,000) | 647,000 |
| INCREASE (DECREASE) IN NET POSITION (Note 1) | \$ (1,924,032) | \$ (2,057,926) | \$ (133,894) |

Note 1: The City's budget includes a cash balance forward from the prior year which totals \$1,948,900. The cash balance forward amount is not included in this schedule. Consequently, this schedule shows a budgeted decrease in net position of \$1,924,032.

CITY OF SOMERSET, KENTUCKY
STATEMENT OF REVENUES AND EXPENSES - BUDGET TO ACTUAL
WATER DEPARTMENT
for the year ended June 30, 2023

| | Budget | Actual | Variance |
|---|---------------------|-----------------------|-----------------------|
| OPERATING REVENUES | | | |
| Sales to customers | \$ 8,247,500 | \$ 7,821,856 | \$ (425,644) |
| Transportation/surcharges | 125,000 | 226,980 | 101,980 |
| Other operating revenues | 922,000 | 391,055 | (530,945) |
| TOTAL OPERATING REVENUES | 9,294,500 | 8,439,891 | (854,609) |
| OPERATING EXPENSES | | | |
| Maintenance | 1,240,500 | 1,125,384 | (115,116) |
| Personnel services (Note 1) | 2,017,300 | 2,336,311 | 319,011 |
| Supplies | 794,500 | 611,605 | (182,895) |
| Utilities | 925,000 | 949,413 | 24,413 |
| Insurance | 94,000 | 96,957 | 2,957 |
| Engineering | 43,000 | 69,842 | 26,842 |
| Management fees | 360,000 | 360,000 | - |
| Other | 145,000 | 99,268 | (45,732) |
| Depreciation and amortization | 1,809,100 | 1,639,320 | (169,780) |
| TOTAL OPERATING EXPENSES | 7,428,400 | 7,288,100 | (140,300) |
| OPERATING INCOME (LOSS) | 1,866,100 | 1,151,791 | (714,309) |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest income | 18,500 | 13,437 | (5,063) |
| Interest expense | (706,316) | (374,372) | 331,944 |
| TOTAL NONOPERATING REVENUES (EXPENSES) | (687,816) | (360,935) | 326,881 |
| INCOME (LOSS) BEFORE OPERATING TRANSFERS | 1,178,284 | 790,856 | (387,428) |
| OPERATING TRANSFERS | | | |
| Transfers in | 2,050,000 | - | (2,050,000) |
| Transfers out | (3,417,000) | (2,791,028) | 625,972 |
| TOTAL OPERATING TRANSFERS | (1,367,000) | (2,791,028) | (1,424,028) |
| INCREASE (DECREASE) IN NET POSITION (Note 2) | \$ (188,716) | \$ (2,000,172) | \$ (1,811,456) |

Note 1: Adjustments to account for the changes in the net position liability and the net OPEB liability resulted in an increase in pension expense. Due to the uncertainty of the impact of the required net pension/OPEB liability adjustments on expense, an amount was not included in the budget for the current year change in the net pension/OPEB liability.

Note 2: The City's budget includes a cash balance forward from the prior year which totals \$3,086,040. The cash balance forward amount is not included in this schedule. Consequently, this schedule shows a budgeted decrease in net position of \$188,716.

CITY OF SOMERSET, KENTUCKY
STATEMENT OF REVENUES AND EXPENSES - BUDGET TO ACTUAL
WASTEWATER DEPARTMENT
for the year ended June 30, 2023

| | Budget | Actual | Variance |
|---|---------------------|-------------------|---------------------|
| OPERATING REVENUES | | | |
| Sales to customers | \$ 3,325,000 | \$ 3,255,387 | \$ (69,613) |
| Transportation/surcharges | 25,000 | 16,720 | (8,280) |
| Other operating revenues | 3,629,500 | 834,262 | (2,795,238) |
| TOTAL OPERATING REVENUES | 6,979,500 | 4,106,369 | (2,873,131) |
| OPERATING EXPENSES | | | |
| Maintenance | 612,000 | 564,897 | (47,103) |
| Personnel services | 1,321,800 | 927,095 | (394,705) |
| Supplies | 31,000 | 15,022 | (15,978) |
| Utilities | 470,000 | 486,822 | 16,822 |
| Insurance | 53,500 | 52,049 | (1,451) |
| Engineering | 37,500 | 10,950 | (26,550) |
| Treatment | 145,000 | 201,620 | 56,620 |
| Other | 147,000 | 122,517 | (24,483) |
| Depreciation and amortization | 1,250,000 | 1,135,611 | (114,389) |
| TOTAL OPERATING EXPENSES | 4,067,800 | 3,516,583 | (551,217) |
| OPERATING INCOME (LOSS) | 2,911,700 | 589,786 | (2,321,914) |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest income | 15,000 | 83,790 | 68,790 |
| Interest expense | (174,257) | (159,121) | 15,136 |
| TOTAL NONOPERATING REVENUES (EXPENSES) | (159,257) | (75,331) | 83,926 |
| INCOME (LOSS) BEFORE OPERATING TRANSFERS | 2,752,443 | 514,455 | (2,237,988) |
| OPERATING TRANSFERS | | | |
| Transfers in | - | 32,401 | 32,401 |
| Transfers out | (1,320,000) | - | 1,320,000 |
| TOTAL OPERATING TRANSFERS | (1,320,000) | 32,401 | 1,352,401 |
| INCREASE (DECREASE) IN NET POSITION (Note 1) | \$ 1,432,443 | \$ 546,856 | \$ (885,587) |

Note 1: The City includes principal debt payments and capital projects in its budget. Principal debt payments and capital expenditures are not presented on this schedule. Consequently, this schedule shows a budgeted increase in net position.

CITY OF SOMERSET, KENTUCKY
STATEMENT OF REVENUES AND EXPENSES - BUDGET TO ACTUAL
SANITATION DEPARTMENT
for the year ended June 30, 2023

| | Budget | Actual | Variance |
|---|---------------------|---------------------|------------------|
| OPERATING REVENUES | | | |
| Sales to customers | \$ 4,365,000 | \$ 4,003,816 | \$ (361,184) |
| Other operating revenues | 40,000 | 85,123 | 45,123 |
| TOTAL OPERATING REVENUES | 4,405,000 | 4,088,939 | (316,061) |
| OPERATING EXPENSES | | | |
| Maintenance | 335,000 | 311,574 | (23,426) |
| Personnel services | 1,711,000 | 1,442,117 | (268,883) |
| Supplies | 350,000 | 286,508 | (63,492) |
| Utilities | 36,500 | 26,933 | (9,567) |
| Insurance | 69,500 | 79,994 | 10,494 |
| Landfill | 1,100,000 | 1,215,912 | 115,912 |
| Management fees | 360,000 | 360,000 | - |
| Other | 149,800 | 59,469 | (90,331) |
| Depreciation | 250,000 | 304,916 | 54,916 |
| TOTAL OPERATING EXPENSES | 4,361,800 | 4,087,423 | (274,377) |
| OPERATING INCOME (LOSS) | 43,200 | 1,516 | (41,684) |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest income | 2,500 | 9,631 | 7,131 |
| Interest expense | (12,276) | (34,648) | (22,372) |
| Gain (loss) on asset disposal | 501,790 | 96,806 | (404,984) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | 492,014 | 71,789 | (420,225) |
| INCOME (LOSS) BEFORE OPERATING TRANSFERS | 535,214 | 73,305 | (461,909) |
| OPERATING TRANSFERS | | | |
| Transfers in | - | - | - |
| Transfers out | (1,051,500) | (499,500) | 552,000 |
| TOTAL OPERATING TRANSFERS | (1,051,500) | (499,500) | 552,000 |
| (DECREASE) INCREASE IN NET POSITION (Note 1) | \$ (516,286) | \$ (426,195) | \$ 90,091 |

Note 1: The City's budget includes a cash balance forward from the prior year which totals \$1,170,010. The cash balance forward amount is not included in this schedule. Consequently, this schedule shows a budgeted decrease in net position of \$516,286.

CITY OF SOMERSET, KENTUCKY
STATEMENT OF REVENUES AND EXPENSES - BUDGET TO ACTUAL
VIRGINIA THEATER
for the year ended June 30, 2023

| | Budget | Actual | Variance |
|---|------------------|---------------------|---------------------|
| OPERATING REVENUES | | | |
| Sales to customers | \$ 2,102,400 | \$ 162,193 | \$ (1,940,207) |
| Other operating revenues | 110,000 | 1,245 | (108,755) |
| TOTAL OPERATING REVENUES | 2,212,400 | 163,438 | (2,048,962) |
| OPERATING EXPENSES | | | |
| Salaries | 137,000 | 87,901 | (49,099) |
| Other operating expenses | 1,804,470 | 546,532 | (1,257,938) |
| Depreciation | 100,000 | 112,724 | 12,724 |
| TOTAL OPERATING EXPENSES | 2,041,470 | 747,157 | (1,294,313) |
| OPERATING INCOME (LOSS) | 170,930 | (583,719) | (754,649) |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest income | 100 | 51 | (49) |
| Interest expense | (171,030) | (66,905) | 104,125 |
| TOTAL NONOPERATING REVENUES (EXPENSES) | (170,930) | (66,854) | 104,076 |
| INCOME (LOSS) BEFORE OPERATING TRANSFERS | - | (650,573) | (650,573) |
| OPERATING TRANSFERS | | | |
| Transfers in | - | - | - |
| Transfers out | - | - | - |
| TOTAL OPERATING TRANSFERS | - | - | - |
| (DECREASE) IN NET POSITION | \$ - | \$ (650,573) | \$ (650,573) |



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

To the Mayor and City Council
City of Somerset, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Somerset, Kentucky, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Somerset, Kentucky's basic financial statements, and have issued our report thereon dated November 17, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Somerset, 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 the City of Somerset, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Somerset, 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 of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Somerset, 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.

RFH

RFH, PLLC
Lexington, Kentucky
November 17, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Mayor and City Council
City of Somerset, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Somerset, 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 the City of Somerset, Kentucky's major federal programs for the year ended June 30, 2023. The City of Somerset, Kentucky's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Somerset, 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, 2023.

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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Somerset, 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 the City of Somerset, 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 the City of Somerset, Kentucky's federal programs.

Auditors' 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 the City of Somerset, 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 the City of Somerset, Kentucky's compliance with the requirements of each major federal program as a whole.

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 the City of Somerset, 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 the City of Somerset, 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Somerset, 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 Auditors' 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.

RFH

RFH, PLLC
Lexington, Kentucky
November 17, 2023

CITY OF SOMERSET, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended June 30, 2023

| GRANTOR/PROGRAM TITLE | Federal AL Number | Pass/Through Contract Number | Grant Contract Period | Passed Through to Subrecipients | Expenditures |
|--|-------------------------|------------------------------------|-----------------------------|---------------------------------------|---------------------|
| U.S. Environmental Protection Agency | | | | | |
| Passed through the Kentucky Infrastructure Authority | | | | | |
| Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | 21199002 | 7/1/2021-6/30/2023 | \$ - | \$ 3,433,491 |
| Passed through the Kentucky Division of Water | | | | | |
| Performance Partnership Grants | 66.605 | 2100000918 | 7/1/2021-6/30/2023 | - | 34,494 |
| Total U.S. Environmental Protection Agency | | | | - | 3,467,985 |
| U.S. Department of Housing and Urban Development | | | | | |
| Passed through the Kentucky Department for Local Government | | | | | |
| Community Development Block Grant/State's Program | 14.228 | Note 3 | 7/1/2021-6/30/2023 | - | 449,000 |
| Total U.S. Department of Housing and Urban Development | | | | - | 449,000 |
| U.S. Department of Transportation | | | | | |
| Passed through the Kentucky Transportation Cabinet | | | | | |
| National Priority Safety Program | 20.616 | Note 3 | 7/1/2021-6/30/2023 | - | 28,849 |
| Total U.S. Department of Transportation | | | | - | 28,849 |
| U.S. Department of Homeland Security | | | | | |
| SAFER Grant | 97.083 | N/A | 7/1/2021-6/30/2023 | - | 6,695 |
| Total U.S. Department of Homeland Security | | | | - | 6,695 |
| U.S. Department of Justice | | | | | |
| Body Worn Camera Policy and Implementation | 16.835 | N/A | 7/1/2021-6/30/2023 | - | 42,043 |
| Total U.S. Department of Justice | | | | - | 42,043 |
| Total federal awards expended | | | | \$ - | \$ 3,994,572 |

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Somerset, Kentucky and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in, or used in the preparation of, the basic financial statements may differ from these numbers.

Note 2 - Indirect Cost Rates

The City did not elect to use the 10 percent de minimis cost rate as allowed under the Uniform Guidance

Note 3 - Passthrough entity numbers are presented when available. Passthrough grantor's number not available

CITY OF SOMERSET, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2023

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified __Yes XNo

Significant deficiencies identified that are not
considered to be material weaknesses __Yes XNone reported

Non-compliance material to financial statements noted __Yes XNo

Federal Awards:

Internal control over major programs:

Material weaknesses identified __Yes XNo

Significant deficiencies identified that are not
considered to be material weaknesses __Yes XNone 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 200.516(a)?

__Yes XNo

Major Program:

| AL Numbers | Name of Federal Program or Cluster |
|-------------------|---|
|-------------------|---|

| | |
|--------|--------------------------------------|
| 66.468 | Drinking Water State Revolving Funds |
|--------|--------------------------------------|

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

Auditee qualified as a low-risk auditee? XYes __No

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

NONE

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

IV. PRIOR AUDIT FINDINGS

NONE

CITY OF SOMERSET
Somerset, Kentucky



FINANCIAL STATEMENTS
June 30, 2022

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INDEPENDENT AUDITORS' REPORT

To the Mayor and the City Council
City of Somerset, 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 Somerset, Kentucky, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements 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 Somerset, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Somerset, Kentucky 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 Somerset, Kentucky's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and other post-employment benefits (OPEB) schedules on pages 4–12 and 48–59 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 Somerset, Kentucky's basic financial statements. The combining nonmajor fund financial statements, proprietary statements of revenues and expenses – budget to actual 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 fund financial statements, proprietary statements of revenues and expenses – budget to actual 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 December 7, 2022, on our consideration of the City of Somerset, 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 Somerset, 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 Somerset, Kentucky's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
December 7, 2022

Management's Discussion and Analysis

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

FINANCIAL HIGHLIGHTS

- Total assets and deferred outflows of resources were \$158.64 million
- Bank balances totaled \$16.69 million
- Total long-term debt decreased by \$1.65 million
- General fund reported a fund balance of \$2.05 million
- During the year, the City's business-type activities generated net revenues of \$2.4 million which were primarily transferred to the general governmental activities.
- Due to GASB accounting rules, the City had to state over \$43.35 million in unfunded liability for future pension cost.
- Due to GASB accounting rules, the City had to state over \$13.11 million in unfunded liability for future OPEB cost.
- Of the major business components, natural gas and water continued to generate adequate revenues compared to expenses.

USING THIS ANNUAL REPORT

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

Management's Discussion and Analysis, Continued

Reporting the City as a Whole

Government-Wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. You can think of the City's net position—the difference between assets and liabilities—as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, 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, emergency medical services, fuel center, water park, cemetery, public works and parks departments, as well as general administration. Property taxes, franchise fees and state and federal grants finance most of these activities.
- **Business-type activities**—The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's gas, water, wastewater, sanitation and Virginia theater departments are reported here.

Management's Discussion and Analysis, Continued

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds-not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City has two types of funds that use different accounting approaches: governmental and proprietary.

- Governmental funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation that follows the fund financial statements.
- Proprietary funds - When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's Proprietary funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Management's Discussion and Analysis, Continued

THE CITY AS A WHOLE

The City's combined net position decreased by \$2.91 million from the prior year. This decrease is primarily due to GASB accounting rules for reporting unfunded liability for future pension and OPEB costs. 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
(in Millions)

| | <u>Governmental</u> <u>Activities</u> | | <u>Business-Type</u> <u>Activities</u> | | <u>Total Primary</u> <u>Activities</u> | |
|------------------------------------|--|-------------------|---|-----------------|---|-----------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| Current & Other Assets | \$ (.39) | \$ 1.33 | \$ 25.19 | \$ 25.89 | \$ 24.80 | \$ 27.22 |
| Capital and Leased Assets | 35.08 | 35.42 | 84.55 | 82.33 | 119.63 | 117.75 |
| Deferred Outflows | <u>11.38</u> | <u>12.70</u> | <u>2.83</u> | <u>2.93</u> | <u>14.21</u> | <u>15.63</u> |
| Total Assets and Deferred Outflows | <u>46.07</u> | <u>49.45</u> | <u>112.57</u> | <u>111.15</u> | <u>158.64</u> | <u>160.60</u> |
| Current Liabilities | 3.78 | 3.57 | 4.80 | 3.80 | 8.58 | 7.37 |
| Long Term Liabilities | 61.69 | 71.28 | 40.32 | 38.65 | 102.01 | 109.93 |
| Deferred Inflows | <u>7.63</u> | <u>1.77</u> | <u>2.74</u> | <u>.94</u> | <u>10.37</u> | <u>2.71</u> |
| Total Liabilities/Deferred Inflows | <u>73.10</u> | <u>76.62</u> | <u>47.86</u> | <u>43.39</u> | <u>120.96</u> | <u>120.01</u> |
| Net investment in capital assets | 17.64 | 18.53 | 53.20 | 54.24 | 70.84 | 72.77 |
| Restricted | 1.18 | 6.00 | 2.36 | .82 | 3.54 | 6.82 |
| Unrestricted | <u>(45.85)</u> | <u>(51.70)</u> | <u>9.15</u> | <u>12.70</u> | <u>(36.70)</u> | <u>(39.00)</u> |
| Total Net Position | <u>\$ (27.03)</u> | <u>\$ (27.17)</u> | <u>\$ 64.71</u> | <u>\$ 67.76</u> | <u>\$ 37.68</u> | <u>\$ 40.59</u> |

Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, increased by \$2.3 million during fiscal year 2022. The major contributing factor for this increase is due to the decreases in GASB Pension and OPEB expenses and increased expenses.

Total assets and deferred outflows for Governmental Activities decreased from \$49.45 million at June 30, 2021 to \$46.07 million at June 30, 2022. The major contributing factor for this decrease is due to using the cash we had on hand from last year from long term debt proceeds on projects in the current year.

Management's Discussion and Analysis, Continued

Table 2
Change in Net Position
(in Millions)

| | Governmental Activities | | Business-Type Activities | | Total Primary Activities | |
|---|----------------------------|-------------------|-----------------------------|-----------------|-----------------------------|-----------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for Services | \$ 7.51 | \$ 6.07 | \$ 25.13 | \$ 24.29 | \$ 32.64 | \$ 30.36 |
| Federal & State Grants | 6.28 | 3.43 | - | 3.06 | 6.28 | 6.49 |
| General Revenues | | | | | | |
| Property Taxes | 1.91 | 1.79 | - | - | 1.91 | 1.79 |
| Other Taxes and License Fees | 9.04 | 8.36 | - | - | 9.04 | 8.36 |
| Other General Revenues | <u>1.50</u> | <u>1.76</u> | <u>-</u> | <u>.05</u> | <u>1.50</u> | <u>1.81</u> |
| Total Revenues | <u>\$ 26.24</u> | <u>\$ 21.41</u> | <u>\$ 25.13</u> | <u>\$ 27.40</u> | <u>\$ 51.37</u> | <u>\$ 48.81</u> |
| Program Expenses | | | | | | |
| General Government | \$ 5.15 | \$ 5.14 | \$ - | \$ - | \$ 5.15 | \$ 5.14 |
| Public Safety | 11.55 | 12.65 | - | - | 11.55 | 12.65 |
| Public Services | .30 | .20 | - | - | .30 | .20 |
| Streets | 2.08 | 1.84 | - | - | 2.08 | 1.84 |
| Parks and Recreation | 1.36 | 1.40 | - | - | 1.36 | 1.40 |
| Emergency Medical Services | 6.51 | 7.06 | - | - | 6.51 | 7.06 |
| Cemetery | .13 | .14 | - | - | .13 | .14 |
| Fuel Center | 1.38 | .97 | - | - | 1.38 | .97 |
| Waterpark | 2.29 | 2.34 | - | - | 2.29 | 2.34 |
| Travel & Tourism | .30 | .16 | - | - | .30 | .16 |
| Intergovernmental Programs | .12 | .11 | - | - | .12 | .11 |
| Downtown Revitalization | .01 | .16 | - | - | .01 | .16 |
| Debt Service – Interest & bond costs | .50 | .81 | - | - | .50 | .81 |
| Interest on long-term leases | .03 | - | - | - | .03 | - |
| Gas | - | - | 8.12 | 7.46 | 8.12 | 7.46 |
| Water | - | - | 6.24 | 6.37 | 6.24 | 6.37 |
| Wastewater | - | - | 4.02 | 3.79 | 4.02 | 3.79 |
| Sanitation | - | - | 4.35 | 3.95 | 4.35 | 3.95 |
| Virginia Theater | - | - | .19 | - | .19 | - |
| Total Expense | <u>\$ 31.71</u> | <u>\$ 32.98</u> | <u>\$ 22.92</u> | <u>\$ 21.57</u> | <u>\$ 54.63</u> | <u>\$ 54.55</u> |
| Gain (Loss) on disposal of capital assets | \$.16 | \$ (.41) | \$.19 | \$.17 | \$.35 | \$ (.24) |
| Excess (Deficiency) before Transfer | (5.31) | (11.98) | 2.40 | 6.00 | (2.91) | (5.98) |
| Transfer | <u>5.45</u> | <u>6.57</u> | <u>(5.45)</u> | <u>(6.57)</u> | <u>-</u> | <u>-</u> |
| Increase (Decrease) in Net Position | .14 | (5.41) | (3.05) | (.57) | (2.91) | (5.98) |
| Net Position, beginning | <u>(27.17)</u> | <u>(21.76)</u> | <u>67.76</u> | <u>68.33</u> | <u>40.59</u> | <u>46.57</u> |
| Net Position, ending | <u>\$ (27.03)</u> | <u>\$ (27.17)</u> | <u>\$ 64.71</u> | <u>\$ 67.76</u> | <u>\$ 37.68</u> | <u>\$ 40.59</u> |

Management's Discussion and Analysis, Continued

The City's total revenues increased by \$ 2.56 million. The total cost of all programs and services increased by \$ 0.08 million. The major change in revenue comes from an increase in charges for services. Not a major change to expenses as a whole this year. Our analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

The cost of all governmental activities this year was \$31.71 million compared to \$32.98 million last year. Overall, the City's governmental program fees for services increased from \$6.07 million in 2021 to \$7.51 million in 2022. The City paid for the remaining "public benefit" portion of governmental activities with \$10.95 million in taxes and license fees, \$6.28 million in grants and entitlements, \$1.50 million of other revenues, and \$5.45 million in transfers.

Table 3 presents the cost of each of the City's five largest programs-emergency medical and fire services, police, streets, waterpark, and parks and recreation-as well as each program's net cost (total cost less revenues generated by the activities). The net cost decreased by \$5.57 million and shows the financial burden that was placed on the City's taxpayers by each of these functions. The major contributing factors for this decrease is due to increases in federal grant revenues.

Table 3
Governmental Activities
(in Millions)

| | <u>Total Cost of Services</u> | | <u>Net Cost of Services</u> | |
|----------------------------|-----------------------------------|-----------------|---------------------------------|-----------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| Emergency Medical Services | \$ 6.51 | \$ 7.06 | \$ 1.39 | \$ 2.08 |
| Police and Fire Department | 11.50 | 12.65 | 7.53 | 11.34 |
| Streets | 2.08 | 1.84 | 1.75 | 1.59 |
| Waterpark | 2.29 | 2.34 | .26 | .84 |
| Parks and recreation | 1.36 | 1.40 | 1.20 | 1.28 |
| All Others | <u>7.97</u> | <u>7.69</u> | <u>5.78</u> | <u>6.35</u> |
| Totals | <u>\$ 31.71</u> | <u>\$ 32.98</u> | <u>\$ 17.91</u> | <u>\$ 23.48</u> |

Management's Discussion and Analysis, Continued

Business-Type Activities

Revenues of the City's business-type activities (see Table 2) decreased by \$2.27 million (\$27.40 million in 2021 compared to \$25.13 million in 2022) and expenses increased by \$1.35 million (\$21.57 million in 2021 compared to \$22.92 million in 2022). The factors driving these results include:

The major decrease in revenue for this fiscal year is due to a decrease in Grants. The major contributing factor for the increase in expense is due to the increase in employee related expenses, gas purchases, maintenance, and depreciation.

- The City continues to monitor revenue and expenses in an effort to be as efficient as possible in all activities.

THE CITY'S FUNDS

As the City completed the year, its general fund (as presented in the balance sheet on page 15) reported a fund balance of \$2.05 million.

General Fund Budgetary Highlights

Over the course of the year, the City Council amended the City budget due to revenue and expenses that occurred during the year that were unknown at the time of the original budget.

For the General Fund, actual revenues were \$1.37 million less than the \$18.41 million budgeted, while actual expenditures were \$5.08 million less than the expected \$29.67 million budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2022, the City had \$119.63 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water, gas and sewer lines. (See Table 4 below).

Management's Discussion and Analysis, Continued

Table 4
Capital Assets at Year End
(Net of Depreciation and Amortization, in Millions)

| | <u>Governmental</u> | | <u>Business-Type</u> | | <u>Total Primary</u> | |
|---------------------------------------|---------------------|-----------------|----------------------|-----------------|----------------------|------------------|
| | <u>Activities</u> | | <u>Activities</u> | | <u>Government</u> | |
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| Land | \$ 3.96 | \$ 4.00 | \$ 1.08 | \$ 1.00 | \$ 5.04 | \$ 5.00 |
| Right of Way and Easements | .01 | .01 | .15 | .14 | .16 | .15 |
| Construction in Progress | .58 | .39 | 5.37 | 1.26 | 5.95 | 1.65 |
| Infrastructure | 12.11 | 11.99 | - | - | 12.11 | 11.99 |
| Utility Plant and Distribution System | - | - | 41.89 | 43.43 | 41.89 | 43.43 |
| Buildings and Improvements | 14.24 | 14.81 | 32.75 | 33.34 | 46.99 | 48.15 |
| Vehicles | 2.72 | 2.77 | .86 | 1.43 | 3.58 | 4.20 |
| Equipment | .31 | .48 | .79 | .96 | 1.10 | 1.44 |
| Office Equipment | .04 | .01 | .45 | .47 | 0.49 | 0.48 |
| Land Improvements | .24 | .28 | .06 | .07 | 0.30 | 0.35 |
| Leased vehicles | .68 | .42 | .50 | .23 | 1.18 | .65 |
| Leased equipment | .19 | .26 | .65 | - | .84 | .26 |
| Total | <u>\$ 35.08</u> | <u>\$ 35.42</u> | <u>\$ 84.55</u> | <u>\$ 82.33</u> | <u>\$ 119.63</u> | <u>\$ 117.75</u> |

This year's major additions were:

Construction project still not finished as of June 30, 2022: Virginia Cinema, Fischer Fun Park #2, Sewer Sludge Dewatering, Appharvest utilities extension, and Oak Hill Water Booster station.

The City is continuing its goal of improving quality of life in our town. The City has upgraded our fleet across several departments, upgraded our utility plant and distribution systems, upgraded our equipment in several departments and had several other projects all around the City including streets, sidewalks, beautification and more.

More detailed information about the City's capital assets is presented in Note 5 to the financial statements.

Management's Discussion and Analysis, Continued

Debt

As of June 30, 2022, the City's Governmental Activities long term debt had decreased by \$3.96 million and the Business-Type Activities long term debt increased by \$2.31 million from the prior year. We are now required to include our Net Pension Liability, which decreased in the Governmental and Business-Type Activities by \$4.03 million and \$1.14 million respectively. We are now required to include our OPEB Liability, which decreased in the Governmental Activities by \$1.42 million and decreased in the Business-Type activities by \$.49 million. We are now required to include our Lease Liability, which increased in the Governmental Activities by \$.21 million and increased in the Business-Type activities by \$.94 million. Table 5 below contains the details.

Table 5
Outstanding Debt at Year End
(in Millions)

| | <u>Governmental</u> <u>Activities</u> | | <u>Business-Type</u> <u>Activities</u> | | <u>Total Primary</u> <u>Government</u> | |
|-----------------------|--|-----------------|---|-----------------|---|------------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| Long-Term Debt | \$ 17.28 | \$ 21.24 | \$ 30.21 | \$ 27.90 | \$ 47.49 | \$ 49.14 |
| Net Pension Liability | 34.67 | 38.70 | 8.68 | 9.82 | 43.35 | 48.52 |
| Net OPEB Liability | 10.51 | 11.93 | 2.60 | 3.09 | 13.11 | 15.02 |
| Lease Liability | <u>.89</u> | <u>.68</u> | <u>1.17</u> | <u>.23</u> | <u>2.06</u> | <u>.91</u> |
| Totals | <u>\$ 63.35</u> | <u>\$ 72.55</u> | <u>\$ 42.66</u> | <u>\$ 41.04</u> | <u>\$ 106.01</u> | <u>\$ 113.59</u> |

Insurance costs and retirement contribution percentages continue to have a major impact on the current and all future budgets. The City is continuing to pay for the employee's single health coverage and plans are to continue this practice until it becomes unaffordable for the City. The retirement percentages are a major concern for all cities and all cities are lobbying the State for legislation to help in this area.

The City is always looking at changes in bond market interest rates that would make financial sense for the City to refinance when/if rates continue down to a favorable point.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors 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 Chief Financial Officer or Accounting Supervisor at Somerset City Hall, 306 E. Mt. Vernon Street, Somerset, Kentucky 42501.

CITY OF SOMERSET, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2022

Primary Government

| | Governmental Activities | Business-type Activities | Total |
|---|------------------------------------|-------------------------------------|-----------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 4,074,036 | \$ 3,256,010 | \$ 7,330,046 |
| Certificates of deposit | 1,008,277 | 4,664,065 | 5,672,342 |
| Investments | - | 455,586 | 455,586 |
| Receivables, net | 2,962,286 | 3,509,459 | 6,471,745 |
| Lease receivable | - | 74,676 | 74,676 |
| Accrued interest receivable | 281 | 511 | 792 |
| Inventories | 284,793 | 1,219,292 | 1,504,085 |
| Prepaid expenses | 8,815 | 4,250 | 13,065 |
| Internal balances, net | <u>(9,614,734)</u> | <u>9,614,734</u> | <u>-</u> |
| Total current assets | <u>(1,276,246)</u> | <u>22,798,583</u> | <u>21,522,337</u> |
| Noncurrent assets | | | |
| Restricted cash and cash equivalents | 890,920 | 2,357,796 | 3,248,716 |
| Excess cost over market value of assets acquired, net | - | 33,149 | 33,149 |
| Capital assets | | | |
| Nondepreciable capital assets | 4,555,739 | 6,598,834 | 11,154,573 |
| Depreciable capital assets, net | 29,661,458 | 76,796,650 | 106,458,108 |
| Leased vehicles and equipment, net | <u>866,287</u> | <u>1,150,422</u> | <u>2,016,709</u> |
| Total noncurrent assets | <u>35,974,404</u> | <u>86,936,851</u> | <u>122,911,255</u> |
| Total assets | <u>34,698,158</u> | <u>109,735,434</u> | <u>144,433,592</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows - pension | 6,434,807 | 1,335,563 | 7,770,370 |
| Deferred outflows - OPEB | <u>4,942,035</u> | <u>1,494,657</u> | <u>6,436,692</u> |
| Total deferred outflows of resources | <u>11,376,842</u> | <u>2,830,220</u> | <u>14,207,062</u> |
| Total assets and deferred outflows of resources | <u>\$ 46,075,000</u> | <u>\$ 112,565,654</u> | <u>\$ 158,640,654</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | \$ 674,160 | \$ 1,257,802 | \$ 1,931,962 |
| Deferred revenue | 200 | 7,695 | 7,895 |
| Accrued interest payable | 104,473 | 161,183 | 265,656 |
| Other current liabilities | 1,342,816 | 900,020 | 2,242,836 |
| Retainage payable | - | 131,226 | 131,226 |
| Current portion of lease liability | 297,162 | 306,123 | 603,285 |
| Current portion of long-term debt | <u>1,363,324</u> | <u>2,039,432</u> | <u>3,402,756</u> |
| Total current liabilities | <u>3,782,135</u> | <u>4,803,481</u> | <u>8,585,616</u> |
| Noncurrent liabilities | | | |
| Lease liability | 591,301 | 864,120 | 1,455,421 |
| Notes payable | 705,833 | 6,179,423 | 6,885,256 |
| Bonds payable | 15,213,153 | 21,993,650 | 37,206,803 |
| Net pension liability | 34,673,512 | 8,676,022 | 43,349,534 |
| Net OPEB liability | <u>10,506,240</u> | <u>2,604,527</u> | <u>13,110,767</u> |
| Total noncurrent liabilities | <u>61,690,039</u> | <u>40,317,742</u> | <u>102,007,781</u> |
| Total liabilities | <u>65,472,174</u> | <u>45,121,223</u> | <u>110,593,397</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows - pension | 4,073,150 | 1,362,739 | 5,435,889 |
| Deferred inflows - OPEB | 3,553,876 | 1,298,937 | 4,852,813 |
| Deferred inflows - leases | <u>-</u> | <u>74,676</u> | <u>74,676</u> |
| Total deferred inflows of resources | <u>7,627,026</u> | <u>2,736,352</u> | <u>10,363,378</u> |
| NET POSITION | | | |
| Net investment in capital assets | 17,644,825 | 53,196,309 | 70,841,134 |
| Restricted for | | | |
| Debt service | - | 2,357,796 | 2,357,796 |
| Construction | 732,114 | - | 732,114 |
| Other purposes | 444,499 | - | 444,499 |
| Unrestricted | <u>(45,845,638)</u> | <u>9,153,974</u> | <u>(36,691,664)</u> |
| Total net position | <u>(27,024,200)</u> | <u>64,708,079</u> | <u>37,683,879</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 46,075,000</u> | <u>\$ 112,565,654</u> | <u>\$ 158,640,654</u> |

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

CITY OF SOMERSET, KENTUCKY
STATEMENT OF ACTIVITIES
for the year ended June 30, 2022

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|----------------------|----------------------|------------------------------------|----------------------------------|---|---|----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Primary Government Business-type Activities | Total |
| Primary government | | | | | | | |
| Governmental activities | | | | | | | |
| General government | \$ 5,144,395 | \$ 385,525 | \$ 400,000 | \$ - | \$ (4,358,870) | \$ - | \$ (4,358,870) |
| Public safety | 11,549,235 | - | 4,013,373 | - | (7,535,862) | - | (7,535,862) |
| Public services | 301,573 | - | - | - | (301,573) | - | (301,573) |
| Streets | 2,079,509 | - | 253,687 | 80,701 | (1,745,121) | - | (1,745,121) |
| Parks and recreation | 1,361,565 | 155,392 | - | - | (1,206,173) | - | (1,206,173) |
| Emergency medical services | 6,512,148 | 3,593,947 | 1,529,390 | - | (1,388,811) | - | (1,388,811) |
| Cemetery | 128,718 | 38,205 | - | - | (90,513) | - | (90,513) |
| Waterpark | 2,289,365 | 2,026,072 | - | - | (263,293) | - | (263,293) |
| Fuel center | 1,380,792 | 1,315,196 | - | - | (65,596) | - | (65,596) |
| Travel and tourism | 302,552 | - | - | - | (302,552) | - | (302,552) |
| Intergovernmental programs | 118,865 | - | - | - | (118,865) | - | (118,865) |
| Downtown revitalization | 10,003 | - | - | - | (10,003) | - | (10,003) |
| Interest on long-term debt | 449,454 | - | - | - | (449,454) | - | (449,454) |
| Interest on long-term leases | 26,455 | - | - | - | (26,455) | - | (26,455) |
| Bond issuance cost | 51,562 | - | - | - | (51,562) | - | (51,562) |
| Total governmental activities | 31,706,191 | 7,514,337 | 6,196,450 | 80,701 | (17,914,703) | - | (17,914,703) |
| Business-type activities | | | | | | | |
| Gas department | 8,117,539 | 9,896,635 | - | - | - | 1,779,096 | 1,779,096 |
| Water department | 6,238,753 | 7,694,506 | - | - | - | 1,455,753 | 1,455,753 |
| Wastewater department | 4,018,079 | 3,713,118 | - | - | - | (304,961) | (304,961) |
| Sanitation department | 4,353,926 | 3,825,916 | - | - | - | (528,010) | (528,010) |
| Virginia Theater | 195,445 | - | - | - | - | (195,445) | (195,445) |
| Total business-type activities | 22,923,742 | 25,130,175 | - | - | - | 2,206,433 | 2,206,433 |
| Total primary government | \$ 54,629,933 | \$ 32,644,512 | \$ 6,196,450 | \$ 80,701 | (17,914,703) | 2,206,433 | (15,708,270) |
| General revenues | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | | 1,667,433 | - | 1,667,433 |
| Transient room tax | | | | | 246,076 | - | 246,076 |
| License fees: | | | | | | | |
| Franchise | | | | | 1,064,271 | - | 1,064,271 |
| Insurance premiums | | | | | 2,139,076 | - | 2,139,076 |
| Occupational | | | | | 4,962,725 | - | 4,962,725 |
| ABC | | | | | 920,542 | - | 920,542 |
| Investment earnings | | | | | 24,289 | 3,161 | 27,450 |
| Miscellaneous | | | | | 1,430,784 | - | 1,430,784 |
| Total general revenues | | | | | 12,455,196 | 3,161 | 12,458,357 |
| Gain (loss) on disposal of capital assets | | | | | 156,828 | 191,374 | 348,202 |
| Transfers in (out) | | | | | 5,450,768 | (5,450,768) | - |
| Change in Net Position | | | | | 148,089 | (3,049,800) | (2,901,711) |
| Net position-beginning | | | | | (27,172,289) | 67,757,879 | 40,585,590 |
| NET POSITION-ENDING | | | | | \$ (27,024,200) | \$ 64,708,079 | \$ 37,683,879 |

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

CITY OF SOMERSET, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

| | <u>General</u> | <u>EMS</u> | <u>Waterpark</u> | <u>Fuel Center</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|-------------------------------------|----------------------|-------------------|--------------------|------------------------|---|---|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 3,762,389 | \$ 271,502 | \$ 588,853 | \$ 65,299 | \$ 276,913 | \$ 4,964,956 |
| Certificates of deposit | 1,008,277 | - | - | - | - | 1,008,277 |
| Receivables, net | 2,332,637 | 509,752 | 41,065 | 23,422 | 55,410 | 2,962,286 |
| Interest receivable | 281 | - | - | - | - | 281 |
| Inventories | 26,956 | - | 51,211 | 206,626 | - | 284,793 |
| Prepaid expenses | 8,815 | - | - | - | - | 8,815 |
| Due from other funds | 4,660,552 | - | - | 65,826 | 2,030 | 4,728,408 |
| Total assets | <u>\$ 11,799,907</u> | <u>\$ 781,254</u> | <u>\$ 681,129</u> | <u>\$ 361,173</u> | <u>\$ 334,353</u> | <u>\$ 13,957,816</u> |
| LIABILITIES AND FUND BALANCE | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ 307,072 | \$ 71,000 | \$ 121,395 | \$ 170,434 | \$ 4,259 | \$ 674,160 |
| Due to other funds | 8,510,302 | 1,364,244 | 4,241,810 | 215,010 | 11,776 | 14,343,142 |
| Unearned revenue | - | - | - | - | 200 | 200 |
| Other current liabilities | 935,448 | 275,700 | 113,161 | 4,110 | 14,397 | 1,342,816 |
| Total liabilities | <u>9,752,822</u> | <u>1,710,944</u> | <u>4,476,366</u> | <u>389,554</u> | <u>30,632</u> | <u>16,360,318</u> |
| Fund balance | | | | | | |
| Nonspendable | 35,771 | - | 51,211 | 206,626 | - | 293,608 |
| Restricted | 890,920 | - | - | - | 303,721 | 1,194,641 |
| Unassigned | 1,120,394 | (929,690) | (3,846,448) | (235,007) | - | (3,890,751) |
| Total fund balance | <u>2,047,085</u> | <u>(929,690)</u> | <u>(3,795,237)</u> | <u>(28,381)</u> | <u>303,721</u> | <u>(2,402,502)</u> |
| Total liabilities and fund balance | <u>\$ 11,799,907</u> | <u>\$ 781,254</u> | <u>\$ 681,129</u> | <u>\$ 361,173</u> | <u>\$ 334,353</u> | <u>\$ 13,957,816</u> |

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

| | |
|--|------------------------|
| Fund balance reported above | \$ (2,402,502) |
| Capital and leased assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 35,083,484 |
| Interest accrued on general long-term debt is not a current expenditure and is not reported in the funds. | (104,473) |
| Net deferred inflows/outflows related to the long-term net pension and net OPEB liabilities are not reported in the funds. | 3,749,816 |
| Long-term liabilities, including bonds, leases, notes payable and net pension/OPEB liability, are not due and payable in the current period and therefore are not reported in the funds. | <u>(63,350,525)</u> |
| Net position of governmental activities | <u>\$ (27,024,200)</u> |

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

CITY OF SOMERSET, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
for the year ended June 30, 2022

| | General | EMS | Waterpark | Fuel Center | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|---------------------|-----------------------|--------------------|--------------------------------|--------------------------------|
| REVENUES | | | | | | |
| Taxes | \$ 1,667,433 | \$ - | \$ - | \$ - | \$ 246,076 | \$ 1,913,509 |
| Licenses and permits | 9,086,614 | - | - | - | - | 9,086,614 |
| Fines and forfeits | 27,405 | - | - | - | - | 27,405 |
| Charges for services | 579,122 | 3,593,947 | 2,026,072 | 1,315,196 | - | 7,514,337 |
| Intergovernmental | 4,413,373 | 1,529,390 | - | - | 253,687 | 6,196,450 |
| Interest income | 22,090 | 938 | 770 | 163 | 328 | 24,289 |
| Other revenues | 1,246,063 | 50,802 | 29,903 | - | 76,611 | 1,403,379 |
| Total revenues | <u>17,042,100</u> | <u>5,175,077</u> | <u>2,056,745</u> | <u>1,315,359</u> | <u>576,702</u> | <u>26,165,983</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General administration | 4,727,416 | - | - | - | - | 4,727,416 |
| Public safety | 9,826,375 | - | - | - | - | 9,826,375 |
| Public services | 301,573 | - | - | - | - | 301,573 |
| Streets | 1,285,630 | - | - | - | 123,025 | 1,408,655 |
| Parks and recreation | 1,167,093 | - | - | - | - | 1,167,093 |
| Emergency medical services | - | 5,709,523 | - | - | - | 5,709,523 |
| Cemetery | 127,076 | - | - | - | - | 127,076 |
| Waterpark | - | - | 1,637,707 | - | - | 1,637,707 |
| Fuel center | - | - | - | 1,352,630 | - | 1,352,630 |
| Travel and tourism | - | - | - | - | 299,291 | 299,291 |
| Downtown revitalization | 10,003 | - | - | - | - | 10,003 |
| Intergovernmental programs | 119,338 | - | - | - | - | 119,338 |
| Capital outlay | 1,555,123 | - | 906,996 | - | 157,711 | 2,619,830 |
| Debt service | 5,417,468 | 128,138 | 1,541,574 | - | - | 7,087,180 |
| Bond issuance cost | 51,562 | - | - | - | - | 51,562 |
| Total expenditures | <u>24,588,657</u> | <u>5,837,661</u> | <u>4,086,277</u> | <u>1,352,630</u> | <u>580,027</u> | <u>36,445,252</u> |
| Excess (deficiency) of revenues over expenditures | <u>(7,546,557)</u> | <u>(662,584)</u> | <u>(2,029,532)</u> | <u>(37,271)</u> | <u>(3,325)</u> | <u>(10,279,269)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Proceeds from issuance of debt | 4,570,965 | - | 1,314,216 | - | - | 5,885,181 |
| Proceeds from sale of capital assets | 182,480 | - | - | - | - | 182,480 |
| Transfers in (out) | 658,121 | 850,000 | 1,093,000 | - | 62,511 | 2,663,632 |
| Total other financing sources and uses | <u>5,411,566</u> | <u>850,000</u> | <u>2,407,216</u> | <u>-</u> | <u>62,511</u> | <u>8,731,293</u> |
| Net change in fund balances | (2,134,991) | 187,416 | 377,684 | (37,271) | 59,186 | (1,547,976) |
| Fund balance-beginning | <u>4,182,076</u> | <u>(1,117,106)</u> | <u>(4,172,921)</u> | <u>8,890</u> | <u>244,535</u> | <u>(854,526)</u> |
| Fund balance-ending | \$ 2,047,085 | \$ (929,690) | \$ (3,795,237) | \$ (28,381) | \$ 303,721 | \$ (2,402,502) |

Reconciliation to government-wide change in net position:

| | |
|---|----------------|
| Net change in fund balances | \$ (1,547,976) |
| add: capital outlay expenditures capitalized | 2,619,830 |
| add: debt service expenditures | 7,087,180 |
| add: donated roads | 80,701 |
| add: gain from disposal of assets | 156,828 |
| add: bonds payable transferred to Virginia Theater | 3,004,474 |
| less: capital asset transfers to Virginia Theater | (217,338) |
| less: proceeds from sale of assets | (182,480) |
| less: proceeds from issuance of debt | (5,885,181) |
| less: depreciation and amortization on governmental activities assets | (2,761,142) |
| less: change in net pension liability | (1,404,218) |
| less: change in net OPEB liability | (326,680) |
| less: interest on long term debt and long term leases | (475,909) |

Change in net position governmental activities

\$ 148,089

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

CITY OF SOMERSET, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2022

| | Business-type Activities | | | | | Total |
|---|--------------------------|----------------------|--------------------------|--------------------------|---------------------|-----------------------|
| | Gas Department | Water Department | Wastewater Department | Sanitation Department | Virginia Theater | |
| ASSETS | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | \$ 962,673 | \$ 1,848,006 | \$ 302,421 | \$ 10,745 | \$ 132,165 | \$ 3,256,010 |
| Certificates of deposit | - | 1,259,830 | 2,803,528 | 600,707 | - | 4,664,065 |
| Investments | 227,793 | 227,793 | - | - | - | 455,586 |
| Receivables, net | 630,245 | 1,226,542 | 631,104 | 1,013,873 | 7,695 | 3,509,459 |
| Lease receivable | 74,676 | - | - | - | - | 74,676 |
| Accrued interest receivable | - | 41 | 463 | 7 | - | 511 |
| Inventories | 251,738 | 917,959 | 47,345 | - | 2,250 | 1,219,292 |
| Prepaid expenses | - | - | - | - | 4,250 | 4,250 |
| Due from other funds | <u>3,040,553</u> | <u>6,477,060</u> | <u>250</u> | <u>306,109</u> | <u>-</u> | <u>9,823,972</u> |
| Total current assets | <u>5,187,678</u> | <u>11,957,231</u> | <u>3,785,111</u> | <u>1,931,441</u> | <u>146,360</u> | <u>23,007,821</u> |
| Noncurrent assets | | | | | | |
| Restricted cash and cash equivalents | - | 726,974 | 1,630,822 | - | - | 2,357,796 |
| Excess cost over market value of assets acquired, net | - | 33,149 | - | - | - | 33,149 |
| Capital assets | | | | | | |
| Nondepreciable capital assets | 521,608 | 2,468,542 | 607,862 | 75,000 | 2,925,822 | 6,598,834 |
| Leased vehicles and equipment | 1,058,175 | 106,369 | 165,144 | 93,056 | - | 1,422,744 |
| Depreciable capital assets | 27,970,401 | 71,174,071 | 46,852,528 | 3,821,474 | - | 149,818,474 |
| Less accumulated depreciation and amortization | <u>(21,388,538)</u> | <u>(26,200,614)</u> | <u>(23,442,931)</u> | <u>(2,262,063)</u> | <u>-</u> | <u>(73,294,146)</u> |
| Total noncurrent assets | <u>8,161,646</u> | <u>48,308,491</u> | <u>25,813,425</u> | <u>1,727,467</u> | <u>2,925,822</u> | <u>86,936,851</u> |
| Total assets | <u>13,349,324</u> | <u>60,265,722</u> | <u>29,598,536</u> | <u>3,658,908</u> | <u>3,072,182</u> | <u>109,944,672</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| Deferred outflows - pension | 371,284 | 392,932 | 245,877 | 325,470 | - | 1,335,563 |
| Deferred outflows - OPEB | <u>415,512</u> | <u>439,739</u> | <u>275,166</u> | <u>364,240</u> | <u>-</u> | <u>1,494,657</u> |
| Total deferred outflows of resources | <u>786,796</u> | <u>832,671</u> | <u>521,043</u> | <u>689,710</u> | <u>-</u> | <u>2,830,220</u> |
| Total assets and deferred outflows of resources | <u>\$ 14,136,120</u> | <u>\$ 61,098,393</u> | <u>\$ 30,119,579</u> | <u>\$ 4,348,618</u> | <u>\$ 3,072,182</u> | <u>\$ 112,774,892</u> |
| LIABILITIES | | | | | | |
| Current liabilities | | | | | | |
| Accounts payable | \$ 337,395 | \$ 556,495 | \$ 223,252 | \$ 132,120 | \$ 8,540 | \$ 1,257,802 |
| Due to other funds | 7,713 | 5,952 | 193,199 | - | 2,374 | 209,238 |
| Accrued interest payable | 2,836 | 136,203 | 15,178 | 942 | 6,024 | 161,183 |
| Unearned revenue | - | - | - | - | 7,695 | 7,695 |
| Other current liabilities | 585,809 | 133,292 | 86,841 | 92,664 | 1,414 | 900,020 |
| Retainage payable | - | 118,706 | 2,520 | - | 10,000 | 131,226 |
| Current portion of lease liability | 216,285 | 27,464 | 43,434 | 18,940 | - | 306,123 |
| Current portion of long-term debt | <u>96,778</u> | <u>529,827</u> | <u>655,279</u> | <u>653,724</u> | <u>103,824</u> | <u>2,039,432</u> |
| Total current liabilities | <u>1,246,816</u> | <u>1,507,939</u> | <u>1,219,703</u> | <u>898,390</u> | <u>139,871</u> | <u>5,012,719</u> |
| Noncurrent liabilities | | | | | | |
| Notes payable | 46,910 | 1,347,661 | 4,693,471 | 91,381 | - | 6,179,423 |
| Lease liability | 651,378 | 61,421 | 87,133 | 64,188 | - | 864,120 |
| Bonds payable | 542,052 | 14,977,314 | 3,676,458 | - | 2,797,826 | 21,993,650 |
| Net pension liability | 2,411,919 | 2,552,549 | 1,597,251 | 2,114,303 | - | 8,676,022 |
| Net OPEB liability | <u>724,054</u> | <u>766,271</u> | <u>479,492</u> | <u>634,710</u> | <u>-</u> | <u>2,604,527</u> |
| Total noncurrent liabilities | <u>4,376,313</u> | <u>19,705,216</u> | <u>10,533,805</u> | <u>2,904,582</u> | <u>2,797,826</u> | <u>40,317,742</u> |
| Total liabilities | <u>5,623,129</u> | <u>21,213,155</u> | <u>11,753,508</u> | <u>3,802,972</u> | <u>2,937,697</u> | <u>45,330,461</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Deferred inflows - pension | 378,838 | 400,929 | 250,881 | 332,091 | - | 1,362,739 |
| Deferred inflows - OPEB | 361,103 | 382,157 | 239,134 | 316,543 | - | 1,298,937 |
| Deferred inflows - leases | <u>74,676</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>74,676</u> |
| Total deferred inflows of resources | <u>814,617</u> | <u>783,086</u> | <u>490,015</u> | <u>648,634</u> | <u>-</u> | <u>2,736,352</u> |
| NET POSITION | | | | | | |
| Net investment in capital assets | 6,608,243 | 30,637,830 | 15,026,828 | 899,234 | 24,174 | 53,196,309 |
| Restricted for debt service | - | 726,974 | 1,630,822 | - | - | 2,357,796 |
| Unrestricted | <u>1,090,131</u> | <u>7,737,348</u> | <u>1,218,406</u> | <u>(1,002,222)</u> | <u>110,311</u> | <u>9,153,974</u> |
| Total net position | <u>7,698,374</u> | <u>39,102,152</u> | <u>17,876,056</u> | <u>(102,988)</u> | <u>134,485</u> | <u>64,708,079</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 14,136,120</u> | <u>\$ 61,098,393</u> | <u>\$ 30,119,579</u> | <u>\$ 4,348,618</u> | <u>\$ 3,072,182</u> | <u>\$ 112,774,892</u> |

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

CITY OF SOMERSET, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
for the year ended June 30, 2022

| | Business-type Activities | | | | | Total |
|---|---------------------------------|-----------------------------|----------------------------------|----------------------------------|-----------------------------|----------------------|
| | Gas Department | Water Department | Wastewater Department | Sanitation Department | Virginia Theater | |
| Operating revenues | | | | | | |
| Sales to customers | \$ 8,855,243 | \$ 7,506,313 | \$ 2,927,772 | \$ 3,794,179 | \$ - | \$ 23,083,507 |
| Transportation/surcharges | 699,478 | 177,109 | 6,144 | - | - | 882,731 |
| Other operating revenues | 341,914 | 11,084 | 779,202 | 31,737 | - | 1,163,937 |
| Total operating revenues | 9,896,635 | 7,694,506 | 3,713,118 | 3,825,916 | - | 25,130,175 |
| Operating expenses | | | | | | |
| Gas purchases, net of refunds | 4,151,433 | - | - | - | - | 4,151,433 |
| Operating expenses | 2,591,433 | 3,826,986 | 2,065,902 | 3,730,709 | 121,103 | 12,336,133 |
| Maintenance | 591,898 | 434,506 | 613,891 | 327,941 | - | 1,968,236 |
| Depreciation and amortization | 725,579 | 1,618,781 | 1,142,838 | 267,624 | - | 3,754,822 |
| Total operating expenses | 8,060,343 | 5,880,273 | 3,822,631 | 4,326,274 | 121,103 | 22,210,624 |
| Operating income (loss) | 1,836,292 | 1,814,233 | (109,513) | (500,358) | (121,103) | 2,919,551 |
| Nonoperating revenues (expenses) | | | | | | |
| Gain (loss) on disposal of capital assets | 38,541 | 47,125 | (73,105) | 178,813 | - | 191,374 |
| Interest and investment income (loss) | (9,835) | (3,730) | 14,052 | 2,487 | 187 | 3,161 |
| Interest expense | (47,989) | (358,480) | (181,637) | (27,652) | (74,342) | (690,100) |
| Bond issuance cost | (9,207) | - | (13,811) | - | - | (23,018) |
| Total nonoperating revenues (expenses) | (28,490) | (315,085) | (254,501) | 153,648 | (74,155) | (518,583) |
| Income (loss) before capital contributions and transfers | 1,807,802 | 1,499,148 | (364,014) | (346,710) | (195,258) | 2,400,968 |
| Transfers in (out) | (3,200,000) | (1,800,000) | - | (780,511) | 329,743 | (5,450,768) |
| Change in net position | (1,392,198) | (300,852) | (364,014) | (1,127,221) | 134,485 | (3,049,800) |
| Total net position-beginning | 9,090,572 | 39,403,004 | 18,240,070 | 1,024,233 | - | 67,757,879 |
| TOTAL NET POSITION-ENDING | \$ 7,698,374 | \$ 39,102,152 | \$ 17,876,056 | \$ (102,988) | \$ 134,485 | \$ 64,708,079 |

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

CITY OF SOMERSET, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
for the year ended June 30, 2022

| | Business-type Activities | | | | | |
|---|---------------------------------|-----------------------------|----------------------------------|----------------------------------|-----------------------------|---------------------|
| | Gas Department | Water Department | Wastewater Department | Sanitation Department | Virginia Theater | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Cash received from customers | \$ 9,449,066 | \$ 7,224,423 | \$ 2,981,016 | \$ 3,665,029 | \$ - | \$ 23,319,534 |
| Cash payments to suppliers for goods and services | (5,126,749) | (2,849,973) | (1,412,545) | (2,157,188) | (114,131) | (11,660,586) |
| Cash payments to employees | (1,805,132) | (1,920,661) | (1,282,845) | (1,576,756) | (3,518) | (6,588,912) |
| Other operating revenues | 341,914 | 11,084 | 779,202 | 31,737 | - | 1,163,937 |
| Net cash provided (used) by operating activities | 2,859,099 | 2,464,873 | 1,064,828 | (37,178) | (117,649) | 6,233,973 |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | | | | |
| Receipts (payments) on interfund loans | 1,028,458 | (4,222) | 271,611 | 930,288 | 2,374 | 2,228,509 |
| Transfers (to) from other funds | (3,200,000) | (1,800,000) | - | (780,511) | 112,405 | (5,668,106) |
| Net cash provided (used) by non-capital financing activities | (2,171,542) | (1,804,222) | 271,611 | 149,777 | 114,779 | (3,439,597) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | |
| Principal paid on bonds, notes and leases | (902,869) | (590,781) | (1,722,837) | (706,705) | (102,824) | (4,026,016) |
| Interest paid on bonds, notes and leases | (49,326) | (356,076) | (180,605) | (27,685) | (68,318) | (682,010) |
| Bond issuance costs paid on bonds | (9,207) | - | (13,811) | - | - | (23,018) |
| Proceeds from issuance of debt | 605,966 | 1,198,563 | 1,026,094 | 159,022 | 3,004,474 | 5,994,119 |
| Acquisition and construction of capital assets | (281,410) | (957,855) | (424,786) | (190,294) | (2,698,484) | (4,552,829) |
| Proceeds from sale of assets | 32,041 | - | 14,224 | 184,379 | - | 230,644 |
| Net cash provided (used) by capital and related financing activities | (604,805) | (706,149) | (1,301,721) | (581,283) | 134,848 | (3,059,110) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Purchase of investments | - | - | (3,395) | (632) | - | (4,027) |
| Interest income | 3,722 | 12,108 | 13,957 | 2,528 | 187 | 32,502 |
| Net cash provided (used) by investing activities | 3,722 | 12,108 | 10,562 | 1,896 | 187 | 28,475 |
| Net increase (decrease) in cash and cash equivalents | 86,474 | (33,390) | 45,280 | (466,788) | 132,165 | (236,259) |
| Balances-beginning of the year | 876,199 | 2,608,370 | 1,887,963 | 477,533 | - | 5,850,065 |
| BALANCES-END OF THE YEAR | \$ 962,673 | \$ 2,574,980 | \$ 1,933,243 | \$ 10,745 | \$ 132,165 | \$ 5,613,806 |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | | | |
| Operating income (loss): | \$ 1,836,292 | \$ 1,814,233 | \$ (109,513) | \$ (500,358) | \$ (121,103) | \$ 2,919,551 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | | | |
| Depreciation and amortization expense | 725,579 | 1,618,781 | 1,142,838 | 267,624 | - | 3,754,822 |
| Net pension liability activity | (22,699) | (26,005) | (29,599) | 230,621 | - | 152,318 |
| Net OPEB liability activity | (5,140) | (5,989) | (7,429) | 64,714 | - | 46,156 |
| Change in assets and liabilities: | | | | | | |
| Receivables, net | (105,655) | (458,999) | 47,100 | (129,150) | (7,695) | (654,399) |
| Inventory | (4,057) | (539,762) | 848 | 5,556 | (2,250) | (539,665) |
| Prepaid expenses | 28,984 | 27,856 | 21,252 | 16,621 | (4,250) | 90,463 |
| Accounts payable | 93,081 | 27,397 | (16,459) | (4,694) | 8,540 | 107,865 |
| Other liabilities | 312,714 | 7,361 | 15,790 | 11,888 | 1,414 | 349,167 |
| Unearned revenue | - | - | - | - | 7,695 | 7,695 |
| Net cash provided by operating activities | \$ 2,859,099 | \$ 2,464,873 | \$ 1,064,828 | \$ (37,178) | \$ (117,649) | \$ 6,233,973 |
| Supplemental disclosure of cash flow information: | | | | | | |
| Noncash capital and related financing activities: | | | | | | |
| Leased vehicle and equipment additions, net | \$ 777,780 | \$ 34,869 | \$ 46,299 | \$ 60,526 | \$ - | \$ 919,474 |
| Payables for capital items, net | (11,193) | 514,876 | 52,221 | - | 10,000 | 565,904 |
| Net non-cash capital and related financing activities | \$ 766,587 | \$ 549,745 | \$ 98,520 | \$ 60,526 | \$ 10,000 | \$ 1,485,378 |

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

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Somerset, Kentucky (the City), operates under the Mayor-Council form of government and provides such services as public safety; streets; parks and recreation; emergency medical services; cemetery; fuel center; waterpark; theater; economic and community development; gas, water, wastewater and sanitation utilities. The accounting policies of the City conform to accounting principles generally accepted in the United States of America applicable to governmental units. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The accompanying financial statements of the City present the City's primary government over which the Mayor and Council exercise significant oversight responsibility. Oversight responsibility, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, was determined on the basis of the City's ability to significantly influence operation, select the governing body, participate in fiscal management and the scope of public service. All related entities were evaluated using these criteria and no related entities require inclusion in the general purpose financial statements. The Pulaski County Industrial Foundation has been dissolved and Somerset-Pulaski Development Authority (SPEDA) was newly formed in place of the former foundation. SPEDA was evaluated and excluded because its operations are primarily funded by a county-wide occupational tax. The Lake Cumberland Area Drug Task Force was evaluated and excluded because the board which oversees the task force contains one member from each participating government and the task force does not provide services primarily to the City.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Fund financial statements report detailed information about the City. The accounts of the City are organized on the basis of funds each of which is considered to be a separate fiscal and accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that is comprised of its assets, liabilities, fund balance or net position, revenues and expenditures or expenses.

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

Property taxes, insurance premium, occupational, and franchise fees, and grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City allocates indirect expenses primarily comprised of central governmental services to operating functions and programs benefiting from those services. Central services include overall City management, centralized budgetary formulation and oversight, accounting, financial reporting, payroll, procurement contracting and oversight, investing and cash management, personnel services and other central administrative services. Allocations are charged equally among the effected departments. These charges are reported in the statement of activities as part of revenues and expenses. As a matter of policy, certain functions that use significant central services are not charged for the use of these services. These functions or programs include public safety, public services, streets and parks and recreation.

The City reports the following major governmental funds:

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

EMS Fund - A special revenue fund used to account for the activities of the Somerset-Pulaski County Emergency Medical Services. The City of Somerset City Council has the responsibility of approving all expenditures by the Somerset-Pulaski County Emergency Medical Service.

Waterpark Fund - A special revenue fund used to account for the waterpark activities provided to residents and visitors of the area, the operation of which is financed primarily by the general government.

Fuel Center Fund - A special revenue fund used to account for the activities of the fuel center provided to city departments, various organizations and the public.

Proprietary funds are used to account for the ongoing organizations and activities of the City, which are similar to those found in private business enterprises. The measurement focus is upon determination of net income, financial position and changes in cash flow.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The City reports the following major proprietary funds:

Gas Department Fund - The gas department fund is used to account for the gas utility services provided to the residents and industries of the City, the operation of which is financed by user charges. The fund also collects user charges for transporting gas for producers and various gas companies.

Water Department Fund - The water department fund is used to account for the water utility services provided to the residents and industries of the City and area water districts, the operation of which is financed by user charges.

Wastewater Department Fund - The wastewater department fund is used to account for the wastewater utility services provided to the residents and industries of the City, the operation of which is financed by user charges.

Sanitation Department Fund - The sanitation department fund is used to account for the sanitation services provided to the residents and industries of the City, the operation of which is financed by user charges.

Virginia Theater Fund – The Virginia Theater fund is used to account for the theater’s events available to the residents of the City, the operation of which is financed by event revenue.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's gas, water, wastewater, sanitation, and fuel center funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue tap fees intended to recover the costs of connecting new customers to the utility system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Fund Balance

In fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts constrained for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed - amounts that can be used only for specific purposes determined by a formal action of the City Council. The council is the highest level of decision-making authority for the City of Somerset. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the council.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Balance (continued)

Assigned - for all governmental funds, other than the General Fund, any remaining positive amounts not classified as nonspendable, restricted or committed. For the General Fund, amounts constrained, by intent, to be used for a specific purpose by the City or the elected City official given authority to assign amounts. For resources considered to be assigned, the City has designated the Mayor to carry the intent of the City Council.

Unassigned - for the General Fund, amounts not classified as nonspendable, restricted, committed or assigned. For all other government funds, amounts expended in excess of resources that are nonspendable, restricted, committed or assigned.

It is the policy of the City to spend restricted funds first when both restricted and unrestricted funds are available. Once restricted funds are spent, the City will use committed funds first, assigned funds second, and unassigned funds last.

| | General | EMS Fund | Waterpark | Fuel Center | Other Governmental Funds | Total Governmental Funds |
|----------------|---------------------|--------------------|----------------------|-------------------|--------------------------------|--------------------------------|
| Nonspendable: | | | | | | |
| Inventory | \$ 26,956 | \$ - | \$ 51,211 | \$ 206,626 | \$ - | \$ 284,793 |
| Prepays | 8,815 | - | - | - | - | 8,815 |
| Restricted | | | | | | |
| Construction | 732,114 | - | - | - | - | 732,114 |
| Other | 158,806 | - | - | - | - | 158,806 |
| Road repair | - | - | - | - | 58,729 | 58,729 |
| Coal & mineral | - | - | - | - | 18,028 | 18,028 |
| Tourism | - | - | - | - | 226,964 | 226,964 |
| Unassigned | <u>1,120,394</u> | <u>(929,690)</u> | <u>(3,846,448)</u> | <u>(235,007)</u> | <u>-</u> | <u>(3,890,751)</u> |
| Total | <u>\$ 2,047,085</u> | <u>\$(929,690)</u> | <u>\$(3,795,237)</u> | <u>\$(28,381)</u> | <u>\$ 303,721</u> | <u>\$(2,402,502)</u> |

E. Pensions

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

F. Postemployment Benefits Other Than Pensions (OPEB)

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

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities and Net Position or Fund Balance

Deposits and Investments

Cash and cash equivalents include cash on hand and demand deposits. Certificates of deposit include all certificates owned by the City. Investments include shares in the Kentucky League of Cities Investment Pool Plus Program which are measured at net asset value. KRS 66.480 authorizes the City to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which have a physical presence in Kentucky and are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). The Statute also authorizes investment in mutual funds, exchange traded funds, individual equity securities and high-quality corporate bonds that are managed by a professional investment manager and subject to additional requirements outlined in KRS 66.480.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the proprietary funds consider all highly liquid investments (both restricted and unrestricted) with a maturity of 90 days or less when purchased to be cash equivalents.

Interfund Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Inventories

Inventories in the general and proprietary funds consist of expendable supplies held for consumption and inventory for concessions and retail sale in the waterpark stated on a first-in, first-out method. Inventory in the fuel center fund consists of fuel held for sale. They are reported at cost which is recorded as an expenditure/expense at the time individual inventory items are used. Inventories of the special revenue funds, other than concessions in the parks and recreation department, are recorded as expenditures when purchased rather than when consumed. Concessions inventory of the parks and recreation department are recorded at cost on the first-in, first-out method.

Accounts Receivable

Governmental activities accounts receivable consists of property taxes, occupational license fees, insurance premium fees, franchise fees, service revenues and grant funds which are disbursed on an expenditure-reimbursement plan.

Business-type activities extend credit to substantially all of their customers.

The City maintains allowances for doubtful accounts based on evaluation by management and percentages applied to the various aging periods of accounts receivable. Specific accounts deemed uncollectible are charged to the allowance upon evaluation by management. Evaluation factors include familiarity with the customer, credit history and the age of the unpaid bill.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities and Net Position or Fund Balance (continued)

Capital Assets and Depreciation

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Leased assets are recorded at the amount of the initial measurement of the lease liability, plus any payments made at or before the commencement of the lease term. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$10,000 for assets other than buildings, building/land improvements and infrastructure that have an estimated useful life of at least two years. The capitalization threshold for buildings and building improvements and infrastructure is \$50,000 and for land improvements the capitalization threshold is \$25,000.

Transfers of capital assets between funds are recorded at the net book value of the transferred asset at the time of transfer.

All reported capital assets are depreciated with the exception of land and construction in progress.

Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

| Description | Years |
|--------------------------|--------------|
| Buildings and structures | 20-50 |
| Vehicles | 4-15 |
| Other equipment | 3-25 |
| Infrastructure | 20-100 |

All leased assets are amortized over the shorter of the lease term or the useful life of the underlying asset.

Compensated Absences

The City allows employees to accumulate unused sick leave to a maximum of 960 hours. Upon termination, employees in Tier 1 or Tier 2 of the Kentucky Public Pensions Authority are given the option of taking credit towards their retirement for accumulated sick days or taking payment for the accumulated days with a maximum of 480 hours to be paid out and then rolling over the rest. Employees in Tier 3 of the Kentucky Public Pensions Authority may be paid up to 480 hours sick hours at time of retirement but are not allowed any roll over hours to the retirement system. At termination employees can be paid for up to 320 hours of bonus leave. Earned vacation time is generally required to be used within one year. At time of termination vested but unused vacation leave will be paid out. The City's accrued liabilities for future compensated absences are recorded to the extent the future leave (1) relate to rights attributable to employee services already rendered, (2) relate to rights that vest or accumulate, (3) where payment is probable and (4) where amounts can be reasonably estimated. The amount of vacation liability is included in the financial statements in the accrued liabilities total. The amount of sick leave due is not practicably determinable.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Budgeting

The City follows the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgets for all funds are adopted on the accrual basis. With the exception of the proprietary funds, this approximates accounting principles generally accepted in the United States of America. The primary difference for the proprietary funds between accounting principles generally accepted in the United States of America and the cash basis is in the treatment of capital improvements and the related depreciation and principal payments on debt. All annual appropriations lapse at fiscal year-end, even if encumbered.

In June of each year, the City Council adopts the annual fiscal year budgets for city operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

I. Other Accounting Policies

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources to provide services, construct assets, transfer assets and service debt. The accompanying financial statements generally reflect such transactions as transfers.

Use of Estimates

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

J. Change in Accounting Policy

In June 2017, the GASB issued Statement No. 87, *Leases* which establishes standards of accounting and financial reporting for leases by lessees and lessors. GASB Statement No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. In addition, GASB 87 requires the lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City implemented GASB 87 during the fiscal year ending June 30, 2022. These changes were incorporated in the City's June 30, 2022, financial statements and had no effect on the beginning net position of fund balances of the City.

K. Management's Review of Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through December 7, 2022, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2022, have not been evaluated by the City.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

2. CASH AND INVESTMENTS

Custodial Credit Risks – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk beyond that specified in KRS 66.480.

The balances for cash and cash equivalents and certificates of deposit for the primary government at June 30, 2022 are as follows:

| | |
|---|---------------|
| Carrying amount | \$ 16,251,104 |
| Bank balance | \$ 16,735,054 |
| FDIC Insurance | \$ 2,848,239 |
| Bank Deposit Guaranty Bond | \$ 236,114 |
| Invested in Federal Obligations | \$ 2,194,936 |
| Uninsured and collateral held by the pledging financial institution's trust department or agent and pledged to the City, in the depositor-government's name | \$ 11,455,765 |
| Uninsured and uncollateralized | \$ - |

Investments

As of June 30, 2022, the City had a total of \$455,586 in investments. Investments consisted of shares purchased in the Kentucky League of Cities Investment Pool Plus Program (KLCIP) measured at net asset value. Shares held in the KLCIP are invested in short and intermediate-term U.S. Treasury Bonds.

3. ACCOUNTS AND NOTES RECEIVABLE

Accounts Receivable

Account receivables at June 30, 2022 for all funds of the City are as follows:

| | Accounts | Taxes | Licenses & Permits | Intergov. | Other | Allowance | Total |
|------------------|---------------------|------------------|-----------------------------------|------------------|-------------------|---------------------|---------------------|
| General Fund | \$ 144,201 | \$ 27,745 | \$ 1,828,006 | \$ 40,497 | \$ 436,389 | \$ (144,201) | \$ 2,332,637 |
| EMS Fund | 1,199,352 | - | - | - | - | (689,600) | 509,752 |
| Waterpark | 36,482 | - | - | - | 4,583 | - | 41,065 |
| Fuel Center | - | - | - | - | 23,422 | - | 23,422 |
| Other Gov. | - | 23,610 | - | 31,800 | - | - | 55,410 |
| Gas | 468,295 | - | - | - | 161,950 | - | 630,245 |
| Water | 1,179,398 | - | - | - | 47,144 | - | 1,226,542 |
| Wastewater | 429,423 | - | - | - | 201,681 | - | 631,104 |
| Sanitation | 1,013,873 | - | - | - | - | - | 1,013,873 |
| Virginia Theater | <u>7,695</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>7,695</u> |
| Totals | <u>\$ 4,478,719</u> | <u>\$ 51,355</u> | <u>\$ 1,828,006</u> | <u>\$ 72,297</u> | <u>\$ 875,169</u> | <u>\$ (833,801)</u> | <u>\$ 6,471,745</u> |

Lease Receivables

On October 1, 2020 the City entered into a two year lease agreement with Vinland Energy Eastern, LLC to lease out the rights to operate a gas plant owned by the City. The City is reporting a lease receivable in the Gas Department totaling \$74,676. The City reported lease revenue totaling \$293,903 and interest revenue totaling \$6,097 for fiscal year 2022. The entire balance of the lease receivable is recorded as a current asset as the lease term is scheduled to terminate in fiscal year 2023.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

4. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables within governmental activities and business-type activities not eliminated for purposes of government-wide financial statements as of June 30, 2022 are as follows:

| Receivable Fund | Payable Fund | Amount |
|------------------------|-----------------------|-----------------------|
| Fuel Center Fund | Gas Department | \$ 6,935 |
| Fuel Center Fund | Water Department | 5,702 |
| Fuel Center Fund | Wastewater Department | 6,229 |
| Tourism & Travel | Virginia Theater | 2,030 |
| Gas Department | General Fund | (3,040,209) |
| Gas Department | Virginia Theater | (344) |
| Water Department | Gas Department | (778) |
| Water Department | General Fund | (5,175,063) |
| Water Department | Waterpark | (1,300,000) |
| Wastewater Department | Water Department | (250) |
| Water Department | Wastewater Department | 1,219 |
| Sanitation Department | Fuel Center | (45,121) |
| General Fund | Wastewater Department | 185,751 |
| Sanitation Department | General Fund | <u>(260,835)</u> |
| Internal balances, net | | <u>\$ (9,614,734)</u> |

Interfund receivables and payables within governmental activities and business-type activities eliminated for purposes of government-wide financial statements as of June 30, 2022 are as follows:

| Receivable Fund | Payable Fund | Amount |
|------------------------|---------------------|---------------|
| General Fund | EMS Fund | \$ 1,352,406 |
| General Fund | Waterpark | \$ 2,941,045 |
| General Fund | Fuel Center | \$ 169,736 |
| General Fund | Tourism & Travel | \$ 11,609 |
| Fuel Center Fund | Waterpark | \$ 765 |
| Fuel Center Fund | Travel and Tourism | \$ 167 |
| Fuel Center Fund | General Fund | \$ 34,190 |
| Fuel Center Fund | EMS Fund | \$ 11,838 |

The City's interfund balances are anticipated to be repaid over a period of time. Some of the interfund balances will not be repaid within one year of the date of these financial statements. The City is unable to identify which balances will not be repaid in the next fiscal year. The interfund balances will be repaid as resources become available.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

5. CAPITAL ASSETS

A summary of changes in the City's capital assets during the year ended June 30, 2022, is as follows:

| | June 30, 2021 | Additions/ Transfers | Disposals/ Transfers | June 30, 2022 |
|---|----------------------|-------------------------|-------------------------|----------------------|
| Governmental Activities | | | | |
| Capital assets not depreciated: | | | | |
| Land | \$ 4,008,803 | \$ 51,979 | \$ (100,000) | \$ 3,960,782 |
| Right of way and easements | 11,068 | - | - | 11,068 |
| Construction in progress | <u>387,818</u> | <u>313,409</u> | <u>(117,338)</u> | <u>583,889</u> |
| Totals | <u>4,407,689</u> | <u>365,388</u> | <u>(217,338)</u> | <u>4,555,739</u> |
| Capital assets that are depreciated: | | | | |
| Infrastructure | 37,281,224 | 1,202,587 | - | 38,483,811 |
| Building and improvements | 20,177,744 | - | - | 20,177,744 |
| Vehicles | 7,191,154 | 437,531 | - | 7,628,685 |
| Equipment | 2,794,073 | 53,822 | (15,655) | 2,832,240 |
| Office equipment | 1,029,100 | 42,730 | - | 1,071,830 |
| Land improvements | 1,434,124 | - | - | 1,434,124 |
| Leased vehicles | 420,984 | 602,797 | (173,256) | 850,525 |
| Leased equipment | <u>257,318</u> | <u>-</u> | <u>-</u> | <u>257,318</u> |
| Totals | <u>70,585,721</u> | <u>2,339,467</u> | <u>(188,911)</u> | <u>72,736,277</u> |
| Total capital assets | <u>74,993,410</u> | <u>2,704,855</u> | <u>(406,249)</u> | <u>77,292,016</u> |
| Accumulated depreciation: | | | | |
| Infrastructure | 25,291,306 | 1,082,881 | - | 26,374,187 |
| Buildings and improvements | 5,367,672 | 566,898 | - | 5,934,570 |
| Vehicles | 4,422,672 | 483,507 | - | 4,906,179 |
| Equipment | 2,313,842 | 223,865 | (11,334) | 2,526,373 |
| Office equipment | 1,018,432 | 14,195 | - | 1,032,627 |
| Land improvements | <u>1,157,238</u> | <u>35,802</u> | <u>-</u> | <u>1,193,040</u> |
| Totals | <u>39,571,162</u> | <u>2,407,148</u> | <u>(11,334)</u> | <u>41,966,976</u> |
| Accumulated amortization: | | | | |
| Leased vehicles | - | 281,730 | (112,438) | 169,292 |
| Leased equipment | <u>-</u> | <u>72,264</u> | <u>-</u> | <u>72,264</u> |
| Totals | <u>-</u> | <u>353,994</u> | <u>(112,438)</u> | <u>241,556</u> |
| Total accumulated depreciation and amortization | <u>39,571,162</u> | <u>2,761,142</u> | <u>(123,772)</u> | <u>42,208,532</u> |
| Capital Assets, Net | <u>\$ 35,422,248</u> | <u>\$ (56,287)</u> | <u>\$ (282,477)</u> | <u>\$ 35,083,484</u> |

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

5. CAPITAL ASSETS (CONTINUED)

| | June 30, 2021 | Additions/ Transfers | Disposals/ Transfers | June 30, 2022 |
|---|----------------------|-------------------------|-------------------------|----------------------|
| Business-type Activities | | | | |
| Capital assets not depreciated: | | | | |
| Land | \$ 979,933 | \$ 100,000 | \$ - | \$ 1,079,933 |
| Right of way and easements | 147,022 | - | - | 147,022 |
| Construction in progress | <u>1,256,083</u> | <u>5,044,651</u> | <u>(928,855)</u> | <u>5,371,879</u> |
| Totals | <u>2,383,038</u> | <u>5,144,651</u> | <u>(928,855)</u> | <u>6,598,834</u> |
| Capital assets that are depreciated: | | | | |
| Utility plant and dist. system | 91,511,497 | 392,998 | - | 91,904,495 |
| Building and improvements | 49,649,038 | 397,533 | - | 50,046,571 |
| Vehicles | 3,689,502 | 179,971 | (612,949) | 3,256,524 |
| Equipment | 3,570,050 | 11,449 | - | 3,581,499 |
| Office equipment | 915,159 | - | - | 915,159 |
| Land improvements | 114,227 | - | - | 114,227 |
| Leased vehicles | 230,948 | 480,587 | (89,736) | 621,799 |
| Leased equipment | <u>-</u> | <u>800,945</u> | <u>-</u> | <u>800,945</u> |
| Totals | <u>149,680,421</u> | <u>2,263,483</u> | <u>(702,685)</u> | <u>151,241,219</u> |
| Total capital assets | <u>152,063,459</u> | <u>7,408,134</u> | <u>(1,631,540)</u> | <u>157,840,053</u> |
| Accumulated depreciation: | | | | |
| Utility plant and dist. system | 48,071,462 | 1,955,683 | - | 50,027,145 |
| Buildings and improvements | 16,294,727 | 1,001,788 | - | 17,296,515 |
| Vehicles | 2,254,072 | 262,614 | (124,162) | 2,392,524 |
| Equipment | 2,614,525 | 172,446 | - | 2,786,971 |
| Office equipment | 446,529 | 20,192 | - | 466,721 |
| Land improvements | <u>49,173</u> | <u>2,776</u> | <u>-</u> | <u>51,949</u> |
| Totals | <u>69,730,488</u> | <u>3,415,499</u> | <u>(124,162)</u> | <u>73,021,825</u> |
| Accumulated amortization: | | | | |
| Leased vehicles | - | 183,462 | (57,980) | 125,482 |
| Leased equipment | <u>-</u> | <u>146,840</u> | <u>-</u> | <u>146,840</u> |
| Totals | <u>-</u> | <u>330,302</u> | <u>(57,980)</u> | <u>272,322</u> |
| Total accumulated depreciation and amortization | <u>69,730,488</u> | <u>3,745,801</u> | <u>(182,142)</u> | <u>73,294,147</u> |
| Capital Assets, Net | <u>\$ 82,332,971</u> | <u>\$ 3,662,333</u> | <u>\$ (1,449,398)</u> | <u>\$ 84,545,906</u> |

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

5. CAPITAL ASSETS (CONTINUED)

Depreciation expense was allocated to functions/programs of the primary government as follows:

Primary Government

Governmental Activities

| | |
|----------------------------|--------------|
| Waterpark | \$ 647,762 |
| Streets | 619,513 |
| Public Safety | 388,473 |
| General Government | 373,758 |
| Emergency Medical Services | 168,717 |
| Parks and Recreation | 174,684 |
| Fuel Center | 28,497 |
| Cemetery | 1,986 |
| Travel & Tourism | <u>3,758</u> |

\$ 2,407,148

Business-Type Activities

| | |
|------------|----------------|
| Water | \$ 1,579,765 |
| Wastewater | 1,084,031 |
| Gas | 505,126 |
| Sanitation | <u>246,577</u> |

\$ 3,415,499

Amortization expense was allocated to functions/programs of the primary government as follows:

Primary Government

Governmental Activities

| | |
|----------------------------|---------------|
| Waterpark | \$ 5,562 |
| Streets | 54,313 |
| Public Safety | 204,001 |
| General Government | 58,003 |
| Emergency Medical Services | 8,954 |
| Parks and Recreation | <u>23,161</u> |

\$ 353,994

Business-Type Activities

| | |
|------------|---------------|
| Water | \$ 29,995 |
| Wastewater | 58,807 |
| Gas | 220,453 |
| Sanitation | <u>21,047</u> |

\$ 330,302

6. LONG-TERM DEBT

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

| Description | Balance June 30, 2021 | Issued/ Transfers | Retired | June 30, 2022 | Due within One year |
|---|--------------------------|----------------------|--------------|---------------|------------------------|
| Primary Government | | | | | |
| <u>Governmental Activities</u> | | | | | |
| <u>General Fund</u> | | | | | |
| Series 2011 with interest at 2.10% to 4.25%, maturing in fiscal year 2032 | \$ 3,993,857 | \$ - | \$ 3,993,857 | \$ - | \$ - |
| Direct Borrowing - Street sweeper loan with interest at 3.50% maturing in FY 2023 | 44,897 | - | 38,369 | 6,528 | 6,528 |
| Series 2021 with interest at 2.00% to 5.00% maturing in fiscal year 2041 | 5,580,000 | (3,422,000) | 179,000 | 1,979,000 | 184,000 |
| Series 2021 Bond Premium | 476,555 | (176,473) | 15,005 | 285,077 | 30,938 |
| Series 2020 with interest at 2.00% to 3.00% maturing in fiscal year 2045 | 8,360,000 | - | 260,000 | 8,100,000 | 270,000 |
| Series 2020 Bond Premium | 274,858 | - | 14,466 | 260,392 | 14,466 |

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

6. LONG-TERM DEBT (CONTINUED)

| Description | Balance June 30, 2021 | Issued/ Transfers | Retired | June 30, 2022 | Due within One year |
|---|-----------------------------|----------------------------|-----------------------------|-----------------------------|----------------------------|
| Primary Government, continued | | | | | |
| <u>Governmental Activities, continued</u> | | | | | |
| <u>General Fund, continued</u> | | | | | |
| Direct Borrowing - Police car loan with interest at 2.00% to 3.00% maturing in fiscal year 2026 | \$ 193,309 | \$ - | \$ 39,195 | \$ 154,114 | \$ 39,982 |
| Direct Borrowing - Cinder pumper loan with interest at 2.31% maturing in fiscal year 2031 | 553,998 | - | 52,692 | 501,306 | 53,940 |
| Series 2021 GO Refunding with interest at 2.80% maturing in fiscal year 2032 | - | 3,822,724 | 76,892 | 3,748,742 | 329,243 |
| Monticello Commercial Loan with interest at 1.97% maturing in fiscal year 2023 | - | 145,444 | - | 145,444 | 145,444 |
| EMS | | | | | |
| Direct Borrowing – Ambulance loan with interest at 4.15% maturing in fiscal year 2023 | 51,693 | - | 25,415 | 26,278 | 26,278 |
| Direct Borrowing – Ambulance loan with interest at 2.31% maturing in fiscal year 2026 | 142,007 | - | 31,478 | 110,529 | 32,254 |
| Direct Borrowing – Equipment loan with interest at 2.31% maturing in fiscal year 2026 | 198,180 | - | 66,060 | 132,120 | 66,060 |
| Waterpark | | | | | |
| Series 2011 GO with interest at 2.1% to 4.25% maturing in fiscal year 2032 | 1,374,561 | - | 1,374,561 | - | - |
| Series 2021 GO with interest at 2.0 to 5.0% maturing in fiscal year 2041 | - | 594,000 | 50,000 | 544,000 | 51,000 |
| Series 2021 GO Refunding with interest at 2.80% maturing in fiscal year 2032 | - | 1,314,216 | 25,436 | 1,288,780 | 113,191 |
| Net pension liability | <u>38,705,105</u> | <u>-</u> | <u>4,031,593</u> | <u>34,673,512</u> | <u>-</u> |
| Net OPEB liability | <u>11,928,007</u> | <u>-</u> | <u>1,421,767</u> | <u>10,506,240</u> | <u>-</u> |
| Lease liability | <u>678,302</u> | <u>602,797</u> | <u>392,636</u> | <u>888,463</u> | <u>297,162</u> |
| Total governmental activities | <u>\$ 72,555,329</u> | <u>\$ 2,880,708</u> | <u>\$ 12,085,512</u> | <u>\$ 63,350,525</u> | <u>\$ 1,660,486</u> |
| <u>Business-type Activities</u> | | | | | |
| <u>Gas Department</u> | | | | | |
| Series 2011 GO with interest at 2.1% to 4.25% maturing in fiscal year 2032 | \$ 630,086 | \$ - | \$ 630,086 | \$ - | \$ - |
| Direct Borrowing - Note payable to City of Ferguson with interest at 2.0% maturing in FY 2034 | 22,594 | - | 1,619 | 20,975 | 1,653 |

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

6. LONG-TERM DEBT (CONTINUED)

| Description | Balance June 30, 2021 | Issued/ Transfers | Retired | June 30, 2022 | Due within One year |
|--|--------------------------|----------------------|-------------------|----------------------|------------------------|
| Primary Government, continued | | | | | |
| <u>Business-type Activities, continued</u> | | | | | |
| <u>Gas Department, continued</u> | | | | | |
| Direct Borrowing - Note payable local bank with interest at 2.48%, maturing in FY 2026 | \$ 24,748 | \$ - | \$ 5,365 | \$ 19,383 | \$ 5,502 |
| Direct Borrowing – Cumberland Security loan with interest at 2.85%, maturing in FY 2024 | 59,734 | - | 25,108 | 34,626 | 25,843 |
| Direct Borrowing – Cumberland Security loan with interest at 2.79%, maturing in FY 2024 | 27,781 | - | 11,266 | 16,515 | 11,589 |
| Series 2021 GO Refunding with interest at 2.80% maturing in FY 2032 | - | 605,966 | 11,725 | 594,241 | 52,191 |
| Total Gas Department | <u>\$ 764,943</u> | <u>\$ 605,966</u> | <u>\$ 685,169</u> | <u>\$ 685,740</u> | <u>\$ 96,778</u> |
| <u>Water Department</u> | | | | | |
| Series 2012 with interest at 2.125% maturing in FY 2052 | \$ 12,263,000 | \$ - | \$ 272,000 | \$ 11,991,000 | \$ 278,500 |
| Direct Borrowing - KIA loan with interest at .5% maturing in FY 2055 | - | 1,198,563 | - | 1,198,563 | - |
| Direct Borrowing – Cumberland Valley Note with interest at 2.5%, maturing in FY 2022 | 47,201 | - | 47,201 | - | - |
| Direct Borrowing – Citizens National Bank loan with interest at 2.75%, maturing in FY 2024 | 18,302 | - | 6,929 | 11,373 | 7,125 |
| Direct Borrowing – Cumberland Security Bank loan with interest at 3.79% maturing in FY 2024 | 20,765 | - | 7,539 | 13,226 | 7,834 |
| Series 2021 GO with interest at 2.00 to 5.00% maturing in FY 2041 | 3,296,000 | - | 156,000 | 3,140,000 | 162,000 |
| Series 2021 GO Bond Premium | 318,682 | - | 15,934 | 302,748 | 15,934 |
| Direct Borrowing – Citizens National Bank loan with interest at 2.35%, maturing in FY 2026 | 206,150 | - | 46,648 | 159,502 | 47,772 |
| Direct Borrowing - Monticello Bank loan with interest at 2.50% to 5.00% maturing in FY 2026 | 48,815 | - | 10,425 | 38,390 | 10,662 |
| Total Water Department | <u>\$ 16,218,915</u> | <u>\$ 1,198,563</u> | <u>\$ 562,676</u> | <u>\$ 16,854,802</u> | <u>\$ 529,827</u> |
| <u>Wastewater Department</u> | | | | | |
| Series 2011 GO with interest at 2.10% to 4.25%, maturing in fiscal year 2032 | \$ 1,072,675 | \$ - | \$ 1,072,675 | \$ - | \$ - |
| Direct Borrowing – KIA Loan with interest at 1%, maturing in fiscal year 2032 | 5,274,959 | - | 398,216 | 4,876,743 | 402,209 |
| Direct Borrowing - Note payable to City of Ferguson with interest at 2.0%, maturing in FY 2034 | 256,004 | - | 18,348 | 237,656 | 18,718 |

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

6. LONG-TERM DEBT (CONTINUED)

| Description | Balance June 30, 2021 | Issued/ Transfers | Retired | June 30, 2022 | Due within One year |
|---|-----------------------------|----------------------------|----------------------------|-----------------------------|----------------------------|
| Primary Government, continued | | | | | |
| <u>Business-type Activities, continued</u> | | | | | |
| <u>Wastewater Department, continued</u> | | | | | |
| Series 2021 GO with interest at 2.0% to 5.0%, maturing in FY 2041 | \$ 2,789,000 | \$ - | \$ 131,000 | \$ 2,658,000 | \$ 133,000 |
| Series 2021 Bond Premium | 259,551 | - | 12,978 | 246,573 | 12,978 |
| Series 2021 GO Bond Refunding with interest at 2.80%, maturing in fiscal year 2032 | - | 1,026,094 | 19,858 | 1,006,236 | 88,374 |
| Total Wastewater Department | <u>\$ 9,652,189</u> | <u>\$ 1,026,094</u> | <u>\$ 1,653,075</u> | <u>\$ 9,025,208</u> | <u>\$ 655,279</u> |
| <u>Sanitation Department</u> | | | | | |
| Direct Borrowing – Cumberland Valley National Bank loan with interest at 3.5%, maturing in fiscal year 2023 | \$ 81,623 | \$ - | \$ 57,195 | \$ 24,428 | \$ 24,428 |
| Direct Borrowing - Note payable to local bank with interest at 3.85%, maturing in FY 2024 | 77,459 | - | 30,082 | 47,377 | 31,276 |
| Direct Borrowing – Citizens National Bank loan with interest at 2.36%, maturing in FY 2026 | 136,550 | - | 30,269 | 106,281 | 31,001 |
| Direct Borrowing – Magnolia Bank loan with interest at 3.75%, maturing in FY 2023 | 407,997 | - | - | 407,997 | 407,997 |
| Direct Borrowing - KACO Leasing Trust loan with interest at 2.12%, maturing in FY 2022 | 159,981 | - | 159,981 | - | - |
| Direct Borrowing - Magnolia Bank loan with interest at 2.15%, maturing in FY 2022 | 242,526 | - | 242,526 | - | - |
| Direct Borrowing - Magnolia Bank loan with interest at 2.12%, maturing in FY 2022 | 159,981 | - | 159,981 | - | - |
| Direct Borrowing Monticello Bank loan with interest at 2.49%, maturing in fiscal year 2023 | - | 159,022 | - | 159,022 | 159,022 |
| Total Sanitation Department | <u>\$ 1,266,117</u> | <u>\$ 159,022</u> | <u>\$ 680,034</u> | <u>\$ 745,105</u> | <u>\$ 653,724</u> |
| <u>Virginia Theater Fund</u> | | | | | |
| Series 2021 GO with interest at 2.0% to 5.0% maturing in fiscal year 2031 | \$ - | \$ 2,828,000 | \$ 94,000 | \$ 2,734,000 | \$ 95,000 |
| Premium on Series 2021 GO | - | 176,474 | 8,824 | 167,650 | 8,824 |
| Total Virginia Theatre Fund | <u>\$ -</u> | <u>\$ 3,004,474</u> | <u>\$ 102,824</u> | <u>\$ 2,901,650</u> | <u>\$ 103,824</u> |
| Net pension liability | <u>\$ 9,815,230</u> | <u>\$ -</u> | <u>\$ 1,139,208</u> | <u>\$ 8,676,022</u> | <u>\$ -</u> |
| Net OPEB liability | <u>\$ 3,090,058</u> | <u>\$ -</u> | <u>\$ 485,531</u> | <u>\$ 2,604,527</u> | <u>\$ -</u> |
| Lease Liability | <u>\$ 230,948</u> | <u>\$ 1,281,532</u> | <u>\$ 342,237</u> | <u>\$ 1,170,243</u> | <u>\$ 306,123</u> |
| Total Business-type activities | <u>\$ 41,038,400</u> | <u>\$ 7,275,651</u> | <u>\$ 5,650,754</u> | <u>\$ 42,663,297</u> | <u>\$ 2,345,555</u> |

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

6. LONG-TERM DEBT (CONTINUED)

The Series 2011 Bond issue was dated November 1, 2011 in the amount of \$8,810,000 and carried a interest rate of 2.10% to 4.25%. The issue was intended to benefit the general fund, waterpark, wastewater department, and gas department. The Series 2011 Bond issue was refinanced during fiscal year 2022 with the Series 2021 GO Refunding Bond issue on October 29, 2021 in the amount of \$6,769,000 with interest at 2.8%. The issue is included on the statement of net position under long-term debt as follows:

| | |
|-----------------------|-------------------------|
| General | \$ 3,748,742 |
| Waterpark | 1,288,780 |
| Gas department | 594,241 |
| Wastewater department | <u>1,006,237</u> |
| Total | <u>\$ 6,638,000</u> |

The Series 2021 GO Bond issue is dated June 17, 2021 in the amount of \$11,665,000 and carries a interest rate of 2.00% to 5.00%. The issue was intended to benefit the general fund, waterpark, water department, wastewater department, Virginia Theater, and to be determined future capital projects. The issue is included on the statement of net position under long-term debt as follows:

| | |
|-----------------------|--------------------------|
| General | \$ 1,979,000 |
| Waterpark | 544,000 |
| Water department | 3,140,000 |
| Wastewater department | 2,658,000 |
| Virginia Theater | <u>2,734,000</u> |
| Total | <u>\$ 11,055,000</u> |

During fiscal year 2014, the City entered into a perpetual agreement with the City of Ferguson, Kentucky ("Ferguson"), in which the City obtained the sewer and gas utility system from Ferguson, in order to preserve the integrity of the utility system and to mitigate any risks regarding natural gas distribution lines, of which the City would have been held ultimately liable by governing agencies. Under the terms of the agreement, the City will pay Ferguson an amount not to exceed \$65,000 annually. A portion of this payment is considered compensation for the transfer of assets, and is being paid over a twenty year period at an interest rate of 2.0%. This amount has been recorded in the gas and sewer departments as a note payable based upon the value of each system, which has been determined to be \$33,750 and \$382,179, respectively.

The annual debt service requirements, to maturity, for all long-term debt (excluding the lease liabilities, net pension liability and the net OPEB liability are as follows):

Governmental Activities

| Year ended | Principal | Interest | Total |
|------------|----------------------|---------------------|----------------------|
| 2023 | \$ 1,363,324 | \$ 425,354 | \$ 1,788,678 |
| 2024 | 1,200,105 | 385,566 | 1,585,671 |
| 2025 | 1,167,361 | 355,481 | 1,522,842 |
| 2026 | 1,171,900 | 321,002 | 1,492,902 |
| 2027 | 1,158,498 | 286,171 | 1,444,669 |
| 2028-2032 | 5,320,288 | 956,821 | 6,277,109 |
| 2033-2037 | 2,274,350 | 502,218 | 2,776,568 |
| 2038-2042 | 2,357,414 | 280,863 | 2,638,277 |
| 2043-2047 | <u>1,269,070</u> | <u>56,870</u> | <u>1,325,940</u> |
| | <u>\$ 17,282,310</u> | <u>\$ 3,570,346</u> | <u>\$ 20,852,656</u> |

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

6. LONG-TERM DEBT (CONTINUED)

Business-type Activities

| Year ended | Principal | Interest | Total |
|----------------|----------------------|---------------------|----------------------|
| 2023 | \$ 2,039,432 | \$ 662,787 | \$ 2,702,219 |
| 2024 | 1,435,341 | 582,758 | 2,018,099 |
| 2025 | 1,429,350 | 549,205 | 1,978,555 |
| 2026 | 1,391,264 | 515,553 | 1,906,817 |
| 2027 | 1,397,086 | 483,285 | 1,880,371 |
| 2028-2032 | 7,568,693 | 1,855,125 | 9,423,818 |
| 2033-2037 | 5,493,833 | 1,140,986 | 6,634,819 |
| 2038-2042 | 3,300,943 | 715,476 | 4,016,419 |
| 2043-2047 | 2,338,000 | 429,781 | 2,767,781 |
| 2048-2052 | <u>2,620,000</u> | <u>169,320</u> | <u>2,789,320</u> |
| | 29,013,942 | 7,104,276 | 36,118,218 |
| KIA Water Loan | <u>1,198,563</u> | <u>-</u> | <u>1,198,563</u> |
| Totals | <u>\$ 30,212,505</u> | <u>\$ 7,104,276</u> | <u>\$ 37,316,781</u> |

The bond ordinances contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds and minimum revenue bond coverages. Funds held in the various reserves at June 30, 2022 required by the revenue bond ordinances are reported in the accompanying financial statements as restricted net position in the respective funds. At June 30, 2022, the City had sufficient funds in restricted accounts to meet required existing bond ordinances.

7. LEASE LIABILITIES

Governmental Activities

One March 10, 2020 the City entered into a lease agreement for a phone system. The lease calls for monthly payments of \$1,090 over a period of 60 months and bears interest at 3%. The balance of the lease liability as of June 30, 2022 totaled \$34,481.

As of June 30, 2022, the City has entered into five separate lease agreements for copiers which are utilized by various departments throughout the City. The term of these lease agreements varies from 60-63 months. Monthly payments due on the copier leases total \$5,233 and bear interest at 2.6%. The balance of the liability related to the copier leases as of June 30, 2022 totaled \$152,988.

On September 30, 2016 the City entered into a master lease agreement with Enterprise FM Trust. The agreement allows the City to enter into separate individual lease agreements for vehicles as needed. The lease term for the vehicle leases ranges from 48-72 months. The interest rates for the vehicle leases range from 2.9 – 5.71%. The balance of the liability related to the vehicle leases as of June 30, 2022 totaled \$700,994.

Annual requirements to maturity for all governmental long-term lease obligations are as follows:

| Year ended | Principal | Interest | Total |
|------------|-------------------|------------------|-------------------|
| 2023 | \$ 297,162 | \$ 14,578 | \$ 311,740 |
| 2024 | 247,244 | 12,227 | 259,471 |
| 2025 | 174,425 | 6,256 | 180,681 |
| 2026 | 125,511 | 5,784 | 131,295 |
| 2027 | <u>44,121</u> | <u>3,744</u> | <u>47,865</u> |
| | <u>\$ 888,463</u> | <u>\$ 42,589</u> | <u>\$ 931,052</u> |

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

7. LEASE LIABILITIES

Business-type Activities

One June 9, 2021, the City entered into a lease agreement for a gas compressor with USA Compression. The lease calls for monthly payments of \$14,250 over a period of 60 months and bears interest at 2.6%. The balance of the lease liability as of June 30, 2022 totaled \$661,783.

On September 30, 2016 the City entered into a master lease agreement with Enterprise FM Trust. The agreement allows the City to enter into separate individual lease agreements for vehicles as needed. The lease term for the vehicle leases ranges from 48-60 months. The interest rates for the vehicle leases range from 2.97 – 5.37%. The balance of the liability related to the vehicle leases as of June 30, 2022 totaled \$508,460.

Annual requirements to maturity for all business-type long-term lease obligations are as follows:

| Year ended | Principal | Interest | Total |
|------------|---------------------|------------------|---------------------|
| 2023 | \$ 306,123 | \$ 22,081 | \$ 328,204 |
| 2024 | 272,207 | 15,889 | 288,096 |
| 2025 | 270,322 | 11,272 | 281,594 |
| 2026 | 274,563 | 7,029 | 281,592 |
| 2027 | <u>47,028</u> | <u>2,579</u> | <u>49,607</u> |
| | <u>\$ 1,170,243</u> | <u>\$ 58,850</u> | <u>\$ 1,229,093</u> |

8. RETIREMENT PLAN

CERS

The City of Somerset is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Public Pensions Authority administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Public Pensions Authority website.

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, school board, and any additional eligible local agencies electing to participate in the System. 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. Cost-of-living (COLA) adjustments are provided at the discretion of state legislature.

Contributions – For the year ended June 30, 2022, plan members were required to contribute 5% of wages for non-hazardous job classifications and 8% of wages for hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium.

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 basis adopted by the Board. For the year ended June 30, 2022, participating employers contributed 26.95% of each employee's wages for non-hazardous job classifications and 44.33% of each employee's wages for hazardous job classifications.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

8. RETIREMENT PLAN (CONTINUED)

The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 9. Plan members contributed 21.17% to the pension trust for non-hazardous job classifications and 33.86% to the pension trust for hazardous job classifications. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account for non-hazardous job classifications and 8% of wages to their own account for hazardous classifications. Plan members also contribute 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. Each member's account is credited with a 4% employer pay credit for non-hazardous members, and a 7.5% pay credit for hazardous members. The employer pay credit represents a portion of the employer contribution.

For the year ended June 30, 2022, the City contributed \$1,453,842 or 100% of the required contribution for non-hazardous job classifications, and \$2,207,213, for the year ended June 30, 2022, or 100% of the required contribution for hazardous job classifications.

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

8. RETIREMENT PLAN (CONTINUED)

Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2022, the City reported a liability for its proportionate share of the net pension liability as follows:

| Total Net Pension Liability | Non-hazardous | Hazardous |
|--|----------------------|----------------------|
| \$ <u>43,349,534</u> | \$ <u>15,733,332</u> | \$ <u>27,616,202</u> |

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020, and rolled forward using generally accepted actuarial procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2021, was as follows:

| Non-hazardous | Hazardous |
|----------------------|------------------|
| .247% | 1.040% |

The proportionate share at June 30, 2021 relative to June 30, 2020 increased for non-hazardous by .013% and increased for hazardous by .027%.

For the year ended June 30, 2022, the City recognized pension expense of \$5,166,008. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual results | \$ 942,230 | \$ 152,703 |
| Changes of assumptions | 556,078 | - |
| Net difference between projected and actual earnings on Plan investments | - | 5,061,643 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 2,664,831 | 221,543 |
| City contributions subsequent to the measurement date | <u>3,607,231</u> | <u>-</u> |
| Total | \$ <u>7,770,370</u> | \$ <u>5,435,889</u> |

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

8. RETIREMENT PLAN (CONTINUED)

The \$3,607,231 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

| Year ending June 30, | |
|-----------------------------|----------------|
| 2023 | \$ 562,728 |
| 2024 | \$ 193,704 |
| 2025 | \$ (540,458) |
| 2026 | \$ (1,488,724) |

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

Non-hazardous

| | |
|---------------------------|--|
| Inflation | 2.30% |
| Salary increases | 3.30% to 10.30%, varies by service, including inflation |
| Investment rate of return | 6.25%, net of Plan investment expense, including inflation |

Hazardous

| | |
|---------------------------|--|
| Inflation | 2.30% |
| Salary increases | 3.55 to 19.05%, varies by service, including inflation |
| Investment rate of return | 6.25%, net of Plan investment expense, including inflation |

Mortality rates were based on the Pub-2010 General Mortality Table 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 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 MP-2014 Mortality Improvement Scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021. The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

8. RETIREMENT PLAN (CONTINUED)

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|--|------------------------------|---|
| Growth | 68.50% | |
| US Equity | 21.75% | 5.70% |
| Non-US Equity | 21.75% | 6.35% |
| Private Equity | 10.00% | 9.70% |
| Special credit/high yield | 15.00% | 2.80% |
| Liquidity | 11.50% | |
| Core Bonds | 10.00% | 0.00% |
| Cash | 1.50% | -0.60% |
| Diversifying Strategies | 20.00% | |
| Real Estate | 10.00% | 5.40% |
| Opportunistic | 0.00% | N/A |
| Real Return | 11.00% | 4.55% |
| Total | 100.00% | 5.00% |
| Long term inflation assumption | | 2.30% |
| Expected nominal return for portfolio | | 7.30% |

Discount Rate – The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the closed 30-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

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

| | Non-hazardous | | Hazardous | |
|-----------------------|--------------------------|--|----------------------|--|
| | Discount rate | City's proportionate share of net pension liability | Discount rate | City's proportionate share of net pension liability |
| 1% decrease | 5.25% | \$ 20,178,744 | 5.25% | \$ 35,200,682 |
| Current discount rate | 6.25% | \$ 15,733,332 | 6.25% | \$ 27,616,202 |
| 1% increase | 7.25% | \$ 12,054,857 | 7.25% | \$ 21,434,882 |

Payable to the Pension Plan – At June 30, 2022, the City reported a payable of \$614,563 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2022. The payable includes both the pension and insurance contribution allocation.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – As more fully described in Note 8, the City of Somerset participates in the County Employees’ Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

Contributions – As more fully described in Note 8, plan members contribute to CERS for non-hazardous and hazardous job classifications. For the year ending June 30, 2022, the employer’s contribution was 5.78% to the insurance trust for non-hazardous job classifications and 10.47% to the insurance trust for hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. 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 basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

For the year ended June 30, 2022, the City contributed \$396,939, or 100% of the required contribution for non-hazardous job classifications, and \$682,502, or 100% of the required contribution for hazardous job classifications.

Benefits – CERS provides health insurance benefits to Plan employees and beneficiaries.

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

| | | |
|--------|--|--|
| Tier 1 | Participation date Insurance eligibility Benefit | Before July 1, 2003 10 years of service credit required Set percentage of single coverage health insurance based on service credit accrued at retirement |
| Tier 1 | Participation date Insurance eligibility Benefit | Before September 1, 2008 but after July 1, 2003 10 years of service credit required Set dollar amount based on service credit accrued, increased annually |
| Tier 2 | Participation date Insurance eligibility Benefit | After September 1, 2008 and before December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually |
| Tier 3 | Participation date Insurance eligibility Benefit | After December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually |

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2022, the City reported a liability for its proportionate share of the net OPEB liability as follows:

| Total Net Pension Liability | Non-hazardous | Hazardous |
|--|----------------------|---------------------|
| <u>\$ 13,110,767</u> | <u>\$ 4,723,120</u> | <u>\$ 8,387,647</u> |

The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020 and rolled forward using generally accepted actuarial procedures. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2021, was as follows:

| Non-hazardous | Hazardous |
|----------------------|------------------|
| .247% | 1.037% |

The proportionate share at June 30, 2021 relative to June 30, 2020 for non-hazardous increased by .013% and hazardous increased by .024%.

For the year ended June 30, 2022, the City recognized OPEB expense of \$1,650,849. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual results | \$ 1,004,812 | \$ 2,312,541 |
| Changes of assumptions | 3,355,620 | 7,526 |
| Net difference between projected and actual earnings on Plan investments | - | 2,317,611 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 794,158 | 215,135 |
| City contributions subsequent to the measurement date | <u>1,282,102</u> | <u>-</u> |
| Total | <u>\$ 6,436,692</u> | <u>\$ 4,852,813</u> |

The \$1,282,102 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. This includes adjustments of \$155,410 for the nonhazardous implicit subsidy and \$59,734 for the hazardous implicit subsidy, which are required to be recognized as deferred outflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

| Year ending June 30, | | |
|-----------------------------|----|-----------|
| 2023 | \$ | 77,960 |
| 2024 | \$ | 164,917 |
| 2025 | \$ | 134,816 |
| 2026 | \$ | (276,769) |
| 2027 | \$ | 200,853 |

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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

Non-hazardous

| | |
|---------------------------|--|
| Inflation | 2.30% |
| Salary increases | 3.30 to 10.30%, varies by service, including inflation |
| Investment rate of return | 6.25%, net of Plan investment expense, including inflation |
| Healthcare trend | |
| 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, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years |

Hazardous

| | |
|---------------------------|--|
| Inflation | 2.30% |
| Salary increases | 3.55 to 19.05%, varies by service, including inflation |
| Investment rate of return | 6.25%, net of Plan investment expense, including inflation |
| Healthcare trend | |
| 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, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years |

Mortality rates were based on the Pub-2010 General Mortality Table 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 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 MP-2014 Mortality Improvement Scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021.

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

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|--|------------------------------|---|
| Growth | 68.50% | |
| US Equity | 21.75% | 5.70% |
| Non-US Equity | 21.75% | 6.35% |
| Private Equity | 10.00% | 9.70% |
| Special credit/high yield | 15.00% | 2.80% |
| Liquidity | 11.50% | |
| Core Bonds | 10.00% | 0.00% |
| Cash | 1.50% | -0.60% |
| Diversifying Strategies | 20.00% | |
| Real Estate | 10.00% | 5.40% |
| Opportunistic | 0.00% | N/A |
| Real Return | 10.00% | 4.55% |
| Total | 100.00% | 5.00% |
| Long term inflation assumption | | 2.30% |
| Expected nominal return for portfolio | | 7.30% |

Discount Rate – The discount rate used to measure the total OPEB liability was 5.20% and 5.05% for non-hazardous and hazardous classifications, respectively. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index.” However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net OPEB liability calculated using the discount rate as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

| | Non-hazardous | | Hazardous | |
|-----------------------|---------------|---|---------------|---|
| | Discount rate | City’s proportionate share of net OPEB liability | Discount rate | City’s proportionate share of net OPEB liability |
| 1% decrease | 4.20% | \$ 6,484,809 | 4.05% | \$ 12,160,496 |
| Current discount rate | 5.20% | \$ 4,723,120 | 5.05% | \$ 8,387,647 |
| 1% increase | 6.20% | \$ 3,277,363 | 6.05% | \$ 5,356,380 |

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the City's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| | Non-hazardous | Hazardous |
|--------------------|---|---|
| | City's proportionate share of net OPEB liability | City's proportionate share of net OPEB liability |
| 1% decrease | \$ 3,400,085 | \$ 5,496,043 |
| Current trend rate | \$ 4,723,120 | \$ 8,387,647 |
| 1% increase | \$ 6,320,044 | \$ 11,929,172 |

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

10. PROPERTY TAX CALENDAR

Property taxes for fiscal year 2022 were levied in September 2021 on the assessed valuation of property located in Pulaski County as of the preceding January 1, the lien date. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

| Description | Per K.R.S. 134.020 |
|---|--------------------------------|
| 1. Due date for payment of taxes, 2% discount | November 1 |
| 2. Face value amount payment due | November 2 through December 31 |

Vehicle taxes are collected by the County Clerk of Pulaski and are due and collected in the birth month of the vehicle's licensee.

11. TRANSFER OF FUNDS

The following transfers were made during the year:

| From Fund | To Fund | Purpose | Amount |
|-------------------------|-------------------------|--------------------|---------------|
| EMS | General | Administration | \$ 50,000 |
| Gas | General | General operations | \$ 2,900,000 |
| Gas | EMS | General operations | \$ 300,000 |
| Water | EMS | General operations | \$ 300,000 |
| Water | General | General operations | \$ 1,500,000 |
| Sanitation | EMS | General operations | \$ 300,000 |
| General Fund | Virginia Theater | Capital projects | \$ 3,116,879 |
| Governmental Activities | Virginia Theater | Capital assets | \$ 217,338 |
| Virginia Theater | Governmental Activities | Debt transfer | \$ 3,004,474 |
| General Fund | Water Park | Capital projects | \$ 675,000 |
| Sanitation | Travel & Tourism | General Operations | \$ 62,511 |
| Sanitation | Water Park | General operations | \$ 418,000 |

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

12. CONDUIT DEBT

The City is the issuer of certain industrial revenue bonds issued in order to promote the local construction of production facilities. The facilities, which are constructed from the bond proceeds, are leased to the industrial companies for an amount required to annually service the debt. The lessee assumes ownership of the facilities at the completion of all lease payments required to fully service the debt. The lease payments are remitted directly to the trustee (bank) with whom the facilities are mortgaged. These bonds constitute a limited obligation of the City, payable solely from the revenues and receipts derived from the lease agreement. Accordingly, the assets and liabilities relating to these bonds are not recorded on the books of the City. The amount of bonds outstanding at June 30, 2022, is not readily available.

13. LEGAL CONTINGENCIES

The City is subject to legal actions in various stages of litigation, the outcome of which is not determinable at this time. City officials and legal counsel believe these actions are without merit, adequately covered by insurance or that the ultimate liability, if any, will not materially affect the City's financial position.

14. RISK MANAGEMENT

The City is exposed to various forms of loss associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, employee injury, fiduciary responsibility, etc. Each of these risks areas is covered through the purchase of commercial insurance. The City has purchased certain policies which are retrospectively rated which include worker's compensation insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

15. COVID-19 PANDEMIC

Since 2020, various restrictions have been placed on travel and business across the United States in response to the COVID-19 pandemic. The duration and pervasiveness of these restrictions are uncertain as of the date of these financial statements. The City is continuously evaluating the impact of COVID-19 and related responses on the operations and finances of the City. Restrictions placed on the City could negatively impact the City's revenue and expenses for an unknown period of time. At this time, a specific estimate of the impact could not reasonably be determined due to a number of unknown factors regarding the severity and duration of the event.

16. SUBSEQUENT LOANS

On September 8, 2022, the City took out a loan totaling \$45,750 to finance the purchase of a leaf loader for the street department. The loan is to be paid over 60 months and bears interest at 2.91%.

On September 8, 2022, the City took out a loan totaling \$39,000 to finance the purchase of a vehicle for the fire department. The loan is to be paid over 60 months and bears interest at 2.91%.

On August 23, 2022, the City took out a loan totaling \$315,000 to finance the purchase of six vehicles for the police department. The loan is to be paid over 60 months and bears interest at 2.6%.

On July 20, 2022, the City took out a loan totaling \$479,459 to finance the purchase of two sanitation trucks for the sanitation department. The loan is to be paid over 18 months and bears interest at 2.625%.

On October 10, 2022, the City took out a loan totaling \$482,480 to finance the purchase of two sanitation trucks for the sanitation department. The loan is to be paid over 18 months and bears interest at 3.0%.

On November 23, 2022, the City took out a loan totaling \$172,589 to finance the purchase of a dump truck. The loan is to be repaid over 18 months and bears interest at 3.99%.

On November 15, 2022, the City financed the purchase of equipment for the EMS department. The City is scheduled to make monthly interest free payments totaling \$2,557.92 for a period of 36 months.

On November 23, 2022, the City took out a loan to finance the purchase of a vehicle for the water department. The loan is to be paid over 60 months and bears interest at 3.75%.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SOMERSET, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2022

| | <u>Enacted Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---|---------------------------|---------------------------|---------------------|---------------------|
| REVENUES | | | | |
| Taxes | \$ 1,623,500 | \$ 1,623,500 | \$ 1,667,433 | \$ 43,933 |
| Licenses and permits | 8,077,500 | 8,627,500 | 9,086,614 | 459,114 |
| Fines and forfeits | 40,000 | 40,000 | 27,405 | (12,595) |
| Charges for services | 637,000 | 637,000 | 579,122 | (57,878) |
| Intergovernmental | 3,181,283 | 6,271,383 | 4,413,373 | (1,858,010) |
| Interest income | 30,000 | 30,000 | 22,090 | (7,910) |
| Other revenues | <u>1,183,000</u> | <u>1,183,000</u> | <u>1,246,063</u> | <u>63,063</u> |
| TOTAL REVENUES | <u>14,772,283</u> | <u>18,412,383</u> | <u>17,042,100</u> | <u>(1,370,283)</u> |
| EXPENDITURES | | | | |
| General administration | 6,573,150 | 6,309,250 | 4,727,416 | (1,581,834) |
| Public safety | 10,468,250 | 10,225,250 | 9,826,375 | (398,875) |
| Public services | 497,500 | 497,500 | 301,573 | (195,927) |
| Streets | 1,326,100 | 1,326,100 | 1,285,630 | (40,470) |
| Parks and recreation | 1,812,700 | 1,812,700 | 1,167,093 | (645,607) |
| Cemetery | 135,900 | 135,900 | 127,076 | (8,824) |
| Downtown revitalization | 78,000 | 78,000 | 10,003 | (67,997) |
| Intergovernmental programs | 316,925 | 316,925 | 119,338 | (197,587) |
| Capital outlay | 2,710,000 | 2,710,000 | 1,555,123 | (1,154,877) |
| Debt service - principal | 1,207,641 | 4,785,484 | 4,785,484 | - |
| Debt service - interest | 735,349 | 1,475,106 | 631,984 | (843,122) |
| Bond issuance cost | <u>-</u> | <u>-</u> | <u>51,562</u> | <u>51,562</u> |
| TOTAL EXPENDITURES | <u>25,861,515</u> | <u>29,672,215</u> | <u>24,588,657</u> | <u>(5,083,558)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from issuance of debt | - | 3,968,300 | 4,570,965 | 602,665 |
| Proceeds from sale of capital assets | - | - | 182,480 | 182,480 |
| Transfer from other funds | 4,450,000 | 4,450,000 | 4,450,000 | - |
| Transfer to other funds | <u>-</u> | <u>(3,797,700)</u> | <u>(3,791,879)</u> | <u>5,821</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>4,450,000</u> | <u>4,620,600</u> | <u>5,411,566</u> | <u>790,966</u> |
| NET CHANGE IN FUND BALANCE | (6,639,232) | (6,639,232) | (2,134,991) | 4,504,241 |
| FUND BALANCE, BEGINNING OF YEAR | <u>6,639,232</u> | <u>6,639,232</u> | <u>4,182,076</u> | <u>(2,457,156)</u> |
| FUND BALANCE, END OF YEAR | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,047,085</u> | <u>\$ 2,047,085</u> |

CITY OF SOMERSET, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
EMS FUND
for the year ended June 30, 2022

| | <u>Enacted Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---|---------------------------|---------------------------|---------------------|---------------------|
| REVENUES | | | | |
| Charges for services | \$ 3,329,000 | \$ 3,329,000 | \$ 3,593,947 | \$ 264,947 |
| Intergovernmental revenues | 2,094,500 | 2,094,500 | 1,529,390 | (565,110) |
| Interest income | 600 | 600 | 938 | 338 |
| Other revenues | <u>32,000</u> | <u>32,000</u> | <u>50,802</u> | <u>18,802</u> |
| TOTAL REVENUES | <u>5,456,100</u> | <u>5,456,100</u> | <u>5,175,077</u> | <u>(281,023)</u> |
| EXPENDITURES | | | | |
| Emergency medical services | 6,712,000 | 6,712,000 | 5,709,523 | (1,002,477) |
| Capital outlay | 320,000 | 320,000 | - | (320,000) |
| Debt service - principal | 66,060 | 66,060 | 66,060 | - |
| Debt service - interest | <u>133,040</u> | <u>133,040</u> | <u>62,078</u> | <u>(70,962)</u> |
| TOTAL EXPENDITURES | <u>7,231,100</u> | <u>7,231,100</u> | <u>5,837,661</u> | <u>(1,393,439)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer from other funds | 1,800,000 | 1,800,000 | 900,000 | (900,000) |
| Transfer to other funds | <u>(25,000)</u> | <u>(25,000)</u> | <u>(50,000)</u> | <u>(25,000)</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>1,775,000</u> | <u>1,775,000</u> | <u>850,000</u> | <u>(925,000)</u> |
| NET CHANGE IN FUND BALANCE | - | - | 187,416 | 187,416 |
| FUND BALANCE, BEGINNING OF YEAR | <u>-</u> | <u>-</u> | <u>(1,117,106)</u> | <u>(1,117,106)</u> |
| FUND BALANCE, END OF YEAR | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (929,690)</u> | <u>\$ (929,690)</u> |

CITY OF SOMERSET, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
WATERPARK FUND
for the year ended June 30, 2022

| | <u>Enacted Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---|---------------------------|---------------------------|-----------------------|-----------------------|
| REVENUES | | | | |
| Charges for services | \$ 1,670,200 | \$ 1,787,900 | \$ 2,026,072 | \$ 238,172 |
| Interest income | 300 | 300 | 770 | 470 |
| Other revenues | <u>30,000</u> | <u>30,000</u> | <u>29,903</u> | <u>(97)</u> |
| TOTAL REVENUES | <u>1,700,500</u> | <u>1,818,200</u> | <u>2,056,745</u> | <u>238,545</u> |
| EXPENDITURES | | | | |
| Waterpark | 1,950,500 | 1,775,500 | 1,637,707 | (137,793) |
| Capital Outlay | - | 912,300 | 906,996 | (5,304) |
| Debt service - principal | - | 1,399,997 | 1,399,997 | - |
| Debt service - interest | <u>43,000</u> | <u>138,403</u> | <u>141,577</u> | <u>3,174</u> |
| TOTAL EXPENDITURES | <u>1,993,500</u> | <u>4,226,200</u> | <u>4,086,277</u> | <u>(139,923)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from issuance of debt | - | 1,315,000 | 1,314,216 | (784) |
| Transfer from other funds | <u>293,000</u> | <u>1,093,000</u> | <u>1,093,000</u> | <u>-</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>293,000</u> | <u>2,408,000</u> | <u>2,407,216</u> | <u>(784)</u> |
| NET CHANGE IN FUND BALANCE | - | - | 377,684 | 377,684 |
| FUND BALANCE, BEGINNING OF YEAR | <u>-</u> | <u>-</u> | <u>(4,172,921)</u> | <u>(4,172,921)</u> |
| FUND BALANCE, END OF YEAR | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (3,795,237)</u> | <u>\$ (3,795,237)</u> |

CITY OF SOMERSET, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
FUEL CENTER FUND
for the year ended June 30, 2022

| | <u>Enacted Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---|---------------------------|---------------------------|--------------------|--------------------|
| REVENUES | | | | |
| Charges for services | \$ 1,144,000 | \$ 1,424,000 | \$ 1,315,196 | \$ (108,804) |
| Interest income | <u>100</u> | <u>100</u> | <u>163</u> | <u>63</u> |
| TOTAL REVENUES | <u>1,144,100</u> | <u>1,424,100</u> | <u>1,315,359</u> | <u>(108,741)</u> |
| EXPENDITURES | | | | |
| Fuel center | 1,144,100 | 1,424,100 | 1,352,630 | (71,470) |
| Capital outlay | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL EXPENDITURES | <u>1,144,100</u> | <u>1,424,100</u> | <u>1,352,630</u> | <u>(71,470)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer from other funds | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | - | - | (37,271) | (37,271) |
| FUND BALANCE, BEGINNING OF YEAR | <u>-</u> | <u>-</u> | <u>8,890</u> | <u>8,890</u> |
| FUND BALANCE, END OF YEAR | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (28,381)</u> | <u>\$ (28,381)</u> |

**CITY OF SOMERSET, KENTUCKY
 REQUIRED SUPPLEMENTARY SCHEDULE OF
 PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NONHAZARDOUS
 Last Nine Fiscal Years**

| Reporting Fiscal Year (Measurement Date) | 2014 (2013) | 2015 (2014) | 2016 (2015) | 2017 (2016) | 2018 (2017) | 2019 (2018) | 2020 (2019) | 2021 (2020) | 2022 (2021) |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| City's proportion of the net pension liability | 0.257% | 0.257% | 0.266% | 0.247% | 0.253% | 0.251% | 0.243% | 0.234% | 0.247% |
| City's proportionate share of the net pension liability (asset) | \$ 9,448,091 | \$ 8,349,736 | \$ 11,416,098 | \$ 12,144,563 | \$ 14,800,439 | \$ 15,215,713 | \$ 17,086,150 | \$ 17,968,238 | \$ 15,733,332 |
| City's covered employee payroll | \$ 5,358,488 | \$ 5,861,806 | \$ 6,313,654 | \$ 5,859,201 | \$ 6,150,570 | \$ 6,245,488 | \$ 6,294,251 | \$ 6,186,406 | \$ 6,506,027 |
| City's share of the net pension liability (asset) as a percentage of its covered employee payroll | 176.32% | 142.44% | 180.82% | 207.27% | 240.64% | 243.63% | 271.46% | 290.45% | 241.83% |
| Plan fiduciary net position as a percentage of the total pension liability | 61.22% | 66.80% | 59.97% | 55.50% | 53.32% | 53.54% | 50.45% | 47.81% | 57.33% |

The above schedule will present 10 years of historical data, once available.

**CITY OF SOMERSET, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - HAZARDOUS
Last Nine Fiscal Years**

| Reporting Fiscal Year (Measurement Date) | 2014 (2013) | 2015 (2014) | 2016 (2015) | 2017 (2016) | 2018 (2017) | 2019 (2018) | 2020 (2019) | 2021 (2020) | 2022 (2021) |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| City's proportion of the net pension liability | 0.923% | 0.923% | 0.922% | 0.882% | 0.908% | 0.904% | 0.905% | 1.013% | 1.040% |
| City's proportionate share of the net pension liability (asset) | \$ 12,345,466 | \$ 11,098,449 | \$ 14,149,168 | \$ 15,135,833 | \$ 20,325,117 | \$ 21,852,161 | \$ 24,996,287 | \$ 30,552,097 | \$ 27,616,202 |
| City's covered employee payroll | \$ 4,724,814 | \$ 4,681,614 | \$ 4,822,081 | \$ 4,556,589 | \$ 4,912,100 | \$ 5,022,840 | \$ 5,128,499 | \$ 5,926,948 | \$ 6,212,394 |
| City's share of the net pension liability (asset) as a percentage of its covered employee payroll | 261.29% | 237.06% | 293.42% | 332.17% | 413.78% | 435.06% | 487.40% | 515.48% | 444.53% |
| Plan fiduciary net position as a percentage of the total pension liability | 57.74% | 63.46% | 57.52% | 53.95% | 49.78% | 49.26% | 46.63% | 44.11% | 52.26% |

The above schedule will present 10 years of historical data, once available.

**CITY OF SOMERSET, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF PENSION CONTRIBUTIONS - NONHAZARDOUS
Last Ten Fiscal Years**

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|------------------|------------------|------------------|------------------|
| Contractually required employer contribution | \$ 675,388 | \$ 805,078 | \$ 804,991 | \$ 727,713 | \$ 863,880 | \$ 904,347 | \$ 1,020,927 | \$ 1,193,976 | \$ 1,255,663 | \$ 1,453,842 |
| Contributions relative to contractually required employer contribution | <u>675,388</u> | <u>805,078</u> | <u>804,991</u> | <u>727,713</u> | <u>863,880</u> | <u>904,347</u> | <u>1,020,927</u> | <u>1,193,976</u> | <u>1,255,663</u> | <u>1,453,842</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered employee payroll | \$ 5,358,488 | \$ 5,861,806 | \$ 6,313,654 | \$ 5,859,201 | \$ 6,150,570 | \$ 6,245,488 | \$ 6,294,251 | \$ 6,186,406 | \$ 6,506,027 | \$ 6,867,462 |
| Employer contributions as a percentage of covered-employee payroll | 12.60% | 13.73% | 12.75% | 12.42% | 14.05% | 14.48% | 16.22% | 19.30% | 19.30% | 21.17% |

**CITY OF SOMERSET, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF PENSION CONTRIBUTIONS - HAZARDOUS
Last Ten Fiscal Years**

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|----------------|------------------|------------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually required employer contribution | \$ 948,760 | \$ 1,016,016 | \$ 1,002,090 | \$ 924,463 | \$ 1,066,417 | \$ 1,115,070 | \$ 1,275,458 | \$ 1,781,641 | \$ 1,867,445 | \$ 2,207,213 |
| Contributions relative to contractually required employer contribution | <u>948,760</u> | <u>1,016,016</u> | <u>1,002,090</u> | <u>924,463</u> | <u>1,066,417</u> | <u>1,115,070</u> | <u>1,275,458</u> | <u>1,781,641</u> | <u>1,867,445</u> | <u>2,207,213</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered employee payroll | \$ 4,724,814 | \$ 4,681,614 | \$ 4,822,081 | \$ 4,556,589 | \$ 4,912,100 | \$ 5,022,840 | \$ 5,128,499 | \$ 5,926,948 | \$ 6,212,394 | \$ 6,518,645 |
| Employer contributions as a percentage of covered-employee payroll | 20.08% | 21.70% | 20.78% | 20.29% | 21.71% | 22.20% | 24.87% | 30.06% | 30.06% | 33.86% |

**CITY OF SOMERSET, KENTUCKY
 REQUIRED SUPPLEMENTARY SCHEDULE OF
 PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - NONHAZARDOUS
 Last Six Fiscal Years**

| Reporting Fiscal Year (Measurement Date) | 2017 (2016) | 2018 (2017) | 2019 (2018) | 2020 (2019) | 2021 (2020) | 2022 (2021) |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| City's proportion of the net OPEB liability | 0.247% | 0.253% | 0.251% | 0.243% | 0.234% | 0.247% |
| City's proportionate share of the net OPEB liability (asset) | \$ 3,987,166 | \$ 5,083,271 | \$ 4,435,842 | \$ 4,085,519 | \$ 5,656,811 | \$ 4,723,120 |
| City's covered employee payroll | \$ 5,859,201 | \$ 6,150,570 | \$ 6,245,488 | \$ 6,294,251 | \$ 6,186,406 | \$ 6,506,027 |
| City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll | 68.05% | 82.65% | 71.02% | 64.91% | 91.44% | 72.60% |
| Plan fiduciary net position as a percentage of the total OPEB liability | unavailable | 52.39% | 57.62% | 60.44% | 51.67% | 62.91% |

The above schedule will present 10 years of historical data, once available.

**CITY OF SOMERSET, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - HAZARDOUS
Last Six Fiscal Years**

| Reporting Fiscal Year (Measurement Date) | 2017 (2016) | 2018 (2017) | 2019 (2018) | 2020 (2019) | 2021 (2020) | 2022 (2021) |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| City's proportion of the net OPEB liability | 0.882% | 0.908% | 0.904% | 0.905% | 1.013% | 1.037% |
| City's proportionate share of the net OPEB liability (asset) | \$ 4,487,562 | \$ 7,510,105 | \$ 6,442,359 | \$ 6,694,644 | \$ 9,361,254 | \$ 8,387,647 |
| City's covered employee payroll | \$ 4,556,589 | \$ 4,912,100 | \$ 5,022,840 | \$ 5,128,499 | \$ 5,926,948 | \$ 6,212,394 |
| City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll | 98.49% | 152.89% | 128.26% | 130.54% | 157.94% | 135.01% |
| Plan fiduciary net position as a percentage of the total OPEB liability | unavailable | 58.99% | 64.24% | 64.44% | 58.84% | 66.81% |

The above schedule will present 10 years of historical data, once available.

**CITY OF SOMERSET, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF OPEB CONTRIBUTIONS - NONHAZARDOUS
Last Ten Fiscal Years**

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Contractually required employer contribution | \$ 370,875 | \$ 301,758 | \$ 310,632 | \$ 271,867 | \$ 292,914 | \$ 293,538 | \$ 331,078 | \$ 294,473 | \$ 309,687 | \$ 396,939 |
| Contributions relative to contractually required employer contribution | <u>370,875</u> | <u>301,758</u> | <u>310,632</u> | <u>271,867</u> | <u>292,914</u> | <u>293,538</u> | <u>331,078</u> | <u>294,473</u> | <u>309,687</u> | <u>396,939</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered employee payroll | \$ 5,358,488 | \$ 5,861,806 | \$ 6,313,654 | \$ 5,859,201 | \$ 6,150,570 | \$ 6,245,488 | \$ 6,294,251 | \$ 6,186,406 | \$ 6,506,027 | \$ 6,867,462 |
| Employer contributions as a percentage of covered-employee payroll | 6.92% | 5.15% | 4.92% | 4.64% | 4.76% | 4.70% | 5.26% | 4.76% | 4.76% | 5.78% |

**CITY OF SOMERSET, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF OPEB CONTRIBUTIONS - HAZARDOUS
Last Ten Fiscal Years**

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Contractually required employer contribution | \$ 826,035 | \$ 650,120 | \$ 656,458 | \$ 579,045 | \$ 459,281 | \$ 469,636 | \$ 536,954 | \$ 564,245 | \$ 591,420 | \$ 682,502 |
| Contributions relative to contractually required employer contribution | <u>826,035</u> | <u>650,120</u> | <u>656,458</u> | <u>579,045</u> | <u>459,281</u> | <u>469,636</u> | <u>536,954</u> | <u>564,245</u> | <u>591,420</u> | <u>682,502</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered employee payroll | \$ 4,724,814 | \$ 4,681,614 | \$ 4,822,081 | \$ 4,556,589 | \$ 4,912,100 | \$ 5,022,840 | \$ 5,128,499 | \$ 5,926,948 | \$ 6,212,394 | \$ 6,518,645 |
| Employer contributions as a percentage of covered-employee payroll | 17.48% | 13.89% | 13.61% | 12.71% | 9.35% | 9.35% | 10.47% | 9.52% | 9.52% | 10.47% |

CITY OF SOMERSET, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2022

1. GENERAL INFORMATION

Contributions

Contractually required employer contributions reported on the Schedule of Pension Contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The insurance contributions are reported on the Schedule of OPEB Contributions.

Payroll

The City's covered payroll reported on the Proportionate Share of the Net Pension Liability and the Proportionate Share of the Net OPEB Liability Schedules is one year prior to the City's fiscal year payroll as reported on the Schedule of Contributions for Pension and OPEB.

2. CHANGES OF ASSUMPTIONS

June 30, 2021 – Pension and OPEB – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for CERS pension.

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.40% to 6.30%. The initial healthcare trend rate for post-65 was changed from 2.90% to 6.30%.

June 30, 2020 – Pension and OPEB – Hazardous and Nonhazardous

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 7% to 6.40%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years. The initial healthcare trend rate for post-65 was changed from 5% to 2.90%, which increases to 6.30% in 2023 and then gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years.

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for pension.

June 30, 2019 – Pension and OPEB Hazardous and Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for both pension and OPEB:

- The assumed rate of salary increases was increased from 3.05% to 3.3% to 10.3% on average.

June 30, 2018 – Pension and OPEB – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018 for either pension or OPEB.

CITY OF SOMERSET, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2022

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2017 – Pension – Hazardous and Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017:

- The assumed rate of return was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.3%.
- Payroll growth assumption was reduced from 4% to 2%

June 30, 2016 – Pension and OPEB – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016 for either pension or OPEB.

June 30, 2015 – Pension – Hazardous and Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

- The assumed rate of return was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.5% to 3.25%.
- The assumed rate of wage inflation was reduced from 1% to .75%.
- Payroll growth assumption was reduced from 4.5% to 4%.
- Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females).
- For Disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.

June 30, 2014 – Pension – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2014.

June 30, 2013 – Pension – Hazardous and Nonhazardous

The following assumptions were made by the Kentucky Legislature and reflected in the initial valuation performed as of June 30, 2013:

- The assumed rate of return was 7.75%.
- The assumed rate of inflation was 3.5%.
- The assumed rate of wage inflation was 1%.
- Payroll growth assumption was 4.5%.
- Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006. The 1994 Group Annuity Mortality Table was used for all other members.

SUPPLEMENTARY INFORMATION

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

| | <u>Municipal Aid Projects Fund</u> | <u>Coal & Mineral Severance Fund</u> | <u>Travel & Tourism Fund</u> | <u>2022 Total</u> |
|-------------------------------------|--|--|--|-----------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 35,616 | \$ 9,341 | \$ 231,956 | \$ 276,913 |
| Receivables, net | 23,113 | 8,687 | 23,610 | 55,410 |
| Due from other funds | - | - | 2,030 | 2,030 |
| Prepaid expenses | - | - | - | - |
| | <u>58,729</u> | <u>18,028</u> | <u>257,596</u> | <u>334,353</u> |
| Total assets | <u>\$ 58,729</u> | <u>\$ 18,028</u> | <u>\$ 257,596</u> | <u>\$ 334,353</u> |
| LIABILITIES AND FUND BALANCE | | | | |
| Liabilities | | | | |
| Accounts payable | \$ - | \$ - | \$ 4,259 | \$ 4,259 |
| Due to other funds | - | - | 11,776 | 11,776 |
| Unearned revenue | - | - | 200 | 200 |
| Other current liabilities | - | - | 14,397 | 14,397 |
| | <u>-</u> | <u>-</u> | <u>30,632</u> | <u>30,632</u> |
| Total liabilities | - | - | 30,632 | 30,632 |
| Fund balance | <u>58,729</u> | <u>18,028</u> | <u>226,964</u> | <u>303,721</u> |
| Total liabilities and fund balance | <u>\$ 58,729</u> | <u>\$ 18,028</u> | <u>\$ 257,596</u> | <u>\$ 334,353</u> |

CITY OF SOMERSET, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ALL NONMAJOR GOVERNMENTAL FUNDS
for the year ended June 30, 2022

| | Municipal Aid Projects Fund | Coal & Mineral Severance Fund | Travel & Tourism Fund | 2022 Total |
|---|--|--|--|-----------------------|
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ 246,076 | \$ 246,076 |
| Charges for services | - | - | - | - |
| Intergovernmental revenues | 221,629 | 32,058 | - | 253,687 |
| Interest income | 294 | 34 | - | 328 |
| Other revenues | - | - | 76,611 | 76,611 |
| Total revenues | <u>221,923</u> | <u>32,092</u> | <u>322,687</u> | <u>576,702</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Streets | 123,025 | - | - | 123,025 |
| Travel and tourism | - | - | 299,291 | 299,291 |
| Capital outlay | 157,711 | - | - | 157,711 |
| Debt service | - | - | - | - |
| Total expenditures | <u>280,736</u> | <u>-</u> | <u>299,291</u> | <u>580,027</u> |
| Excess revenues over (under) expenditures before other sources (uses) | (58,813) | 32,092 | 23,396 | (3,325) |
| Other financing sources (uses) | | | | |
| Transfers from (to) other funds | - | - | 62,511 | 62,511 |
| Total other financing sources (uses) | - | - | 62,511 | 62,511 |
| Excess revenues and other sources over (under) expenditures | (58,813) | 32,092 | 85,907 | 59,186 |
| Fund balance, beginning of year | <u>117,542</u> | <u>(14,064)</u> | <u>141,057</u> | <u>244,535</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 58,729</u> | <u>\$ 18,028</u> | <u>\$ 226,964</u> | <u>\$ 303,721</u> |

CITY OF SOMERSET, KENTUCKY
STATEMENT OF REVENUES AND EXPENSES - BUDGET TO ACTUAL
GAS DEPARTMENT
for the year ended June 30, 2022

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|-----------------------|-----------------------|---------------------|
| OPERATING REVENUES | | | |
| Sales to customers | \$ 9,000,000 | \$ 8,855,243 | \$ (144,757) |
| Transportation/surcharges | 1,035,000 | 699,478 | (335,522) |
| Other operating revenues | <u>331,000</u> | <u>341,914</u> | <u>10,914</u> |
| TOTAL OPERATING REVENUES | <u>10,366,000</u> | <u>9,896,635</u> | <u>(469,365)</u> |
| OPERATING EXPENSES | | | |
| Gas purchases, net of refunds | 3,504,500 | 4,151,433 | 646,933 |
| Maintenance | 932,000 | 591,898 | (340,102) |
| Personnel services | 1,802,700 | 1,777,293 | (25,407) |
| Supplies | 84,300 | 81,955 | (2,345) |
| Utilities | 60,000 | 60,165 | 165 |
| Insurance | 60,000 | 50,458 | (9,542) |
| Engineering | 68,800 | 53,605 | (15,195) |
| Severance tax | 10,000 | 6,095 | (3,905) |
| Contract compression | 300,000 | 73,978 | (226,022) |
| Management fees | 360,000 | 360,000 | - |
| Other | 291,150 | 127,884 | (163,266) |
| Depreciation and amortization | <u>600,000</u> | <u>725,579</u> | <u>125,579</u> |
| TOTAL OPERATING EXPENSES | <u>8,073,450</u> | <u>8,060,343</u> | <u>(13,107)</u> |
| OPERATING INCOME | <u>2,292,550</u> | <u>1,836,292</u> | <u>(456,258)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Investment income (loss) | 5,000 | (9,835) | (14,835) |
| Interest expense | (70,750) | (47,989) | 22,761 |
| Bond issuance cost | - | (9,207) | (9,207) |
| Gain (loss) on disposal of capital assets | <u>-</u> | <u>38,541</u> | <u>38,541</u> |
| TOTAL NONOPERATING REVENUES (EXPENSES) | <u>(65,750)</u> | <u>(28,490)</u> | <u>37,260</u> |
| INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS | <u>2,226,800</u> | <u>1,807,802</u> | <u>(418,998)</u> |
| Capital contributed - Grants | - | - | - |
| Transfers out | <u>(3,500,000)</u> | <u>(3,200,000)</u> | <u>300,000</u> |
| TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS | <u>(3,500,000)</u> | <u>(3,200,000)</u> | <u>300,000</u> |
| INCREASE (DECREASE) IN NET POSITION (Note 1) | <u>\$ (1,273,200)</u> | <u>\$ (1,392,198)</u> | <u>\$ (118,998)</u> |

Note 1: The City's budget includes a cash balance forward from the prior year which totals \$1,273,200. The cash balance forward amount is not included in this schedule. Consequently, this schedule shows a budgeted decrease in net position of \$1,273,200.

CITY OF SOMERSET, KENTUCKY
STATEMENT OF REVENUES AND EXPENSES - BUDGET TO ACTUAL
WATER DEPARTMENT
for the year ended June 30, 2022

| | Budget | Actual | Variance |
|---|---------------------|---------------------|-------------------|
| OPERATING REVENUES | | | |
| Sales to customers | \$ 8,240,000 | \$ 7,506,313 | \$ (733,687) |
| Transportation/surcharges | 120,000 | 177,109 | 57,109 |
| Other operating revenues | 100,000 | 11,084 | (88,916) |
| TOTAL OPERATING REVENUES | 8,460,000 | 7,694,506 | (765,494) |
| OPERATING EXPENSES | | | |
| Maintenance | 935,500 | 434,506 | (500,994) |
| Personnel services | 1,841,000 | 1,888,667 | 47,667 |
| Supplies | 890,000 | 519,894 | (370,106) |
| Utilities | 885,000 | 858,592 | (26,408) |
| Insurance | 110,000 | 90,551 | (19,449) |
| Engineering | 47,500 | 27,979 | (19,521) |
| Management fees | 360,000 | 360,000 | - |
| Other | 129,500 | 81,303 | (48,197) |
| Depreciation and amortization | 1,609,100 | 1,618,781 | 9,681 |
| TOTAL OPERATING EXPENSES | 6,807,600 | 5,880,273 | (927,327) |
| OPERATING INCOME (LOSS) | 1,652,400 | 1,814,233 | 161,833 |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest income | 15,000 | (3,730) | (18,730) |
| Interest expense | (432,261) | (358,480) | 73,781 |
| Bond issuance cost | - | - | - |
| Gain (loss) on asset disposal | - | 47,125 | 47,125 |
| TOTAL NONOPERATING REVENUES (EXPENSES) | (417,261) | (315,085) | 102,176 |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS | 1,235,139 | 1,499,148 | 264,009 |
| Capital contributed - Grants | - | - | - |
| Transfers out | (2,100,000) | (1,800,000) | 300,000 |
| TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS | (2,100,000) | (1,800,000) | 300,000 |
| INCREASE (DECREASE) IN NET POSITION (Note 1) | \$ (864,861) | \$ (300,852) | \$ 564,009 |

Note 1: The City's budget includes a cash balance forward from the prior year which totals \$1,446,038. The cash balance forward amount is not included in this schedule. Consequently, this schedule shows a budgeted decrease in net position of \$864,861.

CITY OF SOMERSET, KENTUCKY
STATEMENT OF REVENUES AND EXPENSES - BUDGET TO ACTUAL
WASTEWATER DEPARTMENT
for the year ended June 30, 2022

| | Budget | Actual | Variance |
|---|---------------------|---------------------|-----------------------|
| OPERATING REVENUES | | | |
| Sales to customers | \$ 3,325,000 | \$ 2,927,772 | \$ (397,228) |
| Transportation/surcharges | 25,000 | 6,144 | (18,856) |
| Other operating revenues | 1,993,000 | 779,202 | (1,213,798) |
| TOTAL OPERATING REVENUES | 5,343,000 | 3,713,118 | (1,629,882) |
| OPERATING EXPENSES | | | |
| Maintenance | 586,000 | 613,891 | 27,891 |
| Personnel services | 1,358,000 | 1,245,817 | (112,183) |
| Supplies | 21,000 | 19,990 | (1,010) |
| Utilities | 410,000 | 452,259 | 42,259 |
| Insurance | 50,000 | 50,832 | 832 |
| Engineering | 30,000 | 16,777 | (13,223) |
| Treatment | 88,000 | 149,036 | 61,036 |
| Other | 109,200 | 131,191 | 21,991 |
| Depreciation and amortization | 1,100,000 | 1,142,838 | 42,838 |
| TOTAL OPERATING EXPENSES | 3,752,200 | 3,822,631 | 70,431 |
| OPERATING INCOME (LOSS) | 1,590,800 | (109,513) | (1,700,313) |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest income | 30,000 | 14,052 | (15,948) |
| Interest expense | (186,132) | (181,637) | 4,495 |
| Bond issuance cost | - | (13,811) | (13,811) |
| Gain (loss) on asset disposal | - | (73,105) | (73,105) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | (156,132) | (254,501) | (98,369) |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS | 1,434,668 | (364,014) | (1,798,682) |
| Capital contributed - Grants | - | - | - |
| Transfers in | - | - | - |
| Transfers out | - | - | - |
| TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS | - | - | - |
| INCREASE (DECREASE) IN NET POSITION (Note 1) | \$ 1,434,668 | \$ (364,014) | \$ (1,798,682) |

Note 1: The City includes principal debt payments and capital projects in its budget. Principal debt payments and capital expenditures are not presented on this schedule. Consequently, this schedule shows a budgeted increase in net position.

CITY OF SOMERSET, KENTUCKY
STATEMENT OF REVENUES AND EXPENSES - BUDGET TO ACTUAL
SANITATION DEPARTMENT
for the year ended June 30, 2022

| | Budget | Actual | Variance |
|---|---------------------|-----------------------|---------------------|
| OPERATING REVENUES | | | |
| Sales to customers | \$ 4,365,000 | \$ 3,794,179 | \$ (570,821) |
| Other operating revenues | 50,000 | 31,737 | (18,263) |
| TOTAL OPERATING REVENUES | 4,415,000 | 3,825,916 | (589,084) |
| OPERATING EXPENSES | | | |
| Maintenance | 365,000 | 327,941 | (37,059) |
| Personnel services (Note 1) | 1,420,100 | 1,872,091 | 451,991 |
| Supplies | 258,000 | 240,717 | (17,283) |
| Utilities | 29,000 | 29,494 | 494 |
| Insurance | 68,000 | 64,022 | (3,978) |
| Landfill | 1,100,000 | 1,099,567 | (433) |
| Management fees | 360,000 | 360,000 | - |
| Other | 172,300 | 64,818 | (107,482) |
| Depreciation | 275,000 | 267,624 | (7,376) |
| TOTAL OPERATING EXPENSES | 4,047,400 | 4,326,274 | 278,874 |
| OPERATING INCOME (LOSS) | 367,600 | (500,358) | (867,958) |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest income | 10,000 | 2,487 | (7,513) |
| Interest expense | (93,350) | (27,652) | 65,698 |
| Gain (loss) on asset disposal | - | 178,813 | 178,813 |
| TOTAL NONOPERATING REVENUES (EXPENSES) | (83,350) | 153,648 | 236,998 |
| INCOME (LOSS) BEFORE OPERATING TRANSFERS | 284,250 | (346,710) | (630,960) |
| OPERATING TRANSFERS | | | |
| Transfers in | - | - | - |
| Transfers out | (968,000) | (780,511) | 187,489 |
| TOTAL OPERATING TRANSFERS | (968,000) | (780,511) | 187,489 |
| (DECREASE) INCREASE IN NET POSITION (Note 2) | \$ (683,750) | \$ (1,127,221) | \$ (443,471) |

Note 1: Adjustments to account for the changes in the net pension liability and the net OPEB liability resulted in an increase in pension expense. Due to the uncertainty of the impact of the required net pension/OPEB liability adjustments on expense, an amount was not included in the budget for the current year change in the net pension/OPEB liability.

Note 2: The City budgeted an amount for cash balance forward. Cash balance forward is not presented on this schedule. Consequently, this schedule shows a budgeted decrease in net position of \$683,750.

CITY OF SOMERSET, KENTUCKY
STATEMENT OF REVENUES AND EXPENSES - BUDGET TO ACTUAL
VIRGINIA THEATER
for the year ended June 30, 2022

| | Budget | Actual | Variance |
|---|---------------|---------------|-----------------|
| OPERATING REVENUES | | | |
| Sales to customers | \$ - | \$ - | \$ - |
| Other operating revenues | - | - | - |
| TOTAL OPERATING REVENUES | - | - | - |
| OPERATING EXPENSES | | | |
| Salaries | 5,000 | 3,008 | (1,992) |
| Other operating expenses | 162,300 | 118,095 | (44,205) |
| TOTAL OPERATING EXPENSES | 167,300 | 121,103 | (46,197) |
| OPERATING INCOME (LOSS) | (167,300) | (121,103) | 46,197 |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest income | 200 | 187 | (13) |
| Interest expense | (68,400) | (74,342) | (5,942) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | (68,200) | (74,155) | (5,955) |
| INCOME (LOSS) BEFORE OPERATING TRANSFERS | (235,500) | (195,258) | 40,242 |
| OPERATING TRANSFERS | | | |
| Transfers in | 300,000 | 394,217 | 94,217 |
| Transfers out | (64,500) | (64,474) | 26 |
| TOTAL OPERATING TRANSFERS | 235,500 | 329,743 | 94,243 |
| (DECREASE) INCREASE IN NET POSITION | \$ - | \$ 134,485 | \$ 134,485 |



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

To the Mayor and City Council
City of Somerset, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Somerset, 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 Somerset, Kentucky's basic financial statements, and have issued our report thereon dated December 7, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Somerset, 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 the City of Somerset, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Somerset, 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 of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Somerset, 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.

RFH

RFH, PLLC
Lexington, Kentucky
December 7, 2022



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Mayor and City Council
City of Somerset, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Somerset, 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 the City of Somerset, Kentucky's major federal programs for the year ended June 30, 2022. The City of Somerset, Kentucky's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Somerset, 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Somerset, 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 the City of Somerset, 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 the City of Somerset, Kentucky's federal programs.

Auditors' 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 the City of Somerset, 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 the City of Somerset, Kentucky's compliance with the requirements of each major federal program as a whole.

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 the City of Somerset, 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 the City of Somerset, 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Somerset, 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 Auditors' 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.

RFH

RFH, PLLC
Lexington, Kentucky
December 7, 2022

CITY OF SOMERSET, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended June 30, 2022

| GRANTOR/PROGRAM TITLE | Federal AL Number | Pass/Through Contract Number | Grant Contract Period | Passed Through to Subrecipients | Expenditures |
|--|-------------------------|------------------------------------|-----------------------------|---------------------------------------|---------------------|
| U.S. Department of the Treasury | | | | | |
| Passed through the Kentucky Department for Local Government | | | | | |
| COVID-19 - Coronavirus Relief Fund for States | 21.019 | Note 3 | 7/1/2021- 6/30/2022 | \$ - | \$ 285,942 |
| COVID-19 - Coronavirus State and Local Fiscal Recovery Funds | 21.027 | Note 3 | 7/1/2021- 6/30/2022 | - | 3,052,466 |
| Total U.S. Department of the Treasury | | | | <u>-</u> | <u>3,338,408</u> |
| U.S. Department of Housing and Urban Development | | | | | |
| Passed through the Kentucky Department for Local Government | | | | | |
| Community Development Block Grant/State's Program | 14.228 | 20C-001 | 7/1/2021- 6/30/2022 | - | 400,000 |
| Total U.S. Department of Housing and Urban Development | | | | <u>-</u> | <u>400,000</u> |
| U.S. Department of Transportation | | | | | |
| Passed through the Kentucky Transportation Cabinet | | | | | |
| Highway Planning and Construction | 20.205 | Note 3 | 7/1/2021-6/30/2022 | - | 27,821 |
| National Priority Safety Program | 20.616 | Note 3 | 7/1/2021-6/30/2022 | - | 21,292 |
| Total U.S. Department of Transportation | | | | <u>-</u> | <u>49,113</u> |
| U.S. Environmental Protection Agency | | | | | |
| Passed through the Kentucky Infrastructure Authority | | | | | |
| Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | 21199002 | 7/1/2021-6/30/2022 | - | 741,864 |
| Total U.S. Environmental Protection Agency | | | | <u>-</u> | <u>741,864</u> |
| U.S. Department of Homeland Security | | | | | |
| SAFER Grant | 97.083 | N/A | 7/1/2021-6/30/2022 | - | 124,244 |
| Total U.S. Department of Homeland Security | | | | <u>-</u> | <u>124,244</u> |
| U.S. Department of Health and Human Services | | | | | |
| COVID-19 - Provider Relief Fund | 93.498 | N/A | 7/1/2021-6/30/2022 | - | 99,399 |
| Total U.S. Department of Homeland Security | | | | <u>-</u> | <u>99,399</u> |
| Total federal awards expended | | | | <u>\$ -</u> | <u>\$ 4,753,028</u> |

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Somerset, Kentucky and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in, or used in the preparation of, the basic financial statements may differ from these numbers.

Note 2 - Indirect Cost Rates

The City did not elect to use the 10 percent de minimis cost rate as allowed under the Uniform Guidance.

Note 3 - Passthrough entity numbers are presented when available. Pass through grantor's number not available.

CITY OF SOMERSET, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2022

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified __Yes XNo

Significant deficiencies identified that are not
 considered to be material weaknesses __Yes XNone reported

Non-compliance material to financial statements noted __Yes XNo

Federal Awards:

Internal control over major programs:

Material weaknesses identified __Yes XNo

Significant deficiencies identified that are not
 considered to be material weaknesses __Yes XNone 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 200.516(a)?

__Yes XNo

Major Program:

| AL Numbers | Name of Federal Program or Cluster |
|-------------------|--|
| 21.027 | COVID-19 – Coronavirus State and Local Fiscal Recovery Funds |

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

Auditee qualified as a low-risk auditee? XYes __No

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

NONE

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

IV. PRIOR AUDIT FINDINGS

NONE

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