

Financial Statements, Required
Supplementary Information and
Other Supplementary Information

2023

City of Anchorage, Kentucky

June 30, 2023



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Other Supplementary Information

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June 30, 2023

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Independent Auditors' Report

To the Mayor and City Council
City of Anchorage, Kentucky
Anchorage, Kentucky

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Anchorage, Kentucky (the "City"), 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 and each major fund of the City as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") 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 and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with GAAP; 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'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 GAAS 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 GAAS 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'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'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

GAAP requires that budgetary comparison information, and the pension and other post-employment benefit liability and contribution information on pages 37 through 45 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board (“GASB”), 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that GAAP require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The individual fund statements of revenues, expenditures and changes in fund balance 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 GAAS. In our opinion, the combining and individual nonmajor fund financial statements 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 January 30, 2024, on our consideration of the City'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 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's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.


Louisville, Kentucky
January 30, 2024

Statement of Net Position

City of Anchorage, Kentucky

June 30, 2023

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 179,404
Restricted cash	159,786
Investments	5,623,226
Receivables	
Property taxes	61,310
Franchise tax receivable	2
Leases	186,756
Other receivables (payable)	36,001
Prepaid expenses	25,491
Land	1,049,738
Capital assets, net of accumulated depreciation	<u>3,588,679</u>
Total Assets	10,910,393
Deferred Outflows of Resources	
Deferred outflows from pension liability	679,726
Deferred outflows from OPEB liability	<u>299,607</u>
Total Deferred Outflows of Resources	979,333
Liabilities	
Accounts payable	19,329
Accrued payroll	26,520
Unearned revenue	111,800
Zoning deposits	21,000
Compensated absences	233,305
Net pension liability	1,729,396
Net OPEB liability	<u>474,570</u>
Total Liabilities	2,615,920
Deferred Inflows of Resources	
Deferred inflows from leases	187,410
Deferred inflows from pension liability	628,688
Deferred inflows from OPEB liability	<u>402,851</u>
Total Deferred Inflows of Resources	1,218,949
Net Position	
Net investment in capital assets	4,638,417
Restricted for street maintenance	159,786
Unrestricted	<u>3,256,654</u>
Total Net Position	\$ 8,054,857

See Notes to Financial Statements

Statement of Activities

City of Anchorage, Kentucky

Year Ended June 30, 2023

	Expenses	Program Revenues		Net (Expenses) Revenues
		Charges for Services	Operating Grants and Contributions	
Functions/Programs:				
Administrative and general government	\$ 1,399,196	\$ 23,319	\$ 8,862	\$ (1,367,015)
Police	961,708		58,207	(903,501)
Public works	393,674			(393,674)
Roads	289,708			(240,516)
				\$ 49,192
Total Expenses	<u>\$ 3,044,286</u>	<u>\$ 23,319</u>	<u>\$ 67,069</u>	<u>\$ (2,904,706)</u>
General Revenues				
Taxes				
Real property				1,928,527
Personal property				160,081
Insurance premium taxes				558,756
Franchise taxes and fees				76,968
Penalties and interest				2,254
Lease income				96,875
State grants				258,180
Interest and investment income				100,693
Gain on sales of capital assets				7,775
Net decrease in fair value of investments				(54,689)
Miscellaneous				37,226
				<u>3,172,646</u>
				Change in Net Position
				267,940
				Net Position, Beginning of Year
				<u>7,786,917</u>
				Net Position, End of Year
				<u>\$ 8,054,857</u>

See Notes to Financial Statements

Balance Sheet - Governmental Funds

City of Anchorage, Kentucky

June 30, 2023

	Governmental Funds		Totals	
	General	Road	2023	2022
Assets				
Cash	\$ 179,404		\$ 179,404	\$ 358,323
Restricted cash		\$ 159,786	159,786	110,288
Investments	5,623,226		5,623,226	5,726,646
Property taxes receivable	61,310		61,310	67,940
Franchise tax receivable	2		2	
Leases receivable	186,756		186,756	151,392
Miscellaneous accounts receivable (payable)	36,001		36,001	(111)
Prepaid expenses	25,491		25,491	21,845
Total Assets	\$ 6,112,190	\$ 159,786	\$ 6,271,976	\$ 6,436,323
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities				
Accounts payable	\$ 19,329		\$ 19,329	\$ 62,935
Accrued payroll	26,520		26,520	29,633
Unearned revenue	111,800		111,800	365,046
Zoning bonds	21,000		21,000	43,000
Total Liabilities	178,649		178,649	500,614
Deferred Inflows of Resources				
Leases	187,410		187,410	140,869
Fund Balances				
Nonspendable	25,491		25,491	21,845
Restricted for street maintenance		\$ 159,786	159,786	110,288
Unassigned	5,720,640		5,720,640	5,662,707
Total Fund Balances	5,746,131	159,786	5,905,917	5,794,840
Total Liabilities, Deferred Inflows of Revenues, and Fund Balances	\$ 6,112,190	\$ 159,786	\$ 6,271,976	\$ 6,436,323

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

Fund Balances - Total Governmental Funds		\$ 5,905,917
Amounts reported for governmental activities in the statement of net assets are different because		
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources, and therefore are not reported in the governmental funds		4,638,417
Deferred outflows and inflows related to pension have been deferred in the Statement of Net Position		51,038
Deferred outflows and inflows related to other post employment benefit amounts have been deferred in the Statement of Net Position		(103,244)
Long-term liabilities, including net pension liability, Net OPEB liabilities, are not due and payable in the current period and therefore are not reported in the governmental funds.		
Compensated absences	\$ (233,305)	
Net pension liability	(1,729,396)	
Net OPEB liabilities	(474,570)	
		<u>(2,437,271)</u>
Net Position of Governmental Activities		\$ 8,054,857

See Notes to Financial Statements

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

City of Anchorage, Kentucky

Year Ended June 30, 2023

	Governmental Funds		Totals	
	General	Road	2023	2022
Revenues				
Real property taxes	\$ 1,928,527		\$ 1,928,527	\$ 1,752,477
Personal property tax	160,081		160,081	130,473
Insurance premium tax	558,756		558,756	516,459
Franchise taxes and fees	76,968		76,968	68,134
Other fees	23,319		23,319	9,769
Intergovernmental revenues				
Base court revenue	8,862		8,862	6,006
State grants	8,302	\$ 249,878	258,180	293,578
Police incentive	58,207		58,207	65,925
Kentucky municipal aid	142	49,050	49,192	48,130
Tax penalties and interest	2,254		2,254	1,744
Investment income	86,780	449	87,229	85,763
Net decrease in fair value of investments	(54,689)		(54,689)	(287,377)
Lease income	96,875		96,875	75,090
Lease interest	13,464		13,464	13,315
Litter abatement	1,951		1,951	1,008
Miscellaneous	35,275		35,275	23,386
Total Revenues	3,005,074	299,377	3,304,451	2,803,880
Expenditures				
Public works	297,555		297,555	251,469
Police department	1,188,957		1,188,957	1,080,241
Administrative and general	1,254,721		1,254,721	1,143,405
Roads		157,402	157,402	78,554
Capital outlay	107,834	194,680	302,514	373,646
Total Expenditures	2,849,067	352,082	3,201,149	2,927,315
Revenues in Excess of (Less Than) Expenditures	156,007	(52,705)	103,302	(123,435)

Continued

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds--Continued

City of Anchorage, Kentucky

Year Ended June 30, 2023

	<u>Governmental Funds</u>		<u>Totals</u>	
	<u>General</u>	<u>Road</u>	<u>2023</u>	<u>2022</u>
Other Financing Sources (Uses)				
Sales of capital assets	7,775		7,775	
Operating transfers in		102,203	102,203	(21,195)
Operating transfers out	(102,203)		(102,203)	21,195
Total Other Financing Sources (Uses)	<u>(94,428)</u>	<u>102,203</u>	<u>7,775</u>	
Net Change in Fund Balances	61,579	49,498	111,077	(123,435)
Fund Balances, Beginning of Year	<u>5,684,552</u>	<u>110,288</u>	<u>5,794,840</u>	<u>5,918,275</u>
Fund Balances, End of Year	<u>\$ 5,746,131</u>	<u>\$ 159,786</u>	<u>\$ 5,905,917</u>	<u>\$ 5,794,840</u>

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Change in Net Position of Government-wide Activities

Net Change in Fund Balances - Total Governmental Funds	\$ 111,077
Amounts reported for governmental activities in the government-wide statement of activities are different because of the following:	
Additions to capital assets capitalized on government-wide statement of net position	302,514
Capital asset use is expensed as depreciation on the government-wide statement of activities	(464,749)
Compensated absences decreased	7,657
Net difference between pension plan contributions reported as expenditures in the governmental funds and the pension plan expense recorded in the government-wide statement of activities	<u>311,441</u>
Change in Net Position of Governmental Activities	<u>\$ 267,940</u>

See Notes to Financial Statements

City of Anchorage, Kentucky

June 30, 2023

Note A--Reporting Entity and Summary of Significant Accounting Policies

Financial Reporting Entity--The City of Anchorage, Kentucky (the "City") is a home-rule city with a population in excess of 2,300 located in Jefferson County, Kentucky. It operates under an elected mayor-council form of government. The City provides the following types of services: police, street maintenance, recreation and community development. Primary revenue sources susceptible to accrual include: property taxes, franchise tax fees, insurance premium taxes, and intergovernmental revenues.

The City's financial statements include the operations of all organizations for which the City Council exercises oversight responsibility. Responsibility is demonstrated by financial interdependence, election of government authority, ability to significantly influence operations, and accountability for fiscal matters.

Based on the aforementioned oversight criteria, the reporting entity is confined solely to the operations of the City.

Basis of Reporting--The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), as applied to governmental entities. The City applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements.

Government-Wide Financial Statements--The government-wide financial statements (i.e., the statement of net position and the statement of activities) reports information on the City as whole excluding component units, if applicable. Interfund activity has been eliminated from these statements. 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 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. *General revenues* include taxes and other items not specifically included among program revenues.

Fund Financial Statements--Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund balance, revenues, and expenditures. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the City, or if total assets, liabilities, revenues, or expenditures of the individual governmental fund are at least ten percent of the total for all governmental funds combined. In addition, any other fund that management feels have importance to the financial statement users may be reported. The general fund is always reported as a major fund. The following are the City's governmental funds:

- a. *General Fund*--The General Fund is a governmental fund that is used to account for the general operating funds of the City. It is used to account for all financial resources except those required to be accounted for in other funds.

Continued

City of Anchorage, Kentucky

June 30, 2023

Note A--Reporting Entity and Summary of Significant Accounting Policies--Continued

- b. *Road Fund*--The Road Fund is a special revenue fund that is used to account for the proceeds of specific revenue sources that are legally restricted to specific purposes. The City maintains this special revenue fund for Municipal Road Aid funds.

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

Measurement Focus:

The government-wide financial statements of the City (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City. The government-wide financial statements are reported using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of net position and the changes in net position. All assets and liabilities (whether current or noncurrent) associated with their activities are reported in the statement of net position.

Governmental fund financial statements are reported using the current financial resources measurement focus. Only current financial assets and current liabilities are generally included on the balance sheet. The operating statement presents sources and uses of available spendable resources during a given period. These funds use fund balance as the measure of available spendable financial resources at the end of the period.

Basis of Accounting:

The government-wide financial statements are prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Grants are recognized in revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are susceptible to accrual and recognized in the financial statements when they are measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Property taxes are recognized in revenues in the year for which taxes have been levied provided they are collected within 60 days after the year-end. Insurance premium taxes, licenses and permits, fines and forfeitures, and miscellaneous revenues are recognized in revenue when received because they are generally not measurable or available until actually received. Investment earnings are recognized as earned. Revenues not considered available are recognized as unearned revenues. Expenditures and liabilities are generally recognized when the obligation is incurred, except noncurrent accrued compensated absences which are recorded as expenditures in the period when used.

Continued

Notes to Financial Statements--Continued

City of Anchorage, Kentucky

June 30, 2023

Note A--Reporting Entity and Summary of Significant Accounting Policies--Continued

Reconciliation of Government-Wide Financial Statements to Fund Financial Statements--The governmental fund balance sheet includes a reconciliation between fund balances in the governmental funds and the net position reported in the government-wide statement of net position. These adjustments reflect the changes necessary to report the governmental fund balances on the economic resources measurement focus and the accrual basis of accounting. In addition, capital assets and long-term debt are added to the governmental funds to compile the long-term view of the governmental activities column.

A similar reconciliation is included on the statement of revenues, expenditures and changes in fund balances for the governmental funds. These adjustments reflect the transition from the modified accrual basis of accounting used for governmental fund financial statements to the accrual basis of accounting used for the government-wide statement of activities. Capital outlay is replaced with depreciation expense.

Budgetary Accounting--The City follows these procedures in establishing the budgetary data reflected in the financial statements.

Normally, prior to June 30, the Mayor submits to the City Council, a proposed operating budget for the General and Special Revenue for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. Deficit budgets are contrary to state law. Public hearings are conducted to obtain citizen comments on the proposed budget and the budget is legally adopted through passage of an appropriation ordinance by City Council.

Actual expenditures and operating transfers out may not legally exceed "budget" appropriations at the individual fund level. Budgetary control, however, is maintained at the departmental level. Appropriations lapse at the close of the fiscal year to the extent that they have not been expended. The City prepares its budget on a basis of accounting that conforms to GAAP.

Use of Estimates--The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expense/expenditures during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents--The City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Restricted Assets--Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by grantors or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

The statement of net position and the governmental fund balance sheet show restricted cash in the Road Fund, which represents cash held for payment of road projects within the City.

Continued

City of Anchorage, Kentucky

June 30, 2023

Note A--Reporting Entity and Summary of Significant Accounting Policies--Continued

Accounts Receivable--In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include property taxes and franchise taxes.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions, collectible but not available are deferred in the fund financial statements in accordance with modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis.

The City considers all receivables to be fully collectible; therefore, an allowance for doubtful accounts is not recorded.

Leases--Leases are contracts that convey control of a right to use another entity's nonfinancial asset (the underlying asset) for a period of time in exchange or exchange-like transaction.

Short-term Leases

For leases with a maximum term of 12-months or less at the commencement date of the lease, the City recognizes rental income or expense as amounts become due under the lease agreement.

The City as Lessor

The City, as lessor, has lease agreements involving a cell phone tower with maturity dates through October 2026 (See Note D).

Leases receivable represent the present value of payments expected to be received during the lease term, reduced by a provision for estimated uncollectible amounts, if necessary. Lease payments are discounted to present value using the rate implicit in the lease. In subsequent years, amortization of the discount is recognized as interest income and included within rental income.

Variable payments based on the future performance of the lessee, usage of the underlying asset or criteria other than an index or rate are not included in the measurement of the leases receivable. Those variable payments are recognized as rental income in the period to which those payments relate.

At commencement of the lease, a deferred inflow of resources is recorded in an amount equal to the corresponding leases receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future period, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflow of resources is recognized as rental income in a systematic and rational manner (generally, straight-line approach) over the term of the lease.

Subsequent to the commencement of the lease, the lease receivable and the deferred inflows of resources are remeasured if certain criteria are met.

Continued

City of Anchorage, Kentucky

June 30, 2023

Note A--Reporting Entity and Summary of Significant Accounting Policies--Continued

Investments--Investments are stated at fair value as determined by quoted market prices. Realized and unrealized gains and losses are included in the government-wide statement of activities and the governmental funds statement of revenues, expenditures, and changes in fund balances (net increase/decrease in fair value of investments). Investments in certificates of deposit are reported at cost plus accrued interest, which approximates fair value.

Prepaid Expenses--Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements under the consumption method.

Capital Assets--Capital assets, which include property, plant, equipment, and infrastructure, are reported in the government-wide financial statements at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, ranging from five to forty years, and is recorded in the government-wide statement of activities within each function/program. Capital assets are defined by the City as assets with an individual cost of more than \$1,000 and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend assets' lives are not capitalized and are reported as expenses/expenditures. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Interfund Transactions--During the course of operations, transactions may occur between funds within the City that may result in transfers being recorded. Interfund receivables and payables and interfund transfers are eliminated in the government-wide statement of net position and statement of activities.

Unearned Revenue--The City reports unearned revenue to the extent that resources have been received before the applicable revenue recognition criteria have been satisfied. Grants received before the eligibility requirements are met are recorded as unearned revenue in the financial statements. When the eligibility requirements are met, the liability for unearned revenue is removed from the financial statements and revenue is recognized.

Compensated Absences--In accordance with current accounting standards no liability for compensated absences is recorded in the fund financials, but a liability is recorded in the government-wide financial statements as a long-term liability. The City allows vacation accrued to be taken in the year ending on their anniversary date. An employee may carry over up to 10 days of unused vacation time past the anniversary date to the following year. The maximum amount of vacation that may accumulate through carryovers is 25 days. Police department employees who are subject to special scheduling will be paid for unused vacation that would cause them to accumulate more than 25 days for any given year, and any unused holiday hours by October 31.

The City allows accumulation of sick pay with no maximum. Upon termination of employment, the City will pay 25% of any accrued and unused sick pay to the employee.

Continued

City of Anchorage, Kentucky

June 30, 2023

Note A--Reporting Entity and Summary of Significant Accounting Policies--Continued

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, Non-Hazardous and Hazardous ("CERS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by this pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The liability was measured as of June 30, 2023.

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, OPEB expense, and information about the fiduciary net position of the CERS and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by this System. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The liability was measured at June 30, 2023.

Net Position/Fund Balance

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form or are legally or contractually required to be maintained intact. Restricted fund balance has limitations for a specific purpose imposed by external parties, enabling legislation or constitutional provisions. Committed fund balance is a limitation for a specific purpose imposed by the City. Assigned fund balance is a limitation imposed by designee of the City. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one or more of the above four categories.

Continued

Notes to Financial Statements--Continued

City of Anchorage, Kentucky

June 30, 2023

Note A--Reporting Entity and Summary of Significant Accounting Policies--Continued

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

The City's road fund is restricted by enabling legislation and as of June 30, 2023 had a balance of \$159,786 available to be expended for its restricted purpose.

Expenses/Expenditures--Expenses are classified by function/program in the government-wide financial statements. Expenditures are classified by function in the governmental fund financial statements. Indirect expenses are not allocated to functions in the statement of activities.

Property Tax--Property tax assessments are completed by the City. The assessment notices are sent out mid-January each year. Tax bills based on these assessments are mailed mid-April and are due June 30 of each year. If paid by June 1st, a discount will be applied to the face amount of what is due. Those paid after June 30 will have penalties attached. No allowance has been established for delinquent taxes due to the amount being undeterminable.

Insurance Tax--The City assess a tax on all insurance premiums on the residents of the City. The tax is 5% of the associated premiums paid by residents. The City receives payment of these taxes directly from the insurance carrier.

Prior Year Information--The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended June 30, 2022, from which the summarized information is derived.

Adoption of New Accounting Standard

Effective July 1, 2022, the City adopted the provisions of GASB Statement No. 96, *Subscription Based Information Technology Arrangements (SBITAs)* (GASB 96). The objective of this statement is to better meet the information needs of financial statement users by establishing uniform accounting and financial reporting requirements for SBITAs, improving the comparability of financial statements among governments that have entered into SBITAs, and enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. The statement requires recognition of certain right to use subscription assets and subscription liabilities for SBITAs and Recognition of inflows of resources or outflows of resources based on the payment provisions of the agreement.

The adoption of this new standard had no significant impact on the financial statements of the City and there was no adjustment necessary to the opening balance of net position fund balance as a result of the implementation of GASB 96.

Notes to Financial Statements--Continued

City of Anchorage, Kentucky

June 30, 2023

Note B--Cash, Cash Equivalents and Investments

Deposits are carried at cost, which approximates market value. The City maintains deposit balances at Stock Yards Bank & Trust Company. Accounts at broker/dealer institutions are insured by Securities Investor Protection Corporation up to \$500,000, and at each bank are insured by the Federal Deposit Insurance Corporation up to \$250,000.

Cash balances at Stock Yards Bank & Trust Company are shown in the schedule below:

General	\$ 132,738
Forestry	2,089
Road Fund	159,786
Infrastructure	<u>44,277</u>
Total Cash in Financial Institution	338,890
Cash on hand in petty cash funds	<u>300</u>
Total Cash and Cash Equivalents, All Funds	<u>\$ 339,190</u>

GASB No. 40, *Deposits and Investment Risk Disclosures*, required the City to address the following risks related to its investments:

Credit Risk--The City's investment policy follows state statute Kentucky Revised Statute ("KRS") 66.480 that authorizes the City to invest in obligations of any agency of the U.S. Government; certificates of deposit or other interest-bearing accounts of any bank; bankers acceptances, commercial paper for banks rated in one of the three highest categories by a nationally recognized rating agency; securities issued by a state or local government; shares of mutual funds which meet certain characteristics.

Custodial Credit Risk--Custodial credit risk for cash and investments is the risk that, in the event of failure by a financial institution, the City may not be able to recover the value of its deposits and investments or collateral securities that are in the possession of the financial institution. The City's policy dictates that all cash maintained in any financial institution be collateralized, the collateral held in the name of the City, and that investments be registered in the name of the City. At June 30, 2023, the City did not have any uncollateralized deposits subject to custodial credit risk and all investments were held in its name.

Interest Rate Risk--The City does not have a formal written investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changes in interest rates.

Concentration of Credit Risk--The City places no limit on the amount it may invest in any one issuer. The City's financial advisor consults with the City Council and the Kentucky Department for Local Government to determine suitable investments.

Notes to Financial Statements--Continued

City of Anchorage, Kentucky

June 30, 2023

Note B--Cash, Cash Equivalents and Investments--Continued

As of June 30, 2023, the City had the following investments:

Fund Type	Investment Type	Cost	Fair Value	Moody's Rating	Yield	Maturity			
						> 1 yr	1-2 yr	2-4 yr	4+ yr
Government									
	U.S. Treasury Note	\$ 1,710,934	\$ 1,711,224	AA+	0.10%	\$ 1,711,224			
	U.S. Treasury Note	306,346	288,060	AA+	2.25%		\$ 288,060		
		2,017,280	1,999,284			1,711,224	288,060		
Federal Agency									
	FHLB Step-up	250,000	228,708	AA+	0.50%			\$ 228,708	
	FHLB Step-up	250,000	226,855	AA+	0.65%			226,855	
	FHLB Step-up	339,958	310,100	AA+	0.63%			310,100	
	FHLB Multi-Step	250,000	225,640	AA+	0.75%			225,640	
		1,089,958	991,303					991,303	
Municipal Bonds									
	IN St Hsg Govt Gtd	49,643	49,910	AAA	4.00%			49,910	
Money Market Mutual Funds									
	Federated Government Obligations Fund	719,676	719,676	NR	0.70%	719,676			
	Obligations Fund	60,126	60,126	NR	0.70%	60,126			
		779,802	779,802			779,802			
Collateralized Mortgage Obligations									
	Small Business Investment	112,258	112,872	NR	2.35%	112,872			
Savings & Certificates of Deposit									
	Capital One Bank CD	103,046	95,949	NR	1.90%		95,949		
	Morgan Stanley CD	249,921	245,323	NR	0.60%	245,323			
	State Bk India NY CD	249,500	230,524	NR	1.10%		230,524		
	Texas Exchange BK CD	249,500	229,398	NR	1.00%		229,398		
	Merrick Bank CD Utah	250,000	226,738	NR	0.50%		226,738		
	Bk Hapoalim BM NY CD	248,674	222,003	NR	0.50%			222,003	
	Jonesboro State Bk CD	250,000	222,315	NR	1.00%			222,315	
	Synchrony Bank CD	248,668	217,805	NR	0.95%			217,805	
		1,849,309	1,690,055			245,323	782,609	662,123	
		<u>\$ 5,898,250</u>	<u>\$ 5,623,226</u>			<u>\$ 2,849,221</u>	<u>\$ 1,070,669</u>	<u>\$ 1,703,336</u>	<u>\$ -0-</u>

Continued

City of Anchorage, Kentucky

June 30, 2023

Note B--Cash, Cash Equivalents and Investments--Continued

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows

Level 1 – Investments reflect prices quoted in active markets.

Level 2 – Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.

Level 3 – Investments reflect prices based upon unobservable sources.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during the year ended June 30, 2023.

- *U.S Treasury, U.S. Agency Securities, Municipal Bonds and Money Market Mutual Funds:* Valued using quoted prices in active markets for similar investments and interest rates.
- *Certificates of Deposit:* Valued using observable prices on similar investments with similar interest rates.

The following table sets forth by level, within the hierarchy, the City's investments measured at fair value as of June 30, 2023, are as follows.

	Fair Value June 30, 2023	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Unobservable Inputs Level 3
Government				
U.S. Treasury Notes	\$ 1,999,284	\$ 1,999,284		
U.S. Agency Notes	991,303	991,303		
Municipal Bonds	49,910	49,910		
Money Market Mutual Funds	779,802	779,802		
Collateralized Mortgage Obligations	112,872	112,872		
Certificates of Deposit	1,690,055		\$ 1,690,055	
	<u>\$ 5,623,226</u>	<u>\$ 3,933,171</u>	<u>\$ 1,690,055</u>	<u>\$</u>

Continued

Notes to Financial Statements--Continued

City of Anchorage, Kentucky

June 30, 2023

Note B--Cash, Cash Equivalents and Investments--Continued

The City's policy is to recognize transfers between levels as of the actual date of the event or changes in circumstances. There were no transfers between levels during the year ended June 30, 2023.

The City holds investments which are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

Note C--Capital Assets

Capital assets activity for the year ended June 30, 2023 is as follows:

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance June 30, 2023</u>
Governmental Activities				
Non-depreciable assets				
Land	\$ 504,738			\$ 504,738
Osage Road land	545,000			545,000
Total Non-depreciable Assets	1,049,738			1,049,738
Depreciable assets				
Furnishings and equipment	596,103	\$ 59,914	\$ 7,438	648,579
Motor vehicles	717,052	55,602	25,915	746,739
Infrastructure	5,021,998	186,998		5,208,996
Police station renovation	456,526			456,526
City Hall renovation	511,057			511,057
Building improvements	649,344			649,344
Total Depreciable Assets	7,952,080	302,514	33,353	8,221,241
Total Capital Assets	9,001,818	302,514	33,353	9,270,979
Accumulated depreciation:				
Furnishings and equipment	514,425	35,077		549,502
Motor vehicles	451,711	144,232	7,438	588,505
Infrastructure	2,136,081	237,802	25,915	2,347,968
Police station renovation	298,996	13,748		312,744
City Hall renovation	241,068	13,065		254,133
Building improvements	558,885	20,825		579,710
Total Accumulated Depreciation	4,201,166	464,749	33,353	4,632,562
Government-Wide Activities Capital Assets, net	\$ 4,800,652	\$ (162,235)	\$	\$ 4,638,417

Continued

Notes to Financial Statements--Continued

City of Anchorage, Kentucky

June 30, 2023

Note C--Capital Assets--Continued

Depreciation expense was charged to the functions of the City as follows:

Governmental Activities

Administrative and general government	\$	141,073
Police		100,526
Public works		90,844
Roads		<u>132,306</u>
Total Depreciation Expense	\$	<u>464,749</u>

Note D--Leases

The City leases tower space to four mobile communication providers. As the interest rate implicit in the City's leases are not readily determinable, the City utilizes the marginal rate of commercial debt.

Sprint Lease. The City leases out unrestricted rights of access thereto and to electric and telephone facilities beginning at the corner common to the Anchorage depot lot of the Louisville & Nashville Railroad Company extending near 40 feet along the CSX railroad. The lease has an initial term of five years and includes three five year renewal periods.

Subsequent to the end of the year, this lease was terminated by the Lessee, the City received a settlement of \$16,000. As of June 30, 2023, the lease receivable and the deferred inflows related to this lease totaled approximately \$31,000 and \$32,000, respectively.

T Mobile Lease. The City leases out a portion of the cell tower located at 1306 Evergreen Road, Louisville, Kentucky. The property may be used by Lessee for the transmission and receipt of wireless communication signals. The lease has an initial term of 15 years and includes two five year renewal periods. The renewal periods have been included in the lease term with a termination date of November 2023.

Subsequent to the end of the year, the City signed an amendment to the TMobile lease to be extended automatically for five additional and successive five year terms. The extension was not included in the lease term calculation as of June 30, 2023.

Verizon Lease. The City leases out a portion of space on a cell tower located at 11506 Park Road, Anchorage, Kentucky. The property is used to maintain and operate radio communications. The lease has an initial term of five years and includes four five year renewal periods. The renewal periods have not been included in the lease term.

Continued

Notes to Financial Statements--Continued

City of Anchorage, Kentucky

June 30, 2023

Note D--Leases--Continued

AT&T Lease. The City leases out a portion of space on a cell tower located at 1306 Evergreen Road, Louisville, Kentucky. The property is used to maintain and operate radio communications. The lease has an initial term of five years and includes eight five year renewal periods. Only the noncancellable extended term has been included in the lease term.

For the year ended June 30, 2023, the City recognized \$97,669 of lease income and \$13,464 in interest income related to these lease agreements. The leases receivable and deferred inflows of resources related to rental income were \$155,718 and \$155,578, respectively as of June 30, 2023.

Note E--Compensated Absences

Accrued compensated absences for the year ended June 30, 2023 is as follows:

	Balance June 30, 2022	Earned	Used	Balance June 30, 2023	Amounts Due Within One Year
City Hall	\$ 27,612	\$ 6,849	\$ 3,863	\$ 30,598	\$ 12,268
Police	191,145	27,959	43,369	175,735	102,286
Public Works	22,205	11,793	7,026	26,972	8,510
Total	\$ 240,962	\$ 46,601	\$ 54,258	\$ 233,305	\$ 123,064

Note F--Retirement Plan

Plan Description--Employees of the City are provided a defined benefit pension plan through the County Employees Retirement System ("CERS"), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the State of Kentucky. Under the provisions of the KRS (defined in Note B) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publically available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov>.

Continued

Notes to Financial Statements--Continued

City of Anchorage, Kentucky

June 30, 2023

Note F--Retirement Plan--Continued

Benefits provided: Nonhazardous

	Tier 1 Nonhazardous Participation beginning prior to 9/1/2008	Tier 2 Nonhazardous Participation beginning 9/1/2008 through 12/31/2013	Tier 3 Nonhazardous Participation beginning on or after 1/1/2014
Covered Employees:	All full-time employees	All full-time employees	All full-time employees
Benefit Formula:	Final compensation x Benefit factor x Years of service	Final compensation x Benefit factor x Years of service	Cash balance plan
Final Compensation:	Average of the highest 5 fiscal years (must contain at least 48 months and a minimum of 5 fiscal years)	5 complete fiscal years immediately preceding retirement; Each year must contain 12 months	No final compensation factor
Benefit Factor:	2.00% - If member began participating after 8/1/2004 and before 9/1/2008. 2.20% - If member began participating prior to 8/1/2004	10 years or less = 1.10%. Greater than 10 years, but no more than 20 years = 1.30%. Greater than 20 years, but no more than 26 years = 1.50%. Greater than 26 years, but no more than 30 years = 1.75%. Additional years above 30 = 2.00% (2.00% benefit factor only applies to service earned in excess of 30 years)	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and a method adopted by the KRS Board based on member's accumulated account balance.
Cost of Living Adjustment ("COLA"):	No COLA unless authorized by the Kentucky General Assembly	No COLA unless authorized by the Kentucky General Assembly	No COLA unless authorized by the Kentucky General Assembly
Unreduced Retirement Benefit:	Any age with 27 years of service. Age 65 with 1 month of service	Rule of 87: Member must be at least age 57 and age plus earned service must equal 87 years at retirement to retire under this provision. Age 65 with 5 years of earned service	Rule of 87: Member must be at least age 57 and age plus earned service must equal 87 years at retirement to retire under this provision. Age 65 with 5 years of earned service
Reduced Retirement Benefit:	Any age with 25 years of service. Age 55 with 5 years of service. Reduced by 6.5% per year for first 5 years, and 4.5% for next 5 years before age 65 or 27 years of service	Age 60 with 10 years of service. Reduced by 6.5% per year for first 5 years, and 4.5% for next 5 years before age 65 or Rule of 87	No reduced retirement benefit

Continued

Notes to Financial Statements--Continued

City of Anchorage, Kentucky

June 30, 2023

Note F--Retirement Plan--Continued

Benefits provided: Hazardous

	<u>Tier 1 Hazardous Participation beginning prior to 9/1/2008</u>	<u>Tier 2 Hazardous Participation beginning 9/1/2008 through 12/31/2013</u>	<u>Tier 3 Hazardous Participation beginning on or after 1/1/2014</u>
Covered Employees:	All full-time employees	All full-time employees	All full-time employees
Benefit Formula:	Final compensation x Benefit factor x Years of service	Final compensation x Benefit factor x Years of service	Cash balance plan
Final Compensation:	Average of the highest 3 fiscal years (must contain at least 24 months and a minimum of 3 fiscal years)	Average of the highest 3 fiscal years; Each year must contain 12 months of service credit	No final compensation factor
Benefit Factor:	2.50%	10 years or less = 1.30%. Greater than 10 years, but no more than 20 years = 1.50%. Greater than 20 years, but no more than 25 years = 2.25%. Additional years above 25 = 2.50% (2.50% benefit factor only applies to service earned in excess of 25 years)	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and a method adopted by the KRS Board based on member's accumulated account balance.
Cost of Living Adjustment ("COLA"):	No COLA unless authorized by the Kentucky General Assembly	No COLA unless authorized by the Kentucky General Assembly	No COLA unless authorized by the Kentucky General Assembly
Unreduced Retirement Benefit:	Any age with 20 years of service. Age 55 with 1 month of service.	Any age with 25 years of service. Age 60 with 5 years of service.	Any age with 25 years of service. Age 60 with 5 years of service. No Money Purchase calculations
Reduced Retirement Benefit:	Age 55 with 15 years of service. Reduced by 6.5% per year for the first 5 years and 4.5% per year for the next 5 years before age 55 or 20 years service	Age 50 with 15 year of experience. Reduced by 6.5% per year for the first 5 years and 4.5% per year for the next 5 years before age 60 or 25 years service	No reduced retirement benefit

Continued

City of Anchorage, Kentucky

June 30, 2023

Note F--Retirement Plan--Continued

Contributions

Contributions for employees are established in the statutes governing the KRS and may only be changed by the Kentucky General Assembly. Employees contribute 5% of their salary if they were plan members prior to September 1, 2008. For employees that entered the plan after September 1, 2008, they are required to contribute 6% of their annual creditable compensation. Five percent of the contribution was deposited to the member's account while the 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). Hazardous covered employees who began participations on or after September 1, 2008 are required to contribute 9% of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the Kentucky Retirement System Insurance Fund. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation.

For the year ended June 30, 2023, employers contributed 42.81% of Hazardous employees' creditable compensation and 23.40% of each Nonhazardous employees' creditable compensation as set by KRS. For the year ended June 30, 2023, employer contributions for the City were \$325,670. By law, employer contributions are required to be paid. The Kentucky Retirement System may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution ("ADC") and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability

The City's net pension liability was \$1,729,396 measured as of June 30, 2022. The total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date. At June 30, 2022, the City's portion of nonhazardous and hazardous net pension liability was 0.018% and 0.014%, respectively.

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

Inflation	2.30%
Payroll growth rate	2.00%
Salary increase	3.30% to 10.30%, varies by service, Nonhazardous; 3.55% to 19.05%, varies by service, Hazardous
Investment rate of return	6.25%, net of pension plan investment expense, including inflation

The mortality table used for active members is PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

Continued

City of Anchorage, Kentucky

June 30, 2023

Note F--Retirement Plan--Continued

For healthy retired members and beneficiaries, the mortality table used is the PUB-2010 General Mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2020 (set back 3 years for males).

For disabled members, the mortality table used is the PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018.

The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Specialty Credit/High Yield	10.00%	2.28%
Core Bonds	10.00%	0.28%
Cash	0.00%	-0.91%
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
	<u>100.00%</u>	

Projected Cash Flows--The projection of cash flows used to determine the discount rate assumed that local employees would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 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.

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

Continued

City of Anchorage, Kentucky

June 30, 2023

Note F--Retirement Plan--Continued

return for each major asset class is summarized in the table below. The current long term inflation assumption is 2.30% per annum for both the non-hazardous and hazardous system.

Discount Rate--For CERS Hazardous and Non-Hazardous, 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 contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.58%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis--The following presents the net pension liability of the City calculated using the discount rate of 6.25%, as well as what the net pension 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:

	<u>1% Decrease (5.25%)</u>	<u>Current Discount Rate (6.25%)</u>	<u>1% Increase (7.25%)</u>
Net pension liability - nonhazardous	\$ 1,639,287	\$ 1,311,560	\$ 1,040,502
Net pension liability - hazardous	\$ 520,483	\$ 417,836	\$ 334,236

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

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

Pension Expense--The City recognized pension plan expense of (\$41,054) (\$108,028 for nonhazardous and (\$149,082) for hazardous service employees).

Continued

Notes to Financial Statements--Continued

City of Anchorage, Kentucky

June 30, 2023

Note F--Retirement Plan--Continued

Deferred Outflows of Resources and Deferred Inflows of Resources--For the year ended June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Nonhazardous		
Difference between expected and actual experience	\$ 1,402	\$ 11,680
Change of assumptions		
Net difference between projected and actual earnings on investments	178,464	144,840
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,708	28,218
Contributions subsequent to the measurement date	133,343	
Hazardous		
Difference between expected and actual experience	11,980	
Change of assumptions		
Net difference between projected and actual earnings on investments	46,609	36,958
Changes in proportion and differences between employer contributions and proportionate share of contributions	101,893	406,992
Contributions subsequent to the measurement date	192,327	
Total	<u>\$ 679,726</u>	<u>\$ 628,688</u>

The \$325,670 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability during the year ending June 30, 2023. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ending June 30:	
2023	\$ (131,960)
2024	(86,611)
2025	(81,072)
2026	25,011
2027	-

In the tables shown above, positive amounts will increase pension expense and negative amounts will decrease pension expense.

City of Anchorage, Kentucky

June 30, 2023

Note G--Postemployment Benefits Other than Pensions (“OPEB”)

The City’s employees are provided with a postemployment benefit plan other than pensions. The County Employees Retirement System, Hazardous and Non-hazardous (“CERS”) covers all employees of the City, except for employees that are already receiving pension benefits.

Plan Description--KRS Section 61.645 requires CERS to provide post-employment healthcare benefits to eligible members and dependents. The CERS Hazardous and Non-hazardous Insurance Funds is a cost-sharing multiple-employer defined benefit Other Postemployment Benefits (“OPEB”) plans for members that cover all regular full-time members employed of any state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate. The plans provide for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances. Under the provisions of the KRS Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov>.

Benefits Provided--Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. If a participating employee suffers a work-related death, CERS will provide a lump sum payment of \$10,000 plus a lifetime monthly payment of 75% of the member’s monthly average until the spouse’s death or remarriage. If a participating employee dies prior to retirement and the death is not work-related, the beneficiary may choose from a selection of actuarial calculated lump sum or annuity payments. Five years’ service is required for non-service-related disability benefits, and the disabled employee must be determined as disabled by KRS Medical Review Physicians panel.

Contributions

To be eligible for medical benefits, the member must have retired either for service or disability. The CERS Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. For medical insurance purposes, employees are grouped into three tiers, based on hire date:

		Non-hazardous Members	Hazardous members
Tier 1	Participation before 7/1/2003	Based on years of service and type of service KRS pays a percentage of the monthly contribution rate	Based on years of service, it includes coverage for spouse & dependent insurance
	Participation after 7/1/2003	At least 10 years of service \$10 per month for each year of earned service without regard to a maximum dollar amount; adjusted annually	At least 10 years of service \$15 per month of each year of earned service; includes spouse and dependent coverage
Tier 2	Participation after 9/1/2008	At least 15 years of service \$10 per month for each year of earned service without regard to a maximum dollar amount; adjusted by 1.5% annually	At least 15 years of service \$15 per month for each year of earned service adjusted by 1.5% annually \$10 per month for each year for surviving spouse; includes coverage for spouse & dependents.
Tier 3	Participation after 1/1/2015	At least 15 years of service \$10 per month for each year of earned service without regard to a maximum dollar amount; adjusted by 1.5% annually	At least 15 years of service \$15 per month for each year of earned service adjusted by 1.5% annually \$10 per month for each year for surviving spouse includes coverage for spouse & dependents

Continued

City of Anchorage, Kentucky

June 30, 2023

Note G--Postemployment Benefits Other than Pensions (“OPEB”)--Continued

Funding Policy--KRS set the employer rate allocable to the health insurance benefits at 3.39% in 2023, 5.78% in 2022, and 4.76% in 2021 for nonhazardous employees. The rates for hazardous employees were 6.78% in 2023, 10.47% in 2022, and 9.52% in 2021. The contribution rates are created by statute and were 100% funded during 2023, 2022, and 2023.

At the time of completion of these financial statements, Kentucky Retirement System has not yet released their Annual Comprehensive Financial Report (“ACFR”) for the fiscal year ended June 30, 2023. The following information was extracted from the Kentucky Retirement System ACFR for the fiscal year ended June 30, 2022.

The Kentucky Retirement System Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The Kentucky Retirement System Insurance Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous members killed in the line of duty. The amount of contribution paid by the funds is based on years of service. The plan provides the following benefits based on the employees starting participation date:

Insurance Tier 1 - For members participating prior to July 1, 2003 and before September 1, 2018, the insurance fund contributes a percentage of a single monthly plan based on years of service as follows:

<u>Years of Service</u>	<u>Portion Paid by KRS Insurance Fund</u>
Less than 4 years	0%
4-9 years	25%
10-14 years	50%
15-19 years	75%
20+ years	100%

Health insurance benefits are not protected under the inviolable contract provisions of KRS Sections 16.652, 61.692, and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

The contribution requirements of employers and plan members are established and may be amended by the Board of Trustees. The City was required to contribute at an actuarially determined rate determined by Statute. Per KRS Section 78.545(33) normal contribution and past service contribution rates shall be determined by the Kentucky Retirement System Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Kentucky Retirement System Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Kentucky Retirement System Board.

Continued

City of Anchorage, Kentucky

June 30, 2023

Note G--Postemployment Benefits Other than Pensions ("OPEB")--Continued

The City's contributions to the CERS OPEB were \$47,333 (\$16,873 nonhazardous and \$30,460 hazardous). The OPEB contributions do not include the implicit subsidy amount.

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

OPEB Expense--The City's proportionate share of plan OPEB expense was \$56,477 for nonhazardous and (\$46,229) for hazardous service employees.

At June 30, 2023, the City reported a liability of \$474,570 for its proportionate share of the collective net OPEB liability that reflected a reduction for State OPEB support provided to the City. The collective net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the City's proportion was 0.018% for Non-hazardous plan and 0.014% for Hazardous plan.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Nonhazardous		
Difference between expected and actual experience	\$ 36,035	\$ 82,097
Change of assumptions	56,619	46,654
Net difference between projected and actual earnings on investments	66,662	52,132
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,563	12,407
Contributions subsequent to the measurement date	16,873	
Hazardous		
Difference between expected and actual experience	2,576	6,904
Change of assumptions	19,460	20,058
Net difference between projected and actual earnings on investments	24,371	20,116
Changes in proportion and differences between employer contributions and proportionate share of contributions	34,988	162,483
Contributions subsequent to the measurement date	30,460	
Total	<u>\$ 299,607</u>	<u>\$ 402,851</u>

Continued

City of Anchorage, Kentucky

June 30, 2023

Note G--Postemployment Benefits Other than Pensions ("OPEB")--Continued

The \$47,333 reported as deferred outflows of resources related to OPEBs resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability during the year ending June 30, 2023. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ending June 30:		
2023	\$	(43,319)
2024		(29,056)
2025		(51,397)
2026		(8,161)
2027		(18,644)
Thereafter		-

In the tables shown above, positive amounts will increase pension expense and negative amounts will decrease OPEB expense.

Actuarial Assumptions--The total OPEB liability, net OPEB liability, and sensitivity information were based on the actuarial valuation date as of June 30, 2021. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2022, using the following actuarial assumptions applied in all periods included in the measurement:

Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increase	3.30% to 10.30%, nonhazardous, varies by service 3.55% to 19.05%, hazardous, varies by service
Investment rate of return	6.25%
Healthcare Trend Rates (Pre – 65)	Initial trend starting at 6.30% at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Healthcare Trend Rates (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

The mortality table used for active members is PUB-2010 Generally Mortality table for the nonhazardous system, and the PUB-2010 Public Safety Mortality table for the hazardous systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

For non-disabled retired members, the system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

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

Continued

City of Anchorage, Kentucky

June 30, 2023

Note G--Postemployment Benefits Other than Pensions ("OPEB")--Continued

Actuarial Assumptions – Contributions

The following were the actuarial methods and assumptions used for the actuarially determined contributions:

Actuarial Valuation Date	June 30, 2021
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	30 years, Closed period at June 30, 2019
Payroll Growth Rate	2.0%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets recognized
Inflation	2.30%
Salary Increases	3.55% to 19.05%, hazardous, varies by service 3.30% to 10.30%, nonhazardous, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates (Pre – 65)	Initial trend starting at 6.4% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years
Healthcare Trend Rates (Post – 65)	Initial trend starting at 6.3% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for CERS non-hazardous and hazardous

The mortality table utilized was the system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

Continued

City of Anchorage, Kentucky

June 30, 2023

Note G--Postemployment Benefits Other than Pensions ("OPEB")--Continued

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected</u>
U.S Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Specialty Credit/High Yield	10.00%	2.28%
Core Bonds	10.00%	0.28%
Cash	0.00%	-0.91%
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
	100.00%	

Discount Rate--For CERS Non-hazardous, the discount rate used to measure the total OPEB liability was 5.70% and 5.61% for Hazardous. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 5.70%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of CERS Proportionate Share of Net OPEB Liability to Changes in the Discount Rate--The following table presents the net pension liability of the City, calculated using the discount rates selected by each pension system, as well as what the City's net pension 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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS Discount Rate - nonhazardous	4.70%	5.70%	6.70%
Net OPEB liability - nonhazardous	\$ 478,583	\$ 357,995	\$ 258,310
CERS Discount Rate - hazardous	4.61%	5.61%	6.61%
Net OPEB liability - hazardous	\$ 161,978	\$ 116,575	\$ 79,700

Continued

City of Anchorage, Kentucky

June 30, 2023

Note G--Postemployment Benefits Other than Pensions (“OPEB”)--Continued

Sensitivity of the City’s Proportionate Share of the Collective Net OPEB Liability to Changes in the Healthcare Cost Trend Rates--The following presents the City’s proportionate share of the collective net OPEB liability, as well as what the City’s proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Health Care Trend</u>	<u>1% Increase</u>
Net OPEB liability - nonhazardous	\$ 468,270	\$ 357,995	\$ 266,162
Net OPEB liability - hazardous	\$ 81,403	\$ 116,575	\$ 159,448

OPEB Plan Fiduciary Net Position--Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued KRS financial report.

Note H--Zoning Deposits

The City collects a builder’s bond from each builder constructing a new home or adding a significant addition to an existing home within the City limits to cover the cost of clean-up in the event the builder fails to do so. When the project has been completed to the satisfaction of the City, the deposit is refunded. As of June 30, 2023, the balance on deposit was \$21,000.

Note I--Property Taxes

The City’s property tax is levied each spring on the assessed values as of January 1 for all real and personal property located in the City. The City’s property tax rate is \$0.329 per \$100 valuation and are due on or before June 30, 2023. If they are paid before June 1 they are given a discount of 5%. Tax bills paid after June 30 are subject to a 12% interest of the tax amount per annum. After November 1, the City imposes a 25% penalty on any delinquent tax.

Note J--Risk Management

The City is exposed to various risks and losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City currently carries property and general liability insurance through the U.S. Specialty Insurance. Workers' Compensation insurance is carried through Kentucky Employers Mutual Insurance. The City reports all of its risk management activities in its General Fund.

City of Anchorage, Kentucky

June 30, 2023

Note K--Interfund Transfers Classes/Amounts

Interfund transfers for the year ended June 30, 2023, were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General fund		\$ 102,203
Road fund	<u>\$ 102,203</u>	
	<u>\$ 102,203</u>	<u>\$ 102,203</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note L--Implementation of GASB Pronouncements

New GASB pronouncements become effective for fiscal years indicated below:

Accounting pronouncements adopted during the fiscal year 2023:

1. GASB Statement No. 91, *Conduit Debt Obligations*
2. GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
3. GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* GASB has issued several reporting standards that will become effective for fiscal year 2023 and later years' financial statements.

Future implementation in fiscal year 2024:

1. GASB Statement No. 100, *Accounting Changes and Error Corrections*
2. GASB Statement No. 101, *Compensated Absences*

The City is currently evaluating the impact that will result from adopting these GASB standards and is therefore unable to disclose the impact that adopting these standards will have on the City's financial position and the results of its operations when the standards are adopted.

Notes to Financial Statements--Continued

City of Anchorage, Kentucky

June 30, 2023

Note M--Subsequent Events

In preparing these financial statements, management of the City has evaluated events and transactions or potential recognition or disclosure through January 30, 2024, the date the financial statements were available to be issued.

Required Supplementary Information

Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund

City of Anchorage, Kentucky

For the Year Ended June 30, 2023

	Budget		Actual	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Property taxes	\$ 2,032,045	\$ 2,032,045	\$ 2,088,608	\$ 56,563
Insurance premiums tax	460,000	460,000	558,756	98,756
Franchise taxes and fees	90,000	90,000	76,968	(13,032)
Other fees	9,100	9,100	23,319	14,219
Sewer reimbursements				
Base court revenue	8,000	8,000	8,862	862
State grants	313,730	313,730	8,302	(305,428)
Police incentive	43,000	43,000	58,207	15,207
Kentucky municipal aid	150	150	142	(8)
Tax penalties and interest	1,700	1,700	2,254	554
Investment income	98,390	98,390	86,780	(11,610)
Net decrease in fair value of investments			(54,689)	(54,689)
Rental income	85,235	85,235	110,339	25,104
Litter abatement	2,015	2,015	1,951	(64)
Other	11,910	11,910	35,275	23,365
Total Revenues	3,155,275	3,155,275	3,005,074	(150,201)
Expenditures				
Administrative and general	1,238,072	1,238,072	1,254,721	16,649
Police department	1,152,090	1,152,090	1,188,957	36,867
Public works department	243,630	243,630	265,095	21,465
Forestry department	34,045	34,045	32,460	(1,585)
Capital expenditures	146,000	146,000	107,834	(38,166)
Total Expenditures	2,813,837	2,813,837	2,849,067	35,230
Revenues in Excess of Expenditures	341,438	341,438	156,007	(185,431)
Other Financing Sources (Uses)				
Transfers out			(102,203)	(102,203)
Sale of fixed assets	16,000	16,000	7,775	(8,225)
Total Other Financing Sources (Uses)	16,000	16,000	(94,428)	(110,428)
Net Change in Fund Balance	\$ 357,438	\$ 357,438	\$ 61,579	\$ (295,859)

See Independent Auditors' Report

Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - Road Fund

City of Anchorage, Kentucky

For the Year Ended June 30, 2023

	Budget		Actual	Variance with Final Budget - Over (Under)
	Original	Final		
Revenue				
Intergovernmental revenue	\$ 49,000	\$ 49,000	\$ 49,050	\$ 50
State grants			249,878	249,878
Investment income	350	350	449	99
Total Revenue	49,350	49,350	299,377	250,027
Expenditures				
Streets/drainage	122,700	122,700	157,402	34,702
Capital expenditures	50,000	50,000	194,680	144,680
Total Expenditures	172,700	172,700	352,082	179,382
Revenues Less Than Expenditures	(123,350)	(123,350)	(52,705)	70,645
Other Financing Sources				
Transfers in			102,203	102,203
Net Change in Fund Balance	\$ (123,350)	\$ (123,350)	\$ 49,498	\$ 172,848

See Independent Auditors' Report

Schedule of the City's Proportionate Share of the Net Pension Liability

**County Employees Retirement System (CERS)

City of Anchorage, Kentucky

June 30, 2023

Last Ten Fiscal Years**

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
<u>Nonhazardous</u>									
City's proportion of the net pension liability	0.018350%	0.018380%	0.016010%	0.016772%	0.017627%	0.018346%	0.018300%	0.018806%	0.018143%
City's proportionate share of the net pension liability	\$ 595,000	\$ 790,310	\$ 788,104	\$ 981,717	\$ 1,073,538	\$ 1,290,282	\$ 1,403,595	\$ 1,199,030	\$ 1,311,560
City's covered employee payroll	\$ 472,654	\$ 483,607	\$ 486,972	\$ 437,008	\$ 462,677	\$ 468,758	\$ 481,091	\$ 518,945	\$ 569,840
City's proportion of the net pension liability as a percentage of its covered employee payroll	125.88%	163.42%	161.84%	224.65%	232.03%	275.26%	291.75%	231.05%	230.16%
Total Pension Plan's Fiduciary Net Position as a percentage of Total Pension Liability	66.80%	59.97%	55.50%	53.30%	53.54%	50.45%	47.81%	57.33%	52.42%
<u>Hazardous</u>									
City's proportion of the net pension liability	0.103690%	0.088060%	0.065910%	0.058008%	0.058399%	0.036385%	0.019932%	0.026691%	0.013693%
City's proportionate share of the net pension liability	\$ 1,246,000	\$ 1,351,809	\$ 1,130,980	\$ 1,297,801	\$ 1,412,355	\$ 1,005,061	\$ 600,955	\$ 710,557	\$ 417,836
City's covered employee payroll	\$ 496,845	\$ 523,882	\$ 596,812	\$ 330,029	\$ 299,854	\$ 311,935	\$ 314,462	\$ 329,670	\$ 449,258
City's proportion of the net pension liability as a percentage of its covered employee payroll	250.78%	258.04%	189.50%	393.24%	471.01%	322.20%	191.11%	215.54%	93.01%
Total Pension Plan's Fiduciary Net Position as a percentage of Total Pension Liability	63.46%	57.52%	53.95%	49.80%	49.26%	46.63%	44.11%	52.26%	47.11%

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

See Independent Auditors' Report

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

City of Anchorage, Kentucky

June 30, 2023

Last Ten Fiscal Years**

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
<u>Nonhazardous</u>									
Statutorily required contribution for pension	\$ 60,263	\$ 60,064	\$ 82,564	\$ 63,279	\$ 75,046	\$ 90,470	\$ 92,851	\$ 109,861	\$ 133,343
City's contributions in relation to the statutorily required contribution	<u>60,263</u>	<u>60,064</u>	<u>82,564</u>	<u>63,279</u>	<u>75,046</u>	<u>90,470</u>	<u>92,851</u>	<u>109,861</u>	<u>133,343</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 472,654	\$ 483,607	\$ 486,972	\$ 437,008	\$ 462,677	\$ 468,758	\$ 481,091	\$ 518,945	\$ 569,840
Contributions as a percentage of its covered employee payroll	12.75%	12.42%	16.95%	14.48%	16.22%	19.30%	19.30%	21.17%	23.40%
<u>Hazardous</u>									
Statutorily required contribution for pension	\$ 108,601	\$ 99,599	\$ 104,385	\$ 73,266	\$ 74,574	\$ 93,768	\$ 94,527	\$ 111,626	\$ 192,327
City's contributions in relation to the statutorily required contribution	<u>108,601</u>	<u>99,599</u>	<u>104,385</u>	<u>73,266</u>	<u>74,574</u>	<u>93,768</u>	<u>94,527</u>	<u>111,626</u>	<u>192,327</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 496,845	\$ 523,882	\$ 596,812	\$ 330,029	\$ 299,854	\$ 311,935	\$ 314,462	329,670	449,258
Contributions as a percentage of its covered employee payroll	21.86%	19.01%	17.49%	22.20%	24.87%	30.06%	30.06%	33.86%	42.81%

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

See Independent Auditors' Report

City of Anchorage, Kentucky

Year Ended June 30, 2023

Changes in Assumptions and Benefit Terms from 2022 to 2023--There were no changes noted.

Changes in Assumptions and Benefit Terms from 2021 to 2022--There were no changes noted.

Changes in Assumptions and Benefit Terms from 2020 to 2021--There were no changes noted.

Changes in Assumptions and Benefit Terms from 2019 to 2020--Since the prior measurement date, annual salary increases were updated based on the 2018 Experience Study; annual rates of retirement, disability, withdrawal, and mortality were updated based on the 2018 Experience Study; the percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members and 50% for hazardous members; the assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated (i.e. increased) to better reflect more current expectations relating to anticipated future increases in the medical costs for post-age 65 retirees; and the assumed impact of the Cadillac Tax was changed from a 3.6% to a 0.9% load on employer paid premiums for Non-Medicare retirees who became participants prior to July 1, 2003.

Changes in Assumptions and Benefit Terms from 2018 to 2019--Since the prior measurement date, there have been no changes in actuarial assumptions. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The TPL as of June 30, 2018 was determined using these updated benefit provisions.

Changes in Assumptions and Benefit Terms from 2017 to 2018--Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as described: (i) the assumed investment rate of return was decreased from 7.50% to 6.25%, (ii) the assumed rate of inflation was reduced from 3.25% to 2.30%, and (iii) payroll growth assumption was reduced from 4.00% to 2.00%.

Note: There were no changes from 2016 to 2017.

Continued

Notes to Required Supplementary Information - County Employees Retirement System (CERS) Pensions

City of Anchorage, Kentucky

Year Ended June 30, 2023

Changes in Assumptions and Benefit Terms from 2015 to 2016--Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as described: (i) the assumed investment rate of return was decreased from 7.75% to 7.50%, (ii) the assumed rate of inflation was reduced from 3.50% to 3.25%, (iii) the assumed rate of wage inflation was reduced from 1.00% to 0.75%, (iv) payroll growth assumption was reduced from 4.50% to 4.00%, (v) the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted, and (vi) the assumed rates of retirement, withdrawal and disability were updated to more accurately reflect experience.¹²⁵

Period Covered by the Required Supplementary Information--GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27* requires the accompanying supplementary information to report on trend information for the previous ten fiscal years if the information is available. The City has been provided this information for six fiscal years and will expand this supplementary information in future financial statements to cover additional periods as it becomes available.

See Independent Auditors' Report

Schedule of the City's Proportionate Share of the Collective Net OPEB Liability

**County Employees Retirement System (CERS)

City of Anchorage, Kentucky

June 30, 2023

Last Ten Fiscal Years**

	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
<u>Nonhazardous</u>							
City's proportion of the net OPEB Liability	0.016772%	0.016772%	0.017627%	0.018341%	0.018295%	0.018801%	0.018140%
City's proportionate share of the net OPEB liability	\$ 264,470	\$ 337,175	\$ 312,964	\$ 308,487	\$ 441,769	\$ 359,936	\$ 357,995
City's covered employee payroll	\$ 486,972	\$ 437,008	\$ 462,677	\$ 468,758	\$ 481,091	\$ 518,945	\$ 569,840
City's proportion of the net OPEB liability as a percentage of its covered employee payroll	54.31%	77.16%	67.64%	65.81%	91.83%	69.36%	62.82%
Total OPEB Plan's Fiduciary Net Position as a percentage of Total OPEB Liability	N/A	52.40%	57.62%	60.44%	51.67%	62.91%	60.95%
<u>Hazardous</u>							
City's proportion of the net OPEB Liability	0.058008%	0.058008%	0.058402%	0.036377%	0.019926%	0.026691%	0.013686%
City's proportionate share of the net OPEB liability	\$ 286,540	\$ 479,536	\$ 416,383	\$ 269,139	\$ 184,137	\$ 215,813	\$ 116,575
City's covered employee payroll	\$ 596,812	\$ 330,029	\$ 299,854	\$ 311,935	\$ 314,462	\$ 329,670	\$ 449,258
City's proportion of the net OPEB liability as a percentage of its covered employee payroll	48.01%	145.30%	138.86%	86.28%	58.56%	65.46%	25.95%
Total OPEB Plan's Fiduciary Net Position as a percentage of Total OPEB Liability	N/A	59.00%	64.24%	64.44%	58.84%	66.81%	64.13%

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

See Independent Auditors' Report

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

City of Anchorage, Kentucky

June 30, 2023

Last Ten Fiscal Years**

	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
<u>Nonhazardous</u>							
Statutorily required contributions	\$ 19,315	\$ 15,507	\$ 18,377	\$ 17,899	\$ 18,369	\$ 23,562	\$ 16,873
City's contributions in relation to the statutorily required contribution	<u>19,315</u>	<u>15,507</u>	<u>18,377</u>	<u>17,899</u>	<u>18,369</u>	<u>23,562</u>	<u>16,873</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 486,972	\$ 437,008	\$ 462,677	\$ 468,758	\$ 481,091	\$ 518,945	\$ 569,840
Contributions as a percentage of its covered employee payroll	3.97%	3.55%	3.97%	3.82%	3.82%	4.54%	2.96%
<u>Hazardous</u>							
Statutorily required contributions	\$ 29,773	\$ 30,859	\$ 31,395	\$ 29,696	\$ 29,937	\$ 34,516	\$ 30,460
City's contributions in relation to the statutorily required contribution	<u>29,773</u>	<u>30,859</u>	<u>31,395</u>	<u>29,696</u>	<u>29,937</u>	<u>34,516</u>	<u>30,460</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 596,812	\$ 330,029	\$ 299,854	\$ 311,935	\$ 314,462	\$ 329,670	\$ 449,258
Contributions as a percentage of its covered employee payroll	4.99%	9.35%	10.47%	9.52%	9.52%	10.47%	6.78%

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

See Independent Auditors' Report

City of Anchorage, Kentucky

Year Ended June 30, 2023

Changes in Assumptions and Benefit Terms from 2022 to 2023-- The single discount rate used to calculate the total OPEB liability increased from 5.20% to 5.70% for the Non-Hazardous Fund and from 5.05% to 5.61% for the Hazardous Fund.

Changes in Assumptions and Benefit Terms from 2021 to 2022--The single discount rate used to calculate the total OPEB liability decreased from 5.34% to 5.20% for the Non-Hazardous Fund and from 5.30% to 5.05% for the Hazardous Fund.

Changes in Assumptions and Benefit Terms from 2020 to 2021-- Since the prior measurement date, the discount rate used to calculate the total OPEB liability decreased from 5.68% to 5.34% for the Non-Hazardous Fund and from 5.69% to 5.30% for the Hazardous Fund. The assumed increase in future health care costs, or trend assumption was reviewed during the June 30, 2020 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. Also, the June 30, 2020 GASB No. 74 actuarial information reflects the anticipated savings from the repeal of the "Cadillac Tax" and "Health Insurer Fee", which occurred in December of 2019. The assumed load on pre-Medicare premiums to reflect the cost of the Cadillac Tax was removed and the Medicare premiums were reduced by 11% to reflect the repeal of the Health Insurer Fee.

Changes in Assumptions and Benefit Terms from 2019 to 2020--Since the prior measurement date, annual salary increases were updated based on the 2018 Experience Study; annual rates of retirement, disability, withdrawal, and mortality were updated based on the 2018 Experience Study; the percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members and 50% for hazardous members; the assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated (i.e. increased) to better reflect more current expectations relating to anticipated future increases in the medical costs for post-age 65 retirees; and the assumed impact of the Cadillac Tax was changed from a 3.6% to a 0.9% load on employer paid premiums for Non-Medicare retirees who became participants prior to July 1, 2003.

Changes in Assumptions and Benefit Terms from 2018 to 2019--Since the prior measurement date, there have been no changes in actuarial assumptions. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The TPL as of June 30, 2018 was determined using these updated benefit provisions.

Period Covered by the Required Supplementary Information--GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions and Financial Reporting for Pensions, an Amendment of GASB Statement No. 45* requires the accompanying supplementary information to report on trend information for the previous ten fiscal years if the information is available. The City has been provided this information for four fiscal years and will expand this supplementary information in future financial statements to cover additional periods as it becomes available.

See Independent Auditors' Report

Other Supplementary Information

Statement of Revenues, Expenditures and Changes in Fund Balance -
General Fund

City of Anchorage, Kentucky

For the Year Ended June 30, 2023

Revenues	
Property taxes	\$ 2,088,608
Insurance premiums tax	558,756
Franchise taxes and fees	76,968
Other fees	23,319
Base Court revenue	8,862
State grants	8,302
Police incentive	58,207
Kentucky municipal aid	142
Tax penalties and interest	2,254
Investment income	86,780
Net decrease in fair value of investments	(54,689)
Lease income	96,875
Lease interest	13,464
Litter abatement	1,951
Other	35,275
	<hr/>
Total Revenues	3,005,074
Expenditures	
Public Works	
Salaries and wages	175,525
Forestry	32,460
Repairs and maintenance	36,443
Cleaning	8,724
Beautification	19,447
Gasoline	17,581
Uniform allowance	1,620
Miscellaneous	185
Supplies	5,570
Capital outlay	18,234
	<hr/>
Total Public Works	315,789
Police Department	
Salaries - police and dispatchers	1,051,770
Equipment maintenance	28,111
Gasoline	47,915
Uniform allowance	13,109
Supplies	20,763

Continued

Statement of Revenues, Expenditures and Changes in Fund Balance -
 General Fund--Continued

City of Anchorage, Kentucky

For the Year Ended June 30, 2023

Miscellaneous	1,026
Travel	2,634
Conference and dues	890
Police grant	22,739
Capital outlay	89,600

Total Police Department	1,278,557
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Administrative and General

Administrative salaries	144,238
Payroll taxes	104,057
Employee medical insurance	149,009
Professional services	37,895
Insurance	75,490
Miscellaneous	1,279
Telephone	7,100
Light, heat and water	30,951
Office supplies and postage	18,904
Life insurance	14,913
Advertising	2,110
Pension/retirement	340,198
Historic preservation	50
Payroll processing	3,062
Civic services	701
Dues and subscriptions	4,348
Travel	138
Conferences	300
Office equipment maintenance	2,246
Special events	8,237
Trash collection	251,365
Investment costs	12,516
Legal fees	24,640
Repairs and maintenance	20,974

Total Administrative and General	1,254,721
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Total Expenditures	2,849,067
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Revenues in Excess of Expenditures	156,007
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Continued

Statement of Revenues, Expenditures and Changes in Fund Balance -
General Fund--Continued

City of Anchorage, Kentucky

For the Year Ended June 30, 2023

Other Financing Uses	
Transfers out	(102,203)
Sale of fixed assets	<u>7,775</u>
Total Other Financing Uses	<u>(94,428)</u>
	Net Change in Fund Balance
	61,579
Fund Balance, Beginning of Year	<u>5,684,552</u>
	Fund Balance, End of Year
	<u><u>\$ 5,746,131</u></u>

See Independent Auditors' Report

Statement of Revenues, Expenditures and Changes in Fund Balance -
Road Fund

City of Anchorage, Kentucky

For the Year Ended June 30, 2023

Revenues		
Road aid allowance		\$ 49,050
State grants		249,878
Interest income		<u>449</u>
Total Revenues		299,377
Expenditures		
Tree removal		46,645
Street and traffic signs		2,256
Snow and ice removal		10,104
Hot mix/cold patch		1,150
Rocks		423
Drainage		160
Roads		96,664
Capital outlay		<u>194,680</u>
Total Expenditures		<u>352,082</u>
	Revenues Less Than Expenditures	(52,705)
Other Financing Sources		
Transfers in		<u>102,203</u>
	Net Change in Fund Balance	49,498
Fund Balance, Beginning of Year		<u>110,288</u>
	Fund Balance, End of Year	<u><u>\$ 159,786</u></u>

See Independent Auditors' Report

**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***



**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**

Mayor and City Council
City of Anchorage, Kentucky
Anchorage, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Anchorage, Kentucky (the "City") 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, and have issued our report thereon dated January 30, 2024.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City'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.

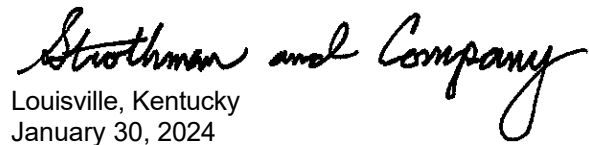
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

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

Purpose of this Report

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


Louisville, Kentucky
January 30, 2024

Schedule of Findings and Responses

Schedule of Findings and Responses

City of Anchorage, Kentucky

June 30, 2023

Findings

There were no findings for the year ended June 30, 2023.

Management Certificate of Compliance

Management Certificate of Compliance

City of Anchorage, Kentucky

June 30, 2023

Local Government Assistance

City of Anchorage, Kentucky

The City of Anchorage, Kentucky, hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose of litter abatement as dictated by the applicable Kentucky Revised Statutes.

Neil Ramsey, Mayor

Renee Major, City Clerk/Treasurer