

CITY OF HIGHLAND HEIGHTS
Highland Heights, Kentucky



FINANCIAL STATEMENTS
June 30, 2024

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INDEPENDENT AUDITORS' REPORT

Mayor and City Council
City of Highland Heights, Kentucky

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Highland Heights, Kentucky's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Highland Heights, Kentucky's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB schedules on pages 4–10 and 36–50 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2025, on our consideration of the City of Highland Heights, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Highland Heights, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Highland Heights, Kentucky's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
February 28, 2025

City of Highland Heights, Kentucky

Management's Discussion and Analysis

Our discussion and analysis of the City of Highland Heights's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2024. Please read in conjunction with the City's financial statements, which follow.

OVERVIEW OF THIS ANNUAL REPORT

This annual report consists of the management's discussion and analysis report, the independent auditors' report, the basic financial statements of the City, and the independent auditors' report on compliance. The financial statements also include notes that explain in more detail some of the information in the financial statements.

The City's financial statements present two kinds of statements, each with a different snapshot of the City's finances. The focus is both the City as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. The fund financial statements focus on the individual funds of the City, reporting the City's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison (year to year or government to government) and enhance the City's accountability.

GOVERNMENT – WIDE FINANCIAL STATEMENTS

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

These two statements report the net position of the City and the changes in them. One can think of the City's net position, the difference between assets and liabilities, as one way to measure financial health or financial position. Over time, increases or decreases in the City's net position are an indicator of whether its financial health or position is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, changes in property tax rates or valuation, infrastructure asset condition, and new or changed government legislation.

Governmental activities - Most of the City's basic services are reported here, including general government administration, police, streets, and parks. Property taxes, licenses and permits, and grants finance most of these activities. The City also collects fees from customers to cover the costs of the services provided by the Rumpke Waste Removal Company.

FUND FINANCIAL STATEMENTS

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The focus is now on the City's funds. The fund financial statements provide more information about the City's funds and not the City as a whole.

Governmental Fund - Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets, that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statement that explains the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

For the year ended June 30, 2024, net position changed as follows:

	Governmental Activities
Beginning net position	\$ (186,613)
Increase in net position	<u>1,345,721</u>
Ending net position	<u>\$ 1,159,108</u>

NET POSITION

Our analysis begins with a summary of the City's Statement of Net Position, which is presented on Table A-1 followed by an explanation of the results. Changes in net position are presented in Table A-2, which is also followed by an explanation of the results.

TABLE A-1

	Governmental Activities	
	2024	2023
Current Assets	\$ 5,729,046	\$ 5,308,886
Capital Assets and Other Assets	8,059,721	8,048,428
Deferred Outflows	1,497,566	1,883,735
Total Assets and Deferred Outflows	15,286,333	15,241,049
Long-Term Debt Outstanding	5,904,675	6,591,741
Net Pension and OPEB Liability	4,021,523	5,547,218
Current Liabilities	2,268,537	2,339,415
Total Liabilities	12,194,735	14,478,374
Deferred Inflows of Resources	1,932,490	949,288
Net Position:		
Net Investment in Capital Assets	2,780,872	2,604,720
Restricted	1,249,302	1,066,036
Unrestricted	(2,871,066)	(3,857,369)
Total Net Position	\$ 1,159,108	\$ (186,613)

Table A-2

Condensed Statement of Activities

	Governmental Activities	
	2024	2023
Revenues		
Programs Revenues		
Charges for services	\$ 467,427	\$ 309,385
Operating Grants & Contributions	303,624	704,643
Capital Grants & Contributions	168,646	76,925
General Revenue		
Taxes	704,791	680,381
License Fees	4,245,001	4,040,773
Permits	8,142	10,260
Fines & Forfeits	6,541	600
Grants & Contributions Not Restricted to Specific Programs	8,104	10,137
Investment Earnings	58,782	7,037
Other Revenue	74,297	250,190
Gain (loss) on disposal of assets	13,160	(767)
Total Revenue	6,058,515	6,089,564
Program Expenses		
Administration	787,896	1,179,904
Police	2,213,586	1,932,265
Maintenance and Public Works	672,932	752,244
Waste Collection	328,799	388,635
Building & Ground	388,377	393,207
Recreation	40,295	35,510
Planning & zoning	54,701	46,548
Interest on long-term debt	226,208	243,178
Total program expenses	4,712,794	4,971,491
Net Change In Net Position	\$ 1,345,721	\$ 1,118,073

The City's change in Net Position above appears to be analogous to the long-standing concept of net revenues, but under the full accrual basis utilized by the Governmental Activities these numbers include dollars of "paper" depreciation expenses that are not cash expenditures of the City. Therefore, these "paper" bookkeeping entries are never considered as part of the City's budget process. Additionally, the principle portions of the debt obligations are excluded from the above but are reflected as debt service expenditures along with capital outlay expenditures in the City's budget for governmental activities.

Table A-3**Condensed Governmental Funds – Revenues & Expenditures**

	Total Governmental Funds	
	2024	2023
Taxes	\$ 704,791	\$ 680,381
Licenses and Permits	4,253,143	4,051,033
Intergovernmental	494,478	791,705
Fines & Forfeits	6,541	600
Charges for Services	310,804	309,385
Other Revenues	133,079	66,349
Total Revenue	5,903,836	5,899,453
Administration	988,420	1,061,829
Police	2,095,947	2,041,008
Maintenance & Public Works	555,394	564,649
Waste Collection	328,799	311,710
Building & Ground	118,758	98,361
Recreation	37,523	32,738
Planning & Zoning	54,701	46,548
Capital Outlay	396,072	461,656
Debt Service	903,773	898,562
Total Expenditures	5,479,387	5,517,061
Excess (deficiency) Revenues over Expenditures	424,449	382,392
Loan proceeds	75,730	90,933
Proceeds from sale of assets	0	8,708
Proceeds from SBITA	0	38,120
Change in Fund Balance	\$ 500,179	\$ 520,153

BUDGET HIGHLIGHTS

Over the course of the fiscal year, the city amended the General Fund budget. Amendments were made after the beginning of the calendar year to reflect the actual beginning balances after the beginning of said calendar year or due to unusual events that occurred during the fiscal year. The budget contains proposed expenditures and expected revenues. A comparison of the final amended budget to actual amounts for governmental funds is presented in the table below. (Tables A-4 & 5)

Table A-4

Condensed Governmental Funds – Revenues

	Budget	Actual	Change
Taxes	\$ 656,700	\$ 704,791	\$ 48,091
Licenses and Permits	3,755,900	4,253,143	497,243
Intergovernmental	373,000	329,832	(43,168)
Fines & Forfeits	49,700	6,541	(43,159)
Charges for Services	310,000	310,804	804
Other Revenue	-	133,079	133,079
Total Revenue	\$ 5,145,300	\$ 5,738,190	\$ 592,890

Table A-5

Condensed Governmental Funds – Expenditures

	Budget	Actual	Change
Administration	\$ 920,100	\$ 988,420	\$ 68,320
Police	2,089,100	2,095,947	6,847
Maintenance & Public Works	564,100	522,699	(41,401)
Waste Collection	312,000	328,799	16,799
Building & Ground	96,000	118,758	22,758
Recreation	7,000	37,523	30,523
Planning & Zoning	54,100	54,701	601
Capital Outlay	346,000	337,191	(8,809)
Debt Service	824,344	903,773	79,429
Total Expenditures	\$ 5,212,744	\$ 5,387,811	\$ 175,067

The city budgeted for a total of \$5,145,300 in revenues for 2023-2024 but ended up having revenues of \$5,738,190. A total of \$5,212,744 was budgeted for expenses, but expenditures totaled \$5,387,811 at the end of 2024.

Total revenues were over budget by \$592,890 and total expenditures were over budget by \$175,067 for the year.

DEBT AND CAPITAL ASSET ADMINISTRATION

Debt

At year-end, the City had \$6,370,000 in general obligation revenue bonds compared to \$7,010,000 last year. The City's general obligations at year-end include \$545,000 for the purchase of the new public works building, \$3,705,000 for the of the city building. \$2,120,000 in long-term debt for the NKU Soccer Field. The City building and soccer field bonds were refinanced in fiscal year 2017.

In addition, the City has loans payable for vehicles totaling \$135,493 at year end.

Capital Assets

At the end of June 30, 2024, the City had approximately \$6,986,000 invested in capital assets including maintenance equipment, buildings, park facilities, roads and sidewalks, compared to approximately \$7,044,000 last year. The capital assets of the city decreased approximately \$58,000 due to depreciation and disposals exceeding capital additions.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City has taken action to increase property taxes and payroll fees. Insurance Premium, Occupational, and Payroll License Fees increased in fiscal year 2024.

We are presently examining budget versus actual expenditures. The City amends the budget throughout the year as needed, and will perform a final budget amendment at the end of the fiscal year.

The Mayor and Finance Director meet once a week to review cashflow, expenditures, year-to-year comparison, etc.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Finance Director at 176 Johns Hill Road, Highland Heights, Kentucky 41076.

CITY OF HIGHLAND HEIGHTS, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2024

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 3,138,770
Investments	1,402,769
Receivables, net	1,181,416
Prepaid expense	6,091
Total current assets	5,729,046
Noncurrent assets	
Restricted cash and cash equivalents	1,073,406
Capital assets	
Land and improvements	1,511,207
Construction in process	170,038
Depreciable infrastructure, net	900,002
Depreciable buildings, property, and equipment, net	4,380,290
Amortizable SBITA assets, net	24,778
Total noncurrent assets	8,059,721
Total assets	13,788,767
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension	776,801
Deferred outflows - OPEB	301,697
Defeasance on refunding	419,068
Total deferred outflows of resources	1,497,566
Total assets and deferred outflows of resources	\$ 15,286,333
LIABILITIES	
Current liabilities	
Accounts payable	\$ 93,113
Accrued liabilities	141,573
Other payables	117,157
Deferred revenue	1,106,146
Unearned revenue	77,362
Current portion of SBITA liabilities	7,589
Current portion of long-term obligations	725,597
Total current liabilities	2,268,537
Noncurrent liabilities	
Noncurrent portion of SBITA liabilities	16,820
Noncurrent portion of long-term obligations	5,887,855
Net pension liability	3,918,237
Net OPEB liability	103,286
Total noncurrent liabilities	9,926,198
Total liabilities	12,194,735
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension	664,174
Deferred inflows - OPEB	1,268,316
Total deferred inflow of resources	1,932,490
NET POSITION	
Net investment in capital assets	2,780,872
Restricted for	
Bond service	721,116
TIF fund	187,471
Other purposes	340,715
Unrestricted (deficit)	(2,871,066)
Total net position	1,159,108
Total liabilities, deferred inflows of resources and net position	\$ 15,286,333

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

CITY OF HIGHLAND HEIGHTS, KENTUCKY
STATEMENT OF ACTIVITIES
for the year ended June 30, 2024

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Position</u>
					<u>Governmental</u>
					<u>Activities</u>
Primary government					
Governmental activities					
Administration	\$ 787,896	\$ -	\$ 211,461	\$ -	\$ (576,435)
Police	2,213,586	156,623	92,163	-	(1,964,800)
Maintenance and public works	672,932	-	-	165,646	(507,286)
Waste collection	328,799	310,804	-	3,000	(14,995)
Building and grounds	388,377	-	-	-	(388,377)
Recreation	40,295	-	-	-	(40,295)
Planning and zoning	54,701	-	-	-	(54,701)
Interest on long-term debt	226,208	-	-	-	(226,208)
Total governmental activities	<u>4,712,794</u>	<u>467,427</u>	<u>303,624</u>	<u>168,646</u>	<u>(3,773,097)</u>
Total primary government	<u>\$ 4,712,794</u>	<u>\$ 467,427</u>	<u>\$ 303,624</u>	<u>\$ 168,646</u>	<u>(3,773,097)</u>

General revenues

Taxes:

Property taxes, levied for general purposes 704,791

License fees:

Occupational license fees 2,344,660

Franchise 418,616

Insurance premiums 881,122

Occupational 600,603

Permits:

Other permits 8,142

Fines and forfeitures 6,541

Grants and contributions

not restricted to specific programs 8,104

Investment earnings 58,782

Miscellaneous 74,297

Total general revenues 5,105,658

Gain (loss) on disposal of assets 13,160

Total general revenues 5,118,818

Change in Net Position

1,345,721

Net position-beginning

(186,613)

NET POSITION-ENDING

\$ 1,159,108

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

CITY OF HIGHLAND HEIGHTS, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2024

	General	Municipal Road Aid Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 3,859,886	\$ 352,292	\$ 4,212,178
Investments	1,402,769	-	1,402,769
Receivables, net	1,181,416	-	1,181,416
Prepaid expense	6,091	-	6,091
Due from other funds	9,327	-	9,327
Total assets	\$ 6,459,489	\$ 352,292	\$ 6,811,781
LIABILITIES			
Liabilities			
Accounts payable	\$ 90,863	\$ 2,250	\$ 93,113
Accrued liabilities	141,573	-	141,573
Other payables	117,157	-	117,157
Due to other funds	-	9,327	9,327
Unearned revenue	77,362	-	77,362
Deferred revenue	1,085,655	-	1,085,655
Total liabilities	1,512,610	11,577	1,524,187
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	303,118	-	303,118
Total deferred inflows of resources	303,118	-	303,118
FUND BALANCES			
Nonspendable	6,091	-	6,091
Restricted	908,587	340,715	1,249,302
Unassigned	3,729,083	-	3,729,083
Total fund balances	4,643,761	340,715	4,984,476
Total liabilities and fund balances	\$ 6,459,489	\$ 352,292	\$ 6,811,781

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

Total fund balances	\$ 4,984,476
Capital and SBITA assets used in governmental activities are not financial resources and therefore are not reported in the funds.	6,986,315
Revenue recognized in governmental activities that does not represent current financial resources and therefore is not recognized in the funds.	282,625
Net deferred inflows/outflows related to the long-term net pension/OPEB liability and defeasance on refunding bonds that are not reported in the funds.	(434,924)
Long-term liabilities, including bonds payable and net pension/OPEB liability, that are not due and payable in the current period and therefore are not reported in the funds.	(10,659,384)
Net position of governmental activities	\$ 1,159,108

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

CITY OF HIGHLAND HEIGHTS, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
for the year ended June 30, 2024

	General	Municipal Road Aid Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 704,791	\$ -	\$ 704,791
Licenses, permits, billings	4,253,143	-	4,253,143
Intergovernmental revenues	329,832	165,646	495,478
Fines and forfeitures	6,541	-	6,541
Charges for service	310,804	-	310,804
Other revenues	133,079	-	133,079
Total revenues	5,738,190	165,646	5,903,836
EXPENDITURES			
Current			
Administration	988,420	-	988,420
Police	2,095,947	-	2,095,947
Maintenance and public works	522,699	32,695	555,394
Waste collection	328,799	-	328,799
Buildings and grounds	118,758	-	118,758
Recreation	37,523	-	37,523
Planning and zoning	54,701	-	54,701
Capital outlay	337,191	58,881	396,072
Debt service	903,773	-	903,773
Total expenditures	5,387,811	91,576	5,479,387
Excess (deficiency) of revenues over expenditures	350,379	74,070	424,449
OTHER FINANCING SOURCES (USES)			
Loan proceeds	75,730	-	75,730
Total other financing source	75,730	-	75,730
Net change in fund balances	426,109	74,070	500,179
Fund balances-beginning	4,217,652	266,645	4,484,297
Fund balances-ending	\$ 4,643,761	\$ 340,715	\$ 4,984,476
Reconciliation to government-wide change in net position:			
Net change in fund balances			\$ 500,179
add: capital outlay expenditures capitalized			396,072
add: debt service expenditures			903,773
add: unavailable revenue			116,782
less: loan proceeds			(75,730)
less: interest on long term debt			(193,772)
less: amortization on bond discount and deferred charges			(32,436)
less: transfers of construction in process			(34,144)
less: loss on disposal of assets			13,160
change in net pension liability			87,223
change in OPEB liability			114,810
less: depreciation on governmental activities assets			(450,196)
Change in net position of governmental activities			\$ 1,345,721

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

CITY OF HIGHLAND HEIGHTS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Highland Heights, Kentucky (the City) conform to generally accepted accounting principles applicable to governmental units. The following is a summary of the more significant accounting policies.

The City of Highland Heights operates under a Mayor-City Council form of government. The City provides various services including police protection, parks and recreation, street maintenance, planning and zoning, development, waste collection, and other governmental services.

A. Reporting Entity

The City of Highland Heights, Kentucky's financial statements include the operations of all entities for which the City Council exercises oversight responsibility. Oversight responsibility includes, but is not limited to, financial interdependency, selection of the governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. The entities included in the financial statements are the general operations of the City of Highland Heights. There are no other entities that are subject to the City's oversight responsibility as indicated above.

B. Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements display information about the City as a whole. The statements distinguish between governmental and business-type activities of the City. These financial statements include the financial activities of the City except for fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. The government-wide statement of activities reflects costs of government by function for governmental activities and business-type activities. Program revenues include charges paid by the recipient for the goods or services offered by the program and grants or contributions that are restricted to the program. Revenues which are not classified as program revenues are presented as general revenues of the City. The City does not have any business-type activities.

Fund Financial Statements

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

Governmental Funds

Governmental funds are those through which most governmental functions are financed. The governmental fund measurement focus is upon the determination of financial position and budgetary control over revenues and expenditures.

CITY OF HIGHLAND HEIGHTS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (continued)

Governmental Funds (continued)

The following funds are used by the City of Highland Heights:

General Fund – The general operating fund of the City is used to account for all financial resources except those required to be accounted for in another fund.

Municipal Road Aid Fund – The municipal road aid fund is a special revenue fund used to account for the receipt of state gasoline tax payments that are restricted for the use of construction, reconstruction, or maintenance of city streets.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Statement of Net Position and the Statement of Activities display information about the City as a whole. The government-wide statements are prepared using the economic resources measurement focus. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for individual funds.

The financial transactions of the City are recorded in individual funds. Their focus is on individual funds rather than reporting funds by type. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet.

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual, i.e., measurable, and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred.

Permits, fines and forfeits, and miscellaneous revenues (except for investment earnings) are recorded as revenues when received because they are generally not measurable until actually received. Investment earnings are recorded when earned since they are measurable and available in all funds.

CITY OF HIGHLAND HEIGHTS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Balances

Fund balances of the governmental funds are classified as follows:

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

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

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

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The City has designated the Mayor to carry the intent of the City Council.

Unassigned – all other spendable amounts.

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

E. Budgeting

The City follows the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles.

Budgeted amounts in the financial statements are adopted by ordinance of the City and have been revised for amendments authorized during the year. For fiscal year 2024, the City exceeded budgeted expenditures in the administration by \$68,320, police department by \$6,847, waste collections department by \$16,799, buildings and grounds department by \$30,523, recreation department by \$30,523, and planning and zoning department by \$601.

F. Pensions

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

CITY OF HIGHLAND HEIGHTS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Postemployment Benefits Other Than Pensions (OPEB)

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

H. Capital Assets

Acquired capital assets are recorded at cost or estimated cost. Depreciation of capital assets is provided over the estimated useful lives of the respective assets using the straight-line basis. The estimated useful lives are as follows:

Infrastructure	35-45 years
Buildings	25-50 years
Improvements	10-25 years
Vehicles, furniture and equipment	5-20 years

I. Other Accounting Policies

Cash and cash equivalents - The City considers all highly liquid investments with a maturity of 90 days or less when purchased to be cash equivalents.

Investments - Investments are stated at fair market value. Fair market value is determined by using quoted market prices.

Accounts receivable is stated net of an allowance for doubtful accounts. The allowance is based upon historical trends and the periodic aging of accounts receivable.

Interfund balances - On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due from/to other funds". These amounts are eliminated in the statement of net position.

Long-term debt - In the government-wide financial statements, long-term obligations are reported as liabilities in the Statement of Net Position. Insurance costs related to bonds and notes issued are deferred and amortized over the life of the applicable bond or note using the straight-line method. Bonds and notes payable are reported net of the applicable bond premium or discount. Issuance costs are reported as expenses in the period in which these costs occur.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF HIGHLAND HEIGHTS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Leases

The City follows Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

K. Subscription-based Information Technology Arrangements

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

L. Management's Review of Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through February 28, 2025, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2024, have not been evaluated by the City.

2. CASH AND INVESTMENTS

KRS 66.480 authorizes the City to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United State government, bonds or certificates of indebtedness of this state, and certificates of deposits issued by or other interest-bearing accounts of any bank or savings and loan institution which have a physical presence in Kentucky and are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). The Statute also authorizes investment in mutual funds, exchange traded funds, individual equity securities and high-quality corporate bonds that are managed by a professional investment manager and subject to additional requirements outlined in KRS 66.480.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City's investment policy states that unless matched to a specific cash flow need, the City's funds should not, in general, be invested in securities maturing more than one year from the date of purchase.

CITY OF HIGHLAND HEIGHTS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

2. CASH AND INVESTMENTS (CONTINUED)

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investments totaling \$1,402,769 were invested in obligations of the U.S. Treasury and its agencies, with maturities within 5 years. Bank balances at June 30, 2024 totaled \$4,253,874 of which \$500,000 was covered by FDIC, and the remaining \$3,753,874 was covered by pledged collateral.

Investment Valuation

The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City does not have any investments that are measured using Level 3 inputs.

Investments measured at fair value are as follows at June 30, 2024:

<u>Investments</u>	<u>Fair Value Measurements Using</u>			
	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Cash and cash equivalents	\$ 71,584	\$ 71,584	\$ -	\$ -
U.S. Government Obligations	<u>1,331,185</u>	<u>1,331,185</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,402,769</u>	<u>\$ 1,402,769</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HIGHLAND HEIGHTS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

3. CAPITAL ASSETS

A summary of capital asset activity during the fiscal year is as follows:

	Balance			Balance
	July 1, 2023	Additions	Deductions	June 30, 2024
Governmental Activities:				
Capital assets not depreciated:				
Land & Improvements	\$ 1,511,207	\$ -	\$ -	\$ 1,511,207
Construction in process	<u>35,234</u>	<u>168,948</u>	<u>(34,144)</u>	<u>170,038</u>
Totals	<u>1,546,441</u>	<u>168,948</u>	<u>(34,144)</u>	<u>1,681,245</u>
Capital assets that are depreciated:				
Buildings and Improvements	5,228,792	28,559	-	5,257,351
Vehicles	1,070,802	132,322	(43,233)	1,159,891
Equipment	789,078	59,953	(66,890)	782,141
SBITA	<u>38,120</u>	<u>-</u>	<u>-</u>	<u>38,120</u>
Totals	<u>7,126,792</u>	<u>220,834</u>	<u>(110,123)</u>	<u>7,237,503</u>
Total non-infrastructure assets	<u>8,673,233</u>	<u>389,782</u>	<u>(144,267)</u>	<u>8,918,748</u>
Infrastructure assets	<u>3,756,440</u>	<u>40,435</u>	<u>-</u>	<u>3,796,875</u>
Total capital assets	<u>12,429,673</u>	<u>430,217</u>	<u>(144,267)</u>	<u>12,715,623</u>
Less accumulated depreciation:				
Buildings and improvements	1,261,140	112,884	-	1,374,024
Vehicles	643,218	138,715	(43,233)	738,700
Equipment	738,923	34,238	(66,790)	706,371
Infrastructure assets	<u>2,740,136</u>	<u>156,735</u>	<u>-</u>	<u>2,896,871</u>
Totals	<u>5,383,417</u>	<u>442,572</u>	<u>(110,023)</u>	<u>5,715,966</u>
Less accumulated amortization	<u>5,718</u>	<u>7,624</u>	<u>-</u>	<u>13,342</u>
Total capital assets, net	<u>\$ 7,040,538</u>	<u>\$ (19,979)</u>	<u>\$ (34,244)</u>	<u>\$ 6,986,315</u>

CITY OF HIGHLAND HEIGHTS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

3. CAPITAL ASSETS (CONTINUED)

Depreciation and amortization expense was charged to the Governmental functions as follows:

Administration	\$ 1,509
Police	117,639
Maintenance and public works	58,657
Recreation	2,772
Building and grounds	<u>269,619</u>
Total depreciation expense	<u>\$ 450,196</u>

4. RECEIVABLES

General fund receivables at June 30, 2024, including the applicable allowance for uncollectible accounts are as follows:

Taxes	\$ 86,340
Licenses, permits, billings	822,741
Other	<u>318,222</u>
Gross receivables	1,227,303
Less: allowance for uncollectible	<u>(45,887)</u>
Net receivables	<u>\$ 1,181,416</u>

5. GOVERNMENTAL ACTIVITIES LONG-TERM DEBT

On December 23, 2008, the City issued General Obligation Public Project Bonds for \$6,405,000. The issuance was to finance the building of a soccer field for Northern Kentucky University (NKU). Ownership was transferred to NKU upon completion of the project. In exchange, a portion of NKU property was annexed into the City and subjected to payroll taxes and the City agreed to transfer its old City Building and Maintenance Building to NKU for \$1. Payroll taxes collected as a direct result of this agreement must be sufficient to pay principal and interest on the debt issued. In the event this does not occur, a tax must be levied on all taxable property within the City. The bonds bear interest rates ranging from 3.35% to 4.85% and mature on June 30, 2029.

In July of 2016, the City refinanced \$3,850,000 of the 2008 Bond with a 2016 General Obligation Bond for \$4,215,000. The bonds bear an interest rate at 2.00% and will mature on December 1, 2028. The new issue reduced future debt service by \$493,983 and had a net economic gain of \$438,259. Deferred outflows of the defeasance on refunding totaled \$159,189 as of June 30, 2024.

On July 14, 2009, the City issued General Obligation Public Project Bonds, Series 2009 for \$5,360,000. The issuance was to finance the construction of the new Civic Building. The bonds bore interest rates ranging from 3.00% to 5.125% and matured on June 30, 2039. On January 4, 2017, the City refinanced the 2009 Bond with a 2017 General Obligation Bond for \$4,915,000. The bonds bear interest rates ranging from 3.00% to 3.625% and will mature on December 1, 2038. The new issue reduced future debt service by \$438,027 and had a net economic gain of \$313,584. For the year ended June 30, 2024, the interest rate was 3.00%. Deferred outflows of the defeasance on refunding totaled \$259,879 as of June 30, 2024.

On December 18, 2012, the City issued General Obligation Bonds, Series 2012 for \$1,100,000. The issuance was to finance the construction of a new Public Works building. The bonds bear interest rates ranging from 1.00% to 2.38% and mature on December 1, 2032. For the year ended June 30, 2024, the interest rate was 2.00%.

CITY OF HIGHLAND HEIGHTS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

5. GOVERNMENTAL ACTIVITIES LONG-TERM DEBT (CONTINUED)

In July 2018, the City purchased a dump truck for \$58,107, with \$43,182 being financed. The loan is for 60 months at an interest rate of 4.01%. The dump truck had a net book value of \$0, and was paid off as of June 30, 2024.

In November 2019, the City financed a maintenance truck for \$51,804. The loan is for 60 months at an interest rate of 4.39%. The maintenance truck, which as of June 30, 2024, had a net book value of \$4,317, is collateral on the loan.

In August 2020, the City financed a police cruiser for \$31,000. The loan is for 36 months at an interest rate of 3.99%. The police cruiser had a net book value of \$9,326, and was paid off as of June 30, 2024.

In October 2020, the City financed a police cruiser for \$31,372. The loan is for 48 months at an interest rate of 3.99%. The police cruiser, which as of June 30, 2024, had a net book value of \$11,781, is collateral on the loan.

In July 2021, the City financed a police cruiser for \$28,072. The loan is for 36 months at an interest rate of 3.99%. The police cruiser, which as of June 30, 2024, had a net book value of \$14,727, is collateral on the loan.

In February 2023, the City financed a police SUV for \$44,793. The loan is for 48 months at an interest rate of 7.05%. The police SUV, which as of June 30, 2024, had a net book value of \$32,848, is collateral on the loan.

In June 2023, the City financed a police SUV for \$46,140. The loan is for 48 months at an interest rate of 8.00%. The police SUV, which as of June 30, 2024, had a net book value of \$35,374, is collateral on the loan.

In February 2023, the City financed a police SUV for \$44,793. The loan is for 48 months at an interest rate of 7.05%. The police SUV, which as of June 30, 2024, had a net book value of \$32,848, is collateral on the loan.

In August 2023, the City purchased a police SUV for \$53,430, with \$42,830 being financed. The loan is for 36 months at an interest rate of 8.00%. The police SUV, which as of June 30, 2024, had a net book value of \$45,416, is collateral on the loan.

In March 2024, the City financed a maintenance truck for \$32,900. The loan is for 60 months at an interest rate of 8.59%. The maintenance truck, which as of June 30, 2024, had a net book value of \$31,255, is collateral on the loan.

CITY OF HIGHLAND HEIGHTS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

5. GOVERNMENTAL ACTIVITIES LONG-TERM DEBT (CONTINUED)

A. Changes in General Long-Term Debt

	June 30, 2023	Additions	Retirements	June 30, 2024	Current Portion
2016 GO Bond	\$ 2,515,000	\$ -	\$ 395,000	\$ 2,120,000	\$ 405,000
2017 GO Bond	3,895,000	-	190,000	3,705,000	195,000
2012 GO Bond	600,000	-	55,000	545,000	55,000
Direct placement debt:					
Vehicle loans payable	126,825	75,730	67,062	135,493	70,597
Total long-term debt	7,136,825	75,730	707,062	6,505,493	725,597
Add: premium (discount) on bond obligations	121,232	-	13,273	107,959	-
	<u>\$ 7,258,057</u>	<u>\$ 75,730</u>	<u>\$ 720,335</u>	<u>\$ 6,613,452</u>	<u>\$ 725,597</u>

Other Long-Term Liabilities

SBITA liabilities	\$ 31,498	\$ -	\$ 7,089	\$ 24,409	\$ 7,589
Net pension liability	4,344,073	-	425,836	3,918,237	-
Net OPEB liability	1,203,145	-	1,099,859	103,286	-
Totals	<u>\$ 5,578,716</u>	<u>\$ -</u>	<u>\$ 1,532,784</u>	<u>\$ 4,045,932</u>	<u>\$ 7,589</u>

B. Debt Service Requirements

Fiscal Year	Principal	Interest	Total
2025	\$ 701,326	\$ 180,389	\$ 881,715
2026	713,612	161,889	875,501
2027	726,709	142,444	869,153
2028	716,953	124,159	841,112
2029	726,893	107,087	833,980
2030-2034	1,470,000	375,295	1,845,295
2035-2039	1,450,000	33,642	1,583,642
	<u>\$ 6,505,493</u>	<u>\$ 1,224,905</u>	<u>\$ 7,730,398</u>

BOND ORDINANCE REQUIREMENTS

The general obligation bond ordinance requires that the following reserve be created and maintained.

Sinking Fund Reserve - This reserve is required to receive a monthly transfer of one-sixth of the next interest payment and one-twelfth of the next principal payment by the 25th of each month. The minimum balance required to be in the reserve at June 30, 2024, was \$396,833. The actual reserve balance totaled \$721,116 at June 30, 2024.

CITY OF HIGHLAND HEIGHTS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

6. PROPERTY TAX CALENDAR

Property taxes for fiscal year 2024 were levied in September 2023, on the assessed valuation of property located in the City of Highland Heights as of the preceding January 1, the lien date. The assessments are determined by the County Property Valuation Administrator in accordance with Kentucky Revised Statutes. The due date collection periods for all taxes exclusive of vehicle taxes are as follows:

Description	Date Per K.R.S. 134.020
1. Due date for payment of taxes	October 31, 2023
2. 10% penalty delinquent date	November 2, 2023

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

7. MAJOR TAXPAYERS

Northern Kentucky University (NKU) is a major taxpayer of the City of Highland Heights. Total payroll tax collected from NKU employees during the fiscal year was \$1,056,951, which represented 45% of total payroll taxes collected.

8. SBITA LIABILITIES

Governmental activities

Effective October 1, 2022, the City entered into a SBITA for police body camera software and storage. The agreement calls for annual payments of \$9,310 over a period of 5 years. Upon adoption of GASB 96, the City recognized a subscription liability and a subscription asset related to the agreement totaling \$38,120. The City calculated the present value of future payments based on an incremental borrowing rate of 7.1%. The balance of the SBITA liability as of June 30, 2024 totaled \$24,409.

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

Fiscal Year	Principal	Interest	Total
2025	\$ 7,589	\$ 1,721	\$ 9,310
2026	8,124	1,186	9,310
2027	<u>8,696</u>	<u>613</u>	<u>9,309</u>
Total	<u>\$ 24,409</u>	<u>\$ 3,520</u>	<u>\$ 27,929</u>

CITY OF HIGHLAND HEIGHTS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

9. RETIREMENT PLAN

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

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of state legislature.

Contributions – For the year ended June 30, 2024, plan members were required to contribute 5% of wages for non-hazardous job classifications and 8% of wages for hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2024, participating employers contributed 26.79% of each employee's wages for non-hazardous job classifications and 49.59% of each employee's wages for hazardous job classifications. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 10. Plan members contributed 23.40% to the pension trust for non-hazardous job classifications and 42.81% to the pension trust for hazardous job classifications. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement Systems are financed through employer contributions and investment earnings.

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

For the year ended June 30, 2024, the City contributed \$152,020, or 100% of the required contribution for non-hazardous job classifications, which was allocated \$152,020 to the CERS pension fund and \$0 to the CERS insurance fund. The City contributed \$301,182, or 100% of the required contribution for hazardous job classifications, which was allocated \$283,396 to the CERS pension fund and \$17,786 to the CERS insurance fund.

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

CITY OF HIGHLAND HEIGHTS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

9. RETIREMENT PLAN (CONTINUED)

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

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

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

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2024, the City reported a liability for its proportionate share of the net pension liability as follows:

Total Net		
Pension Liability	Non-hazardous	Hazardous
<u>\$ 3,918,237</u>	<u>\$ 1,321,223</u>	<u>\$ 2,597,014</u>

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 and rolled forward using generally accepted actuarial procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2023, was as follows:

Non-hazardous	Hazardous
.0206%	.0963%

The proportionate share at June 30, 2023, increased .0003% for non-hazardous and increased .0020% for hazardous compared to the proportionate share as of June 30, 2022.

CITY OF HIGHLAND HEIGHTS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

9. RETIREMENT PLAN (CONTINUED)

For the year ended June 30, 2024, the City recognized pension expense of \$342,873. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 187,122	\$ 3,590
Changes of assumptions	-	323,910
Net difference between projected and actual earnings on Plan investments	-	44,075
Changes in proportion and differences between City contributions and proportionate share of contributions	154,264	292,599
City contributions subsequent to the measurement date	<u>435,415</u>	<u>-</u>
 Total	 <u>\$ 776,801</u>	 <u>\$ 664,174</u>

The \$435,415 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,

2025	\$ (91,835)
2026	\$ (215,062)
2027	\$ 24,218
2028	\$ (40,109)

Actuarial Assumptions – The total pension liabilities in the June 30, 2023, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	2.50%
Salary increases	3.30% to 10.30%, varies by service, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation

Hazardous

Inflation	2.50%
Salary increases	3.55% to 19.05%, varies by service, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2020. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2010.

CITY OF HIGHLAND HEIGHTS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

9. RETIREMENT PLAN (CONTINUED)

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2022. The total pension liability was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2023.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	60.00%	
Public Equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Liquidity	20.00%	
Core Fixed Income	10.00%	2.45%
Specialty Credit	10.00%	3.65%
Cash	0.00%	1.39%
Inflation Protected	20.00%	
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
Total	100.00%	5.75%
Long term inflation assumption		2.50%
Expected nominal return for portfolio		8.25%

Discount Rate – The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the closed 30-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

CITY OF HIGHLAND HEIGHTS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

9. RETIREMENT PLAN (CONTINUED)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	Non-hazardous		Hazardous	
	Discount rate	City's proportionate share of net pension liability	Discount rate	City's proportionate share of net pension liability
1% decrease	5.50%	\$ 1,668,124	5.50%	\$ 3,279,350
Current discount rate	6.50%	\$ 1,321,223	6.50%	\$ 2,597,014
1% increase	7.50%	\$ 1,032,936	7.50%	\$ 2,039,700

Payable to the Pension Plan – At June 30, 2024, the City reported a payable of \$43,532 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2024. The payable includes both the pension and insurance contribution allocation.

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

Contributions – As more fully described in Note 9, plan members contribute to CERS for non-hazardous and hazardous job classifications. For the year ending June 30, 2024, the employer's contribution was 0.00% to the insurance trust for non-hazardous job classifications and 2.58% to the insurance trust for hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement Systems are financed through employer contributions and investment earnings.

For the year ended June 30, 2024, the City contributed \$0, or 100% of the required contribution for non-hazardous job classifications, and \$20,207, or 100% of the required contribution for hazardous job classifications.

CITY OF HIGHLAND HEIGHTS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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

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

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

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

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2024, the City reported a liability for its proportionate share of the net OPEB liability as follows:

Total Net		
OPEB Liability	Non-hazardous	Hazardous
\$ <u>103,286</u>	\$ <u>(28,427)</u>	\$ <u>131,713</u>

The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022 and rolled forward using generally accepted actuarial procedures. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2023, was as follows:

Non-hazardous	Hazardous
.0206%	.0963%

The proportionate share at June 30, 2023, increased .0003% for non-hazardous and increased .0020% for hazardous compared to the proportionate share as of June 30, 2022.

CITY OF HIGHLAND HEIGHTS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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

For the year ended June 30, 2024, the City recognized OPEB expense of \$(102,139). At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 31,731	\$ 946,641
Changes of assumptions	145,875	176,290
Net difference between projected and actual earnings on Plan investments	-	24,736
Changes in proportion and differences between City contributions and proportionate share of contributions	95,822	120,649
City contributions subsequent to the measurement date	<u>28,268</u>	<u>-</u>
 Total	 <u>\$ 301,696</u>	 <u>\$ 1,268,316</u>

The \$28,268 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2025. Adjustments of \$9,285 for the nonhazardous implicit subsidy and \$(1,224) for the hazardous implicit subsidy are required to be recognized as deferred outflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in expense as follows:

Year ending June 30,

2025	\$ (205,590)
2026	\$ (252,493)
2027	\$ (203,755)
2028	\$ (241,238)
2029	\$ (91,812)

Actuarial Assumptions – The total OPEB liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	2.50%
Salary increases	3.30 to 10.30%, varies by service, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation
Healthcare trend	

Pre – 65: Initial trend starting at 6.80% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

Post – 65: Initial trend starting at 8.50% in January 1, 2025, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

CITY OF HIGHLAND HEIGHTS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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

Hazardous

Inflation	2.50%
Salary increases	3.55 to 19.05%, varies by service, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation
Healthcare trend	
Pre – 65:	Initial trend starting at 6.80% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post – 65:	Initial trend starting at 8.50% at January 1, 2025, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

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

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2022. The total OPEB liability was rolled-forward from the valuation date (June 30, 2022) to the plan’s fiscal year ending June 30, 2023.

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

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

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

CITY OF HIGHLAND HEIGHTS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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

Discount Rate – The discount rate used to measure the total OPEB liability was 5.93% and 5.97% for non-hazardous and hazardous classifications, respectively. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index.” However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

	Non-hazardous		Hazardous	
	Discount rate	City’s proportionate share of net OPEB liability	Discount rate	City’s proportionate share of net OPEB liability
1% decrease	4.93%	\$ 53,346	4.97%	\$ 333,103
Current discount rate	5.93%	\$ (28,427)	5.97%	\$ 131,713
1% increase	6.93%	\$ (96,901)	6.97%	\$ (36,100)

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

	Non-hazardous	Hazardous
	City’s proportionate share of net OPEB liability	City’s proportionate share of net OPEB liability
1% decrease	\$ (91,112)	\$ 1,501
Current trend rate	\$ (28,427)	\$ 131,713
1% increase	\$ 48,577	\$ 288,970

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

CITY OF HIGHLAND HEIGHTS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

11. RISK MANAGEMENT

The City of Highland Heights is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the City also carries commercial insurance for all other risks of loss such as worker's compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

12. TAX ABATEMENT

The City entered into a local participation agreement with Campbell County Fiscal Court for the US 27 Development Area effective July 1, 2014. As part of the agreement, the City pledged 80% of the City's Incremental Revenues from City real property ad valorem taxes and occupational taxes generated within the Development Area for a period of thirty years. These funds are to pay for Project Costs and Redevelopment Assistance within the Development Area. A tax base was established as part of the agreement based on calendar 2013 revenues to measure Incremental Revenues within the Development Area. Development has begun as of June 30, 2024 in the Development Area. The City has restricted \$138,747 based on the Incremental Revenues collected as of June 30, 2024.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HIGHLAND HEIGHTS, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2024

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Taxes				
Property taxes	\$ 536,500	\$ 541,700	\$ 576,592	\$ 34,892
Tangible tax	40,000	42,000	44,989	2,989
Bank share	60,000	60,000	68,008	8,008
Penalties and interest	13,000	13,000	15,202	2,202
Total taxes	<u>649,500</u>	<u>656,700</u>	<u>704,791</u>	<u>48,091</u>
Licenses, permits and billings				
Occupational license fees	2,125,000	2,150,000	2,344,660	194,660
Franchise	225,000	290,000	338,230	48,230
Insurance premium license fee	700,000	750,000	881,122	131,122
Telecommunications	76,500	80,000	80,386	386
Net profit license fee	555,000	473,000	600,603	127,603
Building permits	5,000	5,000	-	(5,000)
Other permits and fees	7,900	7,900	8,142	242
Total licenses, permits and billings	<u>3,694,400</u>	<u>3,755,900</u>	<u>4,253,143</u>	<u>497,243</u>
Intergovernmental revenues				
Police incentive pay	48,000	65,000	68,875	3,875
District court revenue	8,000	8,000	8,104	104
American Rescue Plan	300,000	300,000	211,461	(88,539)
Other grants	-	-	41,392	41,392
Total intergovernmental revenues	<u>356,000</u>	<u>373,000</u>	<u>329,832</u>	<u>(43,168)</u>
Fines and forfeitures				
Parking fines	3,700	49,700	6,541	(43,159)
Animal control fines	-	-	-	-
Total fines and forfeitures	<u>3,700</u>	<u>49,700</u>	<u>6,541</u>	<u>(43,159)</u>
Charges for service				
Waste collection	312,000	310,000	310,804	804
Total charges for service	<u>312,000</u>	<u>310,000</u>	<u>310,804</u>	<u>804</u>
Other revenues				
Other	-	-	133,079	133,079
Total other revenue	<u>-</u>	<u>-</u>	<u>133,079</u>	<u>133,079</u>
Total revenue	<u>\$ 5,015,600</u>	<u>\$ 5,145,300</u>	<u>\$ 5,738,190</u>	<u>\$ 592,890</u>

CITY OF HIGHLAND HEIGHTS, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2024

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES				
Administration				
Salaries	\$ 334,000	\$ 302,000	\$ 311,071	\$ 9,071
Payroll expenses	164,000	139,500	139,455	(45)
Advertisement	3,000	2,500	2,030	(470)
Legal and accounting	60,000	57,000	83,765	26,765
Professional fees/tech/other	43,000	40,000	34,429	(5,571)
Codification	3,000	-	550	550
PVA charges	19,000	21,000	21,465	465
Other contractual	114,000	114,000	138,479	24,479
Bank fees	15,000	15,000	17,977	2,977
Maintenance contracts and repairs	55,500	60,500	21,244	(39,256)
Travel and training	4,000	3,000	2,075	(925)
Utilities	17,000	17,000	15,324	(1,676)
Postage and shipping	5,500	5,500	4,769	(731)
Website/internet	20,000	20,000	22,965	2,965
Insurance and bonds	54,600	55,600	54,346	(1,254)
Office supplies	11,500	9,000	60,141	51,141
Dues and subscriptions	9,000	13,000	13,531	531
Paycor charges	6,000	8,000	7,411	(589)
Animal control	2,000	10,000	9,966	(34)
Other	20,500	27,500	27,427	(73)
Total administration	<u>960,600</u>	<u>920,100</u>	<u>988,420</u>	<u>68,320</u>
Police				
Salaries	1,044,000	1,131,000	1,202,757	71,757
Payroll expenses	674,500	658,500	636,394	(22,106)
Uniforms	18,000	20,000	23,587	3,587
Cruiser expense	78,000	85,000	60,844	(24,156)
Maintenance and repairs	-	-	914	914
Insurance	46,000	55,000	39,910	(15,090)
Travel and training	25,000	33,000	35,638	2,638
Equipment expense	16,000	40,800	28,167	(12,633)
Office supplies	2,500	2,500	12,588	10,088
Dues and subscriptions	23,000	23,000	25,266	2,266
Communication/postage	15,300	15,300	21,036	5,736
Other expenses	32,000	25,000	8,846	(16,154)
Total police	<u>1,974,300</u>	<u>2,089,100</u>	<u>2,095,947</u>	<u>6,847</u>
Maintenance and public works				
Salaries	299,000	298,000	309,968	11,968
Payroll expenses	153,600	150,100	146,491	(3,609)
Repairs and contracts	16,000	10,000	3,277	(6,723)
Travel and training	2,500	2,000	3,382	1,382
Uniforms	12,000	5,000	5,113	113
Vehicle expenses	31,000	30,000	9,996	(20,004)
Grounds maintenance	44,000	41,000	24,345	(16,655)
Insurance	10,000	7,000	4,588	(2,412)
Materials and supplies	25,800	15,500	11,083	(4,417)
Miscellaneous	6,200	5,500	4,456	(1,044)
Total maintenance and public works	<u>\$ 600,100</u>	<u>\$ 564,100</u>	<u>\$ 522,699</u>	<u>\$ (41,401)</u>

CITY OF HIGHLAND HEIGHTS, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2024

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Waste collection				
Waste collections	\$ 312,000	\$ 312,000	\$ 328,799	\$ 16,799
Building and grounds				
Utilities	106,300	96,000	118,758	22,758
Total building and grounds	106,300	96,000	118,758	22,758
Recreation				
Materials and supplies	7,000	7,000	37,523	30,523
Total recreation	7,000	7,000	37,523	30,523
Planning and zoning				
Salaries	10,000	10,100	8,975	(1,125)
Professional fees	33,000	38,000	23,885	(14,115)
Travel and training	7,200	1,000	-	(1,000)
Supplies	7,900	5,000	241	(4,759)
Board of Adjustments	-	-	21,600	21,600
Total planning and zoning	58,100	54,100	54,701	601
Capital outlay	335,636	346,000	337,191	(8,809)
Debt service	824,344	824,344	903,773	79,429
Total expenditures	5,178,380	5,212,744	5,387,811	175,067
Other financing sources				
Loan proceeds	-	-	75,730	75,730
Total other financing sources	-	-	75,730	75,730
Net change in fund balance	<u>\$ (162,780)</u>	<u>\$ (67,444)</u>	<u>\$ 426,109</u>	<u>\$ 493,553</u>

CITY OF HIGHLAND HEIGHTS, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
MUNICIPAL ROAD AID FUND
for the year ended June 30, 2024

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Intergovernmental revenue	\$ 140,000	\$ 185,000	\$ 165,646	\$ (19,354)
Expenditures				
Operating expenditures	175,000	175,000	32,695	(142,305)
Capital outlay	<u>-</u>	<u>-</u>	<u>58,881</u>	<u>58,881</u>
Total expenditures	<u>175,000</u>	<u>175,000</u>	<u>91,576</u>	<u>(83,424)</u>
Net change in fund balance	<u>\$ (35,000)</u>	<u>\$ 10,000</u>	<u>\$ 74,070</u>	<u>\$ 64,070</u>

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

Reporting Fiscal Year (Measurement Date)	2015 (2014)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)
City's proportion of the net pension liability	0.0092%	0.0099%	0.0102%	0.0102%	0.0105%	0.0112%	0.0129%	0.0159%	0.0203%	0.0206%
City's proportionate share of the net pension liability (asset)	\$ 297,393	\$ 424,216	\$ 502,481	\$ 597,330	\$ 638,751	\$ 785,169	\$ 987,348	\$ 1,011,901	\$ 1,465,755	\$ 1,321,223
City's covered employee payroll	\$ 298,736	\$ 368,333	\$ 379,449	\$ 363,739	\$ 313,249	\$ 340,048	\$ 383,562	\$ 460,587	\$ 619,620	\$ 594,451
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	99.55%	115.17%	132.42%	164.22%	203.91%	230.90%	257.42%	219.70%	236.56%	222.26%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	55.50%	53.32%	53.54%	50.45%	47.81%	57.33%	52.42%	57.48%

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

Reporting Fiscal Year (Measurement Date)	2015 (2014)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)
City's proportion of the net pension liability	0.1231%	0.1208%	0.1230%	0.1208%	0.1242%	0.1191%	0.1165%	0.1104%	0.0943%	0.0963%
City's proportionate share of the net pension liability (asset)	\$ 1,479,855	\$ 1,854,320	\$ 2,111,391	\$ 2,703,527	\$ 3,003,385	\$ 3,289,977	\$ 3,511,875	\$ 2,940,035	\$ 2,878,318	\$ 2,597,014
City's covered employee payroll	\$ 681,588	\$ 586,291	\$ 633,045	\$ 674,595	\$ 691,782	\$ 678,311	\$ 697,244	\$ 647,251	\$ 614,298	\$ 690,017
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	217.12%	316.28%	333.53%	400.76%	434.15%	485.02%	503.68%	454.23%	468.55%	376.37%
Plan fiduciary net position as a percentage of the total pension liability	63.46%	57.52%	53.95%	49.78%	49.26%	46.63%	44.11%	52.26%	47.11%	52.96%

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required employer contribution	\$ 46,962	\$ 47,096	\$ 50,741	\$ 45,358	\$ 55,156	\$ 74,027	\$ 88,893	\$ 131,173	\$ 139,101	\$ 152,020
Contributions relative to contractually required employer contribution	<u>46,962</u>	<u>47,096</u>	<u>50,741</u>	<u>45,358</u>	<u>55,156</u>	<u>74,027</u>	<u>88,893</u>	<u>131,173</u>	<u>139,101</u>	<u>152,020</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 368,333	\$ 379,449	\$ 363,739	\$ 313,249	\$ 340,048	\$ 383,562	\$ 460,587	\$ 619,620	\$ 594,451	\$ 651,329
Employer contributions as a percentage of covered-employee payroll	12.75%	12.41%	13.95%	14.48%	16.22%	19.30%	19.30%	21.17%	23.40%	23.34%

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required employer contribution	\$ 121,538	\$ 128,255	\$ 146,454	\$ 153,576	\$ 168,696	\$ 209,591	\$ 194,564	\$ 208,001	\$ 295,397	\$ 283,396
Contributions relative to contractually required employer contribution	<u>121,538</u>	<u>128,255</u>	<u>146,454</u>	<u>153,576</u>	<u>168,696</u>	<u>209,591</u>	<u>194,564</u>	<u>208,001</u>	<u>295,397</u>	<u>283,396</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 586,291	\$ 633,045	\$ 674,595	\$ 691,782	\$ 678,311	\$ 697,244	\$ 647,251	\$ 614,298	\$ 690,017	\$ 689,362
Employer contributions as a percentage of covered-employee payroll	20.73%	20.26%	21.71%	22.20%	24.87%	30.06%	30.06%	33.86%	42.81%	41.11%

**CITY OF HIGHLAND HEIGHTS, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - NONHAZARDOUS
Last Eight Fiscal Years**

Reporting Fiscal Year (Measurement Date)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)
City's proportion of the net OPEB liability	0.0102%	0.0102%	0.0105%	0.0112%	0.0129%	0.0159%	0.0203%	0.0206%
City's proportionate share of the net OPEB liability (asset)	\$ 160,918	\$ 205,155	\$ 186,212	\$ 187,723	\$ 310,747	\$ 303,785	\$ 400,090	\$ (28,427)
City's covered employee payroll	\$ 379,449	\$ 363,739	\$ 313,249	\$ 340,048	\$ 383,562	\$ 460,587	\$ 619,620	\$ 594,450
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	42.41%	56.40%	59.45%	55.20%	81.02%	65.96%	64.57%	-4.78%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%	60.44%	51.67%	62.91%	60.95%	104.23%

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

**CITY OF HIGHLAND HEIGHTS, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - HAZARDOUS
Last Eight Fiscal Years**

Reporting Fiscal Year (Measurement Date)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)
City's proportion of the net OPEB liability	0.1208%	0.1208%	0.1242%	0.1191%	0.1164%	0.1104%	0.0943%	0.0963%
City's proportionate share of the net OPEB liability (asset)	\$ 596,909	\$ 998,950	\$ 885,446	\$ 881,025	\$ 1,076,047	\$ 892,957	\$ 803,055	\$ 131,713
City's covered employee payroll	\$ 633,045	\$ 674,595	\$ 691,782	\$ 678,311	\$ 697,244	\$ 647,251	\$ 614,298	\$ 690,017
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	94.29%	148.08%	127.99%	129.89%	154.33%	137.96%	130.73%	19.09%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	58.99%	64.24%	64.44%	58.84%	66.81%	64.13%	92.27%

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

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required employer contribution	\$ 18,122	\$ 17,594	\$ 17,205	\$ 14,723	\$ 17,886	\$ 18,258	\$ 21,924	\$ 35,814	\$ 20,152	\$ -
Contributions relative to contractually required employer contribution	<u>18,122</u>	<u>17,594</u>	<u>17,205</u>	<u>14,723</u>	<u>17,886</u>	<u>18,258</u>	<u>21,924</u>	<u>35,814</u>	<u>20,152</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 368,333	\$ 379,449	\$ 363,739	\$ 313,249	\$ 340,048	\$ 383,562	\$ 460,587	\$ 619,620	\$ 594,450	\$ 651,329
Employer contributions as a percentage of covered-employee payroll	4.92%	4.64%	4.73%	4.70%	5.26%	4.76%	4.76%	5.78%	3.39%	0.00%

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required employer contribution	\$ 79,618	\$ 80,333	\$ 63,075	\$ 64,682	\$ 71,019	\$ 66,378	\$ 61,618	\$ 64,317	\$ 46,783	\$ 20,207
Contributions relative to contractually required employer contribution	<u>79,618</u>	<u>80,333</u>	<u>63,075</u>	<u>64,682</u>	<u>71,019</u>	<u>66,378</u>	<u>61,618</u>	<u>64,317</u>	<u>46,783</u>	<u>20,207</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 586,291	\$ 633,045	\$ 674,595	\$ 691,782	\$ 678,311	\$ 697,244	\$ 647,251	\$ 614,298	\$ 690,017	\$ 689,362
Employer contributions as a percentage of covered-employee payroll	13.58%	12.69%	9.35%	9.35%	10.47%	9.52%	9.52%	10.47%	6.78%	2.93%

CITY OF HIGHLAND HEIGHTS, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2024

1. GENERAL INFORMATION

Contributions

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

Payroll

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

2. CHANGES OF ASSUMPTIONS

June 30, 2023 – Pension and OPEB Hazardous and Nonhazardous

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2023, for pension:

- The rate of inflation was increased from 2.30% to 2.50%.
- The salary productivity assumption was reduced by .20%, resulting in no change in the salary increase assumption for long-service employees of 3.30% in the non-hazardous funds.
- The individual rates of salary increases were increased during the select period for the CERS funds.
- The investment return assumption was increased from 6.25% to 6.50%.
- The Tier 3 cash balance interest crediting rate assumption was increased to 6.75% for the CERS pension funds.

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2023, for OPEB:

- The rate of inflation was increased from 2.30% to 2.50%.
- The salary productivity assumption was reduced by .20%, resulting in no change in the salary increase assumption for long-service employees of 3.30% in the non-hazardous funds.
- The individual rates of salary increases were increased during the select period for the CERS funds.
- The investment return assumption was increased from 6.25% to 6.50%.
- The initial healthcare trend rate for pre-65 was changed from 6.20% to 6.8%. The initial healthcare trend rate for post-65 was changed from 9.00% to 8.50%.

June 30, 2022 – Pension and OPEB Hazardous and Nonhazardous

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

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

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

CITY OF HIGHLAND HEIGHTS, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2024

2. CHANGES OF ASSUMPTIONS (CONTINUED)

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

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

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

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

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

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

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

June 30, 2019 – Pension and OPEB – Hazardous and Nonhazardous

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

- The assumed rate of salary increases was increased from 3.05% to 3.3% to 10.3% on average for non-hazardous and 3.05% to 3.55% to 19.05% on average for hazardous.

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

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

June 30, 2017 – Pension and OPEB – Hazardous and Nonhazardous

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

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

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

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

CITY OF HIGHLAND HEIGHTS, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2024

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2015 – Pension – Hazardous and Nonhazardous

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

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

June 30, 2014 – Pension – Hazardous and Nonhazardous

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



**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 the City Council
City of Highland Heights, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Highland Heights, Kentucky, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise City of Highland Heights, Kentucky's basic financial statements and have issued our report thereon dated February 28, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2024-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Highland Heights, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and responses as item 2024-002.

City of Highland Heights, Kentucky's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Highland Heights, Kentucky's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City of Highland Heights, Kentucky's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

RFH

RFH, PLLC
Lexington, Kentucky
February 28, 2025

**CITY OF HIGHLAND HEIGHTS, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2024**

FINDING: 2024-001 (Recurring)

Criteria: The City is required to have internal controls in place that enable it to prepare complete financial statements, including note disclosures, in compliance with generally accepted accounting principles.

Condition: Management was unable to prepare draft financial statements, including the related notes to the financial statements.

Cause: The City lacks personnel with the expertise to apply generally accepted accounting principles in preparing its financial statements including note disclosures and thus, does not have the internal control procedures required to draft the financial statements in conformity with generally accepted accounting principles.

Effect: Management engaged the auditor to prepare draft financial statements, including the related notes to the financial statements. Management reviewed, approved and accepted responsibility for the financial statements prior to their issuance.

Recommendation: We recommend management review the costs and benefits involved to retain a consultant with the required expertise to prepare the financial statements or review the financial statements as prepared by the auditor for compliance with generally accepted accounting principles.

RESPONSE: This is an ongoing finding. Management has determined that it is more cost effective to continue to engage the auditor to draft the financial statements and related notes.

FINDING: 2024-002

Criteria: Per KRS 91A.030 each city shall adopt an annual budget ordinance. No city shall expend any monies from any fund, except in accordance with a budget ordinance.

Condition: The City did not monitor the amounts expended during the year to ensure amounts expended were within the parameters of the adopted budget.

Cause: The City did not amend the budget to account for increased spending.

Effect: The City expended more on various line item expenditures than were budgeted.

Recommendation: The City should only spend monies in compliance with their budget and should amend the budget as deemed necessary.

RESPONSE: The City is putting in place systems to review the budget more thoroughly during the closing months of the fiscal year to ensure expenditures are in line and any necessary amendments to the budget are put before city council.