

CITY OF EDDYVILLE, KENTUCKY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

CITY OF EDDYVILLE, KENTUCKY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023
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JESSICA K. DANIEL, CPA PSC
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITORS' REPORT

Honorable Mayor Greg Greene
and Members of the City Council
City of Eddyville, Kentucky
Eddyville, Kentucky

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eddyville, Kentucky, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the City of Eddyville, Kentucky, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

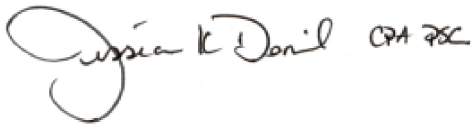
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability, schedule of contributions to the net pension liability, schedule of proportionate share of the net OPEB liability, and schedule of contributions to the net OPEB liability on pages 4-9 and 46-55 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Eddyville, Kentucky's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 28, 2024, on our consideration of the City of Eddyville, Kentucky's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City of Eddyville, 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 the City of Eddyville, Kentucky's internal control over financial reporting and compliance.

Handwritten signature of Jessica K. Donil CPA FSC. The signature is written in cursive and includes the initials "CPA FSC" to the right of the name.

Eddyville, Kentucky
February 28, 2024

**CITY OF EDDYVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023
(UNAUDITED)**

The City of Eddyville, Kentucky ("City") offers Management's Discussion and Analysis to provide an overview and analysis of the City's financial activities for the year ended June 30, 2023. To fully understand the entire scope of the City's financial activities, this information should be read in conjunction with the financial statements provided in this document.

The City reports its annual financial statements in a required model format issued by the Government Accounting Standards Board.

FINANCIAL HIGHLIGHTS

The financial statements, which follow the Management's Discussion and Analysis, provide these key financial highlights for the fiscal year ended June 30, 2023:

- The total assets and deferred outflows of resources of the City exceed its total liabilities and deferred inflows of resources at the close of the 2023 fiscal year by \$13,946,204 (Net Position). Of this amount, \$3,464,080 represents the unrestricted net position.
- The City's total net position increased by \$785,421 during the year. Governmental activities decreased the City's net position by \$189,022, and business-type activities increased the City's net position by \$974,443.
- As of June 30, 2023, the City's governmental funds reported combined fund balances of \$4,756,795. Over 84% of this total amount, or \$3,976,588, is unassigned and available for spending at the City's discretion.
- As of June 30, 2023, unassigned fund balances for the General Fund were \$3,976,588.
- The City decreased the existing long-term debt obligations by \$322,507 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) Government-wide statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Statements

The **government-wide** financial statements are designed to provide readers with a broad overview of the City of Eddyville's finances, in a manner similar to private-sector business and, accordingly, to provide information about the City as a whole, presenting both an aggregate current view of the City's finances and longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements reflect how services were financed in the short-term as well as what dollars remain for future spending. The major fund financial statements also display the City's most significant funds.

The **Statement of Net Position** presents financial information on all of the City's assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The **Statement of Activities** presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that are expected to result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, and cemetery. The business-type activities of the City include water, sewer, and parks. The government-wide financial statements can be found on pages 10-12 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following categories - **governmental** funds and **proprietary** funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, and provide the balances of spendable resources available at the end of the fiscal year. Such information reflects financial resources available in the near future to finance the City's programs.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental fund and governmental activities.

The City of Eddyville maintains two individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statements of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Fire Protection Fund which are considered to be major funds. Data from the other five funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental funds financial statements can be found on pages 13-16.

Proprietary Funds

Proprietary funds are generally used to account for services for which the City charges customers; either outside customers, or internal units/divisions of the City. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City of Eddyville maintains the following type of proprietary funds:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and parks operations.

The proprietary fund financial statements provide separate information for the Water Fund and Sewer Fund since both are considered to be major funds of the City. Because the Park Fund is the only remaining enterprise fund, it is being presented as a major fund even though it does not meet the criteria of a major fund established in Governmental Accounting Standards Board (GASB) Statement No. 34. The basic proprietary fund financial statements can be found on pages 17-20 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-45 of this report.

Supplementary Information

In addition to basic financial statements and accompanying notes, this report also presents certain required supplementary information which can be found on pages 46-55. The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 56 and 57 of this report.

OVERVIEW OF THE CITY'S FINANCIAL POSITION AND RESULTS OF OPERATIONS

While this document contains information about the funds used by the City to provide services to its citizens, the Statement of Net Position and the Statement of Activities serve to provide an answer to the question of how the City, as a whole, did financially throughout the year. These statements include all assets/deferred outflows of resources and liabilities/deferred inflows of resources using the accrual basis of accounting similar to the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net position and changes in net position. The change in net position reflects whether the financial position of the City as a whole has improved or diminished; however, in evaluating the overall financial position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets should also be considered.

The government-wide financial statements reports that during the year ending June 30, 2023, the City received \$511,360 in operating and capital grants. Revenue from taxes increased approximately \$194,319 from June 30, 2022 to \$2,140,809. Expenses directly related to programs offered by the City increased \$420,097 to \$3,799,073. The Statement of Activities reflects the current year increase in net position of \$785,421.

The following is a recap of financial activity for the year:

CITY OF EDDYVILLE, KENTUCKY'S NET POSITION

	<u>2023</u>	<u>2022</u>
Assets and Deferred Outflows of Resources		
Current and other assets	\$ 5,566,240	\$ 5,729,838
Noncurrent assets, net	<u>14,922,723</u>	<u>14,834,346</u>
Total Assets	<u>20,488,963</u>	<u>20,564,184</u>
Deferred outflows of resources	<u>564,024</u>	<u>503,959</u>
Total Assets and Deferred Outflows of Resources	<u>21,052,987</u>	<u>21,068,143</u>
Liabilities and Deferred Inflows of Resources		
Long-term liabilities	5,172,214	5,112,392
Other liabilities	<u>642,496</u>	<u>888,718</u>
Total Liabilities	<u>5,814,710</u>	<u>6,001,110</u>
Deferred inflows of resources	<u>1,292,073</u>	<u>1,906,250</u>
Total Liabilities and Deferred Inflows of Resources	<u>7,106,783</u>	<u>7,907,360</u>
Net Position		
Invested in capital assets net of related debt	10,167,558	9,718,174
Restricted	314,566	315,127
Unrestricted	<u>3,464,080</u>	<u>3,127,482</u>
Total Net Position	<u>\$ 13,946,204</u>	<u>\$ 13,160,783</u>

**CITY OF EDDYVILLE, KENTUCKY
CHANGES IN NET POSITION**

	<u>2023</u>	<u>2022</u>
Revenues		
Program revenues		
Charges for services	\$ 1,863,458	\$ 1,712,317
Grants and contributions	511,360	1,229,494
General revenues		
Taxes	2,140,809	1,946,490
Other	21,477	22,118
Insurance proceeds	6,131	-
Gain (loss) on disposal of capital assets	(21)	9,964
Contributions	2,500	-
Other financial assistance	-	18,830
Investment earnings	<u>38,780</u>	<u>41,407</u>
Total revenues	<u>4,584,494</u>	<u>4,980,620</u>
Expenses		
General government	1,007,947	825,645
Public safety	620,140	574,116
Public works	471,366	428,685
Cemetery	15,661	12,426
Business-type activities	<u>1,683,959</u>	<u>1,466,406</u>
Total Expenses	<u>3,799,073</u>	<u>3,307,278</u>
Change in net position	785,421	1,673,342
Net position - beginning	<u>13,160,783</u>	<u>11,487,441</u>
Net position - ending	<u>\$ 13,946,204</u>	<u>\$ 13,160,783</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

The final general fund budget passed by the city council anticipated revenues to exceed expenditures by \$578,195. Actual operating revenues exceeded budgeted revenues by \$371,710 in the general fund. Actual expenditures were greater than budgeted expenditures by \$81,948. The budgetary figures and actual amounts are reported in the supplementary information on page 46.

The original and final Fire Protection Fund budget passed by the city council anticipated expenditures to exceed revenues by \$24,194. The actual revenues exceeded budgeted revenues received by \$42,376. Budgeted expenditures exceeded actual expenditures by \$41,033. The budgetary figures and actual amounts are reported in the supplementary information on page 47.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The City's investment in capital assets as of June 30, 2023 amounted to \$13,444,650 (net of accumulated depreciation). This investment includes land, buildings, vehicles, and equipment.

	2023	2022
Governmental activities		
Capital assets, not being depreciated		
Land	\$ 54,446	\$ 60,946
Total capital assets, not being depreciated	54,446	60,946
Capital assets, being depreciated (net)		
Infrastructure	483,577	518,766
Buildings and improvements	306,032	320,539
Machinery and equipment	395,716	486,906
Vehicles	100,530	64,936
Total capital assets, being depreciated (net)	1,285,855	1,391,147
Governmental activities capital assets, net	\$ 1,340,301	\$ 1,452,093
 Business-type activities:		
	2023	2022
Capital assets, not being depreciated		
Land	\$ 58,426	\$ 58,426
Construction in progress	555,531	-
Total capital assets, not being depreciated (net)	613,957	58,426
Capital assets, being depreciated		
Buildings and improvements	11,023,298	11,502,465
Machinery and equipment	410,083	224,490
Vehicles	57,011	80,299
Total capital assets, being depreciated (net)	11,490,392	11,807,254
Business-type activities capital assets, net	\$ 12,104,349	\$ 11,865,680

Long-term and other debt

At the end of the current fiscal year, the City had a total outstanding debt in the proprietary funds of \$3,277,093. The proprietary fund debt is payable from charges for water and sewer services. The amount due during the next fiscal year for proprietary fund debt is \$327,978, and the remainder is scheduled to be paid out in 2052. Interest expense paid by the proprietary funds for 2023 was \$32,759. There was no new debt issued during fiscal year ending June 30, 2023.

REQUEST FOR INFORMATION

This financial report is designated to provide a general overview of the City of Eddyville, Kentucky's finances for all those with an interest in the government's finances. Questions or requests for additional information may be addressed to Greg Greene, Mayor, City of Eddyville, Kentucky - 153 West Main Street, Eddyville, KY 42038.

CITY OF EDDYVILLE, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
<u>Assets</u>			
Current Assets			
Cash and cash equivalents	\$ 4,350,396	\$ 200	\$ 4,350,596
Accounts receivable (net)			
Taxes	231,724	-	231,724
Fees and services	41,334	159,887	201,221
Unbilled revenue	14,134	95,092	109,226
Other receivables	131,017	-	131,017
Intergovernmental	5,172	-	5,172
Inventory	-	69,531	69,531
Prepaid expenses	89,617	67,112	156,729
Restricted assets			
Cash and cash equivalents	34,023	253,319	287,342
Investments	23,682	-	23,682
Total current assets	<u>4,921,099</u>	<u>645,141</u>	<u>5,566,240</u>
Noncurrent Assets			
Lease receivable	1,478,073	-	1,478,073
Capital assets, net of depreciation	1,340,301	12,104,349	13,444,650
Total noncurrent assets	<u>2,818,374</u>	<u>12,104,349</u>	<u>14,922,723</u>
Total Assets	<u>7,739,473</u>	<u>12,749,490</u>	<u>20,488,963</u>
<u>Deferred Outflows of Resources</u>			
Related to pensions	255,172	109,584	364,756
Related to other postemployment benefits	136,088	63,180	199,268
Total Deferred Outflows of Resources	<u>391,260</u>	<u>172,764</u>	<u>564,024</u>
<u>Liabilities</u>			
Current Liabilities			
Accounts payable	91,864	19,387	111,251
Taxes withheld and accrued	10,345	-	10,345
Meter deposits payable	-	120,916	120,916
Accrued employee benefits	43,135	20,710	63,845
Accrued interest	-	8,161	8,161
Long-term debt due in one year	-	327,978	327,978
Total current liabilities	<u>145,344</u>	<u>497,152</u>	<u>642,496</u>
Noncurrent liabilities			
Net pension liabilities	1,293,207	449,293	1,742,500
Net other post employment benefit liabilities	357,972	122,628	480,600
Long-term debt due after one year	-	2,949,114	2,949,114
Total non-current liabilities	<u>1,651,179</u>	<u>3,521,035</u>	<u>5,172,214</u>
Total Liabilities	<u>1,796,523</u>	<u>4,018,187</u>	<u>5,814,710</u>

See accompanying notes to financial statements.

CITY OF EDDYVILLE, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
<u>Deferred Inflows of Resources</u>			
Unavailable revenue - property taxes	18,960	-	18,960
Unearned interest revenue	296,750	-	296,750
American Rescue Plan Act	521,537	-	521,537
Related to pensions	197,348	7,109	204,457
Related to other postemployment benefits	189,399	60,970	250,369
Total Deferred Inflows of Resources	1,223,994	68,079	1,292,073
<u>Net Position</u>			
Net invested in capital assets	1,340,301	8,827,257	10,167,558
Restricted for			
Debt service	-	253,319	253,319
Public safety	462	-	462
Public works	5,172	-	5,172
Opioid Settlement	7,489	-	7,489
Cemetery fund	48,124	-	48,124
Unrestricted	3,708,668	(244,588)	3,464,080
Total Net Position	\$ 5,110,216	\$ 8,835,988	\$ 13,946,204

See accompanying notes to financial statements.

CITY OF EDDYVILLE, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<u>Governmental activities</u>							
General government	\$ 1,007,947	\$ 284,391	\$ 230,074	\$ -	\$ (493,482)	\$ -	\$ (493,482)
Public safety	620,140	12,538	72,508	-	(535,094)	-	(535,094)
Public works	471,366	-	53,151	-	(418,215)	-	(418,215)
Cemetery maintenance	15,661	-	-	-	(15,661)	-	(15,661)
Total governmental activities	<u>2,115,114</u>	<u>296,929</u>	<u>355,733</u>	<u>-</u>	<u>(1,462,452)</u>	<u>-</u>	<u>(1,462,452)</u>
<u>Business-type activities</u>							
Water system	778,014	941,492	2,590	-	-	166,068	166,068
Sewer system	803,455	598,748	-	102,897	-	(101,810)	(101,810)
Park	102,490	26,289	-	50,140	-	(76,201)	(76,201)
Total business-type activities	<u>1,683,959</u>	<u>1,566,529</u>	<u>2,590</u>	<u>153,037</u>	<u>-</u>	<u>38,197</u>	<u>38,197</u>
Total Primary Government	<u>\$ 3,799,073</u>	<u>\$ 1,863,458</u>	<u>\$ 358,323</u>	<u>\$ 153,037</u>	<u>(1,462,452)</u>	<u>38,197</u>	<u>(1,424,255)</u>
<u>General Revenues and Transfers</u>							
Taxes:							
Occupational					827,141	-	827,141
Property taxes					382,654	-	382,654
Insurance premium tax					349,461	-	349,461
Restaurant tax					204,246	-	204,246
Franchise tax					137,261	-	137,261
Regulatory fees					104,610	-	104,610
Other taxes					93,961	-	93,961
Business license					41,475	-	41,475
Miscellaneous					15,877	-	15,877
Cemetery					5,600	-	5,600
Interest income					37,525	1,255	38,780
Contributions					2,500	-	2,500
Insurance Proceeds					6,131	-	6,131
Proceeds from sale of capital assets					(21)	-	(21)
Transfers in (out)					(934,991)	934,991	-
Total General Revenues and Transfers					<u>1,273,430</u>	<u>936,246</u>	<u>2,209,676</u>
<u>Change in Net Position</u>					<u>(189,022)</u>	<u>974,443</u>	<u>785,421</u>
<u>Net Position at Beginning of Year</u>					<u>5,299,238</u>	<u>7,861,545</u>	<u>13,160,783</u>
<u>Net Position at End of Year</u>					<u>\$ 5,110,216</u>	<u>\$ 8,835,988</u>	<u>\$ 13,946,204</u>

See accompanying notes to financial statements.

CITY OF EDDYVILLE, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	<u>General</u>	<u>Fire Protection</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 3,924,765	\$ 425,631	\$ -	\$ 4,350,396
Accounts receivable				
Taxes	231,724	-	-	231,724
Fees and services	41,334	-	-	41,334
Other receivables	59,996	59,240	11,781	131,017
Unbilled revenue	14,134	-	-	14,134
Intergovernmental	-	-	5,172	5,172
Prepaid expenses	72,605	17,012	-	89,617
Due from other funds	-	85,228	-	85,228
Restricted assets				
Cash and cash equivalents	7,489	-	26,534	34,023
Investments	-	-	23,682	23,682
Total Assets	<u>\$ 4,352,047</u>	<u>\$ 587,111</u>	<u>\$ 67,169</u>	<u>\$ 5,006,327</u>
<u>Liabilities, Deferred Inflows, and Fund Balances</u>				
<u>Liabilities</u>				
Accounts payable	\$ 86,788	\$ 3,536	\$ 1,540	\$ 91,864
Accrued payroll and related expenses	10,345	-	-	10,345
Accrued employee benefits	43,135	-	-	43,135
Due to other funds	85,228	-	-	85,228
Total Liabilities	<u>225,496</u>	<u>3,536</u>	<u>1,540</u>	<u>230,572</u>
<u>Deferred Inflows of Resources</u>				
Property taxes	<u>18,960</u>	<u>-</u>	<u>-</u>	<u>18,960</u>
<u>Fund Balances</u>				
Prepaid expenses	72,605	17,012	-	89,617
Restricted for				
Cemetery fund	-	-	48,691	48,691
Opioid Settlement	7,489	-	-	7,489
Municipal aid	-	-	5,172	5,172
Public safety	462	-	-	462
Committed for				
Fire protection fund	-	566,563	-	566,563
Alcoholic beverage control	-	-	11,766	11,766
Assigned for				
Employee benefits	50,447	-	-	50,447
Unassigned	<u>3,976,588</u>	<u>-</u>	<u>-</u>	<u>3,976,588</u>
Total Fund Balances	<u>4,107,591</u>	<u>583,575</u>	<u>65,629</u>	<u>4,756,795</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 4,352,047</u>	<u>\$ 587,111</u>	<u>\$ 67,169</u>	<u>\$ 5,006,327</u>

See accompanying notes to financial statements.

CITY OF EDDYVILLE, KENTUCKY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2023

Fund Balances - Total Governmental Funds \$ 4,756,795

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet:

Governmental capital assets	\$ 4,341,058	
Less accumulated depreciation	<u>(3,000,755)</u>	1,340,303

Under modified accrual basis of accounting the only receivables recognized are those expected to be collected within sixty days of the close of the fiscal year.

Lease receivable		1,478,073
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.

Unearned interest income	(296,750)	
Net pension and OPEB liability and related deferred outflows and inflows of resources	<u>(1,646,643)</u>	(1,943,393)

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time. The City recognizes ARPA funds received as deferred until they are utilized.

(521,562)

Net Position of Governmental Activities **\$ 5,110,216**

CITY OF EDDYVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>General</u>	<u>Fire Protection</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>				
Taxes				
Occupational	\$ 827,141	\$ -	\$ -	\$ 827,141
Property	382,654	-	-	382,654
Insurance premiums	115,015	234,446	-	349,461
Restaurant	204,246	-	-	204,246
Franchise	137,261	-	-	137,261
Regulatory fees	-	-	104,610	104,610
Other	93,961	-	-	93,961
License and permits	41,475	-	-	41,475
Charges for services	284,391	12,538	-	296,929
Intergovernmental	122,198	35,000	50,488	207,686
Miscellaneous	14,877	1,000	-	15,877
Investment income	20,066	1,667	190	21,923
Cemetery	-	-	5,600	5,600
Contributions	-	-	2,500	2,500
Total Revenues	<u>2,243,285</u>	<u>284,651</u>	<u>163,388</u>	<u>2,691,324</u>
<u>Expenditures</u>				
Current				
General government	966,184	-	-	966,184
Public safety	382,696	154,183	124,118	660,997
Public works	332,049	-	-	332,049
Cemetery maintenance	-	-	15,661	15,661
Capital outlay	58,399	22,865	-	81,264
Total Expenditures	<u>1,739,328</u>	<u>177,048</u>	<u>139,779</u>	<u>2,056,155</u>
<u>Excess (Deficiency) of Revenues</u>				
<u>Over Expenditures</u>				
	<u>503,957</u>	<u>107,603</u>	<u>23,609</u>	<u>635,169</u>
<u>Other Financing Sources (Uses)</u>				
Lease revenue	38,765	-	-	38,765
Proceeds from sale of capital assets	6,479	-	-	6,479
Insurance proceeds	6,131	-	-	6,131
Transfers in (out)	<u>(904,742)</u>	<u>1,667</u>	<u>(31,916)</u>	<u>(934,991)</u>
Total Other Financing Sources (Uses)	<u>(853,367)</u>	<u>1,667</u>	<u>(31,916)</u>	<u>(883,616)</u>
<u>Net Change in Fund Balances</u>	<u>(349,410)</u>	<u>109,270</u>	<u>(8,307)</u>	<u>(248,447)</u>
<u>Fund Balances at Beginning of Year</u>	<u>4,457,001</u>	<u>474,305</u>	<u>73,936</u>	<u>5,005,242</u>
<u>Fund Balances at End of Year</u>	<u>\$ 4,107,591</u>	<u>\$ 583,575</u>	<u>\$ 65,629</u>	<u>\$ 4,756,795</u>

See accompanying notes to financial statements.

CITY OF EDDYVILLE, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Net Change in Fund Balance - Total Governmental Funds \$ (248,447)

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

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:

Expenditures for capital assets	\$ 81,264	
Less current year depreciation	<u>(186,556)</u>	(105,292)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales and trade-ins) is to decrease net assets. (6,500)

Under the modified accrual basis of accounting the only receivables recognized are those expected to be collected within sixty days of the close of the fiscal year. The accrual basis of accounting recognizes all receivables at year end. This is the net additional revenue associated with receivables recognized this year less the additional revenue from receivables recombined last year.

Lease receivable payments	(38,500)	
Recognized unearned income	<u>15,604</u>	(22,896)

The net pension and other postemployment benefits liabilities and related deferred outflows and inflows of resources are an obligation of the City of Eddyville not payable from current year resources and not reported as an expenditure of the current year. In the Statement of Activities, these costs represent expenses of the current year. 46,066

Governmental funds report grant proceeds when received. However, in the Statement of Activities, resources that are received and will be utilized in a later period are recognized as deferred inflows of resources. The City recognizes ARPA funds received as deferred inflows of resources.

148,047

Changes in Net Position of Governmental Activities **\$ (189,022)**

CITY OF EDDYVILLE, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023

	Business-type Activities			Total
	Enterprise Funds			
	Water	Sewer	Park Board Nonmajor Enterprise Fund	
<u>ASSETS</u>				
<u>Current Assets</u>				
Cash and cash equivalents	\$ -	\$ -	\$ 200	\$ 200
Receivables, net				
Fees and services	91,997	67,890	-	159,887
Unbilled revenue	59,306	35,786	-	95,092
Inventory	64,335	5,196	-	69,531
Prepaid insurance	35,364	28,506	3,242	67,112
Restricted assets				
Cash and cash equivalents	<u>253,319</u>	<u>-</u>	<u>-</u>	<u>253,319</u>
Total Current Assets	<u>504,321</u>	<u>137,378</u>	<u>3,442</u>	<u>645,141</u>
<u>Noncurrent Assets</u>				
Property, plant, and equipment, net of accumulated depreciation	<u>4,380,283</u>	<u>7,498,901</u>	<u>225,165</u>	<u>12,104,349</u>
Total Noncurrent Assets	<u>4,380,283</u>	<u>7,498,901</u>	<u>225,165</u>	<u>12,104,349</u>
Total Assets	<u>4,884,604</u>	<u>7,636,279</u>	<u>228,607</u>	<u>12,749,490</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Related to pensions	54,792	54,792	-	109,584
Related to other postemployment benefits	<u>31,590</u>	<u>31,590</u>	<u>-</u>	<u>63,180</u>
Total deferred outflows of resources	<u>86,382</u>	<u>86,382</u>	<u>-</u>	<u>172,764</u>
<u>LIABILITIES</u>				
<u>Current Liabilities</u>				
Accounts payable	8,855	4,840	5,692	19,387
Meter deposits payable	120,916	-	-	120,916
Accrued employee benefits	9,730	9,268	1,712	20,710
Accrued interest payable	5,516	2,645	-	8,161
Long-term debt due in one year	<u>210,238</u>	<u>117,740</u>	<u>-</u>	<u>327,978</u>
Total Current Liabilities	<u>355,255</u>	<u>134,493</u>	<u>7,404</u>	<u>497,152</u>
<u>Noncurrent Liabilities</u>				
Net pension liabilities	224,647	224,646	-	449,293
Net other postemployment benefit liabilities	61,314	61,314	-	122,628
Long-term debt due after one year	<u>507,292</u>	<u>2,441,822</u>	<u>-</u>	<u>2,949,114</u>
Total Noncurrent Liabilities	<u>793,253</u>	<u>2,727,782</u>	<u>-</u>	<u>3,521,035</u>
Total Liabilities	<u>1,148,508</u>	<u>2,862,275</u>	<u>7,404</u>	<u>4,018,187</u>

See accompanying notes to financial statements.

CITY OF EDDYVILLE, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023

	Business-type Activities Enterprise Funds			Total
	Water	Sewer	Park Board Nonmajor Enterprise Fund	
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Related to pensions	3,555	3,554	-	7,109
Related to other postemployment benefits	30,485	30,485	-	60,970
Total deferred inflows of resources	34,040	34,039	-	68,079
<u>NET POSITION</u>				
Net invested in capital assets	3,662,753	4,939,339	225,165	8,827,257
Restricted for debt service	253,319	-	-	253,319
Unrestricted	(127,634)	(112,992)	(3,962)	(244,588)
Total Net Position	\$ 3,788,438	\$ 4,826,347	\$ 221,203	\$ 8,835,988

See accompanying notes to financial statements.

CITY OF EDDYVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Business-type Activities Enterprise Funds			Total
	Water	Sewer	Park Board Nonmajor Enterprise Fund	
<u>Operating Revenues</u>				
Charges for services	\$ 941,492	\$ 598,748	\$ 26,289	\$ 1,566,529
Total Operating Revenues	<u>941,492</u>	<u>598,748</u>	<u>26,289</u>	<u>1,566,529</u>
<u>Operating Expenses</u>				
Depreciation	257,650	318,743	29,255	605,648
Salaries and wages	127,897	127,951	18,682	274,530
Utilities	104,468	106,282	12,657	223,407
Repairs and maintenance	70,888	107,682	18,403	196,973
Employee benefits	55,219	54,459	-	109,678
Materials and supplies	65,464	13,691	10,602	89,757
Insurance	36,507	31,435	2,837	70,779
Miscellaneous	10,165	4,075	4,528	18,768
Taxes	9,963	9,967	1,652	21,582
Gasoline, oil and grease	9,977	9,922	-	19,899
Loan fees	632	6,141	-	6,773
Office supplies	6,356	-	-	6,356
Cost of sales	-	-	3,874	3,874
Professional	3,176	-	-	3,176
Total Operating Expenses	<u>758,362</u>	<u>790,348</u>	<u>102,490</u>	<u>1,651,200</u>
<u>Income (Loss) from Operations</u>	<u>183,130</u>	<u>(191,600)</u>	<u>(76,201)</u>	<u>(84,671)</u>
<u>Nonoperating Revenues (Expenses)</u>				
Grant proceeds	2,590	102,897	50,140	155,627
Investment income	1,255	-	-	1,255
Interest expense	(19,652)	(13,107)	-	(32,759)
Total Nonoperating Revenues (Expenses)	<u>(15,807)</u>	<u>89,790</u>	<u>50,140</u>	<u>124,123</u>
<u>Income (Loss) Before Contributions and Transfers</u>	167,323	(101,810)	(26,061)	39,452
Transfers in(out)	<u>484,093</u>	<u>294,722</u>	<u>156,176</u>	<u>934,991</u>
<u>Change in Net Position</u>	651,416	192,912	130,115	974,443
<u>Net Position at Beginning of Year</u>	<u>3,137,022</u>	<u>4,633,435</u>	<u>91,088</u>	<u>7,861,545</u>
<u>Net Position at End of Year</u>	<u>\$ 3,788,438</u>	<u>\$ 4,826,347</u>	<u>\$ 221,203</u>	<u>\$ 8,835,988</u>

See accompanying notes to financial statements.

CITY OF EDDYVILLE, KENTUCKY
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	Business-type Activities Enterprise Funds			Total
	Water	Sewer	Park Board Nonmajor Enterprise Fund	
<u>Cash Flows From Operating Activities</u>				
Cash received from customers	\$ 916,942	\$ 660,849	\$ 26,289	\$ 1,604,080
Cash payments to suppliers for goods and services	(477,761)	(410,566)	(56,827)	(945,154)
Cash payments to employees for services	(127,058)	(128,584)	(18,321)	(273,963)
Net Cash Provided (Used) By Operating Activities	<u>312,123</u>	<u>121,699</u>	<u>(48,859)</u>	<u>384,963</u>
<u>Cash Flows From Noncapital Financing Activities</u>				
Transfers in	484,093	294,722	156,176	934,991
Net Cash Provided (Used) by Noncapital Financing Activities	<u>484,093</u>	<u>294,722</u>	<u>156,176</u>	<u>934,991</u>
<u>Cash Flows from Capital and Related Financing Activities</u>				
Grant proceeds	2,590	102,897	50,140	155,627
Principal paid on debt	(205,366)	(117,142)	-	(322,508)
Acquisition of property, plant and equipment	(572,712)	(390,477)	(157,457)	(1,120,646)
Interest paid on debt	(20,728)	(11,699)	-	(32,427)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(796,216)</u>	<u>(416,421)</u>	<u>(107,317)</u>	<u>(1,319,954)</u>
<u>Cash Flows from Investing Activities</u>				
Income received on investments	1,255	-	-	1,255
Net Cash Provided (Used) By Investing Activities	<u>1,255</u>	<u>-</u>	<u>-</u>	<u>1,255</u>
<u>Net Increase (Decrease) in Cash Equivalents</u>	1,255	-	-	1,255
<u>Cash and Cash Equivalents at Beginning of Year</u>	252,064	-	200	252,264
<u>Cash and Cash Equivalents at End of Year</u>	<u>\$ 253,319</u>	<u>\$ -</u>	<u>\$ 200</u>	<u>\$ 253,519</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)</u>				
<u>By Operating Activities</u>				
Operating income (loss)	\$ 183,130	\$ (191,600)	\$ (76,201)	\$ (84,671)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	257,650	318,743	29,255	605,648
Change in assets and liabilities				
Accounts receivable	(26,646)	62,101	-	35,455
Prepaid expenses	(35,364)	(28,506)	(3,242)	(67,112)
Inventory	(16,554)	(3,343)	-	(19,897)
Deferred outflows of resources	(4,591)	(4,591)	-	(9,182)
Accounts payable	(15,050)	2,598	968	(11,484)
Accrued liabilities	3,316	65	361	3,742
Deferred pension and OPEB liabilities	31,004	31,004	-	62,008
Deferred inflows of resources	(64,772)	(64,772)	-	(129,544)
Net Cash Provided (Used) by Operating Activities	<u>\$ 312,123</u>	<u>\$ 121,699</u>	<u>\$ (48,859)</u>	<u>\$ 384,963</u>
<u>Reconciliation of Total Cash</u>				
Current Assets - Cash	\$ -	\$ -	\$ 200	\$ 200
Restricted Assets - Cash	253,319	-	-	253,319
Total Cash	<u>\$ 253,319</u>	<u>\$ -</u>	<u>\$ 200</u>	<u>\$ 253,519</u>

Non-Cash Investing, Capital and Related Financing Activities - none

See accompanying notes to financial statements.

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Eddyville, Kentucky (the City) operates under a Mayor/Council form of government and provides the following services as authorized: public safety (police and fire), public works (highway and streets), water distribution, wastewater treatment, cemetery maintenance, and community pool and park.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*, and by the Financial Accounting Standards Board (when applicable). The City follows GASB pronouncements as codified under GASB 62, which was adopted in the current year. The more significant accounting policies of the City are described below:

A. The Financial Reporting Entity

The City of Eddyville, Kentucky operates under a Mayor/Council form of government. The City Council consists of six members elected at large by the citizens on a non-partisan basis. The City has adhered to the standards set forth in Statement No. 14 as amended by Statement No. 61 of the Governmental Accounting Standards Board in reporting the primary government (including blended component units), discretely presented component units, the reporting entity, and related relationships with the City.

B. Basis of Presentation

The government-wide financial statements include the statement of net position and the statement of activities. These statements report information for the City as a whole. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on sources, uses, and balances of current financial resources. The City has presented the following major governmental funds:

General Fund

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Fire Protection Fund

The Fire Protection Fund is used to account for the provision of fire protection services to the residents of the City. Revenues consist of insurance premium taxes assigned to this fund.

Proprietary Funds

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position. The City has presented the following major proprietary funds:

Water Fund

The Water Fund is used to account for the provision of water services to the residents of the City. Activities of the fund include administration, water treatment and distribution, infrastructure additions, and maintenance. The department accounts for the accumulation of resources for, and payment of, long-term debt principal and interest for water system debt. All fund costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure the financial integrity of the fund.

Sewer Fund

The Sewer Fund is used to account for the provision of sewer services to the residents of the City. Activities of the fund include administration, wastewater treatment and collection, and infrastructure additions and maintenance. The fund accounts for the accumulation of resources for, and payment of, long-term debt principal and interest for sewer system debt. All fund costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure the financial integrity of the fund.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the costs of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e. when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. Insurance premium and franchise taxes are considered available and are, therefore, recognized as revenues even though a portion of taxes may be collected in the subsequent year. Intergovernmental revenues received as reimbursements for specific purposes or projects are recognized based upon expenditures recorded. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and all liabilities (whether current or non-current) are included on the statement of net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water, sewer, and natural gas services which are accrued. Expenses are recognized at the time the liability is incurred.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include: (1) timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, (2) matching requirements, in which the City must provide local resources to be used for a specified purpose, and (3) expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

D. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue, and proprietary funds. Non-major governmental funds are not budgeted.

Prior to June 1 of each year, the Mayor submits a proposed budget to the City Council for the year commencing the following July 1. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and request appropriations for the next fiscal year. The City Council holds public hearings to obtain taxpayer comments. Prior to June 30 of each year, the City Council approves the budget by majority vote.

As required by Kentucky Revised Statutes (KRS) 91A.030 (2), formal budgetary integration is employed as a management device during the year for the General Fund, and Proprietary Funds. Total expenditures for a fund legally may not exceed the total appropriations as required by KRS 91A.030 (13).

Budget amendments, as allowed by ordinance, require majority approval by the City Council.

E. Cash and Investments

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

Investments include certificates of deposit reported at cost, which approximates fair value. Investments also include short-term pooled municipal guaranteed securities which are valued at market value. In accordance with GASB Statement 31, quoted market price was used to determine the fair value of investments. Additional cash and investment disclosures are presented in Note 3.

F. Receivables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. The major receivable balance for the governmental activities normally include taxpayer assessed revenues such as occupational and insurance premium taxes. Business-type activities report customer utility usages as their major receivable.

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

G. Allowance for Uncollectible Accounts

The City elects to not recognize an allowance for uncollectible accounts. Bad debts are removed utilizing the direct write-off method.

H. Inventory

Material and supplies inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consist of expendable supplies and replacement parts. The cost is recorded as an asset at the time of purchase and as expenditures when used (consumption method).

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2023, are recorded as prepaid items. Prepaid items recorded in the governmental funds are reflected as nonspendable fund balance.

J. Restricted Assets

The restricted funds have been handled in accordance with the provisions of the various proprietary fund revenue bond resolutions, loan agreements, or by state or federal laws and regulations. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

K. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Assets capitalized, not including infrastructure assets, have an original cost of \$500 or more and over three years of useful life. Infrastructure assets capitalized have an original cost of \$5,000 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. The estimated useful lives are as follows:

Buildings and Infrastructure	12-50 years
Utility Plant	30-33 years
Machinery and Equipment	3-10 years

The City has elected not to retroactively report general infrastructure assets purchased prior to July 1, 2003.

L. Unearned Revenue

In the governmental funds, certain revenue transactions have been reported as unearned revenue. Revenue cannot be recognized until it has been earned and is available to finance expenditures of the current fiscal period. Revenue that is earned but not available is reported as a current liability or deferred inflow of resources until such time as the revenue becomes available. In the proprietary funds (and for the governmental activities in the government-wide statements), unearned revenue is reported regardless of its availability.

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

M. Compensated Absences

The City recognizes a liability for unpaid compensated absences arising from unpaid vacation and personal time in accordance with Governmental Accounting Standards Board (GASB) Statement 16. GASB Statement 16 requires employers to accrue a liability for future vacations, sick, and other leave benefits that meet the following conditions:

- a. The employer's obligation relating to employees' rights to receive compensation for future absences attributable to employees' services already rendered.
- b. The obligation relates to rights that vest or accumulate.
- c. Payment of the compensation is probable.
- d. The amount can be reasonably estimated.

Employees earn vacation leave on January 1 of each year. Vacation leave is eligible as follows:

- a. 1st year - days granted equals the number of months the employee has worked during the previous calendar year times 83%.
- b. 2nd year through 10th year - 10 days
- c. 11th year and above - 15 days.

Employees are urged to take their annual leave each year. However, for leave that is not taken during the year, employees will be paid in December for up to 10 days. Vacation rights are vested after satisfactory completion of the first six months of employment. Only full time employees are eligible for vacation benefits. When an employee gives a proper notice of two weeks all accrued annual vacation leave shall be paid at the employee's current rate of pay.

Each full time employee is granted personal leave credit at the rate of one working day per month. Any personal days granted and unused in excess of 24 total days may be exchanged at the end of the calendar year at the rate of the employee's current rate of hourly pay. There is no limit to the number of personal leave days an employee may accrue. However, the exchange for year-end pay shall be based on the current year and in no case shall be more than 12 personal days per year to be exchanged for payment.

N. Long-Term Debt

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

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists of lease, note, and bond obligations payable.

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

O. Bond Discounts/Issuance Costs

Bond discounts and issuance costs on long-term debt are deferred and charged as nonoperating expense over the terms of the related issues. Issuance costs are recognized when incurred.

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

P. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as interfund transfers and are included in the results of operations of both governmental and proprietary funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Q. Estimates

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

R. 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 in the Kentucky Retirement Systems (KRS), and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the KRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the County Employees Retirement System. Investments are reported at fair value.

S. Postemployment Benefits Other Than Pensions (OPEB)

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 the benefit terms. Investments are reported at fair value.

T. Net Position

In the government-wide statements, equity is classified as net position and displayed in three components.

- **Net investment in capital assets** - Capital assets, net of accumulated depreciation and reduced by the outstanding balance of any borrowings that are attributable to the acquisition, construction, or improvement of those assets net of unspent financing proceeds.
- **Restricted net position** - Net position with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, laws, or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

CITY OF EDDYVILLE, KENTUCKY
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JUNE 30, 2023

The City has implemented GASB No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The City establishes (and modifies or rescinds) fund balance commitments by voting. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City through adoption or amendment of the budget is intended for specific purposes (such as the purchase of fixed assets, construction, debt service, or for other purposes). The following classifications describe the relative strength of the spending constraints:

- **Nonspendable fund balance** - amounts that are not in spendable form (such as inventory or prepaid expenses) or are required to be maintained intact.
- **Restricted fund balance** - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed fund balance** - amounts constrained to specific purposes by the Council itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- **Assigned fund balance** - amounts the City intends to use for a specific purpose. Intent can be expressed by the City or by an official or body to which the City delegates the authority.
- **Unassigned fund balance** - amounts that are available for any purpose. Positive amounts are reported only in the general funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the city would first use committed then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

U. Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred Outflows of Resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category.

Deferred outflows related to pensions and other post employment benefits are reported in the government-wide and proprietary statement of net position. A deferred outflow from pensions and other postemployment benefits results from City contributions made subsequent to the measurement date and various changes resulting from actuarial pension/OPEB measurements. The contribution amount is deferred and will be recognized as a reduction of net pension and other postemployment liabilities in the year ending June 30, 2023. The various changes resulting from actuarial pension/OPEB measurements are deferred and amortized in future periods as a component of pension/OPEB expense.

Deferred Inflows of Resources: In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has five items that qualify for reporting in this category.

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Deferred inflows related to property taxes are reported in the government-wide statement of net position and governmental balance sheet. A deferred inflow from property taxes results from property taxes receivable that are deferred and will be recognized as an inflow of resources in the period that the amounts become available.

Deferred inflows related to pensions and other postemployment benefits are reported in the government-wide statement and proprietary statement of net position. A deferred inflow from pensions and other postemployment benefits results from net differences between expected and actual earnings on plan investments. This amount is deferred and will be recognized as a reduction of pension expense over the next four years.

Deferred inflows related to unearned interest revenue are reported in the government-wide statement of net position. A deferred inflow from unearned interest revenue results from the interest portion of the lease receivable that will be recognized as an inflow of resources in the period that the amounts become available.

Deferred inflows related to funds received through the American Rescue Plan Act are recognized as deferred in the government-wide statements. The funds will be recognized as grant income as they are utilized.

V. Recent Accounting Pronouncements

As of June 30, 2023, the GASB has issued the following pronouncements required to be adopted by the City.

GASB Statement No. 91, *Conduit Debt Obligations*, was issued May 2019. The requirements of this Statement are effective for periods beginning after December 15, 2021. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. There was no effect on the City's current financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, was issued in May 2020. The requirements of this Statement are effective for periods beginning after June 15, 2022. The provisions of this statement is to improve financial reporting by addressing issues related to public-public partnership agreements (PPPs). There was no effect on the City's current financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was issued in May 2020. The requirements of this Statement are effective for periods beginning after June 15, 2022. This Statement defines SBITA, establishes that a SBITA results in a right-to-use subscription asset - an intangible assets - and a corresponding subscription liability, and provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and requires note disclosures regarding SBITA. There was no effect on the City's current financial statements.

GASB Statement No. 99, *Omnibus 2022*, was issued in April 2022. The requirements of this Statement are effective for periods beginning after June 15, 2022 and June 15, 2023. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Recent Accounting Pronouncements

As of June 30, 2023, the GASB has issued the following pronouncements not yet required to be adopted by the City.

GASB Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, was issued in June 2022. The requirements of this Statement are effective for periods beginning after June 15, 2023. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The City's management has not yet determined the effect this statement will have on the financial statements.

GASB Statement No. 101, *Compensated Absences*, was issued in June 2022. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The City's management has not yet determined the effect this statement will have on the financial statements.

W. Subsequent Events

The City has evaluated subsequent events through February 28, 2024, the date which the financial statements were available to be issued.

2. LEGAL COMPLIANCE

Excess of Expenditures Over Appropriations in Individual Funds

The following funds had an excess of actual expenditures and other financing uses over budget for the year ended June 30, 2023:

General Fund	\$	81,948	Due increased sanitation and restaurant tax activity.
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Deficit Fund Balances/Net Position

No funds had a deficit fund balance or deficit net position during the fiscal year ending June 30, 2023.

3. DEPOSITS AND INVESTMENTS

A. Statement of Net Position Cash Presentation

The captions on the statement of net position for cash, investments, and restricted assets enumerated as to deposits and investments and the amounts in total are as follows:

	<u>Cash on Hand</u>	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Cash equivalents	\$ 1,373	\$ 4,349,223	\$ -	\$ 4,350,596
Investments	-	-	-	-
Restricted assets				
Cash equivalents	-	287,342	-	287,342
Investments	-	23,682	-	23,682
Total	<u>\$ 1,373</u>	<u>\$ 4,660,247</u>	<u>\$ -</u>	<u>\$ 4,661,620</u>

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

B. Deposits

At year end, the carrying amount of the City's demand deposits and certificates of deposit was \$4,661,620 the bank balance was \$4,868,989. These demand deposits and certificates of deposit were held in various financial institutions. Of the bank balance \$1,620,062 was held in an Insured Cash Sweep Account (ICS), \$738,803 was covered by federal depository insurance, and \$1,452,028 was covered by collateral held by the pledging financial institution's agent or trust department in the City's name. The City has an uncollateralized cash balance of \$1,058,096 as of June 30, 2023.

C. Investments

The Kentucky Revised Statutes authorize the City to invest in interest-bearing and demand deposits in national or state chartered banks and insured by an agency of the U.S. Government. The City can also invest in U.S. Treasury agencies and instrumentalities.

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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk and Custodial Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The custodial credit risk for investments is the risk that a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails.

Concentrations of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City does not place any limit on the amount that may be invested with one issuer.

Identification

Investment	Maturities	Fair Value
Certificates of Deposit:		
Cemetery Trust - Hickory Grove		
Fredonia Valley Bank	3/31/2027	23,682
Total Investments		\$ 23,682

4. PROPERTY TAX

The City bills and collects its own property taxes. The City elects to use the annual property assessment prepared by Lyon County as its base to apply the property tax rate. According to Kentucky Revised Statutes, the assessment date for the City must conform to the assessment date of Lyon County, and the annual increase in the property tax levy cannot exceed 4%. For the year ending June 30, 2023, taxes were levied on October 31, 2022 and payable on December 1, 2022. The tax rate was \$0.199 per \$100 of assessed valuation for motor vehicles, \$0.309 per \$100 of assessed valuation of real property, and \$0.2416 per \$100 of assessed valuation of tangible personal property. City property tax revenues are recognized when levied to the extent that they result in current receivables in accordance with GASB Statement 1, "Revenue Recognition - Property Taxes".

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

5. RESTRICTED NET POSITION

Restrictions imposed by external sources are shown as restricted net position on the government-wide financial statements. The following restrictions apply to the Water Fund as of June 30, 2023.

<u>Cemetery Restricted Assets</u>	
Cemetery funds	\$ 48,124
<u>Public Safety Restricted Assets</u>	
Municipal Road Aid funds	5,172
<u>Opioid Settlement</u>	
Opioid settlement funds	7,489
<u>Public Works Restricted Assets</u>	
Federal Forfeiture Treasury funds	462
<u>Debt Requirement Restricted Assets</u>	
Loan reserve funds	<u>253,319</u>
Total Restricted Net Position	<u><u>\$ 314,566</u></u>

6. LEASE RECEIVABLE

On October 24, 2003, the City entered into a lease agreement with the City of Kuttawa to lease the gas transmission lines for \$2,188,000, of which \$648,000 is recognized as unearned interest income. The lease agreement calls for monthly lease payments determined by usage. The City of Kuttawa will pay to Eddyville \$0.50 per 1,000 cubic feet of gas transported by Kuttawa in the Eddyville gas lines. Payments will be based on the meter reading at the delivery point. The term of the agreement is 20 years, at which time the parties may extend the agreement for a subsequent term or term of 20 years. At the conclusion of the lease, legal ownership of the gas transmission lines vests in the City of Kuttawa. Due to the payment structure a five year payment schedule cannot be presented.

	Balance June 30, 2022	Payments Received	Interest Recognized	Balance June 30, 2023
Lease Receivable	\$ 1,516,573	\$ 38,500	\$ -	\$ 1,478,073
Unearned Interest	<u>312,354</u>	<u>-</u>	<u>15,604</u>	<u>296,750</u>
Lease Receivable, net	<u><u>\$ 1,828,927</u></u>	<u><u>\$ 38,500</u></u>	<u><u>\$ (15,604)</u></u>	<u><u>\$ 1,774,823</u></u>

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

7. CAPITAL ASSETS

Governmental Activities

A summary of capital assets at June 30, 2023 for governmental activities follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 60,946	\$ -	\$ (6,500)	\$ 54,446
Total capital assets not being depreciated	<u>60,946</u>	<u>-</u>	<u>(6,500)</u>	<u>54,446</u>
Capital assets being depreciated:				
Infrastructure	1,131,226	-	-	1,131,226
Buildings and improvements	624,013	-	-	624,013
Machinery and equipment	2,151,845	18,629	-	2,170,474
Vehicles	298,264	62,635	-	360,899
Total capital assets being depreciated	<u>4,205,348</u>	<u>81,264</u>	<u>-</u>	<u>4,286,612</u>
Less accumulated depreciation for:				
Infrastructure	(612,460)	(35,189)	-	(647,649)
Buildings and improvements	(303,474)	(14,507)	-	(317,981)
Machinery and equipment	(1,664,939)	(109,819)	-	(1,774,758)
Vehicles	(233,328)	(27,041)	-	(260,369)
Total accumulated depreciation	<u>(2,814,201)</u>	<u>(186,556)</u>	<u>-</u>	<u>(3,000,757)</u>
Total capital assets being depreciated, net	<u>1,391,147</u>	<u>(105,292)</u>	<u>-</u>	<u>1,285,855</u>
Governmental activities capital assets, net	<u>\$ 1,452,093</u>	<u>\$ (105,292)</u>	<u>\$ (6,500)</u>	<u>\$ 1,340,301</u>

Business-type Activities

A summary of capital assets at June 30, 2023 for business-type activities follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 58,426	\$ -	\$ -	\$ 58,426
Construction in progress	-	555,531	-	555,531
Total capital assets not being depreciated	<u>58,426</u>	<u>555,531</u>	<u>-</u>	<u>613,957</u>
Capital assets being depreciated:				
Plant and facilities	21,592,741	31,742	-	21,624,483
Vehicles	189,239	-	-	189,239
Machinery and equipment	885,259	257,044	-	1,142,303
Total capital assets being depreciated	<u>22,667,239</u>	<u>288,786</u>	<u>-</u>	<u>22,956,025</u>
Less accumulated depreciation for:				
Plant and facilities	(10,090,276)	(510,909)	-	(10,601,185)
Vehicles	(108,940)	(23,288)	-	(132,228)
Machinery and equipment	(660,769)	(71,451)	-	(732,220)
Total accumulated depreciation	<u>(10,859,985)</u>	<u>(605,648)</u>	<u>-</u>	<u>(11,465,633)</u>
Total capital assets being depreciated, net	<u>11,807,254</u>	<u>(316,862)</u>	<u>-</u>	<u>11,490,392</u>
Business-type activities capital assets, net	<u>\$ 11,865,680</u>	<u>\$ 238,669</u>	<u>\$ -</u>	<u>\$ 12,104,349</u>

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

Governmental activities	
Public safety	\$ 65,094
General government	10,446
Public works	110,449
Cemetery	567
Total depreciation expense - governmental activities	<u>\$ 186,556</u>

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Business-type activities	
Water	\$ 257,650
Sewer	318,743
Park	<u>29,255</u>
Total depreciation expense - business type activities	<u>\$ 605,648</u>

8. LONG-TERM DEBT

Business-Type Activities

As of June 30, 2023, the leases, notes, and bonds payable from proprietary fund resources consisted of the following:

Current portion proprietary debt	\$ 327,978
Noncurrent portion proprietary debt	<u>2,949,114</u>
Total Proprietary Debt Obligations	<u>\$ 3,277,092</u>

Proprietary Leases

Branch Banking and Trust Company

The City entered into a leasing agreement on February 1, 2018, with Branch Banking and Trust Company to refund and redeem the outstanding Water Revenue Bonds, Series 1966A and 1996B issued to finance improvements to the City's water system. The aggregate principal amount is \$1,100,000 and bears an interest rate of 2.45%. The lease calls for semi-annual principal and interest payments with the final payment being due February 1, 2027. The City is required to maintain the sinking fund and depreciation fund created under the provisions of the 1996 Bond Legislation. The principal balance of the lease obligation at June 30, 2023, was \$472,366 of which \$113,814 is due in one year.

Proprietary Notes Payable

Kentucky Infrastructure Authority (KIA) Fund F Loan - The City entered into a loan with Kentucky Infrastructure Authority to finance the construction of a new raw water line and a new water storage tank. The total principal amount of the loan was \$1,563,625. Terms of the loan call for semi-annual interest and principal payments of \$52,267. These payments include interest at 3% per annum with a principal repayment period of twenty years. The loan is backed by the full faith and credit of the City. The loan also includes a loan servicing fee of .025% of annual outstanding loan balance and an establishment of a replacement reserve account requiring annual deposits of \$16,500. Principal payments began on June 1, 2006. The principal balance at June 30, 2023 was \$245,167 of which \$96,424 is due in one year.

Kentucky Infrastructure Authority (KIA) Revolving Loan Fund A

On January 1, 2016, the City entered into a financial agreement with Kentucky Infrastructure Authority for sewer improvements not to exceed \$1,400,000. The funds were provided through the Federally Assisted Wastewater Revolving Loan Fund Program Fund A. The total project was completed and draws totaled \$1,398,134, of which 10% (\$139,813) of the principal was forgiven. The loan is to be repaid over 20 years with an interest rate of .75% and an administrative fee of .20%. The loan requires semiannual principal and interest payments. The City is required to establish a Maintenance and Replacement Reserve where the City is to deposit \$3,500 per year until the account reaches \$35,000. The balance of \$35,000 is to be maintained for the life of the loan. Principal payments began June 1, 2018. The principal balance at June 30, 2023 was \$870,582 of which \$61,514 is due in one year.

CITY OF EDDYVILLE, KENTUCKY
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Kentucky Infrastructure Authority (KIA) Sewer Rehabilitation Project

On February 20, 2020, the City entered into a financial agreement with Kentucky Infrastructure Authority for the planning and design for the Wastewater Sanitary Sewer Evaluation Survey and Rehabilitation project. The planning and design loan will finance the evaluation of the collection system. The term is five years at a 2.5 percent interest rate. As of June 30, 2022, the total \$423,964 was received and consolidated with a new loan to fund the implementation of the project. The total funding for this project is not to exceed \$2,745,064. As of June 30, 2022, the full amount has been received or is receivable. Per the agreement, \$1,000,000 of principal will be forgiven and is recognized as grant income. The principal balance at June 30, 2023, was \$1,688,978, of which \$56,226 is due in one year.

9. CHANGES IN GOVERNMENT-WIDE ACTIVITIES DEBT

A summary of changes in government-wide activities debt for the year ended June 30, 2023 follows:

	Balance June 30, 2022	Issuance/ (Reductions)	Balance June 30, 2023	Due in One Year
<i><u>Business Type Activities</u></i>				
Bonds payable				
KIA Fund A Loan - Sewer Rehab	\$ 1,745,064	\$ (56,086)	\$ 1,688,978	\$ 56,226
Leases payable				
BB&T Governmental	583,442	(111,076)	472,366	113,814
Notes payable				
KIA Fund F Loan	339,457	(94,290)	245,167	96,424
KIA Fund A Loan	<u>931,636</u>	<u>(61,055)</u>	<u>870,581</u>	<u>61,514</u>
Total Business-Type Activities	<u>\$ 3,599,599</u>	<u>\$ (322,507)</u>	<u>\$ 3,277,092</u>	<u>\$ 327,978</u>

The annual debt service requirements to maturity for long-term debt as of June 30, 2023, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 327,978	\$ 31,961	\$ 359,939
2025	333,568	25,941	359,509
2026	288,580	19,794	308,374
2027	241,999	15,385	257,384
2028	120,175	12,277	132,452
2029-2033	610,228	48,396	658,624
2034-2038	523,912	26,748	550,660
2039-2043	293,332	15,726	309,058
2044-2048	297,019	9,089	306,108
2049-2052	<u>240,301</u>	<u>2,436</u>	<u>242,737</u>
Total	<u>\$ 3,277,092</u>	<u>\$ 207,753</u>	<u>\$ 3,484,845</u>

Total interest expensed for the year ended June 30, 2023.

Business-type activities \$ 32,759

CITY OF EDDYVILLE, KENTUCKY
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10. LITIGATION AND CONTINGENCIES

Litigation

The City is not aware of any pending or threatened litigation in which it is involved which would have a material effect on these financial statements.

Contingencies

The City participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2023, have not yet been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date.

11. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disaster. There were no claims in excess of insurance coverage levels during the fiscal year ended June 30, 2023. The City also did not have any claims in excess of insurance coverage levels for the prior three years. All other risks of loss are covered by commercial insurance purchased through private carriers. With regard to the insurance coverage provided by private carriers, there were no significant changes in insurance coverage for the prior three years.

12. COMMITMENTS

Kentucky Law Enforcement Foundation Program (KLEFP) funds are provided by the Commonwealth of Kentucky for police training incentives. The funds are made available to supplement police salaries under certain defined requirements for qualifications.

The City entered into a contract with Waste Path Services, LLC (Contractor) beginning April 14, 2019 to provide sanitation services. The City is responsible for billing and collecting fees. Amounts collected for services, less a 10% franchise fee, and a 10% collection fee will be forwarded to the Contractor. Collections are remitted monthly. This is a three (3) year contract expiring April 13, 2025.

13. TRANSFERS AND INTERFUND RECEIVABLE/PAYABLE BALANCES

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs.

Primary government operating transfers at June 30, 2023 were:

	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Transfers Net</u>
<u>General Fund</u>	\$ 904,742	\$ -	\$ 904,742
<u>Special Revenue Funds</u>			
Municipal Aid	51,855	-	51,855
Fire Protection	-	1,667	(1,667)
Alcohol Beverage Fund	-	19,939	(19,939)
<u>Business-type funds</u>			
Water Fund	-	484,093	(484,093)
Sewer Fund	-	294,722	(294,722)
Park Board	-	156,176	(156,176)
Total	<u>\$ 956,597</u>	<u>\$ 956,597</u>	<u>\$ -</u>

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14. EMPLOYEES' RETIREMENT PLAN

County Employees' Retirement System

Plan description. The City of Eddyville, Kentucky is a participant in the County Employees Retirement System (CERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Public Pensions Authority Board (KPPA) established pursuant to Kentucky Revised Statutes (KRS) Section 78.782 and 61.645. KRS Section 61.645 grants the authority to establish and amend the benefit terms to the Kentucky Public Pensions Authority Board (KPPA). CERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. All City employees participating in the CERS are classified as having a nonhazardous position for the purpose of KRS 61.592. Kentucky Public Pensions Authority issues a publicly available comprehensive annual financial report containing CERS information that can be obtained at <https://kyret.ky.gov>.

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

Nonhazardous members:

Tier 1	Participation date	Prior to September 1, 2008
	Unreduced retirement	27 years of service or 65 years old Minimum 5 years of service and 55 years old
	Reduced retirement	Minimum 25 years of service and any age
Tier 2	Participation date	September 1, 2008 and December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 65 years old Age of 57 or older and sum of service years plus age equal 87
	Reduced retirement	Minimum 10 years of service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 65 years old Age of 57 or older and sum of service years plus age equal 87
	Reduced retirement	Not available

Hazardous members:

Tier 1	Participation date	Prior to September 1, 2008
	Unreduced retirement	20 years of service an any age Minimum 5 years of service and 55 years old
	Reduced retirement	Minimum 15 years of service and 50 years old
Tier 2	Participation date	September 1, 2008 and December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 60 years old 25 years of service and any age
	Reduced retirement	Minimum 15 years of service and 50 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 60 years old 25 years of service and any age
	Reduced retirement	Not available

CITY OF EDDYVILLE, KENTUCKY
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Contributions. State statute requires active members to contribute a percentage of creditable compensation based on the tier.

	<u>Nonhazardous</u>		<u>Hazardous</u>
	<u>Required Contributions</u>		<u>Required Contributions</u>
Tier 1	5%	Tier 1	8%
Tier 2	5% plus 1% for insurance	Tier 2	8% plus 1% for insurance
Tier 3	5% plus 1% for insurance	Tier 3	8% plus 1% for insurance

Employers are required by state statute (KRS 78.545) to contribute the remaining amounts necessary to pay benefits when due. These contribution rates are determined by the KRS Board annually based upon actuarial valuations. For the year ended June 30, 2023, the employer contribution rates were 23.40% and 42.81%, respectively, of member's nonhazardous and hazardous salaries. The employer contribution when combined with employee contributions are expected to finance the costs of benefits earned by the employees during the year, with an additional amount to finance any unfunded accrued liability. City employer CERS contributions for the year ended June 30, 2023 were \$124,326 which was 100% funded. The requirement consisted of \$108,594 and \$69,441 for nonhazardous and hazardous classified employees, respectively.

Refunds of contributions. Employees who have terminated service as a contribution member of CERS may file an application for a refund of their contributions. Employee accounts have been credited with interest on July 1 of each year at 3% compounded annually through June 30, 1981; 6% thereafter through June 30, 1986; 4% thereafter through June 30, 2003, and 2.5% thereafter. For Tier 1 employees participating prior to September 1, 2008, the interest paid is set by the KRS Board and will not be less than 2%, for Tier 2 employees participating on or after September 1, 2008, but before January 1, 2014, interest will be credited at a rate of 2.5%. For Tier 3 employees participating on or after January 1, 2014, interest will be credited at a minimum rate of 4%.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions. At June 30, 2023, the City reported a liability of \$1,742,500 (\$916,928 nonhazardous and \$825,572 hazardous) for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, rolled-forward from the valuation date to June 30, 2022, using generally accepted actuarial principles. The City's proportion of the net pension liability was determined using the City's actual contributions for the plan year ended June 30, 2022. This method is expected to be reflective of the City's long-term contribution effort. At June 30, 2022, the City's proportion was .012684% for nonhazardous classified employees and .027055% for hazardous classified employees.

The following is a summary of the City's CERS net pension liability:

City's nonhazardous proportionate share of the CERS net pension liability	\$ 916,928
City's hazardous proportionate share of the CERS net pension liability	<u>825,572</u>
Total CERS net pension liability associated with the City	<u><u>\$ 1,742,500</u></u>

CITY OF EDDYVILLE, KENTUCKY
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Pension expense. As a result of its requirement to contribute to CERS, the City recognized a negative pension expenses of \$70,662 (\$81,144 nonhazardous and a negative \$10,482 hazardous) for the year ended June 30, 2023. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirements to contribute to CERS:

	<u>Nonhazardous Employees</u>		<u>Hazardous Employees</u>	
	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>
	<u>Outflows</u>	<u>Inflows</u>	<u>Outflows</u>	<u>Inflows</u>
	<u>of Resources</u>	<u>of Resources</u>	<u>of Resources</u>	<u>of Resources</u>
Net differences between expected and actual experience	\$ 980	\$ 8,166	\$ 23,671	\$ -
Net differences between projected and actual investment earnings	23,506	-	19,069	-
Change of assumption	-	-	-	-
Changes in proportion and differences between employer contributions and share of contributions	90,562	6,344	10,969	189,946
Contributions subsequent to the measurement date	<u>108,594</u>	<u>-</u>	<u>87,405</u>	<u>-</u>
Totals	<u>\$ 223,642</u>	<u>\$ 14,510</u>	<u>\$ 141,114</u>	<u>\$ 189,946</u>

The \$195,999 (\$108,594 nonhazardous and \$87,405 hazardous) reported as deferred outflows of resources related to pension 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 ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending</u>	<u>Non-Hazardous</u>	<u>Hazardous</u>
June 30, 2024	\$ 43,213	\$ (75,659)
June 30, 2025	38,984	(60,370)
June 30, 2026	(7,705)	(21,257)
June 30, 2027	<u>26,047</u>	<u>21,049</u>
Total	<u>\$ 100,539</u>	<u>\$ (136,237)</u>

House Bill 8 passed during the 2021 legislative session changed how employer contributions are allocated and collected from the participating employer in the KERS Nonhazardous plan. This change does not impact the calculation of the total pension liability but does impact the allocation of required contributions amongst the participating employers. As a result of this legislation, there are several employers that will experience a relatively large change in proportionate share of the Collective Pension Amounts in the KERS Nonhazardous pension plan from 2020 to 2021.

House Bill 1 passed during the 2019 legislative session and allowed certain agencies in the KERS Nonhazardous plan to elect to cease participating in the fund as of June 30, 2020, under different provisions than were previously established. Senate Bill 249 passed during the 2020 legislative session delayed the effective date of cessation for these provisions to June 30, 2021. Only one employer elected to cease participation under these provisions and freeze benefit accruals for their employees. As such, there is no material impact on the total pension liability due to this legislation. There were no other material plan provision changes.

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Senate Bill 249 passed during the 2020 Legislative Session changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20 year amortization bases. This change does not impact the calculation of total pension liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020.

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

	<u>Non-Hazardous</u>	<u>Hazardous</u>
Inflation	2.30%	2.30%
Payroll Growth Rate	3.30% - 10.30%	3.55% - 19.05%
Investment rate of return,	6.25%	6.25%

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

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 tables below. The current long-term inflation assumption is 2.30% per annum.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Nominal Rate of Return</u>
Equity	60.00%	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income	20.00%	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	(0.91)%
Inflation Protected	20.00%	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Total	100.00%	
Expected Real Return		4.28%
Long Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.58%

CITY OF EDDYVILLE, KENTUCKY
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Discount Rate. The projection of cash flows used to determine the discount rate of 6.25% for CERS Nonhazardous and CERS Hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as amended by House Bill 362 (passed in 2018) over the remaining 30 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the Annual Comprehensive Financial Report (ACFR) issued by KPPA.

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

The City's proportionate share of the net pension liability	1% Decrease <u>5.25%</u>	Current Discount Rate 6.25%	1% Increase <u>7.25%</u>
Non-Hazardous	\$ 1,146,046	\$ 916,928	\$ 727,428
Hazardous	\$ 1,028,385	\$ 825,572	\$ 660,393

Payables to the pension plan. At June 30, 2023, the financial statements include \$18,573 in contractually required employee and employer contributions primarily for the month ended June 30, 2023. The obligation was paid within prescribed time limits.

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued comprehensive annual financial report issued by the Kentucky Public Pensions Authority (KPPA) and can be found at <https://kyret.ky.gov>.

Other Post-Employment Benefit Plans (OPEB)

Plan description. Under the provision of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Public Pensions Authority (KPPA) administers the Kentucky Employees Retirement System (KERS), County Employees Retirement System (CERS), and State Police Retirement System (SPRS). The City of Eddyville, Kentucky, is a participating member of the CERS. The plan issues publicly available financial statements which may be found at <https://kyret.ky.gov>.

The Kentucky Retirement Systems Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for members receiving benefits from the KERS, CERS, and SPRS. Although the assets of the systems are invested as a whole, each system's assets are used only for the payment of benefits to the members of that plan and the administrative costs incurred by those receiving an insurance benefit.

The CERS Nonhazardous and Hazardous Insurance Fund is a cost-sharing multiple-employer defined benefit OPEB plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

CITY OF EDDYVILLE, KENTUCKY
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Contributions 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 preceding 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 contributions rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. As of June 30, 2023, the employer contribution rate was 3.39% and 6.78%, respectively of members' nonhazardous and hazardous salaries. City employer insurance contributions for the year ended June 30, 2023, were \$29,575, which consisted of \$15,732 and \$13,843 for nonhazardous and hazardous classified employees, respectively.

Employees hired after September 1, 2008, are required to contribute an additional 1% of their covered payroll to the insurance fund. Contributions are deposited into an account created for the payment of health insurance benefits under 26 USC Section 104(h). These members are classified in the Tier 2/Tier 3 structure of benefits and the 1% contribution to the 401(h) account is non-refundable.

Implicit Subsidy The fully-insured premiums KPPA pays for the KERS, CERS, and SPRS Health Insurance Plans are blended rates based on the combined experience of active and retired members. Since the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for non-Medicare eligible retirees. Participating employers should adjust their contributions by the implicit subsidy in order to determine the total employer contribution for GASB 75 purposes. This adjustment is needed for contributions made during the measurement period and for the purpose of deferred outflows related to contributions made after measurement date. The City's implicit subsidy for the year ended June 30, 2023 was \$9,023 for nonhazardous employees and \$2,513 for hazardous employees.

OPEB Liabilities, Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources At June 30, 2023, the City reported a net OPEB liability of \$480,600 (\$250,260 nonhazardous and \$230,340 hazardous) for its proportionate share of the CERS net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using generally accepted actuarial principles. This method is expected to be reflective in the City's long-term contribution effort. At June 30, 2022, the City's proportion was .012681% for nonhazardous classified employees and .027042% for hazardous classified employees.

The following is a summary of the City's CERS net OPEB liability:

City's nonhazardous proportionate share of the CERS net OPEB liability	\$ 250,260
City's hazardous proportionate share of the CERS net OPEB liability	<u>230,340</u>
Total CERS net OPEB liability associated with the City	<u><u>\$ 480,600</u></u>

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For the year ended June 30, 2023, the City recognized OPEB expense of \$35,970 (\$29,014 nonhazardous and \$6,956 hazardous). At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Nonhazardous Employees</u>		<u>Hazardous Employees</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net differences between expected and actual experience	\$ 25,191	\$ 57,391	\$ 5,090	\$ 13,642
Net differences between projected and actual investment earnings	10,157	-	8,408	-
Change of assumption	39,581	32,614	38,450	39,633
Changes in proportion and differences between employer contributions and share of contributions	29,255	34,424	2,026	72,665
Contributions subsequent to the measurement date, including implicit subsidy	<u>24,755</u>	<u>-</u>	<u>16,356</u>	<u>-</u>
Totals	<u>\$ 128,939</u>	<u>\$ 124,429</u>	<u>\$ 70,330</u>	<u>\$ 125,940</u>

The \$41,111 (\$24,755 nonhazardous and \$16,356 hazardous) reported as deferred outflows of resources related to OPEB resulting from the City's contributions subsequent to the measurement date and the implicit subsidy will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Years Ending</u>	<u>Non-Hazardous</u>	<u>Hazardous</u>
June 30, 2024	\$ (9,387)	\$ (17,895)
June 30, 2025	(8,578)	(18,642)
June 30, 2026	(9,024)	(22,775)
June 30, 2027	6,744	(5,959)
June 30, 2028	<u>-</u>	<u>(6,695)</u>
Total	<u>\$ (20,245)</u>	<u>\$ (71,966)</u>

House Bill 1 passed during the 2019 Special Legislative Session allows certain employers in the KERS Nonhazardous plan to elect to cease participating in the KERS Nonhazardous Plan as of June 30, 2020, under different provisions than were previously established. Senate Bill 249 passed during the 2020 legislative session delayed the effective date of cessation for these provisions to June 30, 2021. Only one employer elected to cease participation under these provisions and freeze benefit accruals for their current employees. As such, there is no material impact on the total OPEB liability due to this legislation.

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Senate Bill 249 passed during the 2020 legislative session changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the total OPEB liability and only impacts the calculation of the contribution rates that were payable starting July 1, 2020.

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

Additionally, House Bill 8 passed during the 2021 legislative session changed how employer contributions are allocated and collected from the participating employers in the KERS Nonhazardous Plan. This change does not impact the calculation of the total OPEB liability but does impact the allocation of required contributions amongst the participating employers. As a result of this legislation, there are several employers that will experience a relatively large change in proportionate share of the Collective OPEB Amounts in the KERS Nonhazardous insurance plan from 2020 to 2021. Additional information is provided in Section 1 of the GASB 75 KERS report. There were no other material plan provision changes.

Actuarial Assumptions The total OPEB liability, net OPEB liability, and sensitivity information in the June 30, 2022 actuarial valuation was based on an actuarial valuation date of June 30, 2021. The total OPEB liability was rolled-forward from the valuation date June 30, 2021, to the plan's fiscal year ending June 30, 2022, using generally accepted actuarial principles.

The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2021:

Inflation	2.30%
Payroll Growth Rate	2.0% CERS Nonhazardous
Salary Increase	3.30% - 19.05%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.40% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 9.00% in 2024, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Nonhazardous Plans, and the PUB-2010 Public Safety Mortality table for the Hazardous Plans, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

CITY OF EDDYVILLE, KENTUCKY
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JUNE 30, 2023

Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
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Mortality rates used for active members is PUB-2010 General (nonhazardous) and Public Safety (hazardous) Mortality Tables projected with ultimate rates from the MP-2014 mortality scale using a base year of 2010. For healthy retired members and beneficiaries, 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 PUB-2010 Disabled Mortality Table projected with a 4-year set-forward for both males and females with ultimate rates from the MP-2014 mortality scale using a base year of 2010 is used for the period after disability retirement.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic nominal rates of return for each major class, as provided by TRS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Nominal Rate of Return</u>
Equity	60.00%	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income	11.50%	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	(0.91)%
Inflation Protected	20.00%	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Total	100.00%	
Expected Real Return		4.28%
Long-Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.58%

CITY OF EDDYVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Discount Rate The discount rate used to measure the total OPEB liability was 5.70% for nonhazardous and 5.61% for hazardous. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contributions rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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 nonhazardous net OPEB liability calculated using the discount rate of 5.70%, as well as what the City's proportionate share of the nonhazardous net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.70%) or 1-percentage-point higher (6.70%) than the current rate:

The City's proportionate share of the net OPEB liability	1% Decrease <u>4.70%</u>	Current Discount Rate 5.70%	1% Increase <u>6.70%</u>
Non-Hazardous	\$ 334,559	\$ 250,261	\$ 180,575

The following presents the City's proportionate share of the hazardous net OPEB liability calculated using the discount rate of 5.61%, as well as what the City's proportionate share of the hazardous net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.61%) or 1-percentage-point higher (6.61%) than the current rate:

The City's proportionate share of the net OPEB liability	1% Decrease <u>4.61%</u>	Current Discount Rate 5.61%	1% Increase <u>6.61%</u>
Hazardous	\$ 320,050	\$ 230,340	\$ 157,478

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 the current healthcare cost trend rates (see details in Actuarial Assumptions above), as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

The City's proportionate share of the net pension liability	1% Decrease <u> </u>	Current Healthcare Cost Trend Rate <u> </u>	1% Increase <u> </u>
Non-Hazardous	\$ 186,064	\$ 250,261	\$ 327,350
Hazardous	\$ 160,843	\$ 230,340	\$ 315,052

Payables to the pension plan. At June 30, 2023, the financial statements include \$2,889 in contractually required employee and employer OPEB contributions primarily for the month ended June 30, 2023. The obligation was paid within prescribed time limits.

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued comprehensive annual financial report issued by the Kentucky Public Pensions Authority and can be found at <https://kyret.ky.gov>.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EDDYVILLE, KENTUCKY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with
	<u>Budgeted</u>	<u>Budgeted</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
<u>Revenues</u>				
Taxes				
Occupational	\$ 650,000	\$ 650,000	\$ 827,141	\$ 177,141
Property	430,000	430,000	382,654	(47,346)
Restaurant	145,000	145,000	204,246	59,246
Franchise	89,800	89,800	137,261	47,461
Insurance premiums	100,000	100,000	115,015	15,015
Other	60,100	60,100	93,961	33,861
License and permits	34,300	34,300	41,475	7,175
Charges for services	228,500	228,500	284,391	55,891
Intergovernmental	82,590	82,590	122,198	39,608
Miscellaneous	23,200	41,285	14,877	(26,408)
Interest income	10,000	10,000	20,066	10,066
Total revenues	<u>1,853,490</u>	<u>1,871,575</u>	<u>2,243,285</u>	<u>371,710</u>
<u>Expenditures</u>				
General government	778,464	788,895	966,184	(177,289)
Public safety	408,214	408,214	382,696	25,518
Public works	405,271	405,271	332,049	73,222
Capital outlay	55,000	55,000	58,399	(3,399)
Total expenditures	<u>1,646,949</u>	<u>1,657,380</u>	<u>1,739,328</u>	<u>(81,948)</u>
<u>Excess (Deficiency) of Revenues Over</u>	<u>206,541</u>	<u>214,195</u>	<u>503,957</u>	<u>289,762</u>
<u>Expenditures</u>				
<u>Other Financing Sources (Uses)</u>				
Lease revenue	35,000	35,000	38,765	3,765
Proceeds from sale of capital assets	-	-	6,479	6,479
Grant proceeds	329,000	329,000	6,131	(322,869)
Transfers in(out)	-	-	(904,742)	(904,742)
Total other financing sources (uses)	<u>364,000</u>	<u>364,000</u>	<u>(853,367)</u>	<u>1,217,367</u>
<u>Net Change in Fund Balances</u>	<u>\$ 570,541</u>	<u>\$ 578,195</u>	<u>(349,410)</u>	<u>\$ 1,507,129</u>
<u>Fund Balances at Beginning of Year</u>			<u>4,457,001</u>	
<u>Fund Balances at End of Year</u>			<u>\$ 4,107,591</u>	

CITY OF EDDYVILLE, KENTUCKY
FIRE PROTECTION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Original Budgeted</u>	<u>Final Budgeted</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenues</u>				
Insurance premiums tax	\$ 200,000	\$ 200,000	\$ 234,446	\$ 34,446
Intergovernmental	35,000	35,000	35,000	-
Charges for services	6,000	6,000	12,538	6,538
Miscellaneous	-	-	1,000	1,000
Investment income	<u>1,275</u>	<u>1,275</u>	<u>1,667</u>	<u>392</u>
Total revenues	<u>242,275</u>	<u>242,275</u>	<u>284,651</u>	<u>42,376</u>
<u>Expenditures</u>				
Public safety	143,081	143,081	154,183	(11,102)
Capital outlay	<u>75,000</u>	<u>75,000</u>	<u>22,865</u>	<u>52,135</u>
Total expenditures	<u>218,081</u>	<u>218,081</u>	<u>177,048</u>	<u>41,033</u>
<u>Excess (Deficiency) of Revenues Over Expenditures</u>				
	24,194	24,194	107,603	83,409
<u>Other Financing Sources (Uses)</u>				
Transfers in(out)	<u>-</u>	<u>-</u>	<u>1,667</u>	<u>1,667</u>
<u>Net Change in Fund Balances</u>				
	<u>\$ 24,194</u>	<u>\$ 24,194</u>	109,270	<u>\$ 85,076</u>
<u>Fund Balances at Beginning of Year</u>			<u>474,305</u>	
<u>Fund Balances at End of Year</u>			<u>\$ 583,575</u>	

CITY OF EDDYVILLE, KENTUCKY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR FISCAL YEARS ENDED JUNE 30
LAST TEN MEASUREMENT DATES (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Non-Hazardous</u>										
City's proportion of the net pension liability (asset)	.012684%	.010984%	.010637%	.012933%	.015460%	.015887%	.015830%	.018110%	.023610%	.023610%
City's proportionate share of the net pension liability (asset)	\$ 916,928	\$ 700,316	\$ 815,849	\$ 909,584	\$ 941,561	\$ 929,915	\$ 779,504	\$ 778,544	\$ 766,000	\$ 867,000
City's covered-employee payroll	\$ 461,990	\$ 440,504	\$ 280,568	\$ 264,126	\$ 326,218	\$ 383,198	\$ 388,498	\$ 373,842	\$ 564,297	\$ 590,367
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	198.47%	158.98%	290.78%	344.37%	288.63%	242.67%	200.64%	208.25%	135.74%	146.86%
Plan fiduciary net position as a percentage of the total pension liability (2)	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%	61.22%
<u>Hazardous</u>										
City's proportion of the net pension liability (asset)	.027055%	.026644%	.036592%	.042281%	.042127%	.043182%	.035460%	.022480%	-	-
City's proportionate share of the net pension liability (asset)	\$ 825,572	\$ 709,306	\$ 1,103,259	\$ 1,167,926	\$ 1,018,823	\$ 966,102	\$ 608,422	\$ 345,038	\$ -	\$ -
City's covered-employee payroll	\$ 214,038	\$ 190,263	\$ 154,682	\$ 212,130	\$ 240,796	\$ 238,375	\$ 237,046	\$ 184,311	\$ -	\$ -
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	385.71%	372.80%	713.24%	550.57%	423.11%	405.29%	256.67%	187.20%	-	-
Plan fiduciary net position as a percentage of the total pension liability (2)	47.11%	52.26%	44.11%	46.63%	49.26%	49.80%	53.95%	57.52%	-	-

Note to Schedule:

(1) The amounts presented for the fiscal year were determined as of the prior fiscal year ending June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10 year trend is compiled, the City will present information for those years for which information is available.

(2) This will be the same percentage for all participant employers in the CERS plan.

CITY OF EDDYVILLE, KENTUCKY
SCHEDULE OF PENSION CONTRIBUTIONS
FOR FISCAL YEARS ENDED JUNE 30
LAST TEN FISCAL YEARS (1)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Non-Hazardous</u>										
Contractually required contribution	\$ 108,594	\$ 100,346	\$ 54,152	\$ 64,494	\$ 52,913	\$ 55,487	\$ 53,961	\$ 65,123	\$ 102,318	111,447
Contributions in relation to the contractually required contribution	<u>108,594</u>	<u>100,346</u>	<u>54,152</u>	<u>64,494</u>	<u>52,913</u>	<u>55,487</u>	<u>53,961</u>	<u>65,123</u>	<u>102,318</u>	<u>111,447</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	\$ 461,990	\$ 440,504	\$ 280,568	\$ 264,126	\$ 326,218	\$ 383,198	\$ 388,498	\$ 373,842	\$ 564,297	\$ 590,367
Contribution as a percentage of covered-employee payroll	23.40%	22.78%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%
<u>Hazardous</u>										
Contractually required contribution	\$ 87,405	\$ 67,735	\$ 46,499	\$ 95,631	\$ 59,886	\$ 52,094	\$ 51,463	\$ 52,086	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>87,405</u>	<u>67,735</u>	<u>46,499</u>	<u>95,631</u>	<u>59,886</u>	<u>52,094</u>	<u>51,463</u>	<u>52,086</u>	<u>-</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	\$ 214,038	\$ 190,263	\$ 154,682	\$ 212,130	\$ 240,796	\$ 238,375	\$ 237,046	\$ 184,311	\$ -	\$ -
Contribution as a percentage of covered-employee payroll	42.81%	35.60%	30.06%	30.06%	24.87%	22.20%	21.71%	20.26%	-	-

Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10 year trend is compiled, the City will present information for those years for which information is available.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of CERS. The above contributions only include those allocated directly to the CERS pension fund.

CITY OF EDDYVILLE, KENTUCKY
SCHEDULE OF CHANGES IN PENSION BENEFITS AND ASSUMPTIONS
FOR THE YEAR ENDED JUNE 30, 2023

Note A - Changes of Assumptions:

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

2015: The assumed investment rate of return was decreased from 7.75% to 7.50%.

The assumed rate of inflation was reduced from 3.50% to 3.25%.

The assumed rate of wage inflation was reduced from 1.00% to 0.75%.

Payroll growth assumption was reduced from 4.50% to 4.00%.

The mortality table used was updated to 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 Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margins will be reviewed again when the next experience investigation is conducted.

The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2016: There have been no changes in actuarial assumptions since June 30, 2015.

2017: The actuarial valuation as of June 30, 2017, was performed by Gabriel Roeder Smith. Subsequent to the actuarial valuation date (June 30, 2016), but prior to the measurement date the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2017, which were also used to determine the Total Pension Liability and Net Pension Liability as of June 30, 2017.

Inflation	2.30%
Salary increases	3.05%, average
Investment rate of return	6.25%, net of pension plan investment expense including inflation

2018: There have been no changes in actuarial assumptions since June 30, 2017.

2019: The assumed salary increases were increased to 3.30% to 11.55%, from 3.05% to 18.55%.

2020: There have been no changes in actuarial assumptions since June 30, 2019.

2021: There have been no changes in actuarial assumptions since June 30, 2020.

2022: There have been no changes in actuarial assumptions since June 30, 2021.

Note B - Method and assumptions used in calculations of actuarially determined contribution

The total pension liability, net pension liability, and sensitivity information as of June 30, 2022, were based on an actuarial valuation date of June 30, 2022. The total pension liability was rolled forward from the valuation date of June 30, 2021, to the plan's fiscal year ending June 30, 2022, using the generally accepted actuarial principles. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule.

Valuation date	June 30, 2020
Experience study	July 1, 2013 - June 30, 2018
Actual cost method	Entry age normal

CITY OF EDDYVILLE, KENTUCKY
SCHEDULE OF CHANGES IN PENSION BENEFITS AND ASSUMPTIONS
FOR THE YEAR ENDED JUNE 30, 2023

Amortization method	Level percent of pay
Remaining amortization period	30 years, closed period at June 30, 2019. <i>Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases.</i>
Payroll growth rate	2.00%
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary increases	3.30% to 10.30% nonhazardous - 3.55% to 19.05% hazardous
Investment rate of return	6.25%
Mortality	System-specific mortality tables based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Phase-In provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

Note C - Changes of Benefits

2009: A new benefit tier for members who first participated on or after September 1, 2008 was introduced which included the following changes:

- 1) Tiered structure for benefit accrual rates.
- 2) New retirement eligibility requirements.
- 3) Difference rules for the computation of final average compensation.

2014: A cash balance plan was introduced for members whose participation date is on or after January 1, 2014.

2018: House Bill 185 was enacted, which updated benefit provisions for active members who die in the line of duty.

2019: House Bill 1 passed during the 2019 legislative session and allowed certain agencies in the KERS Nonhazardous plan to elect to cease participating in the fund as of June 30, 2020, under different provisions than were previously established.

2020: Senate Bill 249 passed during the 2020 legislative session delayed the effective date of cessation for these provisions to June 30, 2021.

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

House Bill 8 passed during the 2021 legislative session changed how employer contributions are allocated and collected from the participating employer in the KERS nonhazardous plan.

2022: House Bill 1 passed during the 2022 legislative session and included a provision that provided an approximate 8% across-the-board salary increase for KERS members effective July 1, 2022, for eligible State employees.

CITY OF EDDYVILLE, KENTUCKY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
FOR FISCAL YEARS ENDED JUNE 30
LAST TEN MEASUREMENT DATES (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Nonhazardous</u>						
City's proportionate share of the net OPEB liability (asset)	0.012681%	0.010982%	0.010634%	0.012929%	0.015459%	0.015887%
City's proportionate share of the net OPEB liability (asset)	\$ 250,261	\$ 210,245	\$ 256,779	\$ 217,460	\$ 274,471	\$ 319,383
City's covered employee payroll	\$ 461,990	\$ 440,504	\$ 280,568	\$ 264,126	\$ 326,218	\$ 383,198
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	54.17%	47.73%	91.52%	82.33%	84.14%	83.34%
Plan fiduciary net position as a percentage of the total OPEB liability (2)	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%
<u>Hazardous</u>						
City's proportionate share of the net OPEB liability (asset)	0.027042%	0.026644%	0.036580%	0.042273%	0.042130%	0.043182%
City's proportionate share of the net OPEB liability (asset)	\$ 230,340	\$ 230,340	\$ 230,340	\$ 230,340	\$ 230,340	\$ 356,973
City's covered employee payroll	\$ 214,038	\$ 214,038	\$ 214,038	\$ 214,038	\$ 214,038	\$ 238,375
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	107.62%	113.23%	218.54%	147.44%	124.74%	149.75%
Plan fiduciary net position as a percentage of the total OPEB liability (2)	64.13%	66.81%	58.84%	64.44%	64.24%	59.00%

Note to Schedule:

(1) The amounts presented for the fiscal year were determined as of the prior fiscal year ending June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10 year trend is compiled, the City will present information for those years for which information is available.

(2) This will be the same percentage for all participant employers in the CERS plan.

CITY OF EDDYVILLE, KENTUCKY
SCHEDULE OF OPEB CONTRIBUTIONS
FOR FISCAL YEARS ENDED JUNE 30
LAST TEN FISCAL YEARS (1)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Nonhazardous</u>						
Statutorily required contributions	\$ 15,732	\$ 18,369	\$ 11,719	\$ 15,475	\$ 17,161	\$ 18,006
Contributions in relation to the contractually required contributions	<u>15,732</u>	<u>18,369</u>	<u>11,719</u>	<u>15,475</u>	<u>17,161</u>	<u>18,006</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 377,266	\$ 440,504	\$ 280,568	\$ 264,126	\$ 326,218	\$ 383,198
Contributions as a percentage of covered employee payroll	3.39%	4.17%	4.76%	4.76%	5.26%	4.70%
 <u>Hazardous</u>						
Statutorily required contributions	\$ 13,843	\$ 16,610	\$ 14,724	\$ 28,716	\$ 25,211	\$ 21,945
Contributions in relation to the contractually required contributions	<u>13,843</u>	<u>16,610</u>	<u>14,724</u>	<u>28,716</u>	<u>25,211</u>	<u>21,945</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Service's covered employee payroll	\$ 158,568	\$ 190,263	\$ 154,682	\$ 212,130	\$ 240,796	\$ 238,375
Contributions as a percentage of covered employee payroll	6.78%	8.73%	9.52%	9.52%	10.47%	9.35%

Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10 year trend is compiled, the City will present information for those years for which information is available.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the pension fund of CERS. The above contributions only include those allocated directly to the CERS insurance fund.

CITY OF EDDYVILLE, KENTUCKY
SCHEDULE OF CHANGES IN OPEB BENEFITS AND ASSUMPTIONS
FOR THE YEAR ENDED JUNE 30, 2023

Note A - Changes of Assumptions:

2017: The actuarial valuation was performed as of June 30, 2016. Gabriel Roeder Smith Retirement Consulting rolled forward from the valuation date to the plan's fiscal year end of June 30, 2017 using generally accepted actuarial principles. Subsequent to the actuarial valuation date (June 30, 2016), but prior to the measurement date the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2017, which were also used to determine the Total Pension Liability and Net Pension Liability as of June 30, 2017. Specifically, a 2.30% price inflation assumption and an assumed rate of return of 6.25%.

2018: There have been no changes in actuarial assumptions since June 30, 2017.

2019: The payroll growth rate was reduced to 2.00% from 4.00%.

The inflation rate was reduced to 2.30% from 3.25%.

The investment rate of return was reduced to 6.25% from 7.50%.

2020: There have been no changes in actuarial assumptions since June 30, 2019.

2021: Salary increases were reduced to 3.30% to 10.30%, from 3.30% to 11.55%.

2022: There have been no changes in actuarial assumptions since June 30, 2021.

Note B - Method and assumptions used in calculations of actuarially determined contribution

The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2022, were based on an actuarial valuation date of June 30, 2021. The total OPEB liability was rolled forward from the valuation date of June 30, 2021, to the plan's fiscal year ending June 30, 2022, using generally accepted actuarial principles. The actuarial methods and assumptions used to calculate the required contributions are below.

Valuation date	June 30, 2020
Experience study	July 1, 2008 - June 30, 2018
Actual cost method	Entry age normal
Amortization method	Level percent of pay
Remaining amortization period	30 year closed period at June 30, 2019. <i>Gains/losses incurring after 2019 will be amortized over separate closed 20 year amortization bases.</i>
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary increases	3.30% to 10.30% hazardous - 3.55% to 19.05% hazardous
Payroll growth rate	2.00%, CERS nonhazardous
Investment rate of return	6.25% net of plan investment expense, including inflation
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

CITY OF EDDYVILLE, KENTUCKY
SCHEDULE OF CHANGES IN OPEB BENEFITS AND ASSUMPTIONS
FOR THE YEAR ENDED JUNE 30, 2023

Phase-In provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.
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Note C - Changes of Benefits

There were no changes to benefits for OPEB plan.

COMBINING AND INDIVIDUAL FUND STATEMENTS

CITY OF EDDYVILLE, KENTUCKY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023

	Special Revenue Funds			Total Non-Major Governmental Funds
	Municipal Aid	Alcohol Beverage Fund	Cemetery Fund	
<u>Assets</u>				
Receivables	\$ -	\$ 11,766	\$ 15	\$ 11,781
Intergovernmental receivables	5,172	-	-	5,172
Restricted assets				
Cash equivalents	-	-	26,534	26,534
Investments	-	-	23,682	23,682
<u>Total Assets</u>	<u>\$ 5,172</u>	<u>\$ 11,766</u>	<u>\$ 50,231</u>	<u>\$ 67,169</u>
<u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Accounts payable	\$ -	\$ -	\$ 1,540	\$ 1,540
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,540</u>	<u>\$ 1,540</u>
<u>Fund Balances</u>				
Restricted for				
Cemetery fund	-	-	48,691	48,691
Municipal aid	5,172	-	-	5,172
Committed for				
Alcoholic beverage control	-	11,766	-	11,766
Total Fund Balances	<u>5,172</u>	<u>11,766</u>	<u>48,691</u>	<u>65,629</u>
<u>Total Liabilities and Fund Balances</u>	<u>\$ 5,172</u>	<u>\$ 11,766</u>	<u>\$ 50,231</u>	<u>\$ 67,169</u>

CITY OF EDDYVILLE, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Special Revenue Funds</u>			Total Other Governmental Funds
	<u>Municipal Aid</u>	<u>Alcohol Beverage Fund</u>	<u>Cemetery Fund</u>	
<u>Revenues</u>				
Regulatory fee	\$ -	\$ 104,610	\$ -	\$ 104,610
Intergovernmental	50,488	-	-	50,488
Cemetery	-	-	5,600	5,600
Interest income	-	-	190	190
Contributions	-	-	2,500	2,500
Total Revenues	<u>50,488</u>	<u>104,610</u>	<u>8,290</u>	<u>163,388</u>
<u>Expenditures</u>				
Public safety	-	124,118	-	124,118
Cemetery maintenance	-	-	15,661	15,661
Total Expenditures	<u>-</u>	<u>124,118</u>	<u>15,661</u>	<u>139,779</u>
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	50,488	(19,508)	(7,371)	23,609
<u>Other Financing Sources (Uses)</u>				
Operating transfers in(out)	-	19,939	-	19,939
Operating transfers (out)	(51,855)	-	-	(51,855)
<u>Net Change in Fund Balances</u>	(1,367)	431	(7,371)	(8,307)
<u>Fund Balances - Beginning of Year</u>	<u>6,539</u>	<u>11,335</u>	<u>56,062</u>	<u>73,936</u>
<u>Fund Balances - End of Year</u>	<u>\$ 5,172</u>	<u>\$ 11,766</u>	<u>\$ 48,691</u>	<u>\$ 65,629</u>

JESSICA K. DANIEL, CPA PSC
CERTIFIED PUBLIC ACCOUNTANT

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

Honorable Mayor Greg Greene
and Members of the City Council
City of Eddyville, Kentucky
Eddyville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Eddyville, Kentucky as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Eddyville, Kentucky's basic financial statements, and have issued our report thereon dated February 28, 2024.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting (Item 2023-1 and Item 2023-2).

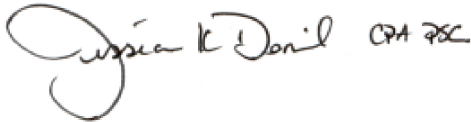
Compliance and other Matters

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

We also noted certain matters that we reported to management of the City of Eddyville, Kentucky, in a separate letter dated February 28, 2024.

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. However, this report is a matter of public record, and its distribution is not limited.

Handwritten signature of Jessica K. Donil CPA FSC in cursive script.

Eddyville, Kentucky
February 28, 2024

CITY OF EDDYVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2023

2023-1: Segregation of Duties

Criteria: A good system of internal control provides for an adequate segregation of duties so that no one individual handles a transaction from its inception to completion.

Condition: The City of Eddyville, Kentucky lacks proper segregation of duties.

Context: Due to the limited number of office personnel within the City, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of the City of Eddyville, Kentucky; however, the City's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individual's is not desirable from an accounting point of view.

Cause: The City indicated that it has a limited number of employees. Due to the limited number of employees, the City cannot adequately segregate accounting duties.

Effect: Although no instances were noted, lack of segregation of duties can create situations where assets are not properly safeguarded.

Recommendation: We recommend that the City's Council members and management be aware of the lack of segregation of the accounting functions and, where possible, implement oversight procedures to ensure that the internal control policies and procedures are implemented by staff to the extent possible. Management should review its financial operation for opportunities to separate incompatible functions.

Response: The City of Eddyville, Kentucky's Council and management has been advised and is well aware of the lack of segregation of duties of the accounting functions of the City. The City Council will create or modify policies to ensure that duties are segregated wherever possible and reasonable.

2023-2: Audit Adjustments

Criteria: Audit adjustments were indicative of a deficiency in the internal controls over financial reporting.

Condition: During our audit, we identified material adjustments resulting in significant changes to the City's financial statements.

Context: The inability to make all necessary accrual adjustments related to GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* reporting requirements increases the likelihood that the financial statements would not be fairly presented.

Cause: During our audit, we made recommendations for journal entries that were necessary to comply with the GASB Statement No. 68 - *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, reporting requirements.

Effect: The audit adjustment to record deferred outflows of resources, net pension liability, and deferred inflows of resources related to the City's involvement with the County Employees Retirement System was reviewed and approved by the City's staff and is reflected in the financial statements.

Recommendation: We recommend that the City review the trial balances and journal entries with us to ensure they understand and are in agreement with the entries. The City should establish internal controls necessary to determine that all adjusting entries are made to ensure the City's financial statements are reported in accordance with generally accepted accounting principles.

Response: The City Clerk/Treasurer will review the trial balances and journal entries in detail. She understands the City's obligation to recognize pension expense and report deferred outflows of resources, deferred inflows of resources, and net pension liability related to their proportionate share of the County Employees Retirement System.

CITY OF EDDYVILLE, KENTUCKY
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2022

2022-1: Segregation of Duties

Criteria: A good system of internal control provides for an adequate segregation of duties so that no one individual handles a transaction from its inception to completion.

Condition: The City of Eddyville, Kentucky lacks proper segregation of duties.

Context: Due to the limited number of office personnel within the City, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of the City of Eddyville, Kentucky; however, the City's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individual's is not desirable from an accounting point of view.

Cause: The City indicated that it has a limited number of employees. Due to the limited number of employees, the City cannot adequately segregate accounting duties.

Effect: Although no instances were noted, lack of segregation of duties can create situations where assets are not properly safeguarded.

Recommendation: We recommend that the City's Council members and management be aware of the lack of segregation of the accounting functions and, where possible, implement oversight procedures to ensure that the internal control policies and procedures are implemented by staff to the extent possible. Management should review its financial operation for opportunities to separate incompatible functions.

Response: The City of Eddyville, Kentucky's Council and management has been advised and is well aware of the lack of segregation of duties of the accounting functions of the City. The City Council will create or modify policies to ensure that duties are segregated wherever possible and reasonable.

2022-2: Audit Adjustments

Criteria: Audit adjustments were indicative of a deficiency in the internal controls over financial reporting.

Condition: During our audit, we identified material adjustments resulting in significant changes to the City's financial statements.

Context: The inability to make all necessary accrual adjustments related to GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* reporting requirements increases the likelihood that the financial statements would not be fairly presented.

Cause: During our audit, we made recommendations for journal entries that were necessary to comply with the GASB Statement No. 68 - *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, reporting requirements.

Effect: The audit adjustment to record deferred outflows of resources, net pension liability, and deferred inflows of resources related to the City's involvement with the County Employees Retirement System was reviewed and approved by the City's staff and is reflected in the financial statements.

Recommendation: We recommend that the City review the trial balances and journal entries with us to ensure they understand and are in agreement with the entries. The City should establish internal controls necessary to determine that all adjusting entries are made to ensure the City's financial statements are reported in accordance with generally accepted accounting principles.

Response: The City Clerk/Treasurer will review the trial balances and journal entries in detail. She understands the City's obligation to recognize pension expense and report deferred outflows of resources, deferred inflows of resources, and net pension liability related to their proportionate share of the County Employees Retirement System.