

CITY OF BURKESVILLE, KENTUCKY
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

**CITY OF BURKESVILLE, KENTUCKY
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**CITY OF BURKESVILLE
P.O. BOX 250
BURKESVILLE, KENTUCKY
(270) 864-5391**

CITY OFFICIALS AND OFFICERS

MAYOR

Laurel Irby

MEMBERS OF COUNCIL

Jamie Allen
Connie Cravens
Glenn Murphy
Trevor Owsley
Bobby Shawn Riddle
Michael Sams

OFFICERS

Marquetta Riley
City Clerk/Treasurer

Holly Long Parrigin
City Attorney

Wesley Long
Chief of Police

Greg Cary
Fire Chief

David McIntyre
Public Works Director

Joe Appleby
Water/Wastewater Director

SK LEE CPAS, P.S.C.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Burkesville
Burkesville, Kentucky 42717

Report on the Audit of the Financial Statements

Opinion

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 Burkesville (hereinafter called "the City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, 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 Opinion

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 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 opinion.

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'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 opinion. 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

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by 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. Our opinion on the basic financial statements is not affected by the missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 35 and the pension schedules and OPEB schedules on pages 36-42, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplemental information such as the schedule of water and sewer revenues, expenses, and changes in net position, the combining balance sheet – non-major governmental funds – special revenue funds, and the combining statement of revenues, expenditures, and changes in fund balance – non-major governmental funds – special revenue funds on pages 43-45, 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 supplemental information such as the financial data schedules and the schedule of certification of actual modernization costs is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

SK LEE CPAs, P.S.C.

Berea, Kentucky
December 7, 2023

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

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 1,392,155	\$ 330,982	\$ 1,723,137
Receivables, net	9,591	127,999	137,590
Total Current Assets	<u>1,401,746</u>	<u>458,981</u>	<u>1,860,727</u>
Non-Current Assets			
Restricted cash	136,168	918,753	1,054,921
Certificates of deposit	457,142	215,963	673,105
Capital assets:			
Non-depreciable	-	4,542,588	4,542,588
Depreciable, net	723,630	7,463,474	8,187,104
Total Non-Current Assets	<u>1,316,940</u>	<u>13,140,778</u>	<u>14,457,718</u>
Total Assets	<u>2,718,686</u>	<u>13,599,759</u>	<u>16,318,445</u>
Deferred Outflows of Resources			
Deferred amounts related to pension	335,617	127,800	463,417
Deferred amounts related to OPEB	219,498	106,087	325,585
Total Deferred Outflows of Resources	<u>555,115</u>	<u>233,887</u>	<u>789,002</u>
Liabilities			
Current Liabilities			
Accounts payable	19,774	33,608	53,382
Accrued expenses	123,828	42,705	166,533
Accrued interest	-	6,849	6,849
Customer deposits payable	-	54,051	54,051
Notes and leases payable, net	11,480	2,260,286	2,271,766
Total Current Liabilities	<u>155,082</u>	<u>2,397,499</u>	<u>2,552,581</u>
Non-Current Liabilities			
Notes and leases payable, net	-	1,816,681	1,816,681
Net pension liability	2,241,144	911,554	3,152,698
Net OPEB liability	619,548	248,815	868,363
Total Non-Current Liabilities	<u>2,860,692</u>	<u>2,977,050</u>	<u>5,837,742</u>
Total Liabilities	<u>3,015,774</u>	<u>5,374,549</u>	<u>8,390,323</u>
Deferred Inflows of Resources			
Deferred amounts related to pension	30,297	8,644	38,941
Deferred amounts related to OPEB	189,623	91,422	281,045
Total Deferred Inflows of Resources	<u>219,920</u>	<u>100,066</u>	<u>319,986</u>
Net Position (Deficit)			
Net investment in capital assets	712,151	7,929,095	8,641,246
Restricted	136,168	918,753	1,054,921
Unrestricted (deficit)	(810,212)	(488,818)	(1,299,030)
Total Net Position (Deficit)	<u>\$ 38,107</u>	<u>\$ 8,359,030</u>	<u>\$ 8,397,137</u>

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contribution	
Government Activities					
General government	\$ 155,173	\$ -	\$ -	\$ -	\$ (155,173)
Police	1,045,812	-	-	-	(1,045,812)
Fire	135,015	-	11,500	-	(123,515)
Street	323,887	-	-	-	(323,887)
Parks and recreation	126,211	-	-	-	(126,211)
Total Governmental Activities	1,786,098	-	11,500	-	(1,774,598)
Business-Type Activities					
Water and sewer	1,385,708	1,101,435	-	1,390,226	1,105,953
Sanitation	276,992	254,461	-	-	(22,531)
Total Business-Type Activities	1,662,700	1,355,896	-	1,390,226	1,083,422
Total Activities	\$ 3,448,798	\$ 1,355,896	\$ 11,500	\$ 1,390,226	\$ (691,176)

	Governmental Activities	Business-Type Activities	Total
Change in Net Position			
Net (expense) revenue	\$ (1,774,598)	\$ 1,083,422	\$ (691,176)
General Revenues			
Taxes	118,197	-	118,197
Licenses, permits, and other taxes	1,171,990	-	1,171,990
Intergovernmental	413,759	-	413,759
Services and fees	43,469	-	43,469
Interest income	9,414	4,207	13,621
Miscellaneous	28,933	114,375	143,308
Total General Revenues	1,785,762	118,582	1,904,344
Change in Net Position	11,164	1,202,004	1,213,168
Net Position (Deficit), Beginning	26,943	7,157,026	7,183,969
Net Position (Deficit), Ending	\$ 38,107	\$ 8,359,030	\$ 8,397,137

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

CITY OF BURKESVILLE, KENTUCKY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 1,319,710	\$ 72,445	\$ 1,392,155
Certificates of deposit	457,142	-	457,142
Accounts receivable	9,591	-	9,591
Restricted cash	20,826	115,342	136,168
Total Assets	<u>\$ 1,807,269</u>	<u>\$ 187,787</u>	<u>\$ 1,995,056</u>

Liabilities and Fund Balances

Liabilities			
Accounts payable	\$ 19,774	\$ -	\$ 19,774
Accrued expenses	61,717	62,111	123,828
Total Liabilities	<u>81,491</u>	<u>62,111</u>	<u>143,602</u>

Fund Balances

Restricted	20,826	115,342	136,168
Unassigned	1,704,952	10,334	1,715,286
Total Fund Balances	<u>1,725,778</u>	<u>125,676</u>	<u>1,851,454</u>

Total Liabilities and Fund Balances	<u>\$ 1,807,269</u>	<u>\$ 187,787</u>	<u>\$ 1,995,056</u>
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Amounts reported for *governmental activities* in the Statement of Net Position are different because:

Fund balances reported above	\$ 1,851,454
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	723,630
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Net deferred inflows/outflows related to the long-term net pension liability and long-term net OPEB liability are not reported in the funds.	335,195
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All long-term liabilities are reported in the Statement of Net Position whereas in governmental funds, long-term liabilities are not due and payable in the current period and therefore are not reported.

Lease Liability	(11,480)
Net pension liability	(2,241,144)
Net OPEB liability	<u>(619,548)</u>

Net Position (Deficit) of Governmental Activities	<u>\$ 38,107</u>
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CITY OF BURKESVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 118,197	\$ -	\$ 118,197
Licenses, permits and fees	1,100,762	71,228	1,171,990
Intergovernmental	377,832	35,927	413,759
Service charges and fees	54,969	-	54,969
Other	37,957	390	38,347
Total Revenues	1,689,717	107,545	1,797,262
Expenditures			
General and administration department	151,185	1,678	152,863
Police department	936,496	29,835	966,331
Fire department	102,743	-	102,743
Street department	261,731	40,000	301,731
Park and recreation department	107,479	-	107,479
Debt service	-	19,679	19,679
Capital outlay	78,737	-	78,737
Total Expenditures	1,638,371	91,192	1,729,563
Net Change in Fund Balance	51,346	16,353	67,699
Fund Balance, Beginning	1,674,432	109,323	1,783,755
Fund Balance, Ending	\$ 1,725,778	\$ 125,676	\$ 1,851,454
Net Changes in Fund Balances - Total Governmental Funds			\$ 67,699

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period.

(35,262)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. Change in capital lease liability of governmental activities

19,679

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. Change in pension liability and OPEB liability of governmental activities

(40,952)

Change in Net Position of Governmental Activities

\$ 11,164

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

	Water & Sewer Utilities	Sanitation Utilities	Total Proprietary Funds
Assets			
Current Assets			
Cash and cash equivalents	\$ 226,538	\$ 104,444	\$ 330,982
Receivables, net	101,945	26,054	127,999
Total Current Assets	328,483	130,498	458,981
Non-Current Assets			
Restricted cash	917,265	1,488	918,753
Certificates of deposit	164,845	51,118	215,963
Capital assets:			
Non-depreciable	4,542,588		4,542,588
Depreciable, net	7,402,632	60,842	7,463,474
Total Non-Current Assets	13,027,330	113,448	13,140,778
Total Assets	13,355,813	243,946	13,599,759
Deferred Outflows of Resources			
Deferred amounts related to pension	106,935	20,865	127,800
Deferred amounts related to OPEB	88,767	17,320	106,087
Total Deferred Outflows of Resources	195,702	38,185	233,887
Liabilities			
Current Liabilities			
Accounts payable	23,766	9,842	33,608
Accrued expenses	39,498	3,207	42,705
Accrued interest	6,849	-	6,849
Customer deposits payable	54,051	-	54,051
Notes and leases payable, net	2,260,286	-	2,260,286
Total Current Liabilities	2,384,450	13,049	2,397,499
Non-Current Liabilities			
Notes and leases payable, net	1,816,681	-	1,816,681
Net pension liability	762,729	148,825	911,554
Net OPEB liability	208,192	40,623	248,815
Total Non-Current Liabilities	2,787,602	189,448	2,977,050
Total Liabilities	5,172,052	202,497	5,374,549
Deferred Inflows of Resources			
Deferred amounts related to pension	7,233	1,411	8,644
Deferred amounts related to OPEB	76,496	14,926	91,422
Total Deferred Inflows of Resources	83,729	16,337	100,066
Net Position			
Net investment in capital assets	7,868,253	60,842	7,929,095
Restricted	917,265	1,488	918,753
Unrestricted (deficit)	(489,785)	967	(488,818)
Total Net Position	\$ 8,295,733	\$ 63,297	\$ 8,359,030

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

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

	<u>Water and Sewer Utilities</u>	<u>Sanitation Utilities</u>	<u>Total Proprietary Funds</u>
Operating Revenues			
Charges for services	\$ 1,101,435	\$ 254,461	\$ 1,355,896
Miscellaneous	114,375	-	114,375
Total Operating Revenues	<u>1,215,810</u>	<u>254,461</u>	<u>1,470,271</u>
Operating Expenses			
Salaries	302,543	64,112	366,655
Employee benefits	194,493	45,553	240,046
Contractual services	9,816	4,217	14,033
Materials and supplies	241,014	105,712	346,726
Travel and training	1,983	56	2,039
Utilities and telephone	141,727	11,768	153,495
Insurance	40,059	10,559	50,618
Depreciation	330,107	27,788	357,895
Bad debt provision	5,508	1,273	6,781
Miscellaneous	65,364	5,955	71,319
Total Operating Expenses	<u>1,332,614</u>	<u>276,992</u>	<u>1,609,606</u>
Operating Loss	<u>(116,804)</u>	<u>(22,531)</u>	<u>(139,335)</u>
Non-Operating Revenues (Expenses)			
Interest income	3,497	710	4,207
Interest expense	(53,093)	-	(53,093)
Loan forgiveness	1,000,000	-	1,000,000
Grant proceeds	390,226	-	390,226
Total Non-Operating Revenue (Expenses)	<u>1,340,630</u>	<u>710</u>	<u>1,341,340</u>
Change in Net Position	1,223,825	(21,821)	1,202,004
Total Net Position, Beginning	<u>7,071,908</u>	<u>85,118</u>	<u>7,157,026</u>
Total Net Position, Ending	<u>\$ 8,295,733</u>	<u>\$ 63,297</u>	<u>\$ 8,359,030</u>

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

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

	Water & Sewer Utilities	Sanitation Utilities	Total Proprietary Funds
Cash Flows from Operating Activities			
Cash received from customers	\$ 1,105,952	\$ 253,010	\$ 1,358,962
Cash received from other sources	114,375	-	114,375
Cash payments to suppliers for goods and services	(694,597)	(181,539)	(876,136)
Cash payments to employees	(289,927)	(64,298)	(354,225)
Net Cash Provided by Operating Activities	235,803	7,173	242,976
Cash Flows from Capital and Related Financing Activities			
Proceeds from issuance of debt	178,915	-	178,915
Proceeds from capital financing	1,004,485	-	1,004,485
Principal, interest, and related fees paid on long-term debt	(1,305,965)	-	(1,305,965)
Acquisition and construction of capital assets	(417,684)	-	(417,684)
Net Cash Used in Capital and Related Financing Activities	(540,249)	-	(540,249)
Cash Flows from Investing Activities			
Purchase of certificates of deposit	(900)	(259)	(1,159)
Cash received from interest income	2,759	474	3,233
Net Cash Provided by Investing Activities	1,859	215	2,074
Net (Decrease) Increase in Cash and Cash Equivalents	(302,587)	7,388	(295,199)
Cash and Cash Equivalents at July 1, 2022	1,446,390	98,544	1,544,934
Cash and Cash Equivalents at June 30, 2023	\$ 1,143,803	\$ 105,932	1,249,735
⁽¹⁾ Cash and cash equivalents are reflected in the Statement of Net Position as follows:			
Cash and cash equivalents	\$ 226,538	\$ 104,444	\$ 330,982
Restricted cash and cash equivalents	917,265	1,488	918,753
Subtotal	\$ 1,143,803	\$ 105,932	\$ 1,249,735
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities			
Operating loss	\$ (116,804)	\$ (22,531)	\$ (139,335)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	330,107	27,788	357,895
Bad debt provision	5,508	1,273	6,781
Changes in assets and liabilities:			
(Increase) decrease in customer accounts receivable	5,583	(1,451)	4,132
(Increase) decrease in outflows of resources	46,098	8,995	55,093
Increase (decrease) in accounts payable	2,873	(2,182)	691
Increase (decrease) in accrued expenses	(13,342)	(200)	(13,542)
Increase (decrease) in customer deposits	(1,066)	-	(1,066)
Increase (decrease) in net pension and OPEB liability	118,153	23,054	141,207
Increase (decrease) in inflows of resources	(141,307)	(27,573)	(168,880)
Total adjustments	352,607	29,704	382,311
Net Cash Provided by Operating Activities	\$ 235,803	\$ 7,173	\$ 242,976

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

CITY OF BURKESVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Burkesville, Kentucky (hereinafter “the City”) operates under a Mayor-Council form of government. The City's major operations include police and fire protection, parks and recreation, and general administrative services. The City also operates a water, sewer and sanitation system for its citizens. The citizens of Burkesville elect a mayor-at-large and six city council members. The accompanying financial statements present the City's primary government unit over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationship with the City (as distinct from a legal relationship).

Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The basic, but not the only criterion for including a potential component unit within the reporting entity, is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing City, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the City has no component unit.

Basis of Presentation

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and user charges.

Government-wide financial statements display information about the reporting government as a whole. These statements focus on the sustainability as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

- *Statement of Net Position* presents information on all of the assets and liabilities, with the difference between the two reported as *net position*.
- *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary or fiduciary, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and detailed in the supplementary information.

CITY OF BURKESVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation – Continued

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include charges between the business-type activities/enterprise funds and the general fund. Charges are allocated as reimbursement for services provided by the general fund in support of those functions based on levels or services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. These charges are included in direct program expenses.

- *General Fund* is the City's primary operating fund. It accounts for all financial operations of the City and except for those required to be accounted for in another designated fund.
- *Special Revenue Funds* consists of accounts for financial resources provided by the State of Kentucky through its Municipal Road Aid and Local Government Economic Assistance Funds. These funds are restricted for the use of public safety and street improvements.

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated. Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Measurement Focus and Basis of Accounting

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

The government-wide financial statements and the proprietary funds financial statements are presented on a *full accrual* basis of accounting with an economic resource measurement focus. An economic resource focus concentrates on an entity or fund's net position. All transactions and events that affect the total economic resources (net position) during the period are reported. An economic resources measurement focus is inextricably connected with full accrual accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

Governmental fund financial statements are presented on a modified accrual basis of accounting with a *current financial resource* measurement focus. This measurement focus concentrates on the fund's resources available for spending currently or in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Similar to the connection between an economic resource measurement focus is inseparable from a modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. *Measurable* means the amount of the transaction can be determined and revenues are considered *available* when they are collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For this purpose, revenues are considered available if they are collected within 60 days of the end of the current fiscal period. Revenues considered susceptible to accrual are property taxes, state, county and local shared revenues taxes and fees, franchise fees, intergovernmental grants, and interest income.

CITY OF BURKESVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus and Basis of Accounting – Continued

Unavailable revenue, a deferred inflow of resources, arises on the balance sheets of the governmental funds when potential revenue does not meet both the *measurable* and *available* criteria for recognition in the current period. This *unavailable* revenue consists primarily of uncollected property taxes and assessments not deemed available to finance operation of the current period. In the government-wide Statement of Activities, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability. Thus, the liability created on the balance sheets of the governmental funds for unavailable revenue is recognized as revenue in the Statement of Activities. Note that unavailable revenues also arise outside the scope of measurement focus and basis of accounting, such as when resources are received before there is legal claim to them. For instance, when grant monies are received prior to the incurrence of qualifying expenditures.

Similar to the way its revenues are recorded, governmental funds only record those expenditures that affect current financial resources. Principal and interest on general long-term debt are recorded as funds liabilities only when due, or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Vested compensated absences are recorded as expenditures only to the extent that they are expected to be liquidated with expendable financial resources. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenditures affecting the economic resource status of the government must be recognized. Thus, the expense and related accrued liability for long-term portions of debt and compensated absences must be included.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the City's water, sewer, and sanitation funds are charges to customers for sales and services. The water, sewer, and sanitation funds also recognize System Development Charges (SDC) fees intended to recover the cost of connecting new customers to the utility systems as operating revenue. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and overhead charges, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the policy to use restricted resources first, then unrestricted resources as they are needed.

Budgeting

The City Council adopts an annual budget for the General, Special Revenues, and Proprietary Funds. Any revisions that alter the budget must be approved by the City Council. For 2023, the original budget was approved in June 2022 and amended June 2023. The budget for the General and Special Revenue Funds is presented in the Statements of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance - Budget and Actual. All annual appropriations lapse at fiscal year-end. Budgets for all funds are adopted on a consistent basis with generally accepted accounting principles.

CITY OF BURKESVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Certificates of Deposit

The City considers demand deposits, money market funds, and other deposits with an original maturity of 90 days or less, to be cash equivalents. The City considers all cash, both restricted and unrestricted, as cash and cash equivalents for purposes of the Statement of Cash Flows.

The City has restricted cash and or certificates of deposits to satisfy bond issue requirements, including cash restricted for bond payments.

Certificates of deposit are reported at cost which approximates fair value. These funds are invested for periods that comply with cash flow requirements of bond ordinances and general government services.

Receivables

Recorded property taxes receivable that are collected within 60 days after year-end are considered measurable and available and, therefore, are recognized as revenue. An allowance for doubtful accounts is not deemed necessary by management, as uncollectible taxes become a lien on the property. Property taxes are levied and become a lien on July 1. Receivables of the proprietary funds are recognized as revenue when earned, including services provided but not billed. Other receivables consist of amounts due at year end from other state, local and federal governments. Interest revenue receivable in all funds consist of revenue due on each certificate of deposit. Allowances for uncollectible accounts are maintained on all types of receivables that historically experience uncollectible amounts. Allowances are based on collection experience and management's evaluation of the current status of existing receivables.

Internal Receivables and Payables

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

Property Tax Calendar

Property taxes for fiscal year 2023 were levied in November 2022, respectively, on the assessed property located in the City of Burkesville as of the preceding January 1. The rate for real estate was 10.4 cents per one hundred dollars of assessed value. The rate for auto and boats was 23.3 cents and other tangible property was 29 cents per one hundred dollars, respectively. The assessments are determined by the County Property Valuation Administrator in accordance with Kentucky Revised Statutes. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

- | | |
|---|------------------------------|
| 1. Due date for payment of taxes, 2% discount | November 30 |
| 2. Face value payment period | December 1 to December 31 |
| 3. Past due date, 10% penalty | January 1 |
| 4. Interest charge | 12% per annum from January 1 |

These taxes are collected by the City Clerk. Vehicle taxes are collected by the County Clerk of Cumberland County and are due and collected in the birth month of the licensee.

CITY OF BURKESVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Cash and certificates of deposit which may only be used for construction of capital assets or debt service principal and interest payments in accordance with applicable laws and regulations have been reported as restricted cash and certificates of deposit on the Government-Wide Statement of Net Position and the Proprietary Fund Statement of Net Position.

Capital Assets

Capital assets that are purchased or constructed are recorded at historical cost. Donated assets are recorded at estimated market value at the time of donation. The City defines capital assets as assets with an individual cost of more than \$500, and an estimated useful life of more than one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives are not capitalized. When assets are retired or otherwise disposed of, the costs are removed from the asset accounts and a gain or loss is recorded. In the fund financial statements, capital assets used in government fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	15 years
Equipment	5-10 years
Water and Sewer System Utility Plants	25-40 years
Infrastructure	15-40 years

Compensated Absences

The City allows employees to accumulate unused sick leave with no limit and vacation leave to a maximum of 160 hours. Accumulated vacation time in excess of 120 hours is generally required to be used within one year of accumulation. Upon termination, up to 120 hours of accumulated vacation leave will be paid to the employee. Sick leave is not paid upon termination but will be paid only upon illness while in the employment of the City.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full, from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability on the fund financial statements when due.

CITY OF BURKESVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Deferred Outflows/Inflows 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 a future period and so will not be recognized as an expense until then. The City has two items that meet this criterion, as related to pensions and other postemployment benefits (OPEB) reported in the Statement of Net Position. This represents the effect of the net change in the City's proportion of the collective net pension and OPEB liabilities and difference during the measurement period between the City's contributions and its proportion share of total contributions to the pension systems not included in pension expense. In addition to liabilities, the Statement of Financial 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 and so will not be recognized as revenue until then. The City has two items that meet the criterion for this category as related to pensions and OPEB reported in the Statement of Net Position.

Pensions and Other Postemployment Benefits

The City participates in a cost-sharing multiple-employer plan to provide pension and OPEB benefits to employees. Each cost-sharing government reports its proportionate share of the cumulative net pension and OPEB liability. For the purposes of measuring the net pension and OPEB liability, deferred outflows or inflows of resources related to pension and OPEB, and pension and OPEB expense, information about the fiduciary net positions of the Kentucky "County Employer Retirement System" (CERS), have been determined by the same basis as they are reported by CERS.

Net Position/Fund Balances

Net position in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represent constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or b) imposed by law through state statute. In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraint placed on how fund balance can be spent. The governmental fund types classify fund balances as follows:

Non-spendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors, grantors or imposed by law.

Committed – Portion of fund balance that can only be used for specific purposes imposed by majority vote of the City Council Members. Any changes or removal of specific purposes requires majority action by them.

Assigned – Portion of fund balance that has been budgeted by the City Council.

Unassigned – Portion of fund balance that has not been restricted, committed or assigned for specific purpose.

Operating Revenues and Expenses

Operating revenues and expenses generally result from providing and producing goods and/or services in connection with the enterprise funds. Operating expenses include administrative expenses, supplies, personnel costs, utilities, professional fees, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses and may include interest, grants, and gain or loss on disposition of capital assets.

CITY OF BURKESVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – DEPOSITS AND CERTIFICATES OF DEPOSIT

Deposits, both restricted and unrestricted at June 30, 2023 consisted of the following:

Account	Interest Bearing	Governmental	Water & Sewer	Sanitation	Total
Operating	Yes	\$ 1,319,711	\$ 226,538	\$ 104,443	\$ 1,650,692
LGEA	Yes	6,238	-	-	6,238
MRA	Yes	44,917	-	-	44,917
Payroll	Yes	72,445	-	-	72,445
Better Ball Initiative	Yes	-	-	-	-
Police Cruiser Grant	Yes	-	-	-	-
ABC Police Dept.	Yes	64,186	-	-	64,186
KLC	Yes	20,826	7,438	1,488	29,752
1989 Sinking Fund	Yes	-	-	-	-
1997 Depreciation Fund	Yes	-	-	-	-
2010 Depreciation Fund	Yes	-	30,042	-	30,042
2010 Sinking Fund	Yes	-	21,108	-	21,108
2011 Sinking Fund	Yes	-	130,389	-	130,389
2011 Depreciation Fund	Yes	-	38,100	-	38,100
2015 Sinking Fund	Yes	-	149,212	-	149,212
2015 Depreciation Fund	Yes	-	16,021	-	16,021
2018 Sinking Fund	Yes	-	126,760	-	126,760
2018 Depreciation Fund	Yes	-	19,376	-	19,376
Regions Sewer Project	Yes	-	-	-	-
Regions Reserve Account	Yes	-	-	-	-
2019 Sinking Fund	Yes	-	137,179	-	137,179
2019 Depreciation	Yes	-	26,475	-	26,475
Waste Water Project #2 2019	Yes	-	8,495	-	8,495
2020 Sinking Fund	Yes	-	8,021	-	8,021
American Relief Plan Act	Yes	-	157,119	-	157,119
KY Bond Corporation	Yes	-	41,531	-	41,531
Total		\$ 1,528,323	\$ 1,143,804	\$ 105,931	\$ 2,778,058

CITY OF BURKESVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023

NOTE 2 – DEPOSITS AND CERTIFICATES OF DEPOSIT – CONTINUED

Certificates of deposit at June 30, 2023 consisted of the following:

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Total</u>
Certificate of deposit	4.75%	11/23/23	\$ 457,142
Certificate of deposit	4.65%	5/21/24	51,118
Certificate of deposit	4.75%	11/23/23	164,845
Total			<u>\$ 673,105</u>

Credit Risk

Under Kentucky Revised Statute 66.480, the City is allowed to invest in obligations of the U.S. and of its agencies, obligations backed by the full faith and credit of the U.S. or a U.S. government agency, obligations of any corporation of the U.S. government, certificates of deposit or other interest-bearing accounts issued by institutions insured by the Federal Deposit Insurance Corporation (FDIC) or similarly collateralized institutions, and bonds and securities of states, local governments, or related agencies in the U.S. rated in one of the three highest categories by a nationally recognized rating agency. As of June 30, 2023, none of the City's deposits were subject to credit risk.

Custodial Credit Risk

Custodial Credit Risk for deposits is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of the deposits that are in the possession of an outside party. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be one hundred percent of the market value of the principal, plus accrued interest.

The City's bank deposits were entirely covered by federal depository insurance or by collateral held by the custodial bank in the City's name. The carrying amount of the City's deposits and certificates of deposit totaled \$3,451,163 and the bank balances totaled \$ 3,462,237. At June 30, 2023, \$4,133,412 of collateral was pledged to the City by the custodial bank and \$571,515 by FDIC insurance.

CITY OF BURKESVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023

NOTE 3 – RECEIVABLES

Receivables as of fiscal year-end for the City's individual major and non-major funds in the aggregate, including applicable allowances for doubtful accounts are as follows:

	<u>General</u>	<u>Water & Sewer</u>	<u>Sanitation</u>	<u>Total</u>
Accounts receivables				
Taxes	\$ -	\$ -	\$ -	\$ -
Customers	-	182,293	44,694	226,987
Other	7,271	-	-	7,271
Interest	2,320	837	267	3,424
	<u>9,591</u>	<u>183,130</u>	<u>44,961</u>	<u>237,682</u>
Gross receivables	9,591	183,130	44,961	237,682
Less allowance for bad debt	<u>-</u>	<u>81,185</u>	<u>18,907</u>	<u>100,092</u>
Net total receivables	<u>\$ 9,591</u>	<u>\$ 101,945</u>	<u>\$ 26,054</u>	<u>\$ 137,590</u>

NOTE 4 – INTER-FUND RECEIVABLE/PAYABLE AND TRANSFERS

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Such inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Reallocation of resources between funds of the reporting entity is classified as inter-fund transfers. Such inter-fund transfers between funds are eliminated in the Statement of Activities. There were no fund transfers for the year ended June 30, 2023.

CITY OF BURKESVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023

NOTE 5 – SUMMARY OF CHANGES IN CAPITAL ASSETS

Capital assets for the governmental activities during the year ended June 30, 2023 are as follows:

	Beginning Balance 7/1/2022	Increases	Decreases	Ending Balance 6/30/2023
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 130,319	\$ -	\$ -	\$ 130,319
Construction in process	71,106	28,681	-	99,787
Total capital assets, not being depreciated:	201,425	28,681	-	230,106
Capital assets, being depreciated:				
Buildings	210,786	-	25,000	185,786
Machinery and equipment	720,516	27,809	-	748,325
Furniture and fixtures	5,869	-	-	5,869
Infrastructure	1,076,601	22,247	-	1,098,848
Other Assets	3,250	-	-	3,250
Road equipment	87,184	-	-	87,184
Right of Use Assets	49,506	-	-	49,506
Total capital assets, being depreciated:	2,153,712	50,056	25,000	2,178,768
Less accumulated depreciation for				
Governmental Activities				
Building	65,413	8,614	25,000	49,027
Machinery and equipment	577,721	50,912	-	628,633
Furniture and fixtures	560	651	-	1,211
Infrastructure	851,312	30,761	-	882,073
Other Assets	1,625	-	-	1,625
Road equipment	87,184	-	-	87,184
Right of Use Assets	12,429	23,062	-	35,491
Total accumulated depreciation	1,596,244	114,000	25,000	1,685,244
Total capital assets, being depreciated, net	557,468			493,524
Government activities capital assets, net	\$ 758,893			\$ 723,630

CITY OF BURKESVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023

NOTE 5 – SUMMARY OF CHANGES IN CAPITAL ASSETS – CONTINUED

Depreciation expense for governmental activities is charged to functions as follows:

	2023
General	\$ 6,513
Police	38,608
Fire	31,416
Street	19,873
Park	17,590
Total	<u>\$ 114,000</u>

Capital assets for the business-type activities during the year ended June 30, 2023 are as follows:

	Beginning Balance 7/1/2022	Increases	Decreases	Ending Balance 6/30/2023
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 61,445	\$ -	\$ -	\$ 61,445
Construction in process	4,069,106	412,037	-	4,481,143
Total capital assets, not being depreciated:	<u>1,096,924</u>	<u>412,037</u>	<u>-</u>	<u>4,542,588</u>
Capital assets, being depreciated:				
Buildings and Improvements	39,554	-	-	39,554
Machinery and Equipment	382,092	5,647	-	387,739
Sanitary Sewer Extension	159,108	-	-	159,108
Utility Plant	10,708,950	-	-	10,708,950
Waste Water Treatment Facility	4,124,716	-	-	4,124,716
Sanitation Equipment	285,744	-	-	285,744
Right of Use Assets	30,443	-	-	30,443
Total capital assets, being depreciated:	<u>15,730,607</u>	<u>5,647</u>	<u>-</u>	<u>15,736,254</u>
Less accumulated depreciation for				
Business-Type Activities				
Buildings and Improvements	38,189	733	-	38,922
Machinery and Equipment	356,636	10,466	-	367,102
Sanitary Sewer Extension	159,108	-	-	159,108
Utility Plant	3,661,094	216,451	-	3,877,545
Waste Water Treatment Facility	3,490,061	92,307	-	3,582,368
Sanitation Equipment	197,114	27,788	-	224,902
Right of Use Assets	12,685	10,148	-	22,833
Total accumulated depreciation	<u>7,914,887</u>	<u>357,895</u>	<u>-</u>	<u>8,272,780</u>
Total capital assets, being depreciated, net	<u>7,815,720</u>			<u>7,463,474</u>
Business-type activities capital assets, net	<u>\$ 8,912,644</u>			<u>\$ 12,006,062</u>

CITY OF BURKESVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023

NOTE 5 – SUMMARY OF CHANGES IN CAPITAL ASSETS – CONTINUED

Depreciation expense for business-type activities is charged to functions as follows:

	2023
Water	\$ 264,085
Sewer	66,022
Sanitation	27,788
Total	\$ 357,895

NOTE 6 – LONG-TERM DEBT

The following is a summary of debt transactions of the City for the year ended June 30, 2023:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due Within One Year
Governmental-type					
Net Pension Liability	\$ 1,973,319	\$ 267,825	\$ -	\$ 2,241,144	\$ -
Net OPEB Liability	596,476	23,072	-	619,548	-
Leases	31,158	-	19,678	11,480	11,480
Business-type					
Leases	17,758	-	10,147	7,611	7,611
Notes Payable	5,118,726	178,915	1,228,285	4,069,356	2,252,675
Net Pension Liability	783,845	127,709	-	911,554	-
Net OPEB Liability	235,318	13,497	-	248,815	-
Plus: Unamortized Note Premium	8,855	-	-	8,855	-
Plus: Unamortized Bond Premium	3,518	-	-	3,518	-
Total	\$8,768,973	\$ 611,018	\$1,258,110	\$ 8,121,881	\$ 2,271,766

Revenue Bonds and Covenants

The government issues revenue bonds to provide for the acquisition and construction of major capital facilities. The original amount of revenue bonds issued in prior years was \$1,933,000. No general obligation bonds were issued during the current year. Revenue bonds are pledged by revenues and by the full faith and credit of the government. These bonds are issued as 10 to 40-year serial bonds with varying amounts of principal maturing each year. The bond covenants include the maintenance of sinking fund to set aside resources for the payment of future debt service obligations. Interest rates range from 4.5% to 5.0%. The debt reserve requirement was in compliance for the fiscal year.

Notes Payable

On September 3, 2009, the City of Burkesville entered into a loan assistance agreement of \$1,153,000, with Kentucky Infrastructure Authority for a repair of the main street water line. As of June 30, 2023, the City had a balance of \$211,373 on the loan. The note bears interest at a rate of 1% and principal and interest payments are due in December and June of each fiscal year. The note matures on December 1, 2031. The loan calls for a \$30,000 repairs and maintenance reserve.

CITY OF BURKESVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023

NOTE 6 – LONG-TERM DEBT – CONTINUED

Notes Payable-Continued

On May 1, 2013, the City of Burkesville entered into a loan assistance agreement of \$1,000,000, with Kentucky Infrastructure Authority for a sanitary sewer system overflow. As of June 30, 2023, the City had a balance of \$419,465 on the loan. The note bears interest at a rate of 1% and principal and interest payments are due in December and June of each fiscal year. The note matures on December 1, 2035. The loan calls for a \$25,000 repairs and maintenance reserve.

On June 1, 2013, the City of Burkesville entered into a loan assistance agreement of \$500,000, with Kentucky Infrastructure Authority for a sanitary sewer system overflow. As of June 30, 2023, the City had a balance of \$296,609 on the loan. The note bears interest at a rate of .75% and principal and interest payments are due in December and June of each fiscal year. The note matures on December 1, 2035. The loan calls for a \$13,000 repairs and maintenance reserve.

On January 1, 2017, the City of Burkesville entered into a loan assistance agreement of \$621,323, with Kentucky Infrastructure Authority for a water distribution extension project. As of June 30, 2023, the City had a balance of \$429,496 on the loan. The note bears interest at a rate of .75% and principal and interest payments are due in December and June of each fiscal year. The note matures on December 1, 2037. The loan calls for a \$30,000 repairs and maintenance reserve.

On May 13, 2020, the City of Burkesville entered into a loan assistance agreement of \$895,000, with Kentucky Bond Corporation to refinance City's loan balances to the USDA. As of June 30, 2023, the City had a balance of \$656,667 on the loan. The note bears interest at a rate of 2% through February 2031 and 2.25% through February 2032 and principal and interest payments are due in August and February of each fiscal year. The note matures on February 1, 2032.

On October 5, 2020, the City of Burkesville entered into a loan agreement of \$3,088,045, with Kentucky Bond Corporation for a construction loan. As of June 30, 2023, the City had a balance of \$2,055,745 on the loan. The note bears interest at a rate of 0.5%.

Capital Leases

The City entered into a lease agreement with Don Franklin in the amount of \$40,591 for the purchase of purchasing a vehicle in April 2021 payable in 36 monthly installments of \$1,128. Total future minimum payments under this agreement are \$11,480 at June 30, 2023.

The City entered into a lease agreement with Don Franklin in the amount of \$39,360 for the purchase of purchasing a vehicle in April 2021 payable in 36 monthly installments of \$1,640. Total future minimum payments under this agreement are \$7,611 at June 30, 2023.

<u>Fiscal Year Ending</u>	<u>Capital Lease Principal</u>
2024	19,091
Total	<u>\$ 19,091</u>

CITY OF BURKESVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023

NOTE 6 – LONG-TERM DEBT – CONTINUED

Capital Leases - Continued

The annual debt service requirements to maturity for this lease agreement is as follows:

The minimum obligations of the City's at June 30, 2023 for the payment of loan principal and interest are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Annual Requirements</u>
2024	2,252,675	25,642	2,278,317
2025	198,046	22,925	220,971
2026	204,089	20,283	224,372
2027	205,142	17,529	222,671
2028-2032	898,479	48,238	946,717
2033-2037	310,925	70,982	381,907
Total	\$ 4,069,356	\$ 205,599	\$ 4,274,955

Compliance with Reserve Requirements

The City of Burkesville is required to maintain the following funds and accounts related to the bond issuance and loan agreements:

Depreciation Fund – The bond ordinance requires the creation of a depreciation fund that shall be available and shall be utilized to make repairs and replacements to the system and to pay the costs of constructing additions, extensions, betterments, and improvements to the system which will either increase income and revenues or provide a higher degree of service. One twelfth (1/12) of five percent (5%) of the annual gross income and revenue of the public water and sewer project of the previous fiscal year, should be deposited into the Depreciation Fund. The KIA loans call for the creation of a repairs and maintenance reserve of \$98,000. At June 30, 2023, the depreciation fund had a balance of \$572,670.

Debt Service Fund – The debt service fund is maintained for the payment of principal and interest on bonds. The City is required to make a monthly transfer to the reserve of 1/6 of the next interest due and 1/12 of the next principal. These monthly transfers are to be made until the balance reaches the lesser of 1) the maximum debt service requirement in any fiscal year, 2) 10% of the proceeds of any series bonds or 3) 125% of the average annual debt service requirement. As of June 30, 2023, the debt service funds had a balance of \$130,012.

NOTE 7 – RETIREMENT PLAN

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

CITY OF BURKESVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023

NOTE 7 – RETIREMENT PLAN – CONTINUED

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

Contributions – Plan members were required to contribute 5% of their annual creditable compensation for non-hazardous job classifications, and 8% of wages for hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545 (33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined, on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2023, participating employers contributed 26.79% (non-hazardous) and 49.59% (hazardous) of each employee's wages, which is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account for non-hazardous job classifications and 8% of wages to their own account for hazardous job classifications. Plan members also contribute 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each members' salary. Each member's account is credited with a 4% employer pay credit for non-hazardous members. The employer pay credit represents a portion of the employer contribution. For the fiscal year ended June 30, 2023 the contributions for hazardous and non-hazardous positions were \$114,575 and \$164,703, respectively.

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

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

CITY OF BURKESVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023

NOTE 7 – RETIREMENT PLAN – CONTINUED

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

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2023 the City reported a liability of \$3,152,698 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 that date and rolled forward using generally accepted actuarial procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2022, was .026 percent for non-hazardous and .042 percent for hazardous. For the year ended June 30, 2023, the City recognized pension expenses of \$293,376. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 39,044	\$ 16,567
Changes of assumptions	-	-
Net difference between projected and actual earnings on plan investments	77,542	-
Changes in proportion and differences between employer contribution and proportionate share of contribution	67,552	22,374
City contributions subsequent to the measurement date	279,278	-
Total	<u>\$ 463,416</u>	<u>\$ 38,941</u>

The \$279,278 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2023	\$ 48,064
2024	34,218
2025	(19,814)
2026	82,729
2027	-
Thereafter	-

CITY OF BURKESVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023

NOTE 7 – RETIREMENT PLAN – CONTINUED

Actuarial Methods and Assumptions for determining the Total Pension Liability and Net Pension Liability – 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, 2021, and was performed by Gabriel Roeder Smith (GRS). The total pension 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 methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2023:

Non-Hazardous

Inflation	2.30%
Payroll growth rate	2.00%
Salary increase	3.30% to 10.30%, varies by service
Investment rate of return	6.25%

Hazardous

Inflation	2.30%
Payroll growth rate	2.00%
Salary increase	3.55% to 19.05%, varies by service
Investment rate of return	6.25%

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2020. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2019. The actuarial assumptions used in the June 30, 2021, actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2022. The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

CITY OF BURKESVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023

NOTE 7 – RETIREMENT PLAN – CONTINUED

For the year end June 30, 2023 the target allocation and best estimates of nominal real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Equity	60.00%	
US Equity	50.00%	4.45%
Non-US 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%
Expected Real Return		4.28%
Long Term Nominal Return for Portfolio		2.30%
Expected Nominal Return for Portfolio		6.58%

Discount Rate – The projection of cash flows used to determine the discount rate of 6.25% for Non-Hazardous and Hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the City's proportionate share of the new 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:

	<u>Discount Rate</u>	<u>City's Proportionate Share of Net Pension Liability</u>
1% Decrease	5.25%	\$ 3,152,698
Current discount rate	6.25%	\$ 3,935,037
1% Increase	7.25%	\$ 2,509,653

Payable to the Pension Plan – At June 30, 2023, the City reported a payable of \$29,928 for the outstanding amount of contributions to the pension and OPEB plans.

CITY OF BURKESVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description – Employees of the City are provided hospital and medical insurance through the Kentucky Retirement Systems' Insurance Fund (Insurance Fund), a cost-sharing multiple-employer defined benefit OPEB plan. The KRS was created by state statute under the Kentucky revised Statute Section 61.645. The KRS board of Trustees is responsible for the proper operation and administration of the KRS. The KRS issues a publicly available financial report that can be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

Benefits Provided – The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. Because of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on or after July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned services without regard to a maximum dollar amount.

Contributions – Contribution requirements of the participating employers are established and may be amended by the KRS Board of Trustees. For the years ended June 30, 2023, participating employers contributed 3.39% (non-hazardous) and 6.78% (hazardous) of covered payroll. Employees that entered the plan prior to September 1, 2008 are not required to contribute to the Insurance Fund. Employees that entered the plan after September 1, 2008 are required to contribute 1% of their annual creditable compensation which is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). For the fiscal year ended June 30, 2023, the contributions for hazardous and non-hazardous positions were \$18,146 and \$23,861, respectively.

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2023 the City reported a liability of \$868,363 for its proportionate share of the 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 and rolled forward using generally accepted actuarial procedures. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2022, was .042 percent for non-hazardous and .026 percent for hazardous. For the year ended June 30, 2023, the City recognized OPEB expenses of \$125,305. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Implicit subsidy	\$ 22,242	\$ -
Differences between expected and actual results	59,080	137,802
Changes of assumptions	140,501	128,218
Net difference between projected and actual earnings on plan investments	33,771	-
Changes in proportion and differences between employer contribution and proportionate share of contribution	27,984	15,025
City's contributions subsequent to the measurement date	42,007	-
Total	<u>\$ 325,585</u>	<u>\$ 281,045</u>

CITY OF BURKESVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED

The \$42,007 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ending June 30,	
2023	\$ 6,900
2024	4,955
2025	(31,792)
2026	12,755
2027	(12,527)
Thereafter	-

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

Non-Hazardous

Inflation	2.30%
Payroll growth rate	2.00%
Salary increase	3.30% to 10.30%, varies by service
Investment rate of return	6.25%
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 6.40% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Post - 65	Initial trend starting at 6.30% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

Hazardous

Inflation	2.30%
Payroll growth rate	2.00%
Salary increase	3.55% to 19.05%, varies by service
Investment rate of return	6.25%
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 6.40% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Post - 65	Initial trend starting at 6.30% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2019. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2019. The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

CITY OF BURKESVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Equity	60.00%	
US Equity	50.00%	4.45%
Non-US 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%
Expected Real Return		4.28%
Long Term Nominal Return for Portfolio		2.30%
Expected Nominal Return for Portfolio		6.58%

Discount Rate – The discount rate used to measure the total OPEB liability was 5.70% for non-hazardous classifications. The single discount rate is based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.69%, as reported in Fidelity Index's "20- Year Municipal GO AA Index" as of June 30, 2022. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the System's actuarial determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the System's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

CITY OF BURKESVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate for June 30, 2023

Nonhazardous – The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.70%) or one percentage point higher (6.70%) follows:

	<u>Discount Rate</u>	<u>City's Proportionate Share of Net OPEB Liability</u>	
1% Decrease	4.70%	\$	678,828
Current discount rate	5.70%	\$	507,785
1% Increase	6.70%	\$	366,390

Hazardous – The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.61%) or one percentage point higher (6.61%) follows:

	<u>Discount Rate</u>	<u>City's Proportionate Share of Net OPEB Liability</u>	
1% Decrease	4.61%	\$	501,012
Current discount rate	5.61%	\$	360,578
1% Increase	6.61%	\$	246,519

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates for June 30, 2023

Nonhazardous – The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.70%) or one percentage point higher (6.70%) than current healthcare cost trend rates follows:

<u>City's Net OPEB Liability Healthcare Cost</u>		
<u>Trend Rate -1%</u>	<u>Trend Rate</u>	<u>Trend Rate +1%</u>
<u>4.70%</u>	<u>5.70%</u>	<u>6.70%</u>
<u>\$ 377,527</u>	<u>\$ 507,785</u>	<u>\$ 664,201</u>

Hazardous – The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.61%) or one percentage point higher (6.61%) than current healthcare cost trend rates follows:

<u>City's Net OPEB Liability Healthcare Cost</u>		
<u>Trend Rate -1%</u>	<u>Trend Rate</u>	<u>Trend Rate +1%</u>
<u>4.61%</u>	<u>5.61%</u>	<u>6.61%</u>
<u>\$ 251,787</u>	<u>\$ 360,578</u>	<u>\$ 493,188</u>

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

CITY OF BURKESVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The City is not involved in lawsuits or matters which require disclosure with the ABA Statement policy regarding Lawyer's Responses to Auditor's Request per the opinion of counsel.

Significant losses are covered by commercial insurance with premiums (based on industry information adjustment for any City claims) for general liability, vehicles, personal and real property. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 10 – RISK MANAGEMENT

The City is exposed to various forms of asset losses associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. As of June 30, 2023, the City was sufficiently insured.

NOTE 11 – DATE OF MANAGEMENT'S REVIEW

Subsequent events were evaluated through December 7, 2023, which is the date the financial statements were available to be issued.

**CITY OF BURKESVILLE, KENTUCKY
REQUIRED SUPPLEMENTAL
BUDGETARY COMPARISON GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023**

	Budget			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Taxes	\$ 107,000	\$ 114,000	\$ 118,197	\$ 4,197
Licenses, permits and fees	1,069,300	1,069,300	1,100,762	31,462
Intergovernmental	6,600	6,600	377,832	371,232
Service charges and fees	282,400	282,400	54,969	(227,431)
Other	104,400	104,400	37,957	(66,443)
Total Revenues	1,569,700	1,576,700	1,689,717	113,017
Expenditures				
General and administrative	190,931	190,931	151,185	39,746
Police	833,330	925,757	936,496	(10,739)
Fire	99,125	135,143	102,743	32,400
Street	252,462	263,462	261,731	1,731
Parks and recreation	147,352	137,352	107,479	29,873
Capital outlay	-	-	78,737	(78,737)
Total Expenditures	1,523,200	1,652,645	1,638,371	14,274
Net Change in Fund Balance	46,500	(75,945)	51,346	127,291
Fund Balance, Beginning	948,435	70,162	1,674,432	-
Fund Balance, Ending	\$ 994,935	\$ (5,783)	\$ 1,725,778	\$ 127,291

**CITY OF BURKESVILLE, KENTUCKY
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST EIGHT FISCAL YEARS**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<u>HAZARDOUS</u>								
City's proportion of the net pension liability (asset)	0.039437%	0.043087%	0.041847%	0.044367%	0.042234%	0.042251%	0.043479%	0.042353%
City's proportionate share of the net pension liability (asset)	\$ 605,398	\$ 739,341	\$ 936,234	\$ 1,072,924	\$ 1,166,876	\$ 1,273,880	\$ 1,157,480	\$ 1,292,384
City's covered-employee payroll	\$ 224,004	\$ 229,719	\$ 247,133	\$ 238,642	\$ 246,847	\$ 259,988	\$ 275,827	\$ 267,637
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	270.26%	321.85%	378.84%	449.60%	472.71%	489.98%	419.64%	482.89%
Plan fiduciary net position as a percentage of the total pension liability	57.52%	53.95%	49.78%	49.26%	46.63%	44.11%	52.26%	47.11%
<u>NON-HAZARDOUS</u>								
City's proportion of the net pension liability (asset)	0.022232%	0.023521%	0.022980%	0.023810%	0.025111%	0.024653%	0.025090%	0.025734%
City's proportionate share of the net pension liability (asset)	\$ 955,859	\$ 1,158,084	\$ 1,345,090	\$ 1,450,102	\$ 1,766,068	\$ 1,890,865	\$ 1,599,684	\$ 1,860,314
City's covered-employee payroll	\$ 561,095	\$ 560,332	\$ 597,843	\$ 664,583	\$ 646,507	\$ 637,415	\$ 711,510	\$ 703,860
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	170.36%	206.68%	224.99%	218.20%	273.17%	296.65%	224.83%	264.30%
Plan fiduciary net position as a percentage of the total pension liability	59.97%	55.50%	53.32%	53.54%	50.45%	47.81%	57.33%	52.42%

Note: The above schedules will present 10 years of historical data, once available.

**CITY OF BURKESVILLE, KENTUCKY
SCHEDULE OF CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM
LAST EIGHT FISCAL YEARS**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<u>HAZARDOUS</u>								
Contractually required contribution	\$ 45,383	\$ 49,872	\$ 54,864	\$ 61,618	\$ 74,295	\$ 78,155	\$ 93,395	\$ 114,575
Contributions in relation to the contractually required contribution	<u>(45,383)</u>	<u>(49,872)</u>	<u>(54,864)</u>	<u>(61,618)</u>	<u>(74,295)</u>	<u>(78,155)</u>	<u>(93,395)</u>	<u>(114,575)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 224,004	\$ 229,719	\$ 247,133	\$ 238,642	\$ 246,847	\$ 259,988	\$ 275,827	\$ 267,637
Contributions as a percentage of covered-employee payroll	20.26%	21.71%	22.20%	25.82%	30.10%	30.06%	33.86%	42.81%
<u>NON-HAZARDOUS</u>								
Contractually required contribution	\$ 69,744	\$ 78,166	\$ 86,568	\$ 107,795	\$ 124,782	\$ 123,027	\$ 150,627	\$ 164,703
Contributions in relation to the contractually required contribution	<u>(69,744)</u>	<u>(78,166)</u>	<u>(86,568)</u>	<u>(107,795)</u>	<u>(124,782)</u>	<u>(123,027)</u>	<u>(150,627)</u>	<u>(164,703)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 561,095	\$ 560,332	\$ 597,843	\$ 664,583	\$ 646,507	\$ 637,415	\$ 711,510	\$ 703,860
Contributions as a percentage of covered-employee payroll	12.43%	13.95%	14.48%	16.22%	19.30%	19.30%	21.17%	23.40%

Note: The above schedules will present 10 years of historical data, once available.

**CITY OF BURKESVILLE, KENTUCKY
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
LAST FIVE FISCAL YEARS**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<u>HAZARDOUS</u>					
City's proportion of the net OPEB liability	0.044367%	0.044223%	0.042238%	0.043479%	0.042332%
City's proportionate share of the net OPEB liability	\$ 316,319	\$ 312,472	\$ 390,324	\$ 351,554	\$ 360,578
City's covered-employee payroll	\$ 238,642	\$ 246,847	\$ 259,988	\$ 275,827	\$ 267,637
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	132.55%	126.59%	150.13%	127.45%	134.73%
Plan fiduciary net position as a percentage of the total OPEB liability	64.24%	64.44%	58.84%	66.81%	64.13%
<u>NON-HAZARDOUS</u>					
City's proportion of the net OPEB liability	0.022980%	0.025105%	0.024646%	0.025085%	0.025730%
City's proportionate share of the net OPEB liability	\$ 422,724	\$ 422,255	\$ 595,126	\$ 480,240	\$ 507,785
City's covered-employee payroll	\$ 664,503	\$ 646,507	\$ 637,415	\$ 711,510	\$ 703,860
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	63.62%	65.31%	93.37%	67.50%	72.14%
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	60.44%	51.67%	62.91%	60.95%

Note: The above schedules will present 10 years of historical data, once available.

**CITY OF BURKESVILLE, KENTUCKY
SCHEDULE OF CONTRIBUTIONS TO THE
OTHER POST EMPLOYMENT BENEFITS
LAST FIVE FISCAL YEARS**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<u>HAZARDOUS</u>					
Contractually required contribution	\$ 22,719	\$ 23,497	\$ 24,749	\$ 28,879	\$ 18,146
Contributions in relation to the contractually required contribution	<u>(22,719)</u>	<u>(23,497)</u>	<u>(24,749)</u>	<u>(28,879)</u>	<u>(18,146)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 238,642	\$ 246,847	\$ 259,988	\$ 275,827	\$ 267,637
Contributions as a percentage of covered-employee payroll	9.52%	9.52%	9.52%	10.47%	6.78%
<u>NON-HAZARDOUS</u>					
Contractually required contribution	\$ 34,957	\$ 30,767	\$ 30,335	\$ 41,125	\$ 23,861
Contributions in relation to the contractually required contribution	<u>(34,957)</u>	<u>(30,767)</u>	<u>(30,335)</u>	<u>(41,125)</u>	<u>(23,861)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 664,503	\$ 646,507	\$ 637,415	\$ 711,510	\$ 703,860
Contributions as a percentage of covered-employee payroll	5.26%	4.76%	4.76%	5.78%	3.39%

Note: The above schedules will present 10 years of historical data, once available.

CITY OF BURKESVILLE, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023

NOTE 1 – BUDGETARY ACCOUNTING AND CONTROL

Budget Law

The City annually prepares a budget under the provisions of Kentucky Revised Statute (KRS) 91A.030. In accordance with the Statute, the following process is used to adopt the annual budget:

- The budget proposal is the responsibility of the Mayor and the City and shall be submitted to the legislative body not later than thirty days prior to the beginning of the fiscal year it covers.
- The legislative body shall adopt a budget ordinance making appropriations for the fiscal year in such sums as the legislative body finds sufficient and proper, whether greater or less than the sums recommended in the budget proposal. The budget ordinance may be in any form that the legislative body finds most efficient in enabling it to make the necessary fiscal policy decisions.
- No budget ordinance shall be adopted that provides for appropriations to exceed available resources in any one fiscal year, which would also violate section 157 of the Kentucky Constitution.
- The City legislative body may amend the budget ordinance after the ordinances' adoption if the amended ordinance continues to satisfy the requirements of KRS 91A.030.
- Immediately following the adoption of an annual budget, the clerk shall cause a summary of the budget or the text of the budget ordinance to be advertised by publication in a newspaper.

Budgetary Accounting

The annual operation budgets of governmental and proprietary funds are prepared and presented on the modified accrual basis of accounting. The City does not use an encumbrance accounting system; thus, the budgetary and GAAP presentation of the Statement of Revenues, Expenditures and Changes in Fund Balance, Budgetary and Actual are the same.

NOTE 2 – CERS

General Information

Contributions

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

Payroll

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

June 30, 2022 – Pension and OPEB Hazardous and Nonhazardous

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

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

- The single discount rate increased from 5.20% to 5.70% for non-hazardous and from 5.30% to 5.05% for hazardous. The municipal bond rate increased from 1.92% to 3.39%

June 30, 2021 – Pension and OPEB Hazardous and Nonhazardous

CITY OF BURKESVILLE, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – CONTINUED
JUNE 30, 2023

NOTE 2 – CERS – CONTINUED

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

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

- The single discount rate decreased from 5.34% to 5.20% for non-hazardous and from 5.30% to 5.05% for hazardous. The municipal bond rate decreased from 3.13% to 1.92%

June 30, 2020 – Pension and OPEB Hazardous and Nonhazardous

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

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

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

June 30, 2019 – Pension and OPEB Hazardous and Nonhazardous

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

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

Changes of Assumptions- Continued

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

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

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

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

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

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

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

CITY OF BURKESVILLE, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – CONTINUED
JUNE 30, 2023

NOTE 2 – CERS – CONTINUED

June 30, 2015 – Pension – Hazardous and Nonhazardous

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

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

June 30, 2014 – Pension – Hazardous and Nonhazardous

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

June 30, 2013 – Pension – Hazardous and Nonhazardous

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

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

CITY OF BURKESVILLE, KENTUCKY
SCHEDULE OF WATER AND SEWER REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

	Water Utilities	Sewer Utilities	Total
Operating Revenues			
Charges for services	\$ 799,239	\$ 302,196	\$ 1,101,435
Miscellaneous	114,375	-	114,375
Total Operating Revenues	913,614	302,196	1,215,810
Operating Expenses			
Salaries	273,106	29,437	302,543
Employee benefits	169,749	24,744	194,493
Contractual services	4,968	4,848	9,816
Materials and supplies	163,822	77,192	241,014
Travel and training	1,983	-	1,983
Utilities and telephone	63,390	78,337	141,727
Insurance	26,035	14,024	40,059
Depreciation	264,085	66,022	330,107
Bad debt provision	3,997	1,511	5,508
Miscellaneous	59,436	5,928	65,364
Total Operating Expenses	1,030,571	302,043	1,332,614
Operating Loss	(116,957)	153	(116,804)
Non-Operating Revenues (Expenses)			
Interest income	3,497		3,497
Interest expense	(33,465)	(19,628)	(53,093)
Loan forgiveness	-	1,000,000	1,000,000
Grant proceeds	-	390,226	390,226
Total Non-Operating Revenue (Expenses)	(29,968)	1,370,598	1,340,630
Change in Net Position			1,223,825
Total Net Position, Beginning			7,071,908
Total Net Position, Ending			\$ 8,295,733

**CITY OF BURKESVILLE, KENTUCKY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
JUNE 30, 2023**

	<u>Payroll</u>	<u>LGEA Fund</u>	<u>Road Fund</u>	<u>ABC</u>	<u>Total Non-major Fund</u>
Assets					
Cash in bank	\$ 72,445	\$ 6,238	\$ 44,917	\$ 64,187	\$ 187,787
Due from other funds	-	-	-	-	-
Total Assets	<u><u>\$ 72,445</u></u>	<u><u>\$ 6,238</u></u>	<u><u>\$ 44,917</u></u>	<u><u>\$ 64,187</u></u>	<u><u>\$ 187,787</u></u>
Liabilities					
Payroll liabilities	\$ 62,111	\$ -	\$ -	\$ -	\$ 62,111
Fund Balance					
Restricted:					
ABC	-	-	-	64,187	64,187
Economic assistance	-	6,238	-	-	6,238
Municipal roads	-	-	44,917	-	44,917
Assigned:					
Administrative	10,334	-	-	-	10,334
Total Liabilities and Fund Balance	<u><u>\$ 72,445</u></u>	<u><u>\$ 6,238</u></u>	<u><u>\$ 44,917</u></u>	<u><u>\$ 64,187</u></u>	<u><u>\$ 187,787</u></u>

CITY OF BURKESVILLE, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
JUNE 30, 2023

	Payroll	LGEA Fund	Road Fund	ABC	Total Non-major Fund
Revenues					
Regulatory Fees	\$ -	\$ -	\$ -	\$ 71,228	\$ 71,228
Interest income	142	3	113	132	390
Intergovernmental revenues	-	4,153	31,774	-	35,927
Miscellaneous	-	-	-	-	-
Total Revenues	142	4,156	31,887	71,360	107,545
Expenditures					
Current:					
Administration	-	839	839	-	1,678
Public Safety	-	1,000	-	48,514	49,514
Streets	-	-	40,000	-	40,000
Capital Fund	-	-	-	-	-
Total Expenditures	-	1,839	40,839	48,514	91,192
Excess (Deficiency) of Revenues over Expenditures	142	2,317	(8,952)	22,846	16,353
Other Financing Sources					
Transfers in (out)	-	-	-	-	-
Net Change in Fund Balance	142	2,317	(8,952)	22,846	16,353
Fund Balance - Beginning of Year	10,192	3,921	53,869	41,341	109,323
Fund Balance - End of Year	\$ 10,334	\$ 6,238	\$ 44,917	\$ 64,187	\$ 125,676

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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

To the Honorable Mayor and Members of the City Council
City of Burkesville
Burkesville, Kentucky 42717

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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Burkesville (hereinafter called the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 7, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002, that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

The City's Response to Findings

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

Purpose of This Report

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

SK LEE CPAs, P.S.C.

Berea, Kentucky
December 7, 2023

**CITY OF BURKESVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

MATERIAL WEAKNESS

2023-001 Financial Statement Preparation

Condition:

During our audit procedures, we noted some instances of this objective not being completely achieved.

Criteria:

A key component of internal control is to ensure that personnel, management, or others within the City have the ability to prepare financial statements, including the notes to the financial statements, in accordance with accounting principles generally accepted in the United States of America (GAAP).

Cause:

The City did not prepare a complete set of GAAP financial statements and related note disclosures.

Effect:

Management is responsible for establishing and maintaining internal controls for the fair presentation of the financial position, results of operations, cash flows, and disclosures in the financial statements, in conformity with accounting principles generally accepted in the United States of America. The City does not internally possess the ability to recognize and implement new authoritative guidance in regards to financial reporting. However, management is knowledgeable in respect to the financial accounting and amounts reported in the financial statements. As such, management requested us to prepare a draft of the financial statements, including the related footnote disclosures.

Recommendation:

Management should continue to engage the audit firm to prepare a draft of the financial statements including the notes to the financial or hire an accountant to perform their services.

Views of Responsible Officials:

Management agrees with the recommendation.

**CITY OF BURKESVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023**

MATERIAL WEAKNESS

2023-002 Segregation of Duties

Condition:

While conducting our audit procedures to gain an understanding of internal controls over financial reporting, we noted a lack of segregation of duties which enabled one individual access to authorize transactions, custody of assets, recording and reporting of the City's transactions in the cash receipts, cash disbursement, and payroll process.

Criteria:

Segregation of duties is a control in which no person should be given the responsibility to perform more than one related function of an accounting process.

Cause:

Due to the small number of administrative and clerical employees at the City, there is an inherent limitation in its ability to segregate custodial duties from recordkeeping duties in the cash collection and billing process.

Effect:

The lack of internal controls increases the risk that an error, either intentional or unintentional, will go undetected and the financial statements will contain material misstatements.

Recommendation: The lack of segregation of duties is a common deficiency in City's the size of Burkesville. The City Council should be aware of the increased risk and develop policies and procedures to reduce the effect of the internal control deficiency.

Views of Responsible Officials:

Management agrees with the recommendation.