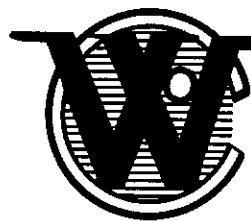


CITY OF LOUISA, KENTUCKY  
FINANCIAL STATEMENTS,  
INDEPENDENT AUDITOR'S REPORTS, AND  
SUPPLEMENTARY INFORMATION

June 30, 2023



**WELLS & COMPANY, P.S.C.**

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Harold Slone, Mayor  
Members of the City Council  
City of Louisa, Kentucky

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

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

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

#### ***Basis for Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material

misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

#### ***Required Supplementary Information***

Management has omitted the management's 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 this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 40-43 and the County Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 44 and 45, respectively, and the County Employees' Retirement System's Schedules of the Proportionate Share of the Net OPEB Liability and Contributions, on pages 46 and 47, respectively, be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Louisa, Kentucky's basic financial statements. The schedule of operating expenses-proprietary funds is presented for purposes of additional analysis and is 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 schedule of operating expenses – proprietary fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2024, on our consideration of the City of Louisa, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Louisa, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Louisa, Kentucky's internal control over financial reporting and compliance.

*Hall & Company, PSC*

Certified Public Accountants  
Paintsville, Kentucky  
February 9, 2024

**CITY OF LOUISA, KENTUCKY  
STATEMENT OF NET POSITION  
JUNE 30, 2023**

4

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 631,571	\$ 324,753	\$ 956,324
Taxes receivable	193,964	-	193,964
Grants receivable	48,102	-	48,102
Sanitation fees receivable	96,536	-	96,536
Other receivables	36,583	-	36,583
Accounts receivable, net	-	396,726	396,726
Unbilled receivables	-	111,582	111,582
Inventory	-	81,157	81,157
Prepaid items	20,482	12,393	32,875
Capital assets:		-	
Land and construction-in-progress	601,835	1,089,402	1,691,237
Other capital assets, net of accumulated depreciation	2,251,937	22,681,586	24,933,523
<b>Total Assets</b>	<b>3,881,010</b>	<b>24,697,599</b>	<b>28,578,609</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred outflows related to pensions & OPEB	443,701	364,405	808,106
<b>LIABILITIES</b>			
Accounts payable	45,080	290,106	335,186
Accrued expenses	76,304	81,648	157,952
Accrued compensated absences	28,507	28,472	56,979
Accrued interest payable	2,912	40,488	43,400
Customer deposits	-	64,433	64,433
Due to City of Louisa - sanitation fees	-	54,793	54,793
Long-term liabilities:			
Net pension liability	1,656,095	1,317,705	2,973,800
Net OPEB liability	452,033	359,673	811,706
Due within one year	115,455	835,629	951,084
Due in more than one year	403,166	7,382,717	7,785,883
<b>Total Liabilities</b>	<b>2,779,552</b>	<b>10,455,664</b>	<b>13,235,216</b>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred inflows related to pensions & OPEB	179,540	195,514	375,054
<b>NET POSITION</b>			
Net investment in capital assets	2,335,151	15,552,642	17,887,793
Restricted for:			
Debt service	11,936	81,714	93,650
Capital asset repair and replacement	-	211,485	211,485
Special revenue	10,424	-	10,424
Public safety	64,425	-	64,425
Unrestricted (deficit)	(1,056,317)	(1,435,015)	(2,491,332)
<b>Total Net Position</b>	<b>\$ 1,365,619</b>	<b>\$ 14,410,826</b>	<b>\$ 15,776,445</b>

See accompanying notes to basic financial statements.

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental activities:							
General government	\$ 373,284	\$ -	\$ 5,000	\$ 57,877	\$ (310,407)	\$ -	\$ (310,407)
Public safety	847,387	37,753	3,269	-	(806,365)	-	(806,365)
Streets	470,317	-	-	-	(470,317)	-	(470,317)
Sanitation	483,771	473,771	-	5,385	(4,615)	-	(4,615)
Alcohol Beverage Control	8,521	-	-	-	(8,521)	-	(8,521)
Youth programs	2,445	-	-	-	(2,445)	-	(2,445)
Interest on long-term debt	18,253	-	-	-	(18,253)	-	(18,253)
Total governmental activities	<u>2,203,978</u>	<u>511,524</u>	<u>8,269</u>	<u>63,262</u>	<u>(1,620,923)</u>	<u>-</u>	<u>(1,620,923)</u>
Business-type activities:							
Water and sewer	3,540,618	3,468,445	-	208,081	-	135,908	135,908
Swimming pool	64,670	41,983	-	-	-	(22,687)	(22,687)
Total business-type activities	<u>3,605,288</u>	<u>3,510,428</u>	<u>-</u>	<u>208,081</u>	<u>-</u>	<u>113,221</u>	<u>113,221</u>
<b>Total primary government</b>	<b>\$ 5,809,266</b>	<b>\$ 4,021,952</b>	<b>\$ 8,269</b>	<b>\$ 271,343</b>	<b>(1,620,923)</b>	<b>113,221</b>	<b>(1,507,702)</b>
<b>General revenues:</b>							
Property taxes					390,014	-	390,014
Motor vehicle taxes					44,973	-	44,973
Insurance premium taxes					651,059	-	651,059
Telecommunication taxes					21,987	-	21,987
Occupational licenses					13,017	-	13,017
Franchise fees					58,410	-	58,410
ABC fees					164,017	-	164,017
Intergovernmental revenue					210,041	-	210,041
Rental income					5,501	-	5,501
Interest income					1,619	1,509	3,128
Gain on disposal of capital assets					3,615	-	3,615
Miscellaneous					123,721	-	123,721
<b>Transfers:</b>					<u>(62,646)</u>	<u>62,646</u>	<u>-</u>
Total general revenues and transfers					<u>1,625,328</u>	<u>64,155</u>	<u>1,689,483</u>
Change in net position					4,405	177,376	181,781
Net position - beginning					<u>1,361,214</u>	<u>14,233,450</u>	<u>15,594,664</u>
<b>Net position - ending</b>					<b>\$ 1,365,619</b>	<b>\$ 14,410,826</b>	<b>\$ 15,776,445</b>

See accompanying notes to basic financial statements.

**CITY OF LOUISA, KENTUCKY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2023**

6

	<u>General Fund</u>	<u>Youth Programs Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 621,147	\$ 10,424	\$ 631,571
Receivables:			
Taxes	193,964	-	193,964
Grants	48,102	-	48,102
Sanitation fees	96,536	-	96,536
Other	36,583	-	36,583
Prepaid items	20,482	-	20,482
Total Assets	<u>\$ 1,016,814</u>	<u>\$ 10,424</u>	<u>\$ 1,027,238</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 45,080	\$ -	\$ 45,080
Accrued payroll	16,285	-	16,285
Accrued payroll taxes	2,419	-	2,419
Accrued compensated absences	28,507	-	28,507
Other accrued liabilities	42,978	-	42,978
Total Liabilities	<u>135,269</u>	<u>-</u>	<u>135,269</u>
<b>Fund Balances:</b>			
Restricted for:			
Public safety	64,425	-	64,425
Youth programs	-	10,424	10,424
Debt service	11,936	-	11,936
Unassigned	805,184	-	805,184
Total Fund Balances	<u>881,545</u>	<u>10,424</u>	<u>891,969</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,016,814</u>	<u>\$ 10,424</u>	<u>\$ 1,027,238</u>

See accompanying notes to basic financial statements.



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

7

**Fund Balances - Total Governmental Funds** \$ 891,969

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

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

Governmental capital assets	5,863,760
Less: accumulated depreciation	(3,009,988)

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet.	(2,912)
--	---------

Pension contributions after measurement date are reported as a deferred outflow of resources:	181,423
--	---------

Net pension & net OPEB liability is not due and payable in the current period and, therefore, is not reported in governmental funds:	(2,108,128)
---	-------------

Other OPEB related accruals	(14,622)
-----------------------------	----------

Pension & OPEB related deferred outflows of resources and deferred inflows of  
resources are not due and payable in the current year and, therefore  
are not reported in the governmental funds, as follows:

Deferred pension & OPEB outflows of resources	262,278
Deferred pension & OPEB inflows of resources	(179,540)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	<u>(518,621)</u>
---	------------------

<b>Net Position of Governmental Activities</b>	<u><u>\$ 1,365,619</u></u>
--	----------------------------

See accompanying notes to basic financial statements.

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

8

	<b>General Fund</b>	<b>Youth Programs Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>			
<b>Taxes:</b>			
Property	\$ 390,014	\$ -	\$ 390,014
Motor vehicle	44,973	-	44,973
Insurance premium	651,059	-	651,059
Telecommunication	21,987	-	21,987
Occupational licenses	13,017	-	13,017
Franchise fees	58,410	-	58,410
ABC fees	164,017	-	164,017
Intergovernmental revenues	210,041	-	210,041
Grants	71,531	-	71,531
Charges for services	511,524	-	511,524
Rental income	5,501	-	5,501
Interest income	1,619	-	1,619
Donations	13,831	1,777	15,608
Miscellaneous revenues	108,113	-	108,113
<b>Total revenues</b>	<b>2,265,637</b>	<b>1,777</b>	<b>2,267,414</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	339,476	-	339,476
Public safety	661,196	-	661,196
Streets	392,775	-	392,775
Sanitation	397,924	-	397,924
Alcohol beverage control	8,521	-	8,521
Youth programs	-	2,445	2,445
<b>Debt service:</b>			
Interest	18,629	-	18,629
Principal retirement	128,274	-	128,274
<b>Capital outlay</b>	<b>383,142</b>	<b>-</b>	<b>383,142</b>
<b>Total expenditures</b>	<b>2,329,937</b>	<b>2,445</b>	<b>2,332,382</b>
Excess (deficiency) of revenues over expenditures	(64,300)	(668)	(64,968)
<b>Other financing sources (uses):</b>			
Proceeds from sale of capital assets	3,615	-	3,615
Transfers Out	(62,646)	-	(62,646)
<b>Total other financing sources (uses)</b>	<b>(59,031)</b>	<b>-</b>	<b>(59,031)</b>
Net change in fund balances	(123,331)	(668)	(123,999)
Fund balances - beginning	1,004,876	11,092	1,015,968
<b>Fund balances - ending</b>	<b>\$ 881,545</b>	<b>\$ 10,424</b>	<b>\$ 891,969</b>

See accompanying notes to basic financial statements.

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

9

**Net Change in Fund Balances - Total Governmental Funds** **\$ (123,999)**

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

Governmental funds report capital outlays as expenditures.  
However, on the statement of activities, the cost of those assets  
is allocated over their estimated useful lives as depreciation  
expense:

Capital asset purchases capitalized	383,142
Depreciation expense	(287,736)

In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable.	376
---	-----

The net effect of various miscellaneous transactions involving capital assets:	-
--	---

Changes in pension expense are reported only in the statement of activities	(95,652)
---	----------

Debt proceeds provide current financial resources to governmental  
funds, but issuing debt increases long-term liabilities in the Statement  
of Net Position. Repayment of debt principal is an expenditure in the  
governmental funds, but the repayment reduces long-term liabilities in  
the Statement of Net Position. The details of these differences in the  
treatment of long-term debt and related items are as follows:

Loan proceeds	-
Principal paid	128,274
	128,274

<b>Change in Net Position of Governmental Activities</b>	<b>\$ 4,405</b>
--	-----------------

See accompanying notes to basic financial statements.

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

10

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water &amp; Sewer</b>	<b>Swimming Pool</b>	<b>Totals</b>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 21,898	\$ 9,656	\$ 31,554
Customer accounts receivable, net	396,726	-	396,726
Unbilled receivables	111,582	-	111,582
Grant receivables	-	-	-
Inventory	81,157	-	81,157
Prepaid items	12,393	-	12,393
<b>Total current assets</b>	<b>623,756</b>	<b>9,656</b>	<b>633,412</b>
<b>Non-current assets:</b>			
<b>Restricted assets:</b>			
Cash and cash equivalents	293,199	-	293,199
<b>Capital assets:</b>			
Land	177,452	25,000	202,452
Construction work in progress	886,950	-	886,950
Capital assets, net of depreciation	22,554,836	126,750	22,681,586
<b>Total non-current assets</b>	<b>23,912,437</b>	<b>151,750</b>	<b>24,064,187</b>
<b>Total assets</b>	<b>24,536,193</b>	<b>161,406</b>	<b>24,697,599</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred outflows related to pensions	218,986	-	218,986
Deferred outflows related to OPEB	145,419	-	145,419
<b>Total deferred outflows of resources</b>	<b>364,405</b>	<b>-</b>	<b>364,405</b>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	284,933	5,173	290,106
Compensated absences	28,472	-	28,472
Accrued interest payable	40,488	-	40,488
Other accrued liabilities	75,218	6,430	81,648
Customer deposits	64,433	-	64,433
Due to City of Louisa - sanitation fees	54,793	-	54,793
<b>Total current liabilities</b>	<b>548,337</b>	<b>11,603</b>	<b>559,940</b>
<b>Payable from restricted assets:</b>			
Current portion of long term liabilities	835,629	-	835,629
<b>Total liabilities payable from restricted assets</b>	<b>835,629</b>	<b>-</b>	<b>835,629</b>

See accompanying notes to basic financial statements.

CITY OF LOUISA, KENTUCKY  
STATEMENT OF NET POSITION (CONTINUED)  
PROPRIETARY FUNDS  
JUNE 30, 2023

11

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water &amp; Sewer</b>	<b>Swimming Pool</b>	<b>Totals</b>
<b>Long-term liabilities:</b>			
Net pension liability	1,317,705	-	1,317,705
Net OPEB liability	359,673	-	359,673
Bonds, notes and leases payable	8,218,346	-	8,218,346
	9,895,724	-	9,895,724
Less current portion	(835,629)	-	(835,629)
<b>Total long-term liabilities</b>	9,060,095	-	9,060,095
<b>Total liabilities</b>	10,444,061	11,603	10,455,664
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred inflows related to pensions	41,081	-	41,081
Deferred inflows related to OPEB	154,433	-	154,433
<b>Total deferred inflows of resources</b>	195,514	-	195,514
<b>NET POSITION</b>			
Net investment in capital assets	15,400,892	151,750	15,552,642
Restricted			
Debt service	81,714	-	81,714
Capital asset repair and replacement	211,485	-	211,485
Unrestricted	(1,433,068)	(1,947)	(1,435,015)
<b>Total net position</b>	\$ 14,261,023	\$ 149,803	\$ 14,410,826

See accompanying notes to basic financial statements.

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

12

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water &amp; Sewer</b>	<b>Swimming Pool</b>	<b>Total</b>
<b>Operating revenues:</b>			
Water revenues	\$ 2,103,915	\$ -	\$ 2,103,915
Sewer revenues	1,147,241	-	1,147,241
Pool receipts	-	41,983	41,983
Other operating revenues	217,289	-	217,289
<b>Total operating revenues</b>	<b>3,468,445</b>	<b>41,983</b>	<b>3,510,428</b>
<b>Operating expenses:</b>			
Water	2,233,661	-	2,233,661
Sewer	1,162,593	-	1,162,593
Swimming Pool	-	64,670	64,670
<b>Total operating expenses</b>	<b>3,396,254</b>	<b>64,670</b>	<b>3,460,924</b>
<b>Operating income (loss)</b>	<b>72,191</b>	<b>(22,687)</b>	<b>49,504</b>
<b>Non-operating revenues (expenses):</b>			
Interest income	1,509	-	1,509
Interest expense	(144,364)	-	(144,364)
<b>Total non-operating revenues (expenses)</b>	<b>(142,855)</b>	<b>-</b>	<b>(142,855)</b>
<b>Income (loss) before contributions and transfers</b>	<b>(70,664)</b>	<b>(22,687)</b>	<b>(93,351)</b>
Contributions in aid of construction	208,081	-	208,081
Transfers from General Fund	-	62,646	62,646
<b>Total contributions and transfers</b>	<b>208,081</b>	<b>62,646</b>	<b>270,727</b>
<b>Change in net position</b>	<b>137,417</b>	<b>39,959</b>	<b>177,376</b>
Net position, beginning of year	14,123,606	109,844	14,233,450
<b>Net position, end of year</b>	<b>\$ 14,261,023</b>	<b>\$ 149,803</b>	<b>\$ 14,410,826</b>

See accompanying notes to basic financial statements.

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

13

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water &amp; Sewer</b>	<b>Swimming Pool</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>			
<b>Cash inflows:</b>			
Payments received from customers	\$ 3,448,905	\$ 41,983	\$ 3,490,888
<b>Total cash provided</b>	<u>3,448,905</u>	<u>41,983</u>	<u>3,490,888</u>
<b>Cash outflows:</b>			
Payments for salaries and benefits	1,094,874	27,467	1,122,341
Payments to suppliers for goods and services	<u>1,473,409</u>	<u>38,340</u>	<u>1,511,749</u>
<b>Total cash used</b>	<u>2,568,283</u>	<u>65,807</u>	<u>2,634,090</u>
<b>Net cash provided (used) by operating activities</b>	<u>880,622</u>	<u>(23,824)</u>	<u>856,798</u>
<b>Cash flows from noncapital financing activities:</b>			
Transfers from General Fund	<u>-</u>	<u>62,646</u>	<u>62,646</u>
<b>Net cash provided (used) by noncapital financing activities</b>	<u>-</u>	<u>62,646</u>	<u>62,646</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition and construction of capital assets	(454,872)	(45,183)	(500,055)
Capital contributions received	208,081	-	208,081
Principal payments on debt	(815,691)	-	(815,691)
Proceeds from borrowings	108,148	-	108,148
Interest paid on long-term debt	<u>(147,805)</u>	<u>-</u>	<u>(147,805)</u>
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(1,102,139)</u>	<u>(45,183)</u>	<u>(1,147,322)</u>
<b>Cash flows from investing activities:</b>			
Interest received	<u>1,509</u>	<u>-</u>	<u>1,509</u>
<b>Net cash provided (used) by investing activities</b>	<u>1,509</u>	<u>-</u>	<u>1,509</u>
<b>Net cash inflow (outflow) from all activities</b>	<u>(220,008)</u>	<u>(6,361)</u>	<u>(226,369)</u>
Cash and cash equivalents at beginning of period	<u>535,105</u>	<u>16,017</u>	<u>551,122</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 315,097</u>	<u>\$ 9,656</u>	<u>\$ 324,753</u>

See accompanying notes to basic financial statements.

CITY OF LOUISA, KENTUCKY  
STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023

14

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water &amp; Sewer</u>	<u>Swimming Pool</u>	<u>Total</u>
<b>Reconciliation of utility operating income to net cash provided by operating activities:</b>			
Operating income	\$ 72,191	\$ (22,687)	\$ 49,504
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	711,568	6,853	718,421
(Increase) decrease in:			
Customer accounts receivable	(22,041)	-	(22,041)
Unbilled revenue	2,501	-	2,501
Inventory	14,556	-	14,556
Other assets and deferred outflows	82,803	-	82,803
Increase (decrease) in:			
Accounts payable	66,204	(8,688)	57,516
Other liabilities and deferred inflows	(159,271)	698	(158,573)
Net pension and OPEB liability	112,111	-	112,111
<b>Net cash provided (used) by operating activities</b>	<u>\$ 880,622</u>	<u>\$ (23,824)</u>	<u>\$ 856,798</u>
<b>Schedule of cash and cash equivalents:</b>			
<b>Beginning of period:</b>			
Unrestricted cash and cash equivalents	\$ 68,008	\$ 16,017	\$ 84,025
Restricted cash and cash equivalents	467,097	-	467,097
	<u>\$ 535,105</u>	<u>\$ 16,017</u>	<u>\$ 551,122</u>
<b>End of period:</b>			
Unrestricted cash and cash equivalents	\$ 21,898	\$ 9,656	\$ 31,554
Restricted cash and cash equivalents	293,199	-	293,199
	<u>\$ 315,097</u>	<u>\$ 9,656</u>	<u>\$ 324,753</u>

See accompanying notes to basic financial statements.



## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Reporting Entity

The City of Louisa, Kentucky ("City"), operates under a council-mayor form of government. The City receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the City is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. The council members and mayor are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. 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 authority, 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 responsibility. Based upon the application of these criteria the Louisa Swimming Pool and Louisa Water and Sewer have been included in the government's reporting entity and their financial transactions have been blended with the primary government unit.

### Basis of Presentation

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Fund Financial Statements – Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

The City has the following funds:

**I. Governmental Fund Types**

- A.) The General Fund is the main operating fund of the City. It accounts for financial resources used for public safety (police and fire), streets, sanitation, alcohol beverage control, and general administrative services. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the City.
- B.) Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments) that are legally restricted to expenditure for specified purposes. Special revenue funds for the year ended June 30, 2023 are considered nonmajor funds. The Youth Programs Fund was the only special revenue fund.

**II. Proprietary Fund Types (Enterprise Fund)**

Louisa Water and Sewer and the Louisa Swimming Pool account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing services to the general public on a continuing basis is financed through user charges.

The City applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of the fiscal year-end.

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

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the City. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied.

The property tax rates assessed for the year ended June 30, 2023, to finance the General Fund operations were \$.240 per \$100 valuation for property, and \$.200 per \$100 valuation for motor vehicles.

The City also levies an insurance premium tax in the amount of 8% on all insurance premiums within City limits.

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Capitalization Policy for the City is as follows:

- Land, land improvement, right of ways (easements) and buildings are capitalized regardless of cost.
- Infrastructure, works of art and historical treasures and intangible assets are capitalized if valued at \$50,000 and above. Infrastructure acquired prior to July 1, 2003 has not been accounted for as allowed by GASB No. 34.
- Equipment is capitalized if valued at \$5,000 and above.

All reported capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Other	7-10 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Compensated Absences

Full time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Sick leave accrues to full-time, permanent employees to specified maximums. Sick pay does not vest with employees. If they don't use it, they lose it.

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

The estimated current portion of the liability for vested vacation benefits attributable to the City's governmental funds is recorded as an expenditure and liability in the respective funds. The entire estimated liability is estimated to be current. The amounts attributable to proprietary funds and similar component units are charged to expense and a corresponding liability in the applicable fund or component unit. The estimated liabilities include required salary-related payments.

Budgetary Process

Budgetary Basis of Accounting: The City's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended.

Each budget is prepared and controlled by the City Clerk at the revenue and expenditure level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The City considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Allowance for Uncollectible Accounts

Water and Sewer receivables at June 30, 2023, are net of allowance for uncollectable. The allowance for uncollectable was \$46,494 at June 30, 2023.

Inventories

Purchases of material and supplies, by governmental fund types, are recorded as expenditures when the liability is incurred. Inventories of these materials and supplies are not maintained and recorded as an asset since the amounts are immaterial.

Proprietary fund types maintain inventories, which are stated at cost. Cost is determined on the first-in, first-out (FIFO) basis. The Louisa Swimming Pool did not maintain inventory records since the amounts are immaterial.

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.

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated vacation days, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balances

As of June 30, 2023, fund balances of the governmental funds are classified as follows:

- Non-spendable – permanently nonspendable by decree of the donor, such as an endowment, or items, which may not be used for another purpose, such as amounts used to prepay future expenses or already-purchased inventory on hand.
- Restricted – legally restricted under federal or state law, bond authority, or grantor contract.
- Committed – commitments passed by the board.
- Assigned – funds assigned to management priority including issued encumbrances.
- Unassigned – funds available for future operations.

GASB statement 54 provides that when governments have not established a spending policy, the committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those classifications could be used.

Encumbrances are not liabilities and, therefore are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in governmental funds balance sheet. There were no open encumbrances at June 30, 2023.

Whenever a budget for the subsequent year is adopted where a portion of existing fund balance is included as a budgetary resource to eliminate a projected excess of expected expenditures over expected revenues, that portion of fund balance is considered assigned. The current year fund balance was not included as a budgetary resource in the subsequent year budget.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

##### Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the sanitation fund and the Louisa swimming pool.

##### Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

##### Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

##### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the City has deferred outflows of resources that relate to pension plan and OPEB reporting, see Note F and Note G.

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(s) and so will not be recognized as an inflow or resources (revenue) until that time. The City has deferred inflows of resources that relate to pension plan and OPEB reporting, see Note F and Note G.

#### NOTE B – ESTIMATES

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

**NOTE C – CASH AND CASH EQUIVALENTS**

At year-end, the carrying amount of the City's total cash and cash equivalents was \$956,324. Cash was secured by \$638,970 of Federal Depository Insurance, with an additional \$488,796 covered by collateral agreements and collateral held by the pledging banks' trust departments in the City's name. Cash equivalents are funds temporarily invested in securities with maturity of 90 days or less.

	<u>Bank Balance</u>	<u>Book Balance</u>
Bank	\$ 1,127,766	\$ 955,333
Cash on hand		991
Total		<u>\$ 956,324</u>
Breakdown per financial statements:		
Governmental funds		\$ 631,571
Proprietary funds		324,753
Total		<u>\$ 956,324</u>

**NOTE D – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2023, consisted of the following:

**Governmental Activities**

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2023</u>
<b>Capital assets, not being depreciated:</b>				
Land and land improvements	\$ 536,118	\$ -	\$ -	\$ 536,118
Construction in progress	54,079	11,638	-	65,717
Total capital assets, not being depreciated	<u>590,197</u>	<u>11,638</u>	<u>-</u>	<u>601,835</u>
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	1,219,441	43,526	-	1,262,967
Infrastructure (streets & sidewalks)	750,207	287,973	-	1,038,180
Vehicles	2,065,602	-	4,500	2,061,102
Equipment	859,671	40,005	-	899,676
Total capital assets being depreciated	4,894,921	371,504	4,500	5,261,925
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	(613,627)	(37,265)	-	(650,892)
Infrastructure (streets)	(101,431)	(30,192)	-	(131,623)
Vehicles	(1,477,870)	(168,056)	(4,500)	(1,641,426)
Equipment	(533,824)	(52,223)	-	(586,047)
Total accumulated depreciation	<u>(2,726,752)</u>	<u>(287,736)</u>	<u>(4,500)</u>	<u>(3,009,988)</u>
Total capital assets being depreciated, net	<u>2,168,169</u>	<u>83,768</u>	<u>-</u>	<u>2,251,937</u>
Total capital assets, net	<u>\$2,758,366</u>	<u>\$ 95,406</u>	<u>\$ -</u>	<u>\$2,853,772</u>



**NOTE D – CAPITAL ASSETS – CONTINUED**

Depreciation was charged to governmental functions as follows:

General government	\$ 23,281
Public safety	138,493
Streets	52,118
Sanitation	<u>73,844</u>
	<u>\$ 287,736</u>

**Business-Type Activities**

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2023</u>
<b>Capital assets, not being depreciated:</b>				
Land and land improvements	\$ 202,452	\$ -	\$ -	\$ 202,452
Construction in progress	<u>490,227</u>	<u>396,724</u>	<u>-</u>	<u>886,951</u>
<b>Total capital assets, not being depreciated</b>	<u>692,679</u>	<u>396,724</u>	<u>-</u>	<u>1,089,403</u>
<b>Capital assets, being depreciated:</b>				
Water plant and equipment	19,704,751	-	-	19,704,751
Sewer plant and equipment	15,390,289	-	-	15,390,289
Swimming pool buildings	45,136	45,183	-	90,319
Swimming pool equipment	210,251	-	-	210,251
Office equipment	105,540	-	-	105,540
Trucks and equipment	<u>650,985</u>	<u>108,148</u>	<u>-</u>	<u>759,133</u>
<b>Total capital assets being depreciated</b>	36,106,952	153,331	-	36,260,283
<b>Less accumulated depreciation for:</b>				
Water plant and equipment	(6,810,565)	(373,490)	-	(7,184,055)
Sewer plant and equipment	(5,247,171)	(285,686)	-	(5,532,857)
Swimming pool buildings	(42,210)	(5,137)	-	(47,347)
Swimming pool equipment	(124,757)	(1,716)	-	(126,473)
Office equipment	(105,542)	-	-	(105,542)
Trucks and equipment	<u>(530,032)</u>	<u>(52,392)</u>	<u>-</u>	<u>(582,424)</u>
<b>Total accumulated depreciation</b>	<u>(12,860,277)</u>	<u>(718,421)</u>	<u>-</u>	<u>(13,578,698)</u>
<b>Total capital assets being depreciated, net</b>	<u>23,246,675</u>	<u>(565,090)</u>	<u>-</u>	<u>22,681,585</u>
<b>Total capital assets, net</b>	<u>\$23,939,354</u>	<u>\$ (168,366)</u>	<u>\$ -</u>	<u>\$23,770,988</u>

**NOTE D – CAPITAL ASSETS – CONTINUED**

Depreciation was charged to business-type activities as follows:

Water and sewer	\$ 711,568
Swimming pool	<u>6,853</u>
	<u>\$ 718,421</u>

**NOTE E – LONG – TERM DEBT**

The City's long-term debt at June 30, 2023 consisted of the following:

**Governmental Activities**

- 1) On December 17, 2021, the City borrowed \$242,797 from Truist Governmental Finance for a 2021 Freightliner garbage truck and to refinance the remaining balance of the 2016 Freightliner garbage truck. The agreement provides for 84 monthly payments of \$3,102 to be made beginning January 17, 2022 with final payment due on December 17, 2028. The debt bears interest at 2.02%.
- 2) On August 9, 2017, the City entered into an agreement with KACO Finance Services for \$1,885,000 for energy improvement upgrades. The City's portion is \$283,489 while the Water & Sewer department's portion is for \$1,601,511. The agreement provides for interest to be paid each July and interest and various escalating principal amounts to be paid each January. The debt bears interest at 3.00%. Final payment is due January 1, 2032.

	<u>Balances</u> <u>6/30/2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances</u> <u>6/30/2023</u>	<u>Due Within</u> <u>One Year</u>
Truist (garbage truck)	\$ 226,569	\$ -	\$ (32,952)	\$ 193,617	\$ 33,624
KLC (city garage lot)	759	-	(759)	-	-
KACO Finance (energy improvements)	216,565	-	(18,799)	197,766	19,551
Compensated absences	26,951	1,556	-	28,507	28,507
Net pension liability	1,382,015	274,080	-	1,656,095	-
Net OPEB liability	414,861	37,172	-	452,033	-
Total governmental activities	<u>\$ 2,267,720</u>	<u>\$ 312,808</u>	<u>\$ (52,510)</u>	<u>\$2,528,018</u>	<u>\$ 81,682</u>

Repayment of principal and interest maturities is principally made from various taxes and service fees collected. Also, for governmental activities, the pension obligations and other post-employment benefit obligations are generally liquidated by the general fund.

**NOTE E – LONG – TERM DEBT – CONTINUED**

Principal and interest payments to be made on all long-term debt at June 30, 2023, for each of the next five years and thereafter are as follows:

<u>Year Ending 6/30</u>	<u>Notes</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total</u>
2024	\$ 53,175	\$ 53,175	\$ 9,034	\$ 62,209
2025	54,612	54,612	7,551	62,163
2026	56,064	56,064	6,235	62,299
2027	56,777	56,777	5,074	61,851
2028	58,257	58,257	3,836	62,093
2029-2032	<u>112,498</u>	<u>112,498</u>	<u>5,899</u>	<u>118,397</u>
	<u>\$ 391,383</u>	<u>\$ 391,383</u>	<u>\$ 37,629</u>	<u>\$429,012</u>

**Business – Type Activities**

	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
<b>Bonds:</b>			
Water Revenue Bond, Series 1989 Issue. Principal installments due in January of each year, interest payable semi-annually in January and July of each year.	\$ 29,500	5.00%	01/2029
Water and Sewer Revenue Bond, Series 2002 Issue. Principal installments due in January of each year, interest payable semi-annually in January and July of each year.	649,000	3.25%	01/2042
Water and Sewer Revenue Bond, Series 2007 Issue. Principal installments due in January of each year, interest payable semi-annually in January and July of each year.	325,500	4.125%	01/2046
Public Projects Refunding and Improvement Revenue Bonds, Series 2010D. Principal installments due in January of each year, interest payable semi-annually in January and July of each year.	<u>95,000</u>	.8% to 4.2%	01/2025
	1,099,000		

**Notes:**

Notes payable to Kentucky Infrastructure Authority for sewer upgrades, due in monthly installments of principal and interest. (F19-02)	2,948,449	0.50%	12/2041
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NOTE E – LONG – TERM DEBT – CONTINUED

	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Notes payable to Kentucky Infrastructure Authority for sewer upgrades, due in monthly installments of principal and interest. (A11-02)	562,788	1.00%	06/2034
Note payable to Kentucky Infrastructure Authority for water project upgrades, due in semi-annual installments of principal and interest, in June and December of each year. (F02-06)	200,081	1.00%	06/2024
Note payable to Kentucky Infrastructure Authority for sewer line project, due in semi-annual installments of principal and interest, in June and December of each year. (A209-10)	217,581	1.00%	12/2030
Note payable to KACO Financial Services for water meter and pump station upgrades, due in semi-annual installments of principal and interest in January of each year, and interest only in July of each year. (1BP2017B)	1,117,235	3.00%	01/2032
Note payable to Kentucky Infrastructure Authority for sewer and water interconnect project, due in semi-annual installments of principal and interest, in June and December of each year. (B08-07)	512,081	1.07%	06/2033
Note payable to Kentucky Infrastructure Authority for water improvement project, due in semi-annual installments of principal and interest, in June and December of each year. (F10-03)	887,440	1.00%	06/2033
Note payable to Kentucky Infrastructure Authority for waterline improvement project, due in semi-annual installments of principal and interest, in June and December of each year. (F18-018)	516,284	0.50%	06/2040
	<u>6,961,939</u>		
	<u>\$8,060,939</u>		

NOTE E – LONG – TERM DEBT – CONTINUED

	<u>Balance</u> <u>6/30/2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2023</u>	<u>Due Within</u> <u>One Year</u>
Bond payable – 1989 issue	\$ 33,630	\$ -	\$ (4,130)	\$ 29,500	\$ 4,330
Bond payable – 2002 issue	673,500	-	(24,500)	649,000	25,000
Bond payable – 2007 issue	333,500	-	(8,000)	325,500	8,500
Bond payable – 2010D issue	135,000	-	(40,000)	95,000	45,000
Note payable – KIA (C98-02)	-	-	-	-	-
Note payable – KIA (A11-02)	610,954	-	(48,166)	562,788	48,649
Note payable – KIA (F02-06)	398,177	-	(198,096)	200,081	200,081
Note payable – KIA (A209-10)	245,381	-	(27,800)	217,581	28,079
Note payable – KIA (B08-07)	560,347	-	(48,266)	512,081	48,784
Note payable – KIA (F10-03)	971,412	-	(83,972)	887,440	84,814
Note payable – KIA (F18-018)	545,310	-	(29,026)	516,284	29,172
Note payable – KIA (F19-02)	3,100,197	-	(151,748)	2,948,449	152,508
Note payable – KACO (1BP2017B)	1,223,436	-	(106,201)	1,117,235	110,449
Compensated absences	25,037	3,435	-	28,472	28,472
Net pension liability	1,203,876	113,829	-	1,317,705	-
Net OPEB liability	361,391	-	(1,718)	359,673	-
Total business-type activities	<u>\$10,421,148</u>	<u>\$ 117,264</u>	<u>\$ (771,623)</u>	<u>\$ 9,766,789</u>	<u>\$ 813,838</u>

Future water and sewer revenues, net of specified operating expenses, will repay these revenue bonds and loans payable.

Principal and interest payments to be made on all long-term debt at June 30, 2023, for each of the next five years and thereafter are as follows:

<u>Year Ending</u> <u>6/30</u>	<u>Bonds</u>	<u>Notes</u>	<u>Total</u> <u>Principal</u>	<u>Total</u> <u>Interest</u>	<u>Total</u>
2024	\$ 82,830	\$ 702,536	\$ 785,366	\$ 119,247	\$ 904,613
2025	89,050	509,755	598,805	106,076	704,881
2026	40,780	517,081	557,861	95,377	653,238
2027	42,020	520,187	562,207	87,842	650,049
2028	43,770	527,567	571,337	79,928	651,265
2029-2033	220,550	2,524,599	2,745,149	266,557	3,011,706
2034-2038	255,500	1,018,271	1,273,771	120,369	1,394,140
2039-2043	261,500	641,943	903,443	45,289	948,732
2044-2046	63,000	-	63,000	5,280	68,280
	<u>\$1,099,000</u>	<u>\$6,961,939</u>	<u>\$8,060,939</u>	<u>\$ 925,965</u>	<u>\$8,986,904</u>

**NOTE F – DEFINED PENSION**

**General Information about the Pension Plan**

***Plan Description***

Employees of the City of Louisa, Kentucky are provided with pensions through a cost-sharing multiple-employer defined benefit plan administered by the County Employee's Retirement System. Section 61.645 of the Kentucky Revised Statutes grants to CERS Board of Trustees and the Kentucky Legislature the authority to review administration, benefit terms, investments, and funding of the plan. The plan, created under Kentucky Revised Statute (KRS) 78.520, provides for retirement, disability, and death benefits to plan members. CERS issues a publicly available financial report that can be obtained at [kyret.ky.gov](http://kyret.ky.gov).

***Benefits Provided***

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 old Or age 57+ and the 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 the sum of service years plus age equal 87
	Reduced retirement	Not available

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

**NOTE F – DEFINED PENSION – CONTINUED**

***Contributions***

Per State Statutes, contribution requirements of the active employees are established and may be amended by the CERS Board. Employees hired before 9/1/08 are required to contribute 5.00 percent of their annual pay and employees hired after 9/1/08 are required to contribute 6.00 percent of their annual pay. The City's contractually required contribution rate for the year ended June 30, 2023, was 23.40 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$289,296 for the year ended June 30, 2023.

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

At June 30, 2023, the City reported a liability of \$2,973,800 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. 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 employers, actuarially determined. At June 30, 2022, the City's proportion was 0.041 percent, which was unchanged from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City recognized pension expense of \$307,890. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,180	\$ 26,483
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	76,237	-
Changes in proportion and differences between City contributions and proportionate share of contributions	109,574	29,346
City contributions subsequent to the measurement date	<u>289,296</u>	<u>-</u>
Total	<u>\$ 478,287</u>	<u>\$ 55,829</u>

\$289,296 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**NOTE F – DEFINED PENSION – CONTINUED**

**Year ended June 30:**

2024	\$ 55,443
2025	18,230
2026	(24,990)
2027	84,479
2028	-
Thereafter	-

***Actuarial Methods and Assumptions***

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2022 are as follows:

Inflation	2.30%
Payroll Growth Rate	2.0% for CERS non-hazardous
Salary Increases	3.30% to 10.30%, varies by service for CERS non-hazardous
Investment Rate of Return	6.25% for CERS non-hazardous

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
<b>Equity</b>	<b>60.00%</b>	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
<b>Fixed Income</b>	<b>20.00%</b>	
Core Bonds	10.00%	0.28%
Cash	0.00%	-0.91%
Specialty Credit/High Yield	10.00%	2.28%



**NOTE F – DEFINED PENSION – CONTINUED**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
<b>Inflation Protected</b>	<b>20.00%</b>	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
<b>Expected Real Rate</b>	<b>100.00%</b>	<b>4.28%</b>
<b>Long Term Inflation Assumption</b>		<b>2.30%</b>
<b>Expected Nominal Return for Portfolio</b>		<b>6.58%</b>

***Discount Rate***

The projection of cash flows used to determine the discount rate of 6.25% for CERS non-hazardous and CERS hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statue as amended by House Bill 362 (passed in 2018) over the remaining 29 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the Annual Comprehensive Financial Report (ACFR).

***Sensitivity of the Employer'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 using the discount rate of 6.25%, as well as what the City's proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is one percentage-point lower (5.25%) or one percentage-point higher (7.25%) than the current rate:

	<u>1.0% Decrease (5.25%)</u>	<u>Current Discount Rate (6.25%)</u>	<u>1.0% Increase (7.25%)</u>
City's proportionate share of the net pension liability	\$3,716,880	\$2,973,800	\$2,359,210

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued KRS 2022 Comprehensive Annual Financial Report at [kyret.ky.gov](http://kyret.ky.gov).

***Payable to the Pension Plan***

At June 30, 2023, the City reported a payable of \$40,171 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2023. The payable includes both the pension and insurance contribution allocation.

**NOTE G – OPEB PLAN**

**General Information about the OPEB plan**

***Plan Description and Benefits Provided***

The City of Louisa, Kentucky participates in the County Employees Retirement System (CERS) Insurance Fund, a multiple-employer defined benefit Other Post-Employment Benefits (OPEB) plan for members that cover all regular full-time members employed by the City. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

***Contributions***

The City's contractually required contribution rate for the year ended June 30, 2023, was 3.39 percent of covered payroll. Contributions to the OPEB plan from the City were \$41,911 for the year ended June 30, 2023.

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

At June 30, 2023, the City reported a liability of \$811,706 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 that date. The City's proportion of the net OPEB liability was based on the City's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2022, the City's proportion was 0.041 percent, which was unchanged from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City recognized OPEB expense of \$127,678. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 81,705	\$ 186,143
Changes of assumptions	128,377	105,782
Net difference between projected and actual earnings On OPEB plan investments	32,945	-
Changes in proportion and differences between City contributions and proportionate share of contributions	44,881	27,300
City contributions subsequent to the measurement date	41,911	-
Total	<u>\$ 329,819</u>	<u>\$ 319,225</u>

**NOTE G – OPEB PLAN – CONTINUED**

\$41,911 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

**Year ended June 30:**

2024	\$ 3,052
2025	2,365
2026	(42,020)
2027	5,286
2028	-
Thereafter	-

***Actuarial Methods and Assumptions***

A summary of the actuarial methods and assumptions used in determining the total OPEB liability as of June 30, 2021 are as follows:

Inflation	2.30%
Payroll Growth Rate	2.00% for CERS non-hazardous
Salary Increase	3.30% to 10.30%, varies by service for CERS non-hazardous
Investment Rate of Return	6.25% for CERS non-hazardous
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post - 65	Initial trend starting at 9.00% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

**NOTE G – OPEB PLAN – CONTINUED**

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

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

***Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend***

	<u>1.0% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1.0% Increase</u>
City's proportionate share of the net OPEB liability	\$603,486	\$811,706	\$1,061,740

***Discount Rate***

Single discount rates of 5.70% for CERS non-hazardous system was used to measure the total OPEB liability as of June 30, 2022. The single discount rates are 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, 2021. 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.

**NOTE G – OPEB PLAN – CONTINUED**

However, the cost associated with the implicit employer subsidy was not included in the calculation of the KRS' actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS' trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the ACFR.

***Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate***

The following presents the City's proportionate share of the Net OPEB Liability using the discount rate of 5.70%, as well as what the City's proportionate share of the Net OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower (4.70%) or one percentage-point higher (6.70%) than the current rate:

	<u>1.0% Decrease (4.70%)</u>	<u>Current Discount Rate (5.70%)</u>	<u>1.0% Increase (6.70%)</u>
City's proportionate share of the net OPEB liability	\$1,085,121	\$811,706	\$585,682

***OPEB Plan Fiduciary Net Position***

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued KRS 2022 Comprehensive Annual Financial Report at [kyret.ky.gov](http://kyret.ky.gov).

**NOTE H – CONTINGENCIES**

The City receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the City for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the City's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

**NOTE I – LITIGATION**

The City is subject to legal actions in various stages of litigation, the outcome of which is not determinable at this time. Administration officials and legal council do not anticipate that there will be any material effect on the financial statements as a result of the cases presently in process.

**NOTE J – INSURANCE AND RELATED ACTIVITIES**

The City is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The City has purchased certain policies, which are retrospectively rated which include Workers' Compensation insurance. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

**NOTE K – COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the City at risk for a substantial loss (contingency).

**NOTE L – TRANSFER OF FUNDS/ASSETS**

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General	Swimming Pool	Expenses	\$ 62,646

**NOTE M – CAPITAL LEASES**

The City has entered into lease agreements with Magnolia Bank, Enterprise Management and the Kentucky Bond Corporation for various equipment. The lease agreements qualify as capital leases for accounting purposes, therefore they have been recorded at the present value of their future minimum lease payments as of the inception date.

The future minimum lease obligations and net present value of these minimum lease payments as of June 30, 2023, were as follows:

<u>Fiscal Year</u>	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
2024	\$ 58,065	\$ 66,094
2025	48,685	43,471
2026	25,623	23,939
2027	23,600	-
2028	14,089	-
2029	8,124	-
Total minimum lease payments	178,186	133,504
Less amount representing interest	(20,779)	(6,266)
Present value of net minimum lease payments	<u>\$ 157,407</u>	<u>\$ 127,238</u>

**NOTE N – CAPITAL LEASES – CONTINUED**

Following is a summary of the property held by the City under the capital lease at June 30, 2023:

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
Fire trucks (Kentucky Bond Corporation)	\$ -	\$ 235,998
Police vehicles (Magnolia Bank)	-	96,078
Vehicles (Enterprise Management)	266,802	90,664
Less accumulated depreciation	<u>(110,588)</u>	<u>(299,645)</u>
	<u>\$ 156,214</u>	<u>\$ 123,095</u>

	<u>Amount Outstanding 6/30/2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/2023</u>	<u>Amounts Due Within One Year</u>
Business – Type activities leases	\$ 95,045	\$ 108,148	\$ (45,786)	\$ 157,407	\$ 50,263
Governmental activities leases	\$ 203,002	\$ -	\$ (75,764)	\$ 127,238	\$ 62,280

**NOTE P – SUBSEQUENT EVENTS**

Management has evaluated and has not recognized any subsequent events through February 9, 2024, the date the financial statements were available to be issued.

## AUDITOR'S REPORTS





**WELLS & COMPANY, P.S.C.**

*Certified Public Accountants*

865 South Mayo Trail  
Paintsville, Kentucky 41240-1215

(606) 789-3588  
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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***

The Honorable Harold Slone, Mayor  
Members of the City Council  
City of Louisa, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Louisa, Kentucky, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Louisa, Kentucky's basic financial statements and have issued our report thereon dated February 9, 2024, which included an explanatory paragraph regarding the omission of required Management Discussion and Analysis.

**Report On Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in 2023-001 below, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

### **2023-001 Segregation of Duties**

Condition: Presently, the City has an absence of appropriate segregation of duties consistent with appropriate internal control objectives.

Criteria: The City should have appropriate segregation of duties to provide reasonable assurance that the safeguarding of assets and financial records be maximized.

Cause of Condition: Due to its small size and budget restrictions the City has limited options for establishing an adequate segregation of duties.

Effect: An improper segregation of duties can subject the City to intentional or unintentional losses due to errors or irregularities.

Recommendation: The City should continue to review the internal control structure and segregate duties where possible.

Management Comment: Management of the City concurs with the finding and will continue strong oversight.

### **Report On Compliance and Other Matters**

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

### **City of Louisa, Kentucky's Response to Findings**

The City of Louisa, Kentucky's response to the findings identified in our audit is described above. The City of Louisa, Kentucky's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Wells & Company, PSC*

Certified Public Accountants  
Paintsville, Kentucky  
February 9, 2024

## REQUIRED SUPPLEMENTAL INFORMATION

CITY OF LOUISA, KENTUCKY  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2023

40

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Property taxes	\$ 410,262	\$ 410,262	\$ 390,014	\$ (20,248)
Motor vehicle tax	43,000	43,000	44,973	1,973
Taxes on insurance premiums	475,000	550,000	651,059	101,059
Occupational licenses	12,500	12,500	13,017	517
Franchise fees	60,860	60,860	58,410	(2,450)
Telecommunication tax	16,840	16,840	21,987	5,147
ABC fees	162,300	162,300	164,017	1,717
Law enforcement fees	2,000	2,000	5,255	3,255
Municipal road aid	53,523	53,523	50,441	(3,082)
Police incentive	25,800	25,800	29,212	3,412
Fire state aid	11,500	11,500	11,500	-
Coal and mineral severance	132,100	132,100	113,633	(18,467)
Other grants	34,750	34,750	71,531	36,781
Sanitation fees	437,230	437,230	473,771	36,541
Fire district contract	39,400	39,400	37,161	(2,239)
Arrest fees	700	700	592	(108)
Interest	115	115	1,619	1,504
Rent	5,000	5,000	5,501	501
Donations	9,000	9,000	13,831	4,831
Other receipts	129,132	129,132	108,113	(21,019)
<b>Total Revenues</b>	<u>2,061,012</u>	<u>2,136,012</u>	<u>2,265,637</u>	<u>129,625</u>
<b>Expenditures:</b>				
<b>General government:</b>				
Salaries and wages	147,630	147,630	144,485	3,145
Payroll taxes	11,444	11,444	9,829	1,615
Retirement	34,457	34,457	34,452	5
Life and health insurance	65,442	65,442	59,352	6,090
Insurance	7,080	7,080	9,748	(2,668)
Advertising and printing	3,000	3,000	2,583	417
Professional fees	17,000	17,000	14,865	2,135
Repairs and maintenance	1,000	1,000	1,188	(188)
Utilities and communications	14,700	14,700	12,059	2,641
Other contractual services	19,000	19,000	18,589	411
Community center expenses	2,500	2,500	1,578	922
Materials and supplies	9,400	9,400	6,244	3,156
Other expenses	61,716	61,716	24,504	37,212
Debt service:				
Interest expense	7,172	7,172	7,219	(47)
Principal retirement	18,799	18,799	18,799	-
Capital outlays	13,369	13,369	43,526	(30,157)
<b>Total General Government</b>	<u>433,709</u>	<u>433,709</u>	<u>409,020</u>	<u>24,689</u>

CITY OF LOUISA, KENTUCKY  
BUDGETARY COMPARISON SCHEDULE (CONTINUED)  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2023

41

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Police:</b>				
Salaries and wages	268,349	268,349	277,683	(9,334)
Payroll taxes	18,805	18,805	19,920	(1,115)
Retirement	56,611	56,611	72,113	(15,502)
Life and health insurance	98,870	98,870	95,043	3,827
Insurance	30,024	30,024	27,827	2,197
Professional fees	500	500	667	(167)
Repairs and maintenance	3,000	3,000	4,230	(1,230)
Utilities and communications	7,000	7,000	5,460	1,540
Other contractual services	500	500	150	350
Materials and supplies	52,187	52,187	28,627	23,560
Other expenses	14,750	14,750	5,336	9,414
Debt service:				
Interest expense	-	-	1,660	(1,660)
Principal retirement	10,212	10,212	19,863	(9,651)
Capital outlays	-	-	-	-
Total Police	<u>560,808</u>	<u>560,808</u>	<u>558,579</u>	<u>2,229</u>
<b>Fire:</b>				
Salaries and wages	14,246	32,966	9,024	23,942
Payroll taxes	1,040	2,572	717	1,855
Retirement	3,041	3,041	-	3,041
Insurance	34,990	34,990	34,705	285
Repairs and maintenance	15,000	15,000	16,571	(1,571)
Utilities and communications	17,000	17,000	12,745	4,255
Other contractual services	20,750	20,750	-	20,750
Materials and supplies	29,500	29,500	21,934	7,566
Other expenses	21,000	21,000	28,444	(7,444)
Debt service:				
Interest expense	-	-	2,990	(2,990)
Principal retirement	27,338	27,338	34,076	(6,738)
Capital outlays	11,500	11,500	15,521	(4,021)
Total Fire	<u>195,405</u>	<u>215,657</u>	<u>176,727</u>	<u>38,930</u>
<b>Street:</b>				
Salaries and wages	134,265	134,265	123,313	10,952
Payroll taxes	10,531	10,531	8,733	1,798
Retirement	31,338	31,338	38,442	(7,104)
Life and health insurance	49,435	49,435	45,439	3,996
Insurance	18,271	18,271	19,258	(987)
Repairs and maintenance	8,000	8,000	11,294	(3,294)
Utilities and communications	82,200	82,200	78,757	3,443
Other contractual services	2,000	2,000	4,990	(2,990)
Materials and supplies	56,500	56,500	60,887	(4,387)

CITY OF LOUISA, KENTUCKY  
BUDGETARY COMPARISON SCHEDULE (CONTINUED)  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2023

42

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Other expenses	1,000	1,000	1,662	(662)
Debt service:				
Interest expense	743	743	1,135	(392)
Principal retirement	11,533	11,533	11,533	-
Capital outlays	383,923	383,923	324,095	59,828
Total Street	789,739	789,739	729,538	60,201
<b>Sanitation:</b>				
Salaries and wages	122,217	122,217	113,612	8,605
Payroll taxes	9,550	9,550	8,109	1,441
Retirement	28,525	28,525	18,132	10,393
Life and health insurance	48,434	48,434	49,379	(945)
Insurance	32,693	32,693	32,616	77
Repairs and maintenance	18,000	18,000	30,821	(12,821)
Utilities and communications	4,200	4,200	4,020	180
Other contractual services	86,000	86,000	84,222	1,778
Materials and supplies	58,035	58,035	55,216	2,819
Other expenses	1,500	1,500	1,797	(297)
Debt service:				
Interest expense	2,544	2,544	4,434	(1,890)
Principal retirement	34,981	34,981	34,981	-
Capital outlays	8,000	8,000	-	8,000
Total Sanitation	454,679	454,679	437,339	17,340
<b>Alcohol Beverage Control:</b>				
Insurance	5,122	5,122	4,012	1,110
Repairs and maintenance	2,000	2,000	215	1,785
Utilities and communications	1,000	1,000	800	200
Materials and supplies	4,500	4,500	3,369	1,131
Other expenses	1,000	1,000	125	875
Debt service:				
Interest expense	1,191	1,191	1,191	-
Principal retirement	9,022	9,022	9,022	-
Capital outlays	-	-	-	-
Total Alcohol Beverage Control	23,835	23,835	18,734	5,101
<b>Total Expenditures</b>	<b>2,458,175</b>	<b>2,478,427</b>	<b>2,329,937</b>	<b>143,389</b>
Excess of revenues over (under) expenditures	(397,163)	(342,415)	(64,300)	(13,764)

CITY OF LOUISA, KENTUCKY  
BUDGETARY COMPARISON SCHEDULE (CONTINUED)  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2023

43

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Other Financing Sources/(Uses):</b>				
Proceeds from sale of capital assets	-	-	3,615	3,615
Transfers to Swimming Pool	<u>(5,000)</u>	<u>(5,000)</u>	<u>(62,646)</u>	<u>(57,646)</u>
Total Other Financing Uses	<u>(5,000)</u>	<u>(5,000)</u>	<u>(59,031)</u>	<u>(54,031)</u>
Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses)	<u>\$ (402,163)</u>	<u>\$ (347,415)</u>	(123,331)	<u>\$ 224,084</u>
Fund balance - beginning			<u>1,004,876</u>	
Fund balance - ending			<u>\$ 881,545</u>	

**CITY OF LOUISA, KENTUCKY**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF**  
**THE NET PENSION LIABILITY (CERS)**  
**JUNE 30, 2023**

44

	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>
City's proportion of the net pension liability (asset)	0.042992%	0.041392%	0.042613%
City's proportionate share of the net pension liability (asset)	\$ 1,394,000	\$ 1,779,668	\$ 2,098,096
City's covered-employee payroll	\$ 965,733	\$ 1,016,536	\$ 967,848
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	144.35%	175.07%	216.78%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	55.50%
	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
City's proportion of the net pension liability (asset)	0.039751%	0.039134%	0.038146%
City's proportionate share of the net pension liability (asset)	\$ 2,326,749	\$ 2,383,501	\$ 2,682,825
City's covered-employee payroll	\$ 969,990	\$ 969,955	\$ 1,051,384
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	239.87%	245.73%	255.17%
Plan fiduciary net position as a percentage of the total pension liability	53.30%	53.54%	50.45%
	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>
City's proportion of the net pension liability (asset)	0.038844%	0.040558%	0.041137%
City's proportionate share of the net pension liability (asset)	\$ 2,979,302	\$ 2,585,891	\$ 2,973,800
City's covered-employee payroll	\$ 1,087,569	\$ 1,184,081	\$ 1,236,308
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	273.94%	218.39%	240.54%
Plan fiduciary net position as a percentage of the total pension liability	47.81%	57.33%	52.42%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.



**CITY OF LOUISA, KENTUCKY**  
**SCHEDULE OF CITY PENSION CONTRIBUTIONS (CERS)**  
**JUNE 30, 2023**

45

	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>
Contractually required contribution	\$ 123,131	\$ 126,254	\$ 135,015
Contributions in relation to the contractually required contribution	<u>123,131</u>	<u>126,254</u>	<u>135,015</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 965,733	\$ 1,016,536	\$ 967,848
Contributions as a percentage of covered-employee payroll	12.75%	12.42%	13.95%

	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
Contractually required contribution	\$ 140,454	\$ 157,326	\$ 202,917
Contributions in relation to the contractually required contribution	<u>140,454</u>	<u>157,326</u>	<u>202,917</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 969,990	\$ 969,955	\$ 1,051,384
Contributions as a percentage of covered-employee payroll	14.48%	16.22%	19.30%

	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>
Contractually required contribution	\$ 209,901	\$ 269,733	\$ 289,296
Contributions in relation to the contractually required contribution	<u>209,901</u>	<u>269,733</u>	<u>289,296</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,087,569	\$ 1,184,081	\$ 1,236,308
Contributions as a percentage of covered-employee payroll	19.30%	22.78%	23.40%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**CITY OF LOUISA, KENTUCKY**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF**  
**THE NET OPEB LIABILITY (CERS)**  
**JUNE 30, 2023**

46

	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
City's proportion of the net OPEB liability (asset)	0.039751%	0.039134%	0.038135%
City's proportionate share of the net OPEB liability (asset)	\$ 799,131	\$ 694,816	\$ 641,414
City's covered-employee payroll	\$ 969,990	\$ 969,955	\$ 1,051,384
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	82.39%	71.63%	61.01%
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%	57.62%	60.44%
	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>
City's proportion of the net OPEB liability (asset)	0.038833%	0.040547%	0.041130%
City's proportionate share of the net OPEB liability (asset)	\$ 937,699	\$ 776,252	\$ 811,706
City's covered-employee payroll	\$ 1,087,569	\$ 1,184,081	\$ 1,236,308
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	86.22%	65.56%	65.66%
Plan fiduciary net position as a percentage of the total OPEB liability	51.67%	62.91%	60.95%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**CITY OF LOUISA, KENTUCKY**  
**SCHEDULE OF CITY OPEB CONTRIBUTIONS (CERS)**  
**JUNE 30, 2023**

47

	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
Contractually required contribution	\$ 45,590	\$ 51,020	\$ 50,046
Contributions in relation to the contractually required contribution	<u>45,590</u>	<u>51,020</u>	<u>50,046</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 969,990	\$ 969,955	\$ 1,051,384
Contributions as a percentage of covered-employee payroll	4.70%	5.26%	4.76%
	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>
Contractually required contribution	\$ 51,768	\$ 49,377	\$ 41,911
Contributions in relation to the contractually required contribution	<u>51,768</u>	<u>49,377</u>	<u>41,911</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,087,569	\$ 1,184,081	\$ 1,236,308
Contributions as a percentage of covered-employee payroll	4.76%	4.17%	3.39%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**CITY OF LOUISA, KENTUCKY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CERS)  
FOR THE YEAR ENDED JUNE 30, 2023**

**48**

**NOTE A – 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.

**NOTE B – CHANGES OF ASSUMPTIONS**

**June 30, 2022 – Pension and OPEB – Non-hazardous**

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

- The initial healthcare trend rate for pre-65 was changed from 6.30% to 6.20%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 13 years. The initial healthcare trend rate for post-65 was changed from 6.30% to 9.00%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 13 years.

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

**June 30, 2021 – Pension and OPEB – Non-hazardous**

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

- The initial healthcare trend rate for pre-65 was changed from 6.40% to 6.30%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 13 years. The initial healthcare trend rate for post-65 was changed from 2.90% to 6.30%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 13 years.

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

**June 30, 2020 – Pension and OPEB – Non-hazardous**

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

**CITY OF LOUISA, KENTUCKY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CERS)  
FOR THE YEAR ENDED JUNE 30, 2023**

49

**NOTE B – CHANGES OF ASSUMPTIONS (Continued)**

- 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 Non-hazardous**

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

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

**June 30, 2018 – Pension and OPEB – Non-hazardous**

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 – Non-hazardous**

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

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

**June 30, 2016 – Pension and OPEB – Non-hazardous**

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

**June 30, 2015 – Pension – Non-hazardous**

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).

**CITY OF LOUISA, KENTUCKY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CERS)**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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**NOTE B – CHANGES OF ASSUMPTIONS (Continued)**

- 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 – Non-hazardous**

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 – Non-hazardous**

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.

## SUPPLEMENTAL AND OTHER INFORMATION

CITY OF LOUISA, KENTUCKY  
SCHEDULE OF OPERATING EXPENSES  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023

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Business-type Activities - Enterprise Funds

	<u>Water</u>	<u>Sewer</u>	<u>Swimming Pool</u>	<u>Total</u>
Salaries and wages	\$ 459,347	\$ 144,590	\$ 25,775	\$ 629,712
Payroll taxes	35,111	11,155	2,038	48,304
Employee benefits	290,082	85,957	-	376,039
Insurance	45,459	26,332	-	71,791
Legal and professional	50,791	39,983	-	90,774
Materials and supplies	291,150	87,451	17,981	396,582
Miscellaneous	83,947	40,637	5,014	129,598
Office expense	15,476	6,586	935	22,997
Repairs and maintenance	214,015	205,558	4,209	423,782
Telephone	8,038	2,551	457	11,046
Truck expense	39,028	24,966	-	63,994
Utilities	291,852	184,624	1,408	477,884
Depreciation	409,365	302,203	6,853	718,421
<b>TOTAL OPERATING EXPENSES</b>	<u><u>\$ 2,233,661</u></u>	<u><u>\$ 1,162,593</u></u>	<u><u>\$ 64,670</u></u>	<u><u>\$ 3,460,924</u></u>