

CITY OF RUSSELL SPRINGS
Russell Springs, Kentucky

FINANCIAL STATEMENTS
June 30, 2024

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INDEPENDENT AUDITORS' REPORT

To the Mayor and the City Council
City of Russell Springs, 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 and each major fund of the City of Russell Springs, Kentucky, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the City of Russell Springs, Kentucky, as of June 30, 2024, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Russell Springs, Kentucky 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 Russell Springs, Kentucky's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Russell Springs, 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 Russell Springs, Kentucky's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and other post-employment benefits (OPEB) schedules on pages 4-8 and 36-44 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Russell Springs, Kentucky's basic financial statements. The schedule of water and sewer activities 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 water and sewer activities 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 November 10, 2025, on our consideration of the City of Russell Springs, 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 Russell Springs, 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 Russell Springs, Kentucky's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
November 10, 2025

City of Russell Springs, Kentucky
Management's Discussion and Analysis (MD&A)
June 30, 2024

As management of the City of Russell Springs, we offer readers of the City of Russell Springs' financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2024. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- Retirement rates for fiscal year FY 23-24 were 23.34% for non-hazardous and 43.69% for hazardous
- General Fund revenues totaled to approximately \$4.1 million for FY 2024 which represented a 5% decrease from FY 2023.
- The City made several capital purchases during the year including an extension of the fire department building, updates to brick face on City Hall, improvements at the park, new fire equipment, and multiple new City vehicles. Water and Sewer made several capital purchases including a telemetry system and sewer pumps.
- The property tax rate for 2023 was .1550 per \$100 of assessed property value.
- Cash available for use to pay the General Fund's obligations as of June 30, 2024, is approximately \$1.2 million which was a decrease compared to the prior year balance of \$1.7 million.
- The City's total General Fund revenues were under budget by approximately \$23,570 and expenses were under budget by approximately \$337,480.
- The City's proportionate share of the CERS net pension and OPEB liability decreased approximately \$1,345,000 from the previous fiscal year, from approximately \$5,936,000 to \$4,591,000.
- In FY 2024, City made all scheduled debt service payments.

OVERVIEW OF FINANCIAL STATEMENTS - This discussion and analysis is intended to serve as an introduction to the City of Russell Springs' basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS - The government-wide financial statements are designed to provide readers with a broad overview of the City of Russell Springs' finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the City of Russell Springs' assets and deferred outflows and liabilities and deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Russell Springs is improving or deteriorating. The statement of activities presents information showing how the City of Russell Springs' net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The government-wide financial statements outline functions of the City of Russell Springs that are principally supported by various taxes, licenses and permits. The governmental activities of the City include fire, safety, highways, streets, sanitation, parks and miscellaneous services. Property taxes, licenses and permits also support fixed assets and related debt. The government-wide financial statements can be found on pages 9-10 of this report.

City of Russell Springs, Kentucky
Management's Discussion and Analysis (MD&A)
June 30, 2024

FUND FINANCIAL STATEMENTS - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Russell Springs uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental and proprietary funds. The two proprietary funds are the water and sewer fund and the senior citizens fund. All other activities of the City are included in the governmental funds. The basic fund financial statements can be found on pages 9-15 of this report.

NOTES TO THE FINANCIAL STATEMENTS - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-35 of this report. The City of Russell Springs' financial position is the product of several financial transactions including the net results of the activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, the depreciation of capital assets and changes in the net pension liability.

THE CITY AS A WHOLE

Table 1
Net Position (in Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 2,158	\$ 2,603	\$ 2,979	\$ 2,822	\$ 5,137	\$ 5,425
Capital assets	4,443	3,952	7,951	8,390	12,394	12,342
Total assets	6,601	6,555	10,930	11,212	17,531	17,767
Deferred outflows of resources	1,028	925	375	378	1,403	1,303
Current liabilities	274	512	567	705	841	1,217
Non-current liabilities	5,056	5,965	3,003	3,979	8,059	9,944
Total liabilities	5,330	6,477	3,570	4,684	8,900	11,161
Deferred inflows of resources	1,542	649	678	295	2,220	944
Net position:						
Invested in capital assets net of debt	2,680	2,094	5,967	5,979	8,647	8,073
Restricted	127	143	576	546	703	689
Unrestricted	(2,050)	(1,883)	514	86	(1,536)	(1,797)
Total net position	\$ 757	\$ 354	\$ 7,057	\$ 6,611	\$ 7,814	\$ 6,965

City of Russell Springs, Kentucky
Management's Discussion and Analysis (MD&A)
June 30, 2024

Table 2
Changes in Net Position (in Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Revenues						
Program revenues:						
Charges for services	\$ 42	\$ 32	\$ 4,193	\$ 3,837	\$ 4,235	\$ 3,869
Operating grants and contributions	216	179	302	10	518	189
Capital grants and contributions	168	515	213	64	381	579
General revenues:						
Taxes	435	433	-	-	435	433
Licenses and permits	3,076	2,901	-	-	3,076	2,901
Fines and forfeits	7	9	-	-	7	9
Intergovernmental programs	-	-	-	-	-	-
Other revenue	116	198	18	16	134	214
Gain (Loss) on sale of fixed asset	-	-	-	-	-	-
Total Revenues	4,060	4,267	4,726	3,927	8,786	8,194
Program expenses:						
General government	1,507	1,375	-	-	1,507	1,375
Police and ABC	1,011	1,210	-	-	1,011	1,210
Fire	179	160	-	-	179	160
Highway and streets	206	130	-	-	206	130
Parks	723	662	-	-	723	662
Cemetery	11	19	-	-	11	19
Interest on long-term debt	51	60	-	-	51	60
Water and sewer	-	-	4,233	3,849	4,233	3,849
Senior citizens	-	-	54	51	54	51
Total expenses	3,688	3,616	4,287	3,900	7,975	7,516
Excess (deficiency)	372	651	439	27	811	678
Transfers in (out)	-	(29)	-	29	-	-
Gain (loss) on sale of assets	31	53	7	-	38	53
Increase (decrease) in net position	\$ 403	\$ 675	\$ 446	\$ 56	\$ 849	\$ 731

City of Russell Springs, Kentucky
Management's Discussion and Analysis (MD&A)
June 30, 2024

CAPITAL ASSETS

In FY 2024, the City made several capital purchases during the year including an extension of the fire department building, updates to brick face on City Hall, improvements at the park, new fire equipment, and multiple new City vehicles. Water and Sewer made several capital purchases including a telemetry system and sewer pumps.

Table 3
Capital Assets (in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Vehicles & equipment	\$ 2,760	\$ 2,335	\$ 1,095	\$ 1,182	\$ 3,855	\$ 3,517
Buildings	2,990	2,716	1,377	1,377	4,367	4,093
Land and Improvements	1,364	1,364	199	190	1,563	1,554
Infrastructure Assets	212	212	-	-	212	212
Construction in progress	21	21	21	-	42	21
Water and Sewer Systems	-	-	17,662	17,548	17,662	17,548
Totals	\$ 7,347	\$ 6,648	\$ 20,354	\$ 20,297	\$ 27,701	\$ 26,945

DEBT

Rural Development requires interest payments by April 1 and interest and principal payments by October 1, of each year. KIA loans require payments in June and December. The fire truck payment is due each October.

Table 4
Outstanding Debt at Year-End (in Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Notes Payable	\$ 1,763	\$ 1,857	\$ 728	\$ 1,045	\$ 2,491	\$ 2,902
Revenue Bonds	-	-	1,255	1,365	1,255	1,365
Totals	\$ 1,763	\$ 1,857	\$ 1,983	\$ 2,410	\$ 3,746	\$ 4,267

City of Russell Springs, Kentucky
Management's Discussion and Analysis (MD&A)
June 30, 2024

COMMENTS ON BUDGET COMPARISONS

- Raises were given to all employees.
- Water and Sewer rates were increased by ordinance during FY 24-25.

THE CITY'S FUNDS

More utility customers continue to use credit cards to pay their utility bill. The Community Center remains a wonderful rental asset for the City.

Contacting the City of Russell Springs

This financial report is designed to provide citizens, creditors and other users with an overview of the City of Russell Springs, Kentucky's finances, fiscal practices and responsibility. If you have questions or need additional information, please contact the City Clerk @ P.O. Box 247, Russell Springs, KY 42642-0247.

CITY OF RUSSELL SPRINGS, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2024

		Primary Government	
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,195,402	\$ 1,421,673	\$ 2,617,075
Investments	4,245	-	4,245
Receivables, net	646,619	737,508	1,384,127
Lease receivable	-	141,412	141,412
Inventory	-	262,357	262,357
Internal balances	184,977	(184,977)	-
Total current assets	<u>2,031,243</u>	<u>2,377,973</u>	<u>4,409,216</u>
Noncurrent assets			
Restricted cash and cash equivalents	126,780	575,883	702,663
Net OPEB asset	-	25,766	25,766
Capital assets			
Land	1,363,793	199,999	1,563,792
Construction in progress	20,853	21,000	41,853
Utility systems, net	-	6,545,102	6,545,102
Infrastructure, net	190,948	-	190,948
Depreciable buildings, property, vehicles, and equipment, net	<u>2,867,640</u>	<u>1,184,311</u>	<u>4,051,951</u>
Total noncurrent assets	<u>4,570,014</u>	<u>8,552,061</u>	<u>13,122,075</u>
Total assets	<u>6,601,257</u>	<u>10,930,034</u>	<u>17,531,291</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension	747,259	257,895	1,005,154
Deferred outflows - OPEB	<u>280,958</u>	<u>117,590</u>	<u>398,548</u>
Total deferred outflows of resources	<u>1,028,217</u>	<u>375,485</u>	<u>1,403,702</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 7,629,474</u>	<u>\$ 11,305,519</u>	<u>\$ 18,934,993</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 60,705	\$ 46,520	\$ 107,225
Customer deposits payable	-	295,518	295,518
Accrued liabilities	113,576	43,682	157,258
Accrued interest payable	-	2,754	2,754
Current portion of long-term obligations	<u>100,132</u>	<u>179,280</u>	<u>279,412</u>
Total current liabilities	<u>274,413</u>	<u>567,754</u>	<u>842,167</u>
Noncurrent liabilities			
Noncurrent portion of long-term obligations	1,662,694	1,803,855	3,466,549
Net pension liability	3,324,244	1,198,429	4,522,673
Net OPEB liability	<u>69,100</u>	<u>-</u>	<u>69,100</u>
Total noncurrent liabilities	<u>5,056,038</u>	<u>3,002,284</u>	<u>8,058,322</u>
Total liabilities	<u>5,330,451</u>	<u>3,570,038</u>	<u>8,900,489</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	472,349	129,440	601,789
Deferred inflows - OPEB	1,069,276	407,481	1,476,757
Deferred inflows - leases	<u>-</u>	<u>141,412</u>	<u>141,412</u>
Total deferred inflows of resources	<u>1,541,625</u>	<u>678,333</u>	<u>2,219,958</u>
NET POSITION			
Net investment in capital assets	2,680,408	5,967,277	8,647,685
Restricted for:			
Debt service	-	575,883	575,883
Other	126,780	-	126,780
Unrestricted	<u>(2,049,790)</u>	<u>513,988</u>	<u>(1,535,802)</u>
Total net position	<u>757,398</u>	<u>7,057,148</u>	<u>7,814,546</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES			
AND NET POSITION	<u>\$ 7,629,474</u>	<u>\$ 11,305,519</u>	<u>\$ 18,934,993</u>

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

CITY OF RUSSELL SPRINGS, KENTUCKY
STATEMENT OF ACTIVITIES
for the year ended June 30, 2024

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities							
General government	\$ 1,506,597	\$ 3,954	\$ 56,097	\$ -	\$ (1,446,546)	\$ -	\$ (1,446,546)
Police and ABC	1,010,536	-	144,368	-	(866,168)	-	(866,168)
Fire	179,121	-	-	-	(179,121)	-	(179,121)
Highways and streets	206,362	-	-	46	(206,316)	-	(206,316)
Culture and recreation	723,408	37,555	-	167,800	(518,053)	-	(518,053)
Cemetery	11,348	-	15,100	-	3,752	-	3,752
Interest on long-term debt	51,465	-	-	-	(51,465)	-	(51,465)
Total governmental activities	3,688,837	41,509	215,565	167,846	(3,263,917)	-	(3,263,917)
Business-type activities							
Water and Sewer	4,233,560	4,172,809	301,920	213,050	-	454,219	454,219
Senior Citizens	53,689	19,725	-	-	-	(33,964)	(33,964)
Total business-type activities	4,287,249	4,192,534	301,920	213,050	-	420,255	420,255
Total primary government	<u>\$ 7,976,086</u>	<u>\$ 4,234,043</u>	<u>\$ 517,485</u>	<u>\$ 380,896</u>	<u>(3,263,917)</u>	<u>420,255</u>	<u>(2,843,662)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					435,357	-	435,357
License fees:							
Franchise					234,662	-	234,662
Insurance premiums					1,013,598	-	1,013,598
Occupational					1,502,809	-	1,502,809
ABC					263,361	-	263,361
Other					61,650	-	61,650
Fines & forfeitures					6,627	-	6,627
Investment earnings					713	18,448	19,161
Miscellaneous					116,726	-	116,726
Total general revenues					3,635,503	18,448	3,653,951
Gain (loss) on sale of assets					31,422	7,408	38,830
Total general revenues and gain on sale					3,666,925	25,856	3,692,781
Change in net position					403,008	446,111	849,119
Net position-beginning					354,390	6,611,037	6,965,427
NET POSITION-ENDING					<u>\$ 757,398</u>	<u>\$ 7,057,148</u>	<u>\$ 7,814,546</u>

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

CITY OF RUSSELL SPRINGS, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2024

	<u>General</u>	<u>Municipal Road Aid</u>	<u>Drug Forfeiture Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,234,530	\$ 71,636	\$ 16,016	\$ 1,322,182
Investments	4,245	-	-	4,245
Receivables, net	646,619	-	-	646,619
Due from other funds	<u>184,977</u>	<u>-</u>	<u>-</u>	<u>184,977</u>
Total assets	<u>\$ 2,070,371</u>	<u>\$ 71,636</u>	<u>\$ 16,016</u>	<u>\$ 2,158,023</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 60,705	\$ -	\$ -	\$ 60,705
Accrued liabilities	<u>113,576</u>	<u>-</u>	<u>-</u>	<u>113,576</u>
Total liabilities	<u>174,281</u>	<u>-</u>	<u>-</u>	<u>174,281</u>
Fund balances				
Restricted	39,128	71,636	16,016	126,780
Unassigned	<u>1,856,962</u>	<u>-</u>	<u>-</u>	<u>1,856,962</u>
Total fund balances	<u>1,896,090</u>	<u>71,636</u>	<u>16,016</u>	<u>1,983,742</u>
Total liabilities and fund balances	<u>\$ 2,070,371</u>	<u>\$ 71,636</u>	<u>\$ 16,016</u>	<u>\$ 2,158,023</u>

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

Fund balances reported above	\$ 1,983,742
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	4,443,234
Net deferred inflows/outflows related to the long-term net pension/OPEB liabilities are not reported in the funds.	(513,408)
Long-term liabilities, including notes payable and net pension/OPEB liability, are not due and payable in the current period and therefore are not reported in the funds.	<u>(5,156,170)</u>
Net position of governmental activities	<u>\$ 757,398</u>

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

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

	General	Municipal Road Aid	Drug Forfeiture Fund	Total Governmental Funds
REVENUES				
Taxes	\$ 457,133	\$ -	\$ -	\$ 457,133
Licenses and permits	3,080,034	-	-	3,080,034
Intergovernmental	383,365	46	-	383,411
Fines and forfeitures	6,627	-	-	6,627
Other revenues	150,057	-	4,937	154,994
Total revenues	4,077,216	46	4,937	4,082,199
EXPENDITURES				
Current:				
General government	1,262,436	-	-	1,262,436
Police and ABC	1,075,388	-	5,253	1,080,641
Fire	130,196	-	-	130,196
Culture and recreation	691,191	-	-	691,191
Highways and streets	111,905	22,014	-	133,919
Cemetery	11,348	-	-	11,348
Capital outlay	848,502	-	-	848,502
Debt service	146,151	-	-	146,151
Total expenditures	4,277,117	22,014	5,253	4,304,384
Excess (deficiency) of revenues over expenditures	(199,901)	(21,968)	(316)	(222,185)
Other Financing Sources (Uses)				
Proceeds from sale of assets	41,962	-	-	41,962
Total other financing sources (uses)	41,962	-	-	41,962
Net Change in Fund Balance	(157,939)	(21,968)	(316)	(180,223)
Fund balances - beginning	2,054,029	93,604	16,332	2,163,965
FUND BALANCES - ENDING	\$ 1,896,090	\$ 71,636	\$ 16,016	\$ 1,983,742
Reconciliation to government-wide change in net position:				
Net change in fund balances				\$ (180,223)
add: capital outlay expenditures capitalized				848,502
add: debt service expenditures				146,151
add: gain on sale of assets				31,422
less: long-term property tax revenue				(21,776)
less: proceeds from sale of assets				(41,962)
less: change in net pension liability				(63,390)
add: change in OPEB liability				82,501
less: depreciation on governmental activities assets				(346,752)
less: interest on long - term debt				(51,465)
Change in net position, governmental activities				\$ 403,008

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

CITY OF RUSSELL SPRINGS, KENTUCKY
BALANCE SHEET
PROPRIETARY FUNDS
June 30, 2024

	Business-type Activities		
	Water & Sewer Fund	Senior Citizens Fund	Totals
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,316,477	\$ 105,196	\$ 1,421,673
Receivables, net	737,508	-	737,508
Lease receivable	141,412	-	141,412
Inventory	262,357	-	262,357
Total current assets	2,457,754	105,196	2,562,950
Noncurrent assets			
Restricted cash and cash equivalents	575,883	-	575,883
Net OPEB asset	25,766	-	25,766
Capital assets:			
Land	20,715	179,284	199,999
Construction in progress	21,000	-	21,000
Depreciable capital assets	18,948,745	1,184,311	20,133,056
Less accumulated depreciation	(11,716,235)	(687,408)	(12,403,643)
Total noncurrent assets	7,875,874	676,187	8,552,061
Total assets	10,333,628	781,383	11,115,011
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows - pension	257,895	-	257,895
Deferred outflows - OPEB	117,590	-	117,590
Total deferred outflows	375,485	-	375,485
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 10,709,113	\$ 781,383	\$ 11,490,496
LIABILITIES			
Current liabilities			
Accounts payable	\$ 46,520	\$ -	\$ 46,520
Customer deposits payable	295,518	-	295,518
Accrued liabilities	43,682	-	43,682
Accrued interest payable	2,754	-	2,754
Due to other funds	169,386	15,591	184,977
Current portion of long-term obligations	179,280	-	179,280
Total current liabilities	737,140	15,591	752,731
Noncurrent liabilities			
Noncurrent portion of long-term obligations	1,803,855	-	1,803,855
Net pension liability	1,198,429	-	1,198,429
Total noncurrent liabilities	3,002,284	-	3,002,284
Total liabilities	3,739,424	15,591	3,755,015
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	129,440	-	129,440
Deferred inflows - OPEB	407,481	-	407,481
Deferred inflows - leases	141,412	-	141,412
Total deferred inflows	678,333	-	678,333
NET POSITION			
Net investment in capital assets	5,291,090	676,187	5,967,277
Restricted for other purposes	575,883	-	575,883
Unrestricted	424,383	89,605	513,988
Total net position	6,291,356	765,792	7,057,148
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 10,709,113	\$ 781,383	\$ 11,490,496

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

CITY OF RUSSELL SPRINGS, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
for the year ended June 30, 2024

	Business-type Activities		Totals
	Water & Sewer Fund	Senior Citizens Fund	
Operating revenues			
Charges for services	\$ 3,912,591	\$ 19,725	\$ 3,932,316
Penalties	56,443	-	56,443
Other revenue	203,775	-	203,775
	<u>4,172,809</u>	<u>19,725</u>	<u>4,192,534</u>
Total operating revenues			
	<u>4,172,809</u>	<u>19,725</u>	<u>4,192,534</u>
Operating expenses			
Salaries	505,771	-	505,771
Payroll taxes	39,471	-	39,471
Motor fuels	45,809	-	45,809
Depreciation and amortization	534,490	48,345	582,835
Maintenance	133,047	4,344	137,391
Utilities	107,368	-	107,368
Employee benefits	79,227	-	79,227
Insurance	62,103	-	62,103
Supplies	643,871	-	643,871
Office supplies	4,135	-	4,135
Professional fees	28,046	-	28,046
Advertising and printing	1,563	-	1,563
Lab analysis	4,715	-	4,715
Water purchases	1,053,341	-	1,053,341
Sanitation - Sewer and Garbage	837,165	-	837,165
Contractual services	22,672	-	22,672
Travel and lodging	3,791	-	3,791
Dues and subscriptions	4,010	-	4,010
Uniforms	8,190	-	8,190
Miscellaneous	31,904	1,000	32,904
Communications and postage	43,707	-	43,707
	<u>4,194,396</u>	<u>53,689</u>	<u>4,248,085</u>
Total operating expenses			
	<u>4,194,396</u>	<u>53,689</u>	<u>4,248,085</u>
Operating income (loss)	<u>(21,587)</u>	<u>(33,964)</u>	<u>(55,551)</u>
Nonoperating revenues (expenses)			
Gain (loss) on sale of capital assets	7,408	-	7,408
Interest and investment revenue	18,448	-	18,448
Interest expense	(39,164)	-	(39,164)
	<u>(13,308)</u>	<u>-</u>	<u>(13,308)</u>
Total nonoperating revenues (expenses)			
	<u>(13,308)</u>	<u>-</u>	<u>(13,308)</u>
Income before capital contributions and transfers	<u>(34,895)</u>	<u>(33,964)</u>	<u>(68,859)</u>
Capital contributions			
Water and sewer tap fees	213,050	-	213,050
Grants	301,920	-	301,920
	<u>480,075</u>	<u>(33,964)</u>	<u>446,111</u>
Increase (decrease) in net position			
	<u>480,075</u>	<u>(33,964)</u>	<u>446,111</u>
Total net position-beginning	<u>5,811,281</u>	<u>799,756</u>	<u>6,611,037</u>
TOTAL NET POSITION-ENDING	<u>\$ 6,291,356</u>	<u>\$ 765,792</u>	<u>\$ 7,057,148</u>

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

CITY OF RUSSELL SPRINGS, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
for the year ended June 30, 2024

	Business-type Activities		
	Water & Sewer Fund	Senior Citizens Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 4,080,952	\$ 19,725	\$ 4,100,677
Payments to suppliers for goods or services	(2,947,133)	(1,000)	(2,948,133)
Payments for employee services and benefits	(852,728)	(4,344)	(857,072)
Net cash and cash equivalents provided by operating activities	281,091	14,381	295,472
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Receipts (payments) on interfund loans	13,805	-	13,805
Net cash and cash equivalents provided by noncapital financing activities	13,805	-	13,805
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions - tap fees	213,050	-	213,050
Grants received	21,143	-	21,143
Proceeds from sale of capital assets	7,408	-	7,408
Purchases of capital assets	(181,074)	-	(181,074)
Proceeds from notes payable	25,000	-	25,000
Principal paid on capital debt	(171,673)	-	(171,673)
Interest paid on capital debt	(39,273)	-	(39,273)
Net cash and cash equivalents (used by) capital and related financing activities	(125,419)	-	(125,419)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	18,448	-	18,448
Net cash and cash equivalents provided by investing activities	18,448	-	18,448
Net increase (decrease) in cash and cash equivalents	187,925	14,381	202,306
Balances-beginning of the year	1,704,435	90,815	1,795,250
BALANCES-END OF THE YEAR	<u>\$ 1,892,360</u>	<u>\$ 105,196</u>	<u>\$ 1,997,556</u>
Reconciliation of operating income (loss) to net cash and cash equivalents provided (used) by operating activities:			
Operating income (loss)	\$ (21,587)	\$ (33,964)	\$ (55,551)
Adjustments to reconcile operating income (loss) to net cash and cash equivalents provided (used) by operating activities:			
Depreciation and amortization	534,490	48,345	582,835
Net pension liability activity	(106,456)	-	(106,456)
Net OPEB liability activity	(59,700)	-	(59,700)
Change in assets and liabilities:			
Receivables, net	(93,475)	-	(93,475)
Inventory	142,143	-	142,143
Customer deposits payable	1,618	-	1,618
Accounts and other payables	(118,782)	-	(118,782)
Accrued expenses	2,840	-	2,840
Net cash and cash equivalents provided by operating activities	<u>\$ 281,091</u>	<u>\$ 14,381</u>	<u>\$ 295,472</u>

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

CITY OF RUSSELL SPRINGS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Russell Springs, Kentucky ("City") operates under a City Council form of government and has budgetary authority over the following functional areas: public safety, public service, water and sewer, and general administration, and for financial reporting purposes, all funds and account groups that are controlled by or dependent on the City, as determined on the basis of budget adoption, management oversight responsibility, and taxing authority.

A. Reporting Entity

Generally accepted accounting principles require governmental entities to determine the agencies or entities which comprise the government for financial reporting purposes, the criteria of oversight responsibility over such agencies or entities, special financing relationships and scope of public service provided by the agencies or entities are used. Oversight responsibility is determined by the extent of financial interdependency, control over the selection of the governing authority and management, ability to significantly influence operations, and accountability for fiscal matters. A review of other agencies was performed in order to determine if they met the criteria as discussed above for inclusion in the City's financial statements. City management determined that no other agencies should be in the City's financial statements.

B. Basis of Presentation

The City's financial statements consist of the following:

Management's discussion and analysis (required supplementary information)

Basic Financial Statements

 Government-wide financial statements

 Fund financial statements

 Notes to financial statements

Budgetary Comparison and Pension/OPEB Schedules (required supplementary information)

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely significantly on fees and charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF RUSSELL SPRINGS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation, continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recognized only when payment is due.

Property taxes, licenses, insurance premium taxes, and occupational taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund – is the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Municipal Road Aid – major fund accounts for receipts and expenditures from the state municipal aid program.

Special Revenue Fund – major fund that accounts for drug forfeitures and related expenditures.

The City reports the following major proprietary funds:

Water and Sewer Fund – is used to account for water, sewer, and sanitation activities.

Senior Citizens Fund – is used to account for activity related to the rental of land for use as the site for a senior citizens building.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City’s water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenue of the City’s proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

CITY OF RUSSELL SPRINGS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Budgeting

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

D. 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.

E. Investments

Investments consist of a certificate of deposit with an original maturity date of greater than 90 days.

F. Inventory

Inventory consists of water and sewer maintenance and repair parts and supplies. Inventory amounts are stated at cost.

G. Accounts Receivable - Proprietary Fund

The Water and Sewer accounts receivable are for services to customers. If a customer fails to pay within 25 days after the prior month's bill, their water service is terminated and their deposit is applied to the unpaid bill. Any unpaid balance after applying the deposit is fully reserved. Unbilled receivables represent the water and sewer usage from the end of the last billing cycle in June through the last day of the fiscal year. Typically, the billing cycle is cut off on the 15th of the month and the usage from then until the last day of the month is not billed until the following month.

H. Allowance for Doubtful Accounts

The City has provided for an allowance for doubtful accounts for the year ended June 30, 2024, totaling \$46,961 in the Water & Sewer Fund based upon the City's estimate of the collectability of accounts receivable.

I. 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 position 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 position and in the respective funds.

CITY OF RUSSELL SPRINGS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Capital Assets, continued

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets' life are not capitalized. All reported capital assets and improvements are depreciated. Depreciation is computed using the straight-line method over the estimated useful life of the asset. The estimated useful lives are 5-40 years for infrastructure; 25-40 years for buildings; 10-40 years for improvements and 5-20 years for vehicles and equipment.

J. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate element, deferred outflows of resources, represents a consumption of resources of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, 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 leases, accumulated sick leave, contractually required pension contributions and special termination benefits 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.

L. Compensated Absences

City employees are allowed to accumulate sick leave and vacation time based on the City's approved policies. Regular full-time employees (40 hours per week) received 8 hours of sick time per month. Sick leave may be accrued up to a maximum of 480 hours. Vacation leave shall be taken during the 12-month period immediately following the date it is credited and cannot be carried forward into the next year unless approved in advance by the Mayor.

M. Pensions

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

CITY OF RUSSELL SPRINGS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Postemployment Benefits Other Than Pensions (OPEB)

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

O. Interfund Balances

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

P. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated 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.

Q. Management's Review of Subsequent Events

The City evaluated and considered the need to recognize or disclose subsequent events through November 10, 2025 which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2024, have not been evaluated by the City.

R. Fund Balance

In fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into nonspendable and spendable components, if applicable. The City breaks down both nonspendable and spendable fund balance components into the following components:

Nonspendable – amounts that must be maintained intact legally or contractually.

Restricted – amounts constrained for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed – amounts constrained for a specific purpose by the City using its highest level of decision making authority. For resources considered to be committed, the City issues an ordinance that can be changed with another corresponding ordinance.

Assigned – for all governmental funds, other than the General Fund, any remaining positive amounts not classified as nonspendable, restricted or committed. For the General Fund, amounts constrained, by intent, to be used for a specific purpose by the City or the elected City official given authority to assign amounts. For resources considered to be assigned, the City has designated the Mayor to carry the intent of the City Council.

Unassigned – for the General Fund, amounts not classified as nonspendable, restricted, committed or assigned. For all other government funds, amounts expended in excess of resources that are nonspendable, restricted, committed or assigned.

CITY OF RUSSELL SPRINGS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Leases

In June 2017, the GASB issued Statement No. 87, *Leases* which establishes standards of accounting and financial reporting for leases by lessees and lessors. GASB Statement No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. In addition, GASB 87 requires the lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City, implemented GASB 87 during the fiscal year ending June 30, 2022. These changes were incorporated in the City's June 30, 2022 financial statements and had no effect on the beginning net position or fund balances of the City.

T. Subscription-based Information Technology Arrangements (SBITA)

Effective July 1, 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-based Information Technology Arrangements. GASB Statement No. 96 requires recognition of a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability for subscription-based information technology arrangements (SBITA) that were previously classified as operating expenses. It establishes uniform guidance for SBITA accounting based on the foundational principle that SBITA are financings of the right to use vendor-provided information technology assets. Government entities are required to recognize a subscription liability and an intangible right-to-use subscription asset. These changes had no effect on the financial statements.

2. CASH AND INVESTMENTS

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

The City of Russell Springs' deposits and investments at June 30, 2024, were fully covered by federal depository insurance and pledged collateral. The book balances of the City's deposits were \$3,323,983, and the bank balances were \$3,601,288. As of June 30, 2024, the City had deposits totaling \$933,270 that were covered by FDIC insurance and \$2,668,018 covered by collateral pledged by the bank and held in the City's name.

Statement of Cash Flow

The Water & Sewer Fund Statement of Cash Flows includes as cash and cash equivalents all cash restricted or unrestricted as follows:

Cash	\$ 1,316,477
Cash-Restricted	<u>575,883</u>
Total cash and cash equivalents	<u>\$ 1,892,360</u>

CITY OF RUSSELL SPRINGS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

3. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2024 for all funds of the City is as follows:

	Customer Accounts	Taxes	Licenses & Permits	Intergov.	Allowance	Total
General Fund	\$ -	\$ 5,196	\$ 641,423	\$ -	\$ -	\$ 646,619
Water & Sewer	<u>784,469</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(46,961)</u>	<u>737,508</u>
Totals	<u>\$ 784,469</u>	<u>\$ 5,196</u>	<u>\$ 641,423</u>	<u>\$ -</u>	<u>\$ (46,961)</u>	<u>\$ 1,384,127</u>

4. LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES

The City follows the requirements of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which requires recognition of certain assets that previously were classified as operating leases and recognized as revenue based on the payment provisions of the contract. The City entered into an agreement with Verizon Wireless on August 11, 2021, which resulted in the City recognizing both a lease receivable and a deferred inflow of resources related to a cell phone tower lease agreement totaling \$162,642. The lease agreement has an initial term of five years, with two five-year renewal options at the option of the lessee. The City has calculated the present value of future lease payments based on an incremental borrowing rate of 2.75%. The present value of expected future minimum leases payments are as follows:

Fiscal Year	Principal	Interest	Total
2025	\$ 8,700	\$ 3,780	\$ 12,480
2026	9,132	3,536	12,668
2027	9,581	3,279	12,860
2028	10,042	3,010	13,052
2029	10,525	2,727	13,252
2030-2034	60,411	8,917	69,328
2035-2037	<u>33,021</u>	<u>1,114</u>	<u>34,135</u>
Total	<u>\$ 141,412</u>	<u>\$ 26,363</u>	<u>\$ 167,775</u>

Additionally, the City recognized deferred inflows of resources related to the above leases that totaled \$141,412 as of June 30, 2024. The deferred inflows of resources will be recognized over the term of the lease agreements as lease revenue. During 2024, the City recognized \$4,235 of interest revenue and \$8,097 of lease revenue from the lease agreement.

CITY OF RUSSELL SPRINGS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

5. CAPITAL ASSETS

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

	Balance July 1, 2023	Additions	Deductions	Balance June 30, 2024
Governmental Activities				
Capital assets not depreciated:				
Land	\$ 1,363,793	\$ -	\$ -	\$ 1,363,793
Construction in progress	<u>20,853</u>	<u>-</u>	<u>-</u>	<u>20,853</u>
Total assets not depreciated	<u>1,384,646</u>	<u>-</u>	<u>-</u>	<u>1,384,646</u>
Capital assets that are depreciated:				
Buildings and improvements	2,716,426	273,216	-	2,989,642
Vehicles	1,587,338	158,704	(123,599)	1,622,443
Equipment	747,709	416,582	(26,557)	1,137,734
Infrastructure assets	<u>211,662</u>	<u>-</u>	<u>-</u>	<u>211,662</u>
Total depreciable capital assets	<u>5,263,135</u>	<u>848,502</u>	<u>(150,156)</u>	<u>5,961,481</u>
Total capital assets	<u>6,647,781</u>	<u>848,502</u>	<u>(150,156)</u>	<u>7,346,127</u>
Less accumulated depreciation:				
Buildings and improvements	1,135,303	74,351	-	1,209,654
Vehicles	1,136,560	180,080	(122,624)	1,194,016
Equipment	408,471	87,030	(16,993)	478,508
Infrastructure assets	<u>15,424</u>	<u>5,291</u>	<u>-</u>	<u>20,715</u>
Totals	<u>2,695,758</u>	<u>346,752</u>	<u>(139,617)</u>	<u>2,902,893</u>
Capital assets, net	<u>\$ 3,952,023</u>	<u>\$ 501,750</u>	<u>\$ (10,539)</u>	<u>\$ 4,443,234</u>
Business-type activities				
Capital assets:				
Land	\$ 189,999	\$ 10,000	\$ -	\$ 199,999
Construction in progress	-	21,000	-	21,000
Water and sewer system	17,548,923	112,582	-	17,661,505
Buildings	1,376,557	-	-	1,376,557
Vehicle and equipment	<u>1,181,590</u>	<u>-</u>	<u>(86,596)</u>	<u>1,094,994</u>
Totals	20,297,069	143,582	(86,596)	20,354,055
Less accumulated depreciation	<u>11,906,929</u>	<u>583,310</u>	<u>(86,596)</u>	<u>12,403,643</u>
Capital assets, net	<u>\$ 8,390,140</u>	<u>\$ (439,728)</u>	<u>\$ -</u>	<u>\$ 7,950,412</u>

Depreciation expense was charged to the Governmental functions as follows:

General government	\$ 115,294
Police and ABC	110,090
Fire	48,925
Highways and streets	<u>72,443</u>
Total depreciation expense	<u>\$ 346,752</u>

CITY OF RUSSELL SPRINGS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

6. GOVERNMENTAL ACTIVITIES LONG-TERM DEBT

Direct Borrowing - Notes Payable

In a previous year, the City entered into a promissory note agreement with a local bank for the purchase of a fire truck. The note bears interest at 3.00% and is scheduled to mature in fiscal year 2026. At June 30, 2024, the principal balance of the note was \$20,727.

On March 4, 2020, the City entered into a promissory note agreement with a local bank to finance construction of a new police building. The note bears interest at 3.00% and is scheduled to mature in March 2040. Construction began in fiscal year 2020 and was completed in fiscal year 2021 with the amount borrowed totaling \$490,265. Principal payments began in April 2021. At June 30, 2024, the principal balance of the note was \$421,310.

On July 28, 2022, the City entered into a promissory note agreement with a local bank to finance the purchase of land. The note bears interest at 2.75% and is scheduled to mature in July 2042. At June 30, 2024, the principal balance of the note was \$1,320,789.

The future payments on the promissory notes are summarized as follows:

	Principal	Interest	Total
2025	\$ 100,132	\$ 48,415	\$ 148,547
2026	81,673	45,672	127,345
2027	84,007	43,339	127,346
2028	86,379	40,967	127,346
2029	88,875	38,471	127,346
2030-2034	483,929	152,799	636,728
2035-2039	557,159	79,569	636,728
2040-2043	<u>280,672</u>	<u>12,122</u>	<u>292,794</u>
	<u>\$ 1,762,826</u>	<u>\$ 461,354</u>	<u>\$ 2,224,180</u>

A summary of changes in governmental long-term debt follows:

	July 1, 2023	Additions	Retirements	June 30, 2024
Fire Truck Notes Payable	\$ 38,248	\$ -	\$ (17,521)	\$ 20,727
Police Building Notes Payable	442,848	-	(21,538)	421,310
SK Lane Notes Payable	1,376,416	-	(55,627)	1,320,789
Net Pension Liability	3,292,318	31,926	-	3,324,244
Net OPEB Liability	<u>910,379</u>	<u>-</u>	<u>(841,279)</u>	<u>69,100</u>
Total	<u>\$ 6,060,209</u>	<u>\$ 31,926</u>	<u>\$ (935,965)</u>	<u>\$ 5,156,170</u>

CITY OF RUSSELL SPRINGS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

7. BUSINESS-TYPE ACTIVITIES LONG-TERM DEBT

Direct Placement - Revenue Bonds

On September 25, 2019, the City issued Revenue Bonds, Series 2019B totaling \$1,770,000 to advance refund previously issued bonds. The Series 2019B bonds bear interest at 3% with a maturity date of February 1, 2037. At June 30, 2024, the principal balance of the bonds was \$ 1,249,168.

Direct Borrowing - Notes Payable

In a previous year, the City entered into a promissory note agreement with the Kentucky Infrastructure Authority to finance a manhole project. The note bears interest at 1.00% and is scheduled to mature in 2034. At June 30, 2024, the principal balance of the note was \$355,784.

In 2022, the City entered into a promissory note agreement with the Kentucky Infrastructure Authority to finance a sewer rehab project. The note bears interest at .25% and is scheduled to mature in 2043. At June 30, 2024, the principal balance of the note was \$273,927.

On May 24, 2023, the City entered into a promissory note agreement with a local bank to finance the purchase of an excavator. The note bears interest at 3.95% and is scheduled to mature in 2028. At June 30, 2024, the principal balance of the note was \$98,782.

The annual debt service requirements to maturity, including principal and interest for bonds and notes payable as of June 30, 2024, are as follows:

Fiscal Year	Principal	Interest	Fees	Total
2025	\$ 179,280	\$ 35,483	\$ 4,810	\$ 219,573
2026	176,414	31,984	4,441	212,839
2027	171,911	28,537	4,084	204,532
2028	175,362	25,165	3,741	204,268
2029	152,479	21,707	3,391	177,577
2030-2034	792,210	69,201	11,518	872,929
2035-2039	265,599	8,662	2,891	277,152
2040-2044	<u>64,406</u>	<u>403</u>	<u>323</u>	<u>65,132</u>
	<u>\$ 1,977,661</u>	<u>\$ 221,142</u>	<u>\$ 35,199</u>	<u>\$ 2,234,002</u>

A summary of changes in business-type activities long-term debt follows:

	July 1, 2023	Additions	Retirements	June 30, 2024
Direct Placement - Revenue Bonds	\$ 1,359,168	\$ -	\$ (110,000)	\$ 1,249,168
Bond premium	5,947	-	(473)	5,474
Notes payable	1,045,469	25,000	(341,976)	728,493
Net Pension Liability	1,361,712	-	(163,283)	1,198,429
Net OPEB Liability	<u>371,696</u>	<u>-</u>	<u>(371,696)</u>	<u>-</u>
Total Debt	<u>\$ 4,143,992</u>	<u>\$ 25,000</u>	<u>\$ (987,428)</u>	<u>\$ 3,181,564</u>

CITY OF RUSSELL SPRINGS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

7. BUSINESS-TYPE ACTIVITIES LONG-TERM DEBT (CONTINUED)

Revenue Bonds and Notes Payable, continued

Bond Ordinance Restrictions

The bond ordinances require that certain reserves be created and maintained as follows:

Debt Service reserve - This reserve is required to have 125% of the maximum annual principal and interest requirements.

Sinking Fund - This reserve is required to receive a monthly transfer of 1/6 of the next interest payment and 1/12th of the next principal payment.

As of June 30, 2024, the City set aside in separate accounts \$575,883 for the reserve requirements.

As of June 30, 2024, the City met all reserve requirements related to the bonds.

8. RETIREMENT PLAN

CERS

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

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

Contributions – For the year ended June 30, 2024, plan members were required to contribute 5% of wages for non-hazardous job classifications and 8% of wages for hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium.

The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with the actuarial basis adopted by the Board. For the year ended June 30, 2024, participating employers contributed 23.34% of each employee's wages for non-hazardous job classifications and 43.69% of each employee's wages for hazardous job classifications. The contributions are allocated to both the pension and insurance trust. The insurance trust is more fully described in Note 9. Plan members contributed 23.34% and 41.11% to the pension trust for non-hazardous and hazardous job classifications, respectively. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

CITY OF RUSSELL SPRINGS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

8. RETIREMENT PLAN (CONTINUED)

Plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account for non-hazardous job classifications and 8% of wages to their own account for hazardous classifications.

Plan members also contribute 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. Each member's account is credited with a 4% employer pay credit for non-hazardous members, and a 7.5% pay credit for hazardous members. The employer pay credit represents a portion of the employer contribution.

For the year ended June 30, 2024, the City contributed \$263,899 or 100% of the required contribution for non-hazardous job classifications, which was allocated \$263,899 to the CERS pension fund and \$0 to the CERS insurance fund. The City contributed \$187,217 or 100% of the required contribution for hazardous job classifications, which was allocated \$176,161 to the CERS pension fund and \$11,056 to the CERS insurance fund.

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

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

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum.

Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

CITY OF RUSSELL SPRINGS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

8. RETIREMENT PLAN (CONTINUED)

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

Total Net		
Pension Liability	Non-hazardous	Hazardous
<u>\$ 4,522,673</u>	<u>\$ 2,575,843</u>	<u>\$ 1,946,830</u>

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

Non-hazardous	Hazardous
.040%	.072%

The proportionate share at June 30, 2023, relative to June 30, 2022, increased for non-hazardous by .002% and increased for hazardous by .008%.

For the year ended June 30, 2024, the City recognized pension expense of \$421,037. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 222,347	\$ 6,999
Changes of assumptions	-	388,119
Net difference between projected and actual earnings on Plan investments	-	54,664
Changes in proportion and differences between City contributions and proportionate share of contributions	342,747	152,007
City contributions subsequent to the measurement date	<u>440,060</u>	<u>-</u>
Total	<u>\$ 1,005,154</u>	<u>\$ 601,789</u>

The \$440,060 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2025	\$ (44,338)
2026	\$ (77,513)
2027	\$ 119,851
2028	\$ (34,695)

CITY OF RUSSELL SPRINGS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

8. RETIREMENT PLAN (CONTINUED)

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

Non-hazardous

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

Hazardous

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

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 Mortality Improvement Scale using a base year of 2023. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from MP-2020 Mortality Improvement Scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2023, actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2022. The total pension liability was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2023. The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

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

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

CITY OF RUSSELL SPRINGS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

8. RETIREMENT PLAN (CONTINUED)

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

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

	Non-hazardous		Hazardous	
	Discount rate	City's proportionate share of net pension liability	Discount rate	City's proportionate share of net pension liability
1% decrease	5.50%	\$ 3,252,158	5.50%	\$ 2,458,338
Current discount rate	6.50%	\$ 2,575,843	6.50%	\$ 1,946,830
1% increase	7.50%	\$ 2,013,800	7.50%	\$ 1,529,045

Payable to the Pension Plan – At June 30, 2024, the City reported a payable of \$42,490 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2024.

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – As more fully described in Note 8, the City of Russell Springs participates in the County Employees' Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

Contributions – As more fully described in Note 8, plan members contribute to CERS for non-hazardous and hazardous job classifications. For the year ending June 30, 2024, the employer's contribution was 0% to the insurance trust for non-hazardous job classifications and 2.58% to the insurance trust for hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pension Authority are financed through employer contributions and investment earnings.

CITY OF RUSSELL SPRINGS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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

For the year ended June 30, 2024, the City contributed \$0 or 100% of the required contribution for non-hazardous job classifications, and \$11,056, or 100% of the required contribution for hazardous job classifications.

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

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

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

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

Total Net		
OPEB Liability	Non-hazardous	Hazardous
<u>\$ 43,314</u>	<u>\$ (55,423)</u>	<u>\$ 98,737</u>

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

The City's proportionate share at June 30, 2023 was as follows:

Non-hazardous	Hazardous
.040%	.072%

The proportionate share at June 30, 2023, relative to June 30, 2022, increased for non-hazardous by .002% and increased for hazardous by .008%.

CITY OF RUSSELL SPRINGS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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

For the year ended June 30, 2024, the City recognized OPEB expense of \$(122,637). At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 47,569	\$ 1,194,015
Changes of assumptions	176,487	178,940
Net difference between projected and actual earnings on Plan investments	-	26,461
Changes in proportion and differences between City contributions and proportionate share of contributions	146,252	77,341
City contributions subsequent to the measurement date	<u>28,240</u>	<u>-</u>
Total	<u>\$ 398,548</u>	<u>\$ 1,476,757</u>

The \$28,240 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2025. This includes adjustments of \$18,102 for the nonhazardous implicit subsidy and \$11,056 for the hazardous implicit subsidy, which are required to be recognized as deferred outflows of resources.

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

Year ending June 30,

2025	\$ (248,468)
2026	\$ (312,750)
2027	\$ (241,592)
2028	\$ (243,563)
2029	\$ (60,076)

CITY OF RUSSELL SPRINGS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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

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

Non-hazardous

Inflation	2.50%
Salary increases	3.30 to 10.30%, varies by service, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation
Healthcare trend	
Pre – 65:	Initial trend starting at 6.80% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post – 65:	Initial trend starting at 8.50% at January 1, 2025, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years

Hazardous

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

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2023. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2010.

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

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

CITY OF RUSSELL SPRINGS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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

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

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

Discount Rate – The discount rate used to measure the total OPEB liability was 5.93% and 5.97% for non-hazardous and hazardous classifications, respectively. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.50%, and a municipal bond rate of 3.86%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index”. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

	Non-hazardous		Hazardous	
	Discount rate	City’s proportionate share of net OPEB liability (asset)	Discount rate	City’s proportionate share of net OPEB liability (asset)
1% decrease	4.93%	\$ 104,007	4.97%	\$ 249,711
Current discount rate	5.93%	\$ (55,423)	5.97%	\$ 98,737
1% increase	6.93%	\$ (188,926)	6.97%	\$ (27,062)

CITY OF RUSSELL SPRINGS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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

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

	Non-hazardous	Hazardous
	City's proportionate share of net OPEB liability (asset)	City's proportionate share of net OPEB liability (asset)
1% decrease	\$ (177,640)	\$ 1,125
Current trend rate	\$ (55,423)	\$ 98,737
1% increase	\$ 94,709	\$ 216,627

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

10. PROPERTY TAX CALENDAR

Property taxes are a significant portion of the General Fund revenues. The property tax calendar is as follows:

Levy Date	January 1
Collection Date	October 1
Due Date	November 30, 2% discount
Lien Date	January 1 of year following Levy Date

11. RISK MANAGEMENT

The City is exposed to various forms of loss associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, employee injury, fiduciary responsibility, etc. Each of these risks areas is covered through the purchase of commercial insurance. The City has purchased certain policies which are retrospectively rated which include worker's compensation insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

12. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables as of June 30, 2024 are as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 184,977	\$ -
Water and Sewer Fund	-	169,386
Senior Citizens Fund	-	15,591
Totals	<u>\$ 184,977</u>	<u>\$ 184,977</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RUSSELL SPRINGS, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
MAJOR GOVERNMENTAL FUNDS
for the year ended June 30, 2024

	GENERAL FUND			
	Original Budget	Amended Budget	Actual	Variance
REVENUES				
Taxes	\$ 400,308	\$ 504,356	\$ 457,133	\$ (47,223)
Licenses and permits	2,640,382	2,742,465	3,080,034	337,569
Intergovernmental	151,888	139,808	383,365	243,557
Fines and forfeitures	29,131	139,661	6,627	(133,034)
Other revenues	534,514	574,496	150,057	(424,439)
Total Revenues	<u>3,756,223</u>	<u>4,100,786</u>	<u>4,077,216</u>	<u>(23,570)</u>
EXPENDITURES				
Current:				
General government	1,358,239	1,358,221	1,262,436	(95,785)
Police and ABC	1,387,447	1,387,447	1,075,388	(312,059)
Fire	233,100	73,489	130,196	56,707
Culture and Recreation	1,149,654	1,028,143	691,191	(336,952)
Highways and streets	321,300	316,381	111,905	(204,476)
Cemetery	60,494	25,000	11,348	(13,652)
Capital outlay	341,729	267,916	848,502	580,586
Debt service	158,000	158,000	146,151	(11,849)
Total Expenditures	<u>5,009,963</u>	<u>4,614,597</u>	<u>4,277,117</u>	<u>(337,480)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	748	748	41,962	41,214
Total Other Financing Sources (Uses)	<u>748</u>	<u>748</u>	<u>41,962</u>	<u>41,214</u>
Net Change In Fund Balance	<u>\$ (1,252,992)</u>	<u>\$ (513,063)</u>	<u>\$ (157,939)</u>	<u>\$ 355,124</u>
	MUNICIPAL ROAD AID			
	Original Budget	Amended Budget	Actual	Variance
REVENUES				
Intergovernmental	\$ 49,500	\$ 50	\$ 46	\$ (4)
Total Revenues	<u>49,500</u>	<u>50</u>	<u>46</u>	<u>(4)</u>
EXPENDITURES				
Highways and streets	143,100	22,014	22,014	-
Total Expenditures	<u>143,100</u>	<u>22,014</u>	<u>22,014</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ (93,600)</u>	<u>\$ (21,964)</u>	<u>\$ (21,968)</u>	<u>\$ (4)</u>
	DRUG FORFEITURE			
	Original Budget	Amended Budget	Actual	Variance
REVENUES				
Other revenues	\$ 10,000	\$ 5,936	\$ 4,937	\$ (999)
Total Revenues	<u>10,000</u>	<u>5,936</u>	<u>4,937</u>	<u>(999)</u>
EXPENDITURES				
Police and ABC	25,332	5,252	5,253	1
Total Expenditures	<u>25,332</u>	<u>5,252</u>	<u>5,253</u>	<u>1</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ (15,332)</u>	<u>\$ 684</u>	<u>\$ (316)</u>	<u>\$ (1,000)</u>

CITY OF RUSSELL SPRINGS, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NONHAZARDOUS
Last Nine Years

Reporting Fiscal Year (Measurement Date)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)
City's proportion of the net pension liability	0.029%	0.028%	0.029%	0.030%	0.032%	0.033%	0.036%	0.038%	0.040%
City's proportionate share of the net pension liability (asset)	\$ 1,246,916	\$ 1,395,161	\$ 1,718,999	\$ 1,834,948	\$ 2,267,524	\$ 2,550,632	\$ 2,294,262	\$ 2,713,120	\$ 2,575,843
City's covered employee payroll	\$ 634,516	\$ 678,576	\$ 714,607	\$ 714,607	\$ 814,786	\$ 863,623	\$ 917,899	\$ 1,034,515	\$ 1,221,896
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	196.51%	205.60%	240.55%	256.78%	278.30%	295.34%	249.95%	262.26%	210.81%
Plan fiduciary net position as a percentage of the total pension liability	59.97%	55.50%	53.32%	53.54%	50.45%	47.81%	57.33%	52.42%	57.48%

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

**CITY OF RUSSELL SPRINGS, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - HAZARDOUS
Last Nine Years**

Reporting Fiscal Year (Measurement Date)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)
City's proportion of the net pension liability	0.066%	0.076%	0.078%	0.085%	0.084%	0.079%	0.066%	0.064%	0.072%
City's proportionate share of the net pension liability (asset)	\$ 1,018,235	\$ 1,308,471	\$ 1,744,585	\$ 2,045,168	\$ 2,321,046	\$ 2,385,852	\$ 1,744,140	\$ 1,940,910	\$ 1,946,830
City's covered employee payroll	\$ 353,949	\$ 394,788	\$ 428,358	\$ 428,358	\$ 476,625	\$ 455,148	\$ 388,147	\$ 414,235	\$ 413,530
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	287.68%	331.44%	407.27%	477.44%	486.98%	524.19%	449.35%	468.55%	470.78%
Plan fiduciary net position as a percentage of the total pension liability	57.52%	53.95%	49.78%	49.26%	46.63%	41.11%	52.26%	47.11%	52.96%

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

CITY OF RUSSELL SPRINGS, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF CONTRIBUTIONS - NONHAZARDOUS
Last Ten Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required employer contribution	\$ 80,901	\$ 84,279	\$ 99,688	\$ 103,475	\$ 132,156	\$ 164,402	\$ 177,155	\$ 235,663	\$ 285,924	\$ 263,899
Contributions relative to contractually required employer contribution	<u>80,901</u>	<u>84,279</u>	<u>99,688</u>	<u>103,475</u>	<u>132,156</u>	<u>164,402</u>	<u>177,155</u>	<u>235,663</u>	<u>285,924</u>	<u>263,899</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 634,516	\$ 678,576	\$ 714,607	\$ 714,607	\$ 814,786	\$ 863,623	\$ 917,899	\$ 1,034,515	\$ 1,221,896	\$ 1,130,672
Employer contributions as a percentage of covered-employee payroll	12.75%	12.42%	13.95%	14.48%	16.22%	19.04%	19.30%	22.78%	23.40%	23.34%

**CITY OF RUSSELL SPRINGS, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF CONTRIBUTIONS - HAZARDOUS
Last Ten Fiscal Years**

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required employer contribution	\$ 73,374	\$ 79,984	\$ 92,977	\$ 95,095	\$ 118,489	\$ 138,974	\$ 116,677	\$ 147,467	\$ 179,120	\$ 176,161
Contributions relative to contractually required employer contribution	<u>73,374</u>	<u>79,984</u>	<u>92,977</u>	<u>95,095</u>	<u>118,489</u>	<u>138,974</u>	<u>116,677</u>	<u>147,467</u>	<u>179,120</u>	<u>176,161</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 353,949	\$ 394,788	\$ 428,358	\$ 428,358	\$ 476,625	\$ 455,148	\$ 388,147	\$ 414,235	\$ 413,530	\$ 428,511
Employer contributions as a percentage of covered-employee payroll	20.73%	20.26%	21.71%	22.20%	24.86%	30.53%	30.06%	35.60%	43.31%	41.11%

CITY OF RUSSELL SPRINGS, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - NONHAZARDOUS
Last Eight Years

Reporting Fiscal Year (Measurement Date)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)
City's proportion of the net OPEB liability	0.029%	0.029%	0.030%	0.032%	0.033%	0.036%	0.038%	0.040%
City's proportionate share of the net OPEB liability (asset)	\$ 463,090	\$ 590,397	\$ 534,934	\$ 542,145	\$ 802,786	\$ 688,763	\$ 740,541	\$ (55,423)
City's covered employee payroll	\$ 678,576	\$ 714,607	\$ 714,607	\$ 814,786	\$ 863,623	\$ 917,899	\$ 1,034,515	\$ 1,221,896
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	68.24%	82.62%	74.86%	66.54%	92.96%	75.04%	71.58%	-4.54%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%	60.44%	51.67%	62.91%	60.95%	104.23%

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

**CITY OF RUSSELL SPRINGS, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - HAZARDOUS
Last Eight Years**

Reporting Fiscal Year (Measurement Date)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)
City's proportion of the net OPEB liability	0.031%	0.078%	0.085%	0.084%	0.079%	0.066%	0.064%	0.072%
City's proportionate share of the net OPEB liability (asset)	\$ 385,185	\$ 644,622	\$ 602,950	\$ 621,575	\$ 731,032	\$ 529,736	\$ 541,534	\$ 98,737
City's covered employee payroll	\$ 394,788	\$ 428,358	\$ 428,358	\$ 476,625	\$ 455,148	\$ 388,147	\$ 414,235	\$ 413,530
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	97.57%	150.49%	140.76%	130.41%	160.61%	136.48%	130.73%	23.88%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	58.99%	64.24%	64.44%	58.84%	66.81%	64.13%	92.27%

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

CITY OF RUSSELL SPRINGS, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF OPEB CONTRIBUTIONS - NONHAZARDOUS
Last Ten Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required employer contribution	\$ 31,218	\$ 31,486	\$ 33,801	\$ 33,587	\$ 42,858	\$ 40,547	\$ 43,692	\$ 43,139	\$ 41,422	\$ -
Contributions relative to contractually required employer contribution	<u>31,218</u>	<u>31,486</u>	<u>33,801</u>	<u>33,587</u>	<u>42,858</u>	<u>40,547</u>	<u>43,692</u>	<u>43,139</u>	<u>41,422</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 634,516	\$ 678,576	\$ 714,607	\$ 714,607	\$ 814,786	\$ 863,623	\$ 917,899	\$ 1,034,515	\$ 1,221,896	\$ 1,130,672
Employer contributions as a percentage of covered-employee payroll	4.92%	4.64%	4.73%	4.70%	5.26%	4.69%	4.76%	4.17%	3.39%	0.00%

CITY OF RUSSELL SPRINGS, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF OPEB CONTRIBUTIONS - HAZARDOUS
Last Ten Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required employer contribution	\$ 48,066	\$ 50,099	\$ 40,051	\$ 45,038	\$ 49,903	\$ 44,013	\$ 36,952	\$ 36,163	\$ 25,950	\$ 11,056
Contributions relative to contractually required employer contribution	<u>48,066</u>	<u>50,099</u>	<u>40,051</u>	<u>45,038</u>	<u>49,903</u>	<u>44,013</u>	<u>36,952</u>	<u>36,163</u>	<u>25,950</u>	<u>11,056</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 353,949	\$ 394,788	\$ 428,358	\$ 428,358	\$ 476,625	\$ 455,148	\$ 388,147	\$ 414,235	\$ 413,530	\$ 428,511
Employer contributions as a percentage of covered-employee payroll	13.58%	12.69%	9.35%	10.51%	10.47%	9.67%	9.52%	8.73%	6.28%	2.58%

CITY OF RUSSELL SPRINGS, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2024

1. GENERAL INFORMATION

Contributions

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

Payroll

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

2. CHANGES OF ASSUMPTIONS

June 30, 2023 – Pension and OPEB Hazardous and Nonhazardous

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

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

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

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

June 30, 2022 – Pension and OPEB – Hazardous and Nonhazardous

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

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

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

CITY OF RUSSELL SPRINGS, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2024

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2021 – Pension and OPEB – Nonhazardous

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

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

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

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

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

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

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

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

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

- The assumed rate of salary increases was increased from 3.05% to 3.30% to 10.30% on average.

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

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

June 30, 2017 – Pension – Hazardous and Nonhazardous

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

- 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%

CITY OF RUSSELL SPRINGS, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2024

2. CHANGES OF ASSUMPTIONS (CONTINUED)

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

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

June 30, 2015 – Pension – Hazardous and Nonhazardous

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

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

June 30, 2014 – Pension – Hazardous and Nonhazardous

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

SUPPLEMENTARY INFORMATION

CITY OF RUSSELL SPRINGS, KENTUCKY
SCHEDULE OF WATER AND SEWER ACTIVITIES
for the year ended June 30, 2024

	<u>Water Services</u>	<u>Sewer Services</u>	<u>Sanitation Services</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services	\$ 2,732,545	\$ 991,688	\$ 188,358	\$ 3,912,591
Penalties	56,443	-	-	56,443
Other revenue	50,875	152,900	-	203,775
Total operating revenues	<u>2,839,863</u>	<u>1,144,588</u>	<u>188,358</u>	<u>4,172,809</u>
OPERATING EXPENSES				
Salaries and wages	362,257	143,514	-	505,771
Payroll taxes	27,540	11,931	-	39,471
Motor fuels	26,255	19,554	-	45,809
Depreciation and amortization	312,508	221,982	-	534,490
Maintenance	89,667	43,380	-	133,047
Utilities	44,899	62,469	-	107,368
Employee benefits	61,430	17,797	-	79,227
Insurance	62,103	-	-	62,103
Supplies	414,833	229,038	-	643,871
Office supplies	4,135	-	-	4,135
Professional fees	16,933	11,113	-	28,046
Advertising and printing	919	644	-	1,563
Lab analysis	4,715	-	-	4,715
Water purchases	1,053,341	-	-	1,053,341
Surcharge - Sewer and Garbage	-	680,853	156,312	837,165
Uniform allowance	5,279	2,911	-	8,190
Dues and subscriptions	4,010	-	-	4,010
Contractual services	14,602	8,070	-	22,672
Travel and lodging	3,621	170	-	3,791
Miscellaneous	33,327	(1,423)	-	31,904
Communications and postage	43,707	-	-	43,707
Total operating expenses	<u>2,586,081</u>	<u>1,452,003</u>	<u>156,312</u>	<u>4,194,396</u>
Operating income (loss)	<u>\$ 253,782</u>	<u>\$ (307,415)</u>	<u>\$ 32,046</u>	<u>\$ (21,587)</u>



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

To the Mayor and the City Council
City of Russell Springs, 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 and each major fund of the City of Russell Springs, Kentucky, as of and for the year ended June 30, 2024, which collectively comprise the City of Russell Springs, Kentucky's basic financial statements and have issued our report thereon dated November 10, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Russell Springs, 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 Russell Springs, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Russell Springs, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2024-001 and 2024-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Russell Springs, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2024-001.

City of Russell Springs, Kentucky's Responses to Findings

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

Purpose of this Report

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

RFH

RFH, PLLC
Lexington, Kentucky
November 10, 2025

CITY OF RUSSELL SPRINGS, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2024

2024-001 - The City should expend monies in accordance with a budget ordinance as required by KRS 91A.030.

Criteria: KRS 91A.030 prohibits the expenditure of monies except in accordance with a budget ordinance.

Condition: The City adopted and subsequently amended a budget ordinance; however the amended budget ordinance did not clearly identify all changes from the original budget. When the City amends its budget ordinance, the City should present a redline or comparative format showing increases and decreases by line item.

Cause: City personnel did not have sufficient training and expertise to ensure the annual budget was prepared and adhered to in accordance with KRS 91A.030.

Effect: The City's amended budget ordinance provided amended totals for each fund but did not provide amended amounts for each line item. The City's amended budget ordinance was not prepared in accordance with KRS 91A.030.

Recommendation: We recommend the City revise its budget amendment process to ensure future budget amendments include a redlined or comparative section clearly identifying all proposed changes from the original budget ordinance to the amended budget ordinance.

Management's Response: The City acknowledges the finding and recommendation. The City has already adjusted the configuration of its budget amendment process to ensure compliance with KRS 91A.030. Going forward, all budget amendments will include a redlined or comparative format clearly identifying changes from the original ordinance. In addition, a third-party accountant has been engaged to review and verify the accuracy and completeness of all future budget amendments to ensure continued compliance.

2024-002 – KIA loan forgiveness material misstatement.

Criteria: The City is required to have internal controls over the period-end financial reporting process that enable the City to produce financial records that are in accordance with generally accepting accounting principles.

Condition: During the audit we identified a material misstatement related to KIA loan forgiveness totaling \$280,777 that was not identified by the City's internal controls over financial reporting.

Cause: The City's internal control procedures did not include adequate review or monitoring of loan activity with KIA. Notifications of loan forgiveness were not properly reviewed or accounted for.

Effect: The City failed to identify and record loan forgiveness related to one of the City's KIA loans. An audit adjustment totaling \$280,777 was required to the City's accounting records to accurately report outstanding loans as of fiscal year end.

Recommendation: We recommend the City implement stronger controls and monitoring procedures over the City's debt. Management should ensure that finance personnel receive adequate training on identifying and accounting for loan forgiveness.

Management's Response: The City acknowledges the finding and recommendation. Procedures have been strengthened to ensure that all loan activity, including any loan forgiveness notifications from KIA, is properly reviewed and reconciled in a timely manner. The City has implemented additional review and monitoring controls as part of its financial reporting process, and a third-party accountant now assists with oversight to ensure all future loan transactions are accurately recorded. Finance personnel will also receive additional training on identifying and accounting for loan forgiveness in accordance with generally accepted accounting principles.