

CITY OF CYNTHIANA
Cynthiana, Kentucky



FINANCIAL STATEMENTS
June 30, 2022

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INDEPENDENT AUDITORS' REPORT

Mayor and Board of Commissioners
City of Cynthiana, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cynthiana, Kentucky, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Cynthiana, Kentucky's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cynthiana, Kentucky, as of June 30, 2022, 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 Cynthiana, Kentucky and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2022, the City adopted new accounting guidance, GASB Statement No. 87, Leases. Our opinion is not modified with respect to this matter.

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 Cynthiana, 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 Cynthiana, 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 Cynthiana, 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 4–10 and 43–61 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 Cynthiana, Kentucky's basic financial statements. The schedule of operations – water and sewer fund 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 operations – water and sewer fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2023, on our consideration of the City of Cynthiana, 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 Cynthiana, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Cynthiana, Kentucky's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
March 6, 2023

City of Cynthiana

Management's Discussion and Analysis

Our discussion and analysis of the City of Cynthiana's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2022. Please read the following in conjunction with the auditors' report on page 1 and the City's financial statements, which begin to appear on page 11.

FINANCIAL HIGHLIGHTS

- Occupational license fees increased slightly above last year's revenue The City continues to receive a 4% regulatory fee on all retail alcohol sales and tourism in Cynthiana.
- The City budgeted conservatively and continued cost containment measures implemented by management. The City strived to maintain current levels of service.
- The City transferred ownership of the Lerman Building in 2022.
- Several new businesses opened in the downtown area.
- There are still issues with staffing since the COVID-19 Pandemic .
- The City continues to work on the Energy Savings project which is 90% complete to be completed in Fiscal Year 2023.
- The City made major repairs/replacements to the water infrastructure. Most of the labor for these improvements was provided by the City workforce. There is a continuing multi-year plan to repair aging infrastructure.
- Waterworks Slide Project was completed with a grant from the Governors discretionary funds and Waterworks/Abdallah Park Road is opened.
- The City received 1.6 million dollars in American Rescue Plan Act funds, these funds may only be used for eligible expenses.
- The City accounting software upgrade began in May of 2022 and will be complete by April 2023.
- The Cost for employee salaries and benefits continue to be on the rise so the City will need to focus on getting more done with the resources we have.
- The City continues to make improvements to City and County Recreational facilities .

OVERVIEW OF THIS ANNUAL REPORT

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

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

GOVERNMENT – WIDE FINANCIAL STATEMENTS

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

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

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

Governmental activities - Most of the City's basic services are reported here, including general government administration, police, fire, streets, and sanitation. Property taxes, licenses and permits (including occupational licenses fees, insurance premium fees, and franchise fees), and grants finance most of these activities.

Business-type activities - The City collects fees from customers to cover the costs of the services, provided by the water and sewer utility.

FUND FINANCIAL STATEMENTS

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

The City has two kinds of funds:

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

Proprietary fund - Services for which the City charges customers fees are generally reported in proprietary funds.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

NET POSITION

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

Table A-1

Condensed Statement of Net Position

	Governmental		Business-type		Total Primary	
	Activities		Activities		Government	
	<u>FY 2022</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2021</u>
Current and Other Assets	\$ 4,292,066	\$ 2,878,483	\$ 969,598	\$ 907,475	\$ 5,261,664	\$ 3,785,958
Noncurrent and Capital						
Assets	10,448,981	10,212,382	21,156,932	21,457,044	31,605,913	31,669,426
Deferred Outflows of						
Resources	<u>2,060,672</u>	<u>2,803,081</u>	<u>686,141</u>	<u>856,239</u>	<u>2,746,813</u>	<u>3,659,320</u>
Total Assets						
and Deferred Outflows	<u>\$ 16,801,719</u>	<u>\$ 15,893,946</u>	<u>\$ 22,812,671</u>	<u>\$ 23,220,758</u>	<u>\$ 39,614,390</u>	<u>\$ 39,114,704</u>
Long-Term Accrued						
Leave Payable	\$ 309,850	\$ 306,888	\$ 115,169	\$ 105,360	\$ 425,019	\$ 412,248
Long-Term Debt	3,219,070	3,273,304	7,611,054	8,018,980	10,830,124	11,292,284
Net Pension and						
OPEB Liabilities	10,893,848	13,371,202	2,678,749	3,220,809	13,572,597	16,592,011
Deferred Inflows of						
Resources	2,397,568	431,220	574,846	131,030	2,972,414	562,250
Other Current Liabilities	<u>1,864,452</u>	<u>265,201</u>	<u>197,919</u>	<u>182,314</u>	<u>2,062,371</u>	<u>447,515</u>
Total Liabilities						
and Deferred Inflows	<u>\$ 18,684,788</u>	<u>\$ 17,647,815</u>	<u>\$ 11,177,737</u>	<u>\$ 11,658,493</u>	<u>\$ 29,862,525</u>	<u>\$ 29,306,308</u>
Net Position:						
Net Investment in						
Capital Assets	\$ 6,803,613	\$ 6,624,729	\$ 12,879,755	\$ 12,739,845	\$ 19,683,368	\$ 19,364,574
Restricted	426,298	314,349	666,123	698,219	1,092,421	1,012,568
Unrestricted	<u>(9,112,980)</u>	<u>(8,692,947)</u>	<u>(1,910,944)</u>	<u>(1,875,799)</u>	<u>(11,023,924)</u>	<u>(10,568,746)</u>
Total Net Position	<u>\$ (1,883,069)</u>	<u>\$ (1,753,869)</u>	<u>\$ 11,634,934</u>	<u>\$ 11,562,265</u>	<u>\$ 9,751,865</u>	<u>\$ 9,808,396</u>

NET POSITION, continued

Table A-2

Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>FY 2022</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2021</u>
Revenues						
<u>Program Revenues</u>						
Charges for service	\$ 510,704	\$ 376,466	\$ 3,623,604	\$ 3,666,590	\$ 4,134,308	\$ 4,043,056
Operating grants & contributions	786,098	1,325,106	-	-	786,098	1,325,106
Capital grants & contributions	354,947	124,461	69,550	-	424,497	124,461
<u>General Revenues</u>					-	-
Taxes	815,723	776,077	-	-	815,723	776,077
License fees	4,725,135	4,440,223	-	-	4,725,135	4,440,223
Investment earnings	4,919	14,193	587	575	5,506	14,768
Miscellaneous	50,414	79,399	-	-	50,414	79,399
Total Revenue	<u>7,247,940</u>	<u>7,135,925</u>	<u>3,693,741</u>	<u>3,667,165</u>	<u>10,941,681</u>	<u>10,803,090</u>
Program Expenses						
Public affairs	608,457	735,794	-	-	608,457	735,794
Public finance	301,276	340,504	-	-	301,276	340,504
Public safety - police	2,207,753	2,788,365	-	-	2,207,753	2,788,365
Public safety - fire	1,796,926	2,126,446	-	-	1,796,926	2,126,446
Public safety - dispatch	515,533	622,572	-	-	515,533	622,572
Public works	809,361	830,511	-	-	809,361	830,511
Public property	330,747	303,305	-	-	330,747	303,305
Sanitation	496,367	335,012	-	-	496,367	335,012
Code enforcement	7,702	12,058	-	-	7,702	12,058
Main street	39,027	47,394	-	-	39,027	47,394
Interest on Debt	105,473	210,810	-	-	105,473	210,810
Water	-	-	2,167,760	2,465,046	2,167,760	2,465,046
Sewer	-	-	1,453,312	1,496,106	1,453,312	1,496,106
Total Program Expenses	<u>7,218,622</u>	<u>8,352,771</u>	<u>3,621,072</u>	<u>3,961,152</u>	<u>10,839,694</u>	<u>12,313,923</u>
Other Changes						
Gain (loss) on sale of assets	(158,518)	(494,922)	-	12,927	(158,518)	(481,995)
Total Other Changes	<u>(158,518)</u>	<u>(494,922)</u>	<u>-</u>	<u>12,927</u>	<u>(158,518)</u>	<u>(481,995)</u>
Change In Net Position	<u>\$ (129,200)</u>	<u>\$ (1,711,768)</u>	<u>\$ 72,669</u>	<u>\$ (281,060)</u>	<u>\$ (56,531)</u>	<u>\$ (1,992,828)</u>

The City's change in Net Position above appear to be analogous to the long-standing concept of net revenues, but under the full accrual basis utilized by the governmental activities, these numbers include depreciation expense which is not a cash expenditure of the City. Additionally, the principal portions of debt obligations are excluded from the above but are reflected as debt service expenditures along with capital outlay expenditures in the City's budget for governmental activities. The business-type activities have always been on the full accrual basis.

GOVERNMENTAL ACTIVITIES

Table A-3 details a condensed statement of the fiscal year's governmental funds.

Table A-3

Condensed Governmental Funds - Revenues & Expenditures

	<u>FY 2022</u>	<u>FY 2021</u>	<u>Change</u>
Taxes	\$ 815,723	\$ 776,077	\$ 39,646
Licenses and Permits	4,725,135	4,440,223	284,912
Intergovernmental	1,141,045	1,325,106	(184,061)
Charges for Services	510,704	376,466	134,238
Other Revenues	<u>55,333</u>	<u>93,592</u>	<u>(38,259)</u>
Total Revenues	<u>7,247,940</u>	<u>7,011,464</u>	<u>236,476</u>
Public affairs	527,964	654,242	(126,278)
Public finance	289,229	296,213	(6,984)
Public safety - police	1,945,476	1,984,041	(38,565)
Public safety - fire	1,637,929	1,490,229	147,700
Public safety - dispatch	500,547	487,688	12,859
Public works	558,590	539,326	19,264
Public property	323,580	299,017	24,563
Sanitation	496,367	335,012	161,355
Code enforcement	7,702	12,058	(4,356)
Main street	37,260	36,479	781
Debt Service	541,955	884,020	(342,065)
Capital Outlay	<u>1,086,396</u>	<u>2,903,548</u>	<u>(1,817,152)</u>
Total Expenditures	<u>7,952,995</u>	<u>9,921,873</u>	<u>(1,968,878)</u>
Excess (Deficiency) of Revenues over Expenditures before other financing sources	<u>\$ (705,055)</u>	<u>\$ (2,910,409)</u>	<u>\$ 2,205,354</u>

The bottom number of Table A-3 above, should not be confused with the end-of-year "Fund Balance" figure shown in the City's General Fund Budget, because the above does not reflect the General Fund's beginning-of-year balance and any debt proceeds received during the fiscal year.

BUDGET HIGHLIGHTS

Over the course of the fiscal year, the City did amend its budget. The budget contains proposed expenditures and expected revenues. A comparison of the budget to actual amounts for General Fund is presented in the table below (Tables A-4 & A-5).

Table A-4

Condensed General Fund – Revenues

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Taxes	\$ 811,535	\$ 815,723	\$ 4,188
Licenses and permits	4,667,170	4,725,135	57,965
Intergovernmental	2,757,883	1,010,106	(1,757,777)
Charges for services	511,000	510,704	(296)
Other revenues	<u>49,573</u>	<u>53,333</u>	<u>5,760</u>
Total revenues	<u>\$ 8,797,161</u>	<u>\$ 7,117,001</u>	<u>\$ (1,680,160)</u>

Table A-5

Condensed General Fund - Expenditures

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Public affairs	\$ 528,955	\$ 527,964	\$ (180)
Public finance	294,302	289,229	(5,073)
Public safety-police	1,975,179	1,945,476	(29,703)
Public safety-fire	1,634,589	1,637,929	3,340
Public safety-dispatch	492,756	500,547	7,791
Public works	545,386	558,590	13,204
Public sanitation	476,200	496,367	20,167
Public property	318,868	323,580	4,712
Code enforcement	7,519	7,702	183
Main street	38,500	37,260	(1,240)
Debt service	409,403	541,955	132,552
Capital outlay	<u>369,325</u>	<u>964,544</u>	<u>595,219</u>
Total	<u>\$ 7,090,982</u>	<u>\$ 7,831,143</u>	<u>\$ 740,161</u>

The City budgeted for a total of \$8,797,161 in revenues for 2022, but actual revenues totaled \$7,117,001. The City over budgeted revenues by \$1,680,160 however \$1,642,236 in ARPA revenue was recorded as deferred revenue. These funds will be recorded as revenue when expenses are incurred, \$25,590 of expenses incurred in Fiscal year end 2022 with ARPA funds. A total of \$7,090,982 was budgeted for expenditures, but expenditures totaled \$7,831,143 for fiscal year 2022. The City was over budget on the expenses by \$740,161. This budget amount reflects the amended budget.

CAPITAL ASSETS

Table A-6 shows summary totals for a broad range of capital assets, including police equipment, buildings, land, street equipment and fire equipment and all of the equipment and materials involved in the operation of water and sewer utilities. Table A-6 shows the breakdown of non-depreciated capital assets for both governmental and business-type activities.

Table A-6

Capital Assets at Year End Without Depreciation

	Governmental		Business-type		Total Primary	
	Activities		Activities		Government	
	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021
Land & improvements	\$ 2,754,627	\$ 2,754,627	\$ -	\$ -	\$ 2,754,627	\$ 2,754,627
Construction in progress	2,223,891	2,211,551	66,301	19,060	2,290,192	2,230,611
Infrastructure	4,130,013	3,956,071	567,164	-	4,697,177	3,956,071
Buildings & improvements	2,508,750	2,508,750	-	-	2,508,750	2,508,750
Vehicles & equipment	3,920,608	3,521,700	-	457,762	3,920,608	3,979,462
Water & sewer system	-	-	42,614,837	42,120,974	42,614,837	42,120,974
Total Capital Assets	<u>\$ 15,537,889</u>	<u>\$ 14,952,699</u>	<u>\$ 43,248,302</u>	<u>\$ 42,597,796</u>	<u>\$ 58,786,191</u>	<u>\$ 57,550,495</u>

DEBT

Table A-7 provides a summary of all of the City's outstanding indebtedness.

Table A-7

Debt Outstanding at Year End

	Governmental		Business-type		Total Primary	
	Activities		Activities		Government	
	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021
Notes and bonds payable	\$ 2,779,456	\$ 2,714,299	\$ 7,463,964	\$ 7,945,447	\$ 10,243,420	\$ 10,659,746
Lease liability	439,614	559,005	147,090	73,533	586,704	632,538
Total Debt Outstanding	<u>\$ 3,219,070</u>	<u>\$ 3,273,304</u>	<u>\$ 7,611,054</u>	<u>\$ 8,018,980</u>	<u>\$ 10,830,124</u>	<u>\$ 11,292,284</u>

ECONOMIC FACTORS AND NEXT YEARS BUDGETS

The City Commission considers many factors when setting the fiscal year budget. Some of the factors are the local economy, expected grant money and anticipated tax revenue and fees and utility services. The City anticipates revenues from occupational license, net profits, insurance premium fees and property taxes to remain steady for the fiscal year ended June 30, 2023. The City management will closely monitor revenues and expenses.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens of the City, taxpayers, customers and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jamie Hutchison, City Clerk/Finance Director, 141 East Pike Street, P. O. Box 67, Cynthiana, KY 41031.

CITY OF CYNTHIANA, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2022

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,323,480	\$ 460,971	\$ 3,784,451
Receivables, net	1,087,327	506,141	1,593,468
Internal balances	<u>(2,486)</u>	<u>2,486</u>	<u>-</u>
Total current assets	<u>4,408,321</u>	<u>969,598</u>	<u>5,377,919</u>
Noncurrent assets			
Restricted cash and cash equivalents	310,043	666,123	976,166
Capital assets			
Nondepreciable capital assets	4,978,518	66,301	5,044,819
Depreciable capital assets, net	4,610,942	20,279,339	24,890,281
Leased vehicles and equipment, net	<u>433,223</u>	<u>145,169</u>	<u>578,392</u>
Total noncurrent assets	<u>10,332,726</u>	<u>21,156,932</u>	<u>31,489,658</u>
Total assets	<u>14,741,047</u>	<u>22,126,530</u>	<u>36,867,577</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows- pension	1,015,342	324,041	1,339,383
Deferred outflows- OPEB	<u>1,045,330</u>	<u>362,100</u>	<u>1,407,430</u>
Total deferred outflows of resources	<u>2,060,672</u>	<u>686,141</u>	<u>2,746,813</u>
Total assets and deferred outflows of resources	<u>\$ 16,801,719</u>	<u>\$ 22,812,671</u>	<u>\$ 39,614,390</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 93,392	\$ 59,926	\$ 153,318
Accrued leave payable	35,213	-	35,213
Accrued payroll liabilities	106,092	24,196	130,288
Accrued interest payable	22,642	54,222	76,864
Unearned revenue	1,642,326	-	1,642,326
Customer deposits	-	59,575	59,575
Lease liability, current	138,465	41,051	179,516
Bonds and notes payable, current	<u>168,620</u>	<u>481,906</u>	<u>650,526</u>
Total current liabilities	<u>2,206,750</u>	<u>720,876</u>	<u>2,927,626</u>
Noncurrent liabilities			
Accrued leave payable	274,637	115,169	389,806
Lease liability, net of current portion	301,149	106,039	407,188
Bonds and notes payable, net of current portion	2,610,836	6,982,058	9,592,894
Net pension liability	8,398,827	2,021,772	10,420,599
Net OPEB liability	<u>2,495,021</u>	<u>656,977</u>	<u>3,151,998</u>
Total noncurrent liabilities	<u>14,080,470</u>	<u>9,882,015</u>	<u>23,962,485</u>
Total liabilities	<u>16,287,220</u>	<u>10,602,891</u>	<u>26,890,111</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows- pension	1,404,178	292,867	1,697,045
Deferred inflows- OPEB	<u>993,390</u>	<u>281,979</u>	<u>1,275,369</u>
Total deferred inflows of resources	<u>2,397,568</u>	<u>574,846</u>	<u>2,972,414</u>
NET POSITION			
Net investment in capital assets	6,803,613	12,879,755	19,683,368
Restricted for:			
Debt service	-	657,633	657,633
Other purposes	310,043	8,490	318,533
Unrestricted	<u>(8,996,725)</u>	<u>(1,910,944)</u>	<u>(10,907,669)</u>
Total net position	<u>(1,883,069)</u>	<u>11,634,934</u>	<u>9,751,865</u>
Total liabilities, deferred inflows of resource, and net position	<u>\$ 16,801,719</u>	<u>\$ 22,812,671</u>	<u>\$ 39,614,390</u>

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

CITY OF CYNTHIANA, KENTUCKY
STATEMENT OF ACTIVITIES
for the year ended June 30, 2022

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
Public affairs	\$ 608,457	\$ -	\$ 22,290	\$ 3,000	\$ (583,167)	\$ -	\$ (583,167)
Public finance	301,276	-	-	-	(301,276)	-	(301,276)
Public safety-police	2,207,753	-	174,599	-	(2,033,154)	-	(2,033,154)
Public safety-fire	1,796,926	-	100,591	-	(1,696,335)	-	(1,696,335)
Public safety-dispatch	515,533	-	488,618	-	(26,915)	-	(26,915)
Public works	809,361	-	-	351,947	(457,414)	-	(457,414)
Public property	330,747	-	-	-	(330,747)	-	(330,747)
Sanitation	496,367	510,704	-	-	14,337	-	14,337
Code enforcement	7,702	-	-	-	(7,702)	-	(7,702)
Main street	39,027	-	-	-	(39,027)	-	(39,027)
Interest on long-term debt	105,473	-	-	-	(105,473)	-	(105,473)
Total governmental activities	<u>7,218,622</u>	<u>510,704</u>	<u>786,098</u>	<u>354,947</u>	<u>(5,566,873)</u>	<u>-</u>	<u>(5,566,873)</u>
Business-type activities							
Water	2,167,760	2,105,946	-	-	-	(61,814)	(61,814)
Sewer	1,453,312	1,517,658	-	69,550	-	133,896	133,896
Total business-type activities	<u>3,621,072</u>	<u>3,623,604</u>	<u>-</u>	<u>69,550</u>	<u>-</u>	<u>72,082</u>	<u>72,082</u>
Total primary government	<u>\$ 10,839,694</u>	<u>\$ 4,134,308</u>	<u>\$ 786,098</u>	<u>\$ 424,497</u>	<u>(5,566,873)</u>	<u>72,082</u>	<u>(5,494,791)</u>
General revenues							
Taxes:							
Property taxes, levied for general purposes							
					815,723	-	815,723
License fees:							
Franchise							
					332,403	-	332,403
Insurance premiums							
					785,709	-	785,709
Occupational							
					3,377,304	-	3,377,304
Reg fee/ retail alcohol							
					188,990	-	188,990
Other							
					40,729	-	40,729
Investment earnings							
					4,919	587	5,506
Miscellaneous							
					50,414	-	50,414
Total general revenues							
					5,596,191	587	5,596,778
Gain (loss) on disposal of capital assets							
					(158,518)	-	(158,518)
Change in net position							
					(129,200)	72,669	(56,531)
Net position-beginning of year, as restated							
					(1,753,869)	11,562,265	9,808,396
NET POSITION-ENDING							
					<u>\$ (1,883,069)</u>	<u>\$ 11,634,934</u>	<u>\$ 9,751,865</u>

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

CITY OF CYNTHIANA, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

	General	Municipal Road Aid	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 3,537,092	\$ 96,431	\$ 3,633,523
Receivables, net	1,031,532	-	1,031,532
Other receivable	15,054	-	15,054
Notes receivable, net	40,741	-	40,741
Total assets	\$ 4,624,419	\$ 96,431	\$ 4,720,850
LIABILITIES			
Accounts payable	\$ 93,392	\$ -	\$ 93,392
Accrued leave payable	35,213	-	35,213
Accrued payroll liabilities	106,092	-	106,092
Unearned revenue	1,642,326	-	1,642,326
Due to other funds	2,486	-	2,486
Total liabilities	1,879,509	-	1,879,509
FUND BALANCES			
Restricted			
Tourism	16,813	-	16,813
MRA	-	96,431	96,431
Assigned			
Fire truck reserve	10,191	-	10,191
Unassigned	2,717,906	-	2,717,906
Total fund balances	2,744,910	96,431	2,841,341
Total liabilities and fund balances	\$ 4,624,419	\$ 96,431	\$ 4,720,850

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

Fund balances reported above	\$ 2,841,341
Capital and leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.	10,022,683
Accrued interest payable on long-term debt	(22,642)
Long-term liabilities, including bonds, leases, notes payable and related pension/OPEB deferred inflows/outflows are not due and payable in the current period and therefore are not reported in the funds.	(14,724,451)
Net position of governmental activities	\$ (1,883,069)

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

CITY OF CYNTHIANA, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
for the year ended June 30, 2022

	General	Municipal Road Aid	Total Governmental Funds
REVENUES			
Taxes	\$ 815,723	\$ -	\$ 815,723
Licenses and permits	4,725,135	-	4,725,135
Intergovernmental	1,010,106	130,939	1,141,045
Charges for services	510,704	-	510,704
Other revenues	55,333	-	55,333
Total revenues	7,117,001	130,939	7,247,940
EXPENDITURES			
Current			
Public affairs	527,964	-	527,964
Public finance	289,229	-	289,229
Public safety-police	1,945,476	-	1,945,476
Public safety-fire	1,637,929	-	1,637,929
Public safety-dispatch	500,547	-	500,547
Public works	558,590	-	558,590
Public property	323,580	-	323,580
Sanitation	496,367	-	496,367
Code enforcement	7,702	-	7,702
Main street	37,260	-	37,260
Debt service	541,955	-	541,955
Capital outlay	964,544	121,852	1,086,396
Total expenditures	7,831,143	121,852	7,952,995
Excess (deficiency) of revenues over expenditures	(714,142)	9,087	(705,055)
Other financing sources:			
Proceeds from issuance of debt	383,152	-	383,152
Proceeds from disposal of capital assets	213,875	-	213,875
Total other financing sources	597,027	-	597,027
Net change in fund balances	(117,115)	9,087	(108,028)
Fund balances-beginning	2,862,025	87,344	2,949,369
Fund balances-ending	\$ 2,744,910	\$ 96,431	\$ 2,841,341
Reconciliation to government-wide change in net position:			
Net change in fund balances			\$ (108,028)
Add: capital outlay expenditures			1,086,396
Add: debt service expenditures			541,955
Less: loss on disposal of assets			(158,518)
Less: interest on long-term debt			(104,569)
Less: proceeds from sale and disposal of assets			(213,875)
Less: proceeds from issuance of debt			(383,152)
Less: change in accrued interest payable			(904)
Less: change in net pension liability			(187,831)
Less: change in net OPEB liability			(43,573)
Less: change in long-term accrued leave payable			32,251
Less: depreciation and amortization on governmental activities assets			(589,352)
Change in net position Governmental Activities			\$ (129,200)

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

CITY OF CYNTHIANA, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2022

	Business-type Activities Water & Sewer Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 460,971
Receivables	506,141
Due from other funds	2,486
Total current assets	969,598
Noncurrent assets	
Restricted cash and cash equivalents	666,123
Capital assets	
Nondepreciable capital assets	66,301
Leased vehicles and equipment	186,031
Depreciable capital assets	42,995,970
Less: accumulated depreciation and amortization	(22,757,493)
Total noncurrent assets	21,156,932
Total assets	22,126,530
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension	324,041
Deferred outflows - OPEB	362,100
Total deferred outflows of resources	686,141
Total assets and deferred outflows of resources	\$ 22,812,671
LIABILITIES	
Current liabilities	
Accounts payable	\$ 59,926
Accrued payroll liabilities	24,196
Accrued interest payable	54,222
Customer deposits	59,575
Lease liability, current	41,051
Bonds and notes payable, current	481,906
Total current liabilities	720,876
Noncurrent liabilities	
Compensated absences	115,169
Lease liability, net of current portion	106,039
Bonds and notes payable, net of current portion	6,982,058
Net pension liability	2,021,772
Net OPEB liability	656,977
Total noncurrent liabilities	9,882,015
Total liabilities	10,602,891
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension	292,867
Deferred inflows - OPEB	281,979
Total deferred inflows of resources	574,846
NET POSITION	
Net investment in capital assets	12,879,755
Restricted	666,123
Unrestricted	(1,910,944)
Total net position	11,634,934
Total liabilities and net position	\$ 22,812,671

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

**CITY OF CYNTHIANA, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
for the year ended June 30, 2022**

	Business-type Activities Water & Sewer Fund
Operating revenues	
Charges for services	\$ 3,502,454
Other revenues	<u>121,150</u>
Total operating revenues	<u>3,623,604</u>
 Operating expenses	
Salaries and employee benefits	1,436,448
Material and supplies	81,334
Repairs and maintenance	204,986
Electricity	260,906
Chemicals	237,465
Other	302,497
Depreciation and amortization	<u>943,691</u>
Total operating expenses	<u>3,467,327</u>
 Operating income (loss)	 <u>156,277</u>
 Nonoperating revenues (expenses)	
Investment earnings	587
Contributed capital	69,550
Interest expense	<u>(153,745)</u>
 Total nonoperating revenues (expenses)	 <u>(83,608)</u>
 Change in net position	 72,669
 Total net position-beginning, as restated	 <u>11,562,265</u>
 TOTAL NET POSITION-ENDING	 <u>\$ 11,634,934</u>

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

CITY OF CYNTHIANA, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
for the year ended June 30, 2022

	Business-Type Activities Water & Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 3,645,560
Payments to suppliers	(1,093,315)
Payments for employee services and benefits	(1,360,080)
Customer deposits received	1,910
Customer deposits returned	(2,660)
	<u>1,191,415</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Increase (decrease) in interfund loans	(15,500)
	<u>(15,500)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(531,536)
Proceeds from sale of capital assets	6,787
Contributions in aid of construction	69,550
Principal paid on bonds, notes and leases	(530,627)
Interest paid on bonds, notes, and leases	(154,193)
	<u>(1,140,019)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	587
	<u>587</u>
Net increase (decrease) in cash and cash equivalents	36,483
Cash and cash equivalents - beginning of the year	1,090,611
	<u>1,127,094</u>
CASH AND CASH EQUIVALENTS - END OF THE YEAR	
	<u>\$ 1,127,094</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 156,277
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	943,691
Net change in pension liability	56,507
Net change in OPEB liability	15,347
Change in assets and liabilities:	
Receivables, net	21,956
Customer deposits	(750)
Accounts and other payables	(6,127)
Accrued expenses	4,514
	<u>1,191,415</u>
Reconciliation of total cash and cash equivalents	
Current assets - cash and cash equivalents	\$ 460,971
Restricted assets - cash and cash equivalents	666,123
Total cash and cash equivalents	<u>\$ 1,127,094</u>
Schedule of non-cash activities	
Leased vehicle and equipment additions, net	\$ 122,701
Payables for capital items, net	28,225
	<u>150,926</u>
Capital assets purchased with capital lease	<u>\$ 150,926</u>

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

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Cynthiana, Kentucky (the City) operates under the Mayor-Commission form of government and provides the following services as authorized by its charter: public affairs; public finance; public safety – police, fire and dispatch; public property; public works. The accounting policies of the City of Cynthiana conform to generally accepted accounting principles applicable to governmental units. The following is a summary of the more significant accounting policies.

Reporting Entity

The financial statements of the City of Cynthiana, Kentucky include the funds, account groups and entities over which the Mayor and Commission exercise significant oversight responsibility. Oversight responsibility, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, was determined on the basis of the City's ability to significantly influence operation, select the governing body, participate in fiscal management and the scope of public service.

The Cynthiana-Harrison County Recreation Board, the Harrison County Senior Citizens, the Harrison County Adult Activity Center, and the Cynthiana-Harrison County-Berry Joint Planning Board are not included in the reporting entity based on the application of these criteria. These potential component units have been appointed jointly by the area governments' governing bodies. These are independent units that select management staff, set user charges, establish budgets, and control all aspects of daily activities.

Basis of Presentation

Government-Wide Financial Statements

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

Fund Financial Statements

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

Governmental funds are those through which most governmental functions are financed. The governmental fund measurement focus is upon determination of financial position and budgetary control over revenues and expenditures. Proprietary fund types are used to account for operations that are financed and operated in a manner similar to business enterprises - where intent of the governing body is that costs of providing services are to be financed or recovered primarily through user charges.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

The following funds are used by the City of Cynthiana:

Governmental Funds

General Fund - The general operating fund of the City is used to account for all financial resources except those required to be accounted for in another fund. Most of the essential governmental services such as police and fire protection, and general administration are reported in this fund.

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are restricted by law to be expended for specific purposes. The following special revenue fund is maintained by the City:

Municipal Road Aid Fund – A special revenue fund for the money received from the state to be used exclusively on road repair.

Proprietary Funds

Proprietary funds are used to account for the ongoing organizations and activities of the City, which are similar to those found in private business enterprises. The measurement focus is upon determination of net income, financial position, and changes in cash flows.

Proprietary funds are established to account for the acquisition, operations and maintenance of the City's facilities and services which are entirely or predominantly self-supported by user charges or where the City has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City's proprietary operations include the following:

Water and Sewer Fund – This fund is used to account for the water and sewer services provided to residents of the City, the operations of which are financed by user charges.

Basis of Accounting

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the City as a whole. The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for individual funds.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Fund Financial Statements

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

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred. Permits, fines and forfeits, and miscellaneous revenues (except for investment earnings) are recorded as revenues when received because they are generally not measurable until actually received. Investment earnings are recorded when earned since they are measurable and available in all funds.

Proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and expenses are recognized when they are incurred. Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Pensions

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

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.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws and regulations of other governments.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances

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. Fund balances of the governmental funds are classified as follows:

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

Restricted – amounts 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.

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.

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.

For resources considered to be committed, the City issues an ordinance that can be changed with another corresponding ordinance. For resources considered to be assigned, the City has designated the Mayor to carry the intent of the City commission.

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

Budgeting

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

Budgeted amounts in the financial statements are as adopted by ordinance of the City and have been revised for amendments authorized during the year. For fiscal year 2022, the City exceeded budgeted amounts by \$740,161 in the General Fund. This is primarily a result of debt service and capital outlay exceeding budgeted amounts by \$132,552 and \$595,219, respectively.

Accounts Receivable

Governmental activities accounts receivable consists of property taxes, occupational license fees, insurance premium fees, franchise fees, service revenues and grant funds which are disbursed on an expenditure-reimbursement plan. Accounts receivable from customers are stated less an allowance for doubtful accounts of \$0 in the proprietary fund.

Cash and Cash Equivalents

Cash and cash equivalents - The City considers cash on hand, demand deposits, and short-term investments, which consist of highly liquid investments with original maturities of three months or less from the date of acquisition to be cash and cash equivalents.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Receivables and Payables

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

Capital Assets and Depreciation

General capital and leased 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 and leased 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.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Leased assets are recorded at the amount of the initial measurement of the lease liability, plus any payments made at or before the commencement of the lease term. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$2,500 for assets other land or infrastructure, that have an estimated useful life of at least five years. The capitalization threshold for infrastructure is \$30,000 and for land the capitalization threshold is \$1,000.

Transfers of capital assets between funds are recorded at the net book value of the transferred asset at the time of transfer.

All leased assets are amortized over the shorter of the lease term or the useful life of the underlying asset.

Compensated Absences

The City allows employees to accumulate unused sick leave to a maximum of 480 hours. Upon termination, employees in Tier 1 or Tier 2 of the Kentucky Public Pensions Authority who have worked in a full time-time position without a break in service for five years are given the option of taking credit towards their retirement for accumulated sick days or taking payment for the accumulated days with a maximum of 480 hours to be paid out. Employees in Tier 3 of the Kentucky Public Pensions Authority who have worked in a full time-time position without a break in service for five years may be paid up to 480 hours sick hours at time of retirement but are not allowed any roll over hours to the retirement system. At termination employees can be paid for up to 240 hours of vacation leave for employees work 40 hours per week or 320 hours of vacation leave for employees who work 56 hours per week. At time of termination vested but unused vacation leave will be paid out. Employees may also request payment of vacation leave in lieu of paid time off on December 1st each year in a block of 24, 40, or 48 hours. Employees are required to have taken or scheduled to be taken 40 hours of vacation leave for 40 hours per week employees or 56 hours of vacation leave for 56 hours per week employees annually. The City's accrued liabilities for future compensated absences are recorded to the extent the future leave (1) relate to rights attributable to employee services already rendered, (2) relate to rights that vest or accumulate, (3) where payment is probable and (4) where amounts can be reasonably estimated. The amount of sick and vacation liability is included in the financial statements in the accrued liabilities total.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Accounting Policies

Bond discounts and premiums recorded in the Water and Sewer Fund are capitalized in the year of issue and amortized over the life of the bonds using the straight-line method.

Unearned revenues represent grant revenues received but unearned. Revenues are recognized when eligible expenditures are incurred.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City of Cynthiana.

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

Change in Accounting Policy

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. See Note 16 for the effect on the beginning net position of the City and the resulting restatement.

Management's Review of Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through March 6, 2023, which represents the date these financials statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2022, have not been evaluated by the city.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

2. CASH AND INVESTMENTS

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

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

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The City of Cynthiana's deposits and investments at June 30, 2022 were entirely covered by federal depository insurance or by collateral held by the custodial banks in the City's name. The book balance of the City's deposits was \$4,760,617 and the bank balances totaled \$4,721,197. \$1,282,525 was covered by FDIC insurance and \$3,438,672 was collateralized by custodial banks.

3. RECEIVABLES

Receivables at year end of the City's major individual funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General Fund	Municipal Road Aid Fund	Water & Sewer Fund	Total
Taxes	\$ 18,417	\$ -	\$ -	\$ 18,417
Licenses, permits, billings	1,013,115	-	-	1,013,115
Intergovernmental	15,054	-	-	15,054
Customers	-	-	506,141	506,141
Notes	<u>429,741</u>	<u>-</u>	<u>-</u>	<u>429,741</u>
Gross receivables	1,476,327	-	506,141	1,982,468
Less: allowance for uncollectible	<u>(389,000)</u>	<u>-</u>	<u>-</u>	<u>(389,000)</u>
Net receivables	<u>\$ 1,087,327</u>	<u>\$ -</u>	<u>\$ 506,141</u>	<u>\$ 1,593,468</u>

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

4. CAPITAL ASSETS

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

<u>Governmental Activities</u>	Balance			Balance
	July 1, 2021	Additions	Deductions	June 30, 2022
Capital assets not being depreciated:				
Land and improvements	\$ 2,754,627	\$ -	\$ -	\$ 2,754,627
Construction in progress	<u>2,211,551</u>	<u>236,051</u>	<u>(223,711)</u>	<u>2,223,891</u>
Total	<u>4,966,178</u>	<u>236,051</u>	<u>(223,711)</u>	<u>4,978,518</u>
Capital assets being depreciated:				
Buildings and improvements	2,508,750	-	-	2,508,750
Vehicles and equipment	2,962,695	475,789	(89,007)	3,349,477
Leased equipment	14,328	-	-	14,328
Leased vehicles	<u>544,677</u>	<u>200,614</u>	<u>(188,488)</u>	<u>556,803</u>
Total	<u>6,030,450</u>	<u>676,403</u>	<u>(277,495)</u>	<u>6,429,358</u>
Total non-infrastructure assets	<u>10,996,628</u>	<u>912,454</u>	<u>(501,206)</u>	<u>11,407,876</u>
Infrastructure assets	<u>3,956,071</u>	<u>173,942</u>	<u>-</u>	<u>4,130,013</u>
Total capital assets	<u>14,952,699</u>	<u>1,086,396</u>	<u>(501,206)</u>	<u>15,537,889</u>
Less: accumulated depreciation:				
Buildings and improvements	1,239,547	77,993	-	1,317,540
Vehicles and equipment	2,355,888	142,309	(89,009)	2,409,188
Infrastructure assets	<u>1,459,231</u>	<u>191,338</u>	<u>-</u>	<u>1,650,569</u>
Total	<u>5,054,666</u>	<u>411,640</u>	<u>(89,009)</u>	<u>5,377,297</u>
Less: accumulated amortization:				
Leased equipment	-	4,968	-	4,968
Leased vehicles	<u>-</u>	<u>172,744</u>	<u>(39,803)</u>	<u>132,941</u>
Total	<u>-</u>	<u>177,712</u>	<u>(39,803)</u>	<u>137,909</u>
Total accumulated depreciation and amortization	<u>5,054,666</u>	<u>589,352</u>	<u>(128,812)</u>	<u>5,515,206</u>
Governmental activities capital assets, net	<u>\$ 9,898,033</u>	<u>\$ 497,044</u>	<u>\$ (372,394)</u>	<u>\$ 10,022,683</u>

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

4. CAPITAL ASSETS (CONTINUED)

<u>Business-type activities:</u>	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022
Construction in progress	\$ 19,060	\$ 47,241	\$ -	\$ 66,301
Equipment and vehicles	384,229	18,657	(21,753)	381,133
Leased vehicles	73,533	122,701	(10,203)	186,031
Water system	17,688,284	349,235	-	18,037,519
Sewer system	<u>24,432,690</u>	<u>144,628</u>	<u>-</u>	<u>24,577,318</u>
 Total capital assets	 42,597,796	 682,462	 (31,956)	 43,248,302
 Less: accumulated depreciation	 <u>21,838,971</u>	 <u>899,413</u>	 <u>(21,753)</u>	 <u>22,716,631</u>
 Less: accumulated amortization	 <u>-</u>	 <u>44,278</u>	 <u>(3,416)</u>	 <u>40,862</u>
 Total accumulated depreciation and amortization	 <u>21,838,971</u>	 <u>943,691</u>	 <u>(25,169)</u>	 <u>22,757,493</u>
 Capital assets, net	 <u>\$ 20,758,825</u>	 <u>\$ (261,229)</u>	 <u>\$ (6,787)</u>	 <u>\$ 20,490,809</u>

Depreciation expense was charged to the governmental functions as follows:

Public affairs	\$ 80,493
Public safety - police	27,160
Public safety - fire	86,528
Public works	210,293
Public property	<u>7,167</u>
 Total	 <u>\$ 411,641</u>

Amortization expense was charged to the governmental functions as follows:

Public affairs	\$ 2,001
Public safety - police	150,772
Public works	<u>24,938</u>
 Total	 <u>\$ 177,711</u>

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

Infrastructure	20-40 years
Buildings	25-40 years
Improvements	10-20 years
Vehicles, furniture and equipment	5-10 years

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

5. GOVERNMENTAL ACTIVITIES - LONG TERM DEBT

Bonds and notes payable

In September 2014, the City partially financed a fire truck for \$229,800. The loan is for 120 months at a rate of interest of 2.14%. The fire truck, which as of June 30, 2022, had a net book value of \$63,778, is collateral on the loan. Future expected debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 24,715	\$ 909	\$ 25,624
2024	<u>26,976</u>	<u>376</u>	<u>27,352</u>
	<u>\$ 51,691</u>	<u>\$ 1,285</u>	<u>\$ 52,976</u>

In April 2020, the City partially financed the purchase of a maintenance building for \$400,500. The loan is a shared liability of the governmental activities and water and sewer fund and has been recorded equally in both activities. The loan was set to mature on December 31, 2020, at which date all principal and accrued interest is due in a lump sum payment. The loan was refinanced with a revised maturity date of September 23, 2027. The rate of interest on the loan is 3.351%. The maintenance building, which as of June 30, 2022, had a net book value of \$457,682 is collateral on the loan. The principal balance at June 30, 2022 in the governmental activities is \$186,051. Future expected debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 7,591	\$ 6,204	\$ 13,795
2024	7,837	5,958	13,795
2025	8,123	5,672	13,795
2026	8,404	5,391	13,795
2027	8,694	5,101	13,795
2028	<u>145,402</u>	<u>1,239</u>	<u>146,641</u>
	<u>\$ 186,051</u>	<u>\$ 29,565</u>	<u>\$ 215,616</u>

On July 1, 2020, the City issued Series 2020C Revenue Bonds to obtain \$3,090,000 in financing. \$2,095,000 of the bond proceeds are to finance construction for the City's energy project in the governmental activities and \$995,000 of the bond proceeds are to refinance the 2000 and 2005 Series Water and Sewer Revenue Bonds in the business-type activities. The bonds bear interest at a coupon range of 2.00% to 2.75% with payments due semi-annually, beginning on February 1, 2021 and set to mature on February 1, 2043. The principal balance for the governmental activities portion of the bonds at June 30, 2022, is \$2,050,000. Future expected debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 80,000	\$ 49,700	\$ 129,700
2024	80,000	47,900	127,900
2025	85,000	46,053	131,053
2026	90,000	44,094	134,094
2027	90,000	42,069	132,069
2028-2032	480,000	179,800	659,800
2033-2037	600,000	115,507	715,507
2038-2041	<u>545,000</u>	<u>32,506</u>	<u>577,506</u>
	<u>\$ 2,050,000</u>	<u>\$ 557,629</u>	<u>\$ 2,607,629</u>

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

5. GOVERNMENTAL ACTIVITIES - LONG TERM DEBT (CONTINUED)

Bonds and notes payable, continued

In January 2021, the City financed a fire truck for \$360,000. The loan is for 59 months with payments beginning January 31, 2021 at an interest rate of 2.13%. The fire truck, which as of June 30, 2022, had a net book value of \$307,900 is collateral on the loan. The principal balance at June 30, 2022 is \$337,503. Future expected debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 15,009	\$ 7,142	\$ 22,151
2024	15,318	6,833	22,151
2025	15,671	6,480	22,151
2026	<u>291,505</u>	<u>3,135</u>	<u>294,640</u>
	<u>\$ 337,503</u>	<u>\$ 23,590</u>	<u>\$ 361,093</u>

In April 2022, the City financed a street sweeper for \$125,000. The loan is for 60 months with annual payments beginning May 6, 2022 at an interest rate of 4.30%. The street sweeper, which as of June 30, 2022, had a net book value of \$120,833 is collateral on the loan. The principal balance at June 30, 2022 is \$98,160. Future expected debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 22,984	\$ 4,304	\$ 27,288
2024	23,991	3,297	27,288
2025	25,043	2,245	27,288
2026	<u>26,142</u>	<u>1,146</u>	<u>27,288</u>
	<u>\$ 98,160</u>	<u>\$ 10,992</u>	<u>\$ 109,152</u>

In May 2022, the City financed a skid steer for \$57,538. The loan is for 36 months with payments beginning June 2, 2022 at an interest rate of 4.91%. The skid steer, which as of June 30, 2022, had a net book value of \$55,620 is collateral on the loan. The principal balance at June 30, 2022 is \$56,051. Future expected debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 18,321	\$ 2,344	\$ 20,666
2024	19,242	1,424	20,666
2025	<u>18,488</u>	<u>457</u>	<u>18,944</u>
	<u>\$ 56,051</u>	<u>\$ 4,225</u>	<u>\$ 60,276</u>

Changes in long-term debt

The following is a summary of the City's long-term debt transactions for the year:

	July 1, 2021	Additions	Retirements	June 30, 2022	Current Portion
Bond and notes payable	\$ 2,714,299	\$ 182,538	\$ (117,381)	\$ 2,779,456	\$ 168,620
Lease liability	559,005	200,614	(320,005)	439,614	138,465
Accrued leave	316,335	-	(6,485)	309,850	35,213
Net pension liability	10,261,117	-	(1,862,290)	8,398,827	-
Net OPEB liability	<u>3,110,085</u>	<u>-</u>	<u>(615,064)</u>	<u>2,495,021</u>	<u>-</u>
Total	<u>\$ 16,960,841</u>	<u>\$ 383,152</u>	<u>\$(2,921,225)</u>	<u>\$ 14,422,768</u>	<u>\$ 342,298</u>

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

6. BUSINESS-TYPE ACTIVITIES - LONG-TERM DEBT

Bonds and notes payable

The June 30, 2022 summary of bonds and notes payable of the Water and Sewer Fund is as follows:

	Amount Issued	Interest Rate	Balance Outstanding 7/01/21	Issued (Retired) During Year	Balance Outstanding 6/30/22
2015 Series	\$ 3,590,000	2.50%	\$ 3,373,000	\$ (58,500)	\$ 3,314,500
KIA Loan	\$ 5,887,374	1.00%	1,971,952	(295,118)	1,676,834
KIA Loan	\$ 754,539	0.75%	486,325	(26,927)	459,398
KIA Loan	\$ 972,600	0.50%	926,513	(46,604)	879,909
2020C Series	\$ 995,000	2.00%	975,000	(35,000)	940,000
Building Loan	\$ 200,000	3.35%	191,200	(5,150)	186,050
Excavator Loan	\$ 49,948	3.69%	<u>21,457</u>	<u>(14,184)</u>	<u>7,273</u>
			<u>\$ 7,945,447</u>	<u>\$ (481,483)</u>	<u>\$ 7,463,964</u>

The KIA Fund A Loan was originally issued in several draws totaling \$5,887,374. The loan was for the wastewater treatment plant. The loan carries a 1% rate of interest and had an outstanding balance totaling \$1,676,834 at June 30, 2022.

The Series 2015 Water and Sewer Revenue Bonds original issue was \$3,590,000. It is due in annual installments of \$52,000 to \$153,500 through 2055; interest rate is 2.5%. Net revenue bonds payable balance at June 30, 2022 is \$3,314,500.

The KIA Loan was issued in 2018 with draws totaling \$754,539. Principal forgiveness of \$188,636 was applied to the loan, leaving a balance of \$565,903. The balance is to be paid off in semiannual installments of \$15,262 through 2038. The loan carries an interest rate of .75% and had an outstanding balance of \$459,398 at June 30, 2022.

The KIA Loan was issued in 2020 with draws totaling \$972,600. The loan was for the East Side Pressure Project. The loan carries a 0.50% rate of interest and had an outstanding balance totaling \$879,909 at June 30, 2022.

In April 2020, the City partially financed the purchase of a maintenance building for \$400,500. The loan is a shared liability of the governmental activities and water and sewer fund and has been recorded equally in both activities. The loan was set to mature on December 31, 2020, at which date all principal and accrued interest was due in a lump sum payment. The loan was refinanced with a revised maturity date of September 23, 2027. The rate of interest on the loan is 3.351%. The maintenance building, which as of June 30, 2022, had a net book value of \$457,682 is collateral on the loan. The principal balance at June 30, 2022 in the water and sewer fund is \$186,050.

The revenue bonds are collateralized by the revenue of the water and sewer system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. The ordinances also contain certain provisions which require the City to maintain pledged revenues, as defined in the ordinances, for each year of at least 1.20 times the maximum annual debt service requirements.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

Bonds and notes payable, continued

On July 1, 2020, the City issued Series 2020C Revenue Bonds to obtain \$3,090,000 in financing. \$2,095,000 of the bond proceeds are to finance construction for the City's energy project in the governmental activities and \$995,000 of the bond proceeds are to refinance the 2000 and 2005 Series Water and Sewer Revenue Bonds in the business-type activities. The bonds bear interest at a coupon range of 2.00% to 2.75% with payments due semi-annually, beginning on February 1, 2021 and set to mature on February 1, 2043. The principal balance for the business-type activities portion of the bonds at June 30, 2022, is \$940,000.

In August 2019, the City partially financed the purchase of an excavator through a dealer financing program for \$49,948. The rate of interest on the loan is 3.69%. The excavator, which as of June 30, 2022, had a net book value of \$25,980 is collateral on the loan. The principal balance at June 30, 2022 is \$7,273.

Future expected debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 481,906	\$ 136,197	\$ 618,103
2024	485,305	130,125	615,430
2025	491,050	123,928	614,978
2026	496,824	117,656	614,480
2027	502,139	111,289	613,428
2028-2032	1,257,637	466,775	1,724,412
2033-2037	1,072,052	378,402	1,450,454
2038-2042	935,551	277,513	1,213,064
2043-2047	622,500	185,113	807,613
2048-2052	669,000	107,413	776,413
2053-2055	<u>450,000</u>	<u>22,620</u>	<u>472,620</u>
	<u>\$ 7,463,964</u>	<u>\$ 2,057,031</u>	<u>\$ 9,520,995</u>

Changes in long term debt

The following is a summary of the City's long-term debt transactions for the year:

	July 1, 2021	Additions	Retirements	June 30, 2022	Current Portion
Bonds and Notes	\$ 7,945,447	\$ -	\$ (481,483)	\$ 7,463,964	\$ 481,906
Lease liability	73,533	122,701	(49,144)	147,090	41,051
Accrued leave	112,921	2,248	-	115,169	-
Net pension liability	2,411,319	-	(389,547)	2,021,772	-
Net OPEB liability	<u>809,490</u>	<u>-</u>	<u>(152,513)</u>	<u>656,977</u>	<u>-</u>
Total	<u>\$ 11,352,710</u>	<u>\$ 124,949</u>	<u>\$ (1,072,687)</u>	<u>\$ 10,404,972</u>	<u>\$ 522,957</u>

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

7. LEASE LIABILITIES

Governmental Activities

As of June 30, 2022, the City has entered into two separate lease agreements for copiers which are utilized by various departments throughout the City. The term of these lease agreements varies from 48-60 months. Monthly payments due on the copier leases total \$376. Upon adoption of GASB 87, the City recognized both a lease liability and leased equipment related to the lease agreements totaling \$14,328. The City calculated the present value of future lease payments based on an incremental borrowing rate of 4.69%. The balance of the liability related to the copier leases as of June 30, 2022 totaled \$10,371.

In April 2017, the City entered into a master lease agreement with Enterprise FM Trust. The agreement allows the City to enter into separate individual lease agreements for vehicles as needed. The lease term for the vehicle leases are 60 months. The interest rates for the vehicle leases range from 3.15 – 5.63%. Upon adoption of GASB 87, the City recognized both a lease liability and leased vehicles related to the lease agreements totaling \$544,677. The balance of the liability related to the vehicle leases as of June 30, 2022 totaled \$429,243.

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

Year ended	Principal	Interest	Total
2023	\$ 138,465	\$ 16,602	\$ 155,067
2024	124,440	10,984	135,424
2025	104,335	6,213	110,548
2026	55,391	2,476	57,867
2027	<u>16,983</u>	<u>432</u>	<u>17,415</u>
	<u>\$ 439,614</u>	<u>\$ 36,707</u>	<u>\$ 476,321</u>

Business-type Activities

In April 2017, the City entered into a master lease agreement with Enterprise FM Trust. The agreement allows the City to enter into separate individual lease agreements for vehicles as needed. The lease term for the vehicle leases are 60 months. The interest rates for the vehicle leases range from 3.15 – 5.63%. Upon adoption of GASB 87, the City recognized both a lease liability and leased vehicles related to the lease agreements totaling \$73,533. The balance of the liability related to the vehicle leases as of June 30, 2022 totaled \$147,090.

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

Year ended	Principal	Interest	Total
2023	\$ 41,051	\$ 5,666	\$ 46,717
2024	31,471	3,941	35,412
2025	32,159	2,768	34,927
2026	29,372	1,589	30,961
2027	<u>13,037</u>	<u>478</u>	<u>13,515</u>
	<u>\$ 147,090</u>	<u>\$ 14,442</u>	<u>\$ 161,532</u>

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

8. RETIREMENT PLAN

The City 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, 2022, plan members were required to contribute 5% of wages for non-hazardous job classifications and 8% of wages for hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium.

The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2022, participating employers contributed 26.95% of each employee's wages for non-hazardous job classifications and 44.33% of each employee's wages for hazardous job classifications.

The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 9. Plan members contributed 21.17% to the pension trust for non-hazardous job classifications and 33.86% to the pension trust for hazardous job classifications. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

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

For the year ended June 30, 2022, the City contributed \$344,545 or 100% of the required contribution for non-hazardous job classifications, and \$556,308, for the year ended June 30, 2022, or 100% of the required contribution for hazardous job classifications.

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

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

8. RETIREMENT PLAN (CONTINUED)

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

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service.

Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2022, the City reported a liability for its proportionate share of the net pension liability as follows:

Total Net		
Pension Liability	Non-hazardous	Hazardous
<u>\$ 10,420,599</u>	<u>\$ 3,677,616</u>	<u>\$ 6,742,983</u>

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 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, 2021 was as follows:

Non-hazardous	Hazardous
.0577%	.2533%

The proportionate share at June 30, 2021 increased .0006% for non-hazardous and decreased .0218% for hazardous compared to the proportionate share as of June 30, 2020.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

8. RETIREMENT PLAN (CONTINUED)

For the year ended June 30, 2022, the City recognized pension expense of \$1,073,937. At June 30, 2022, 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	\$ 228,179	\$ 35,694
Changes of assumptions	133,576	-
Net difference between projected and actual earnings on Plan Investments	-	1,214,038
Changes in proportion and differences between City contributions and proportionate share of contributions	152,257	447,313
City contributions subsequent to the measurement date	<u>825,371</u>	<u>-</u>
Total	<u>\$ 1,339,383</u>	<u>\$ 1,697,045</u>

The \$825,371 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Contributions exclude \$75,482 of contributions for employees that previously retired and were subsequently re-employed. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,

2023	\$ (91,554)
2024	\$ (307,462)
2025	\$ (359,920)
2026	\$ (424,097)

Actuarial Assumptions – The total pension liabilities in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	2.30%
Salary increases	3.30% to 10.30%, varies by service, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

Hazardous

Inflation	2.30%
Salary increases	3.55 to 19.05%, varies by service, including inflation
Investment rate of return	6.25%, 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 2013-2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2019. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2010.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

8. RETIREMENT PLAN (CONTINUED)

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021. 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 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
Growth	68.50%	
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Special credit/high yield	15.00%	2.80%
Liquidity	11.50%	
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Diversifying Strategies	20.00%	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	11.00%	4.55%
Total	100.00%	5.00%
Long term inflation assumption		2.30%
Expected nominal return for portfolio		7.30%

Discount Rate – The discount rate used to measure the total pension liability was 6.25 percent. 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 6.25 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 (5.25 percent) or 1-percentage-point higher (7.25 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	Discount rate	City's proportionate share of net pension liability
1% decrease	5.25%	\$ 4,716,717	5.25%	\$ 8,594,868		
Current discount rate	6.25%	\$ 3,677,616	6.25%	\$ 6,742,983		
1% increase	7.25%	\$ 2,817,784	7.25%	\$ 5,233,705		

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

8. RETIREMENT PLAN (CONTINUED)

Payable to the Pension Plan – At June 30, 2022, the City reported a payable of \$108,356 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2022. The payable includes both the pension and insurance contribution allocation.

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – As more fully described in Note 8, the City 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, 2022, the employer's contribution was 5.78% to the insurance trust for non-hazardous job classifications and 10.47% 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 were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended 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 Pensions Authority are financed through employer contributions and investment earnings.

For the year ended June 30, 2022, the City contributed \$94,070, or 100% of the required contribution for non-hazardous job classifications, and \$172,018, or 100% of the required contribution for hazardous job classifications.

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

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

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, 2022, the City reported a liability for its proportionate share of the net OPEB liability as follows:

Total Net OPEB Liability	Non-hazardous	Hazardous
\$ <u>3,151,998</u>	\$ <u>1,104,006</u>	\$ <u>2,047,992</u>

The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020 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, 2021 was as follows:

Non-hazardous	Hazardous
.0577%	.2533%

The proportionate share at June 30, 2021 increased .0006% for non-hazardous and decreased .0218% for hazardous compared to the proportionate share as of June 30, 2020.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

For the year ended June 30, 2022, the City recognized OPEB expense of \$350,330. At June 30, 2022, 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	\$ 237,602	\$ 549,950
Changes of assumptions	806,283	1,792
Net difference between projected and actual earnings on Plan investments	-	558,184
Changes in proportion and differences between City contributions and proportionate share of contributions	69,502	165,443
City contributions subsequent to the measurement date	<u>294,043</u>	<u>-</u>
Total	<u>\$ 1,407,430</u>	<u>\$ 1,275,369</u>

The \$294,043 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, 2023. Contributions exclude \$22,957 of contributions for employees that previously retired and were subsequently re-employed. Contributions also include an allocation for the implicit subsidy of \$50,911, which is required to be recognized as deferred outflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in expense as follows:

Year ending June 30,	
2023	\$ (20,008)
2024	\$ 2,325
2025	\$ (22,254)
2026	\$ (137,543)
2027	\$ 15,498

Actuarial Assumptions – The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	2.30%
Salary increases	3.30 to 10.30%, varies by service, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare trend	

Pre – 65: Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

Post – 65: Initial trend starting at 6.30% at January 1, 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

Hazardous

Inflation	2.30%
Salary increases	3.55 to 19.05%, varies by service, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare trend	
Pre – 65:	Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post – 65:	Initial trend starting at 6.30% at January 1, 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

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

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	68.50%	
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Special credit/high yield	15.00%	2.80%
Liquidity	11.50%	
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Diversifying Strategies	20.00%	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
Total	100.00%	5.00%
Long term inflation assumption		2.30%
Expected nominal return for portfolio		7.30%

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

Discount Rate – The discount rate used to measure the total OPEB liability was 5.20% and 5.05% for non-hazardous and hazardous classifications, respectively. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index.” However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

	Non-hazardous		Hazardous	
	Discount rate	City’s proportionate share of net OPEB liability	Discount rate	City’s proportionate share of net OPEB liability
1% decrease	4.20%	\$ 1,515,792	4.05%	\$ 2,969,200
Current discount rate	5.20%	\$ 1,104,006	5.05%	\$ 2,047,992
1% increase	6.20%	\$ 766,067	6.05%	\$ 1,307,855

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

	Non-hazardous		Hazardous	
		City’s proportionate share of net OPEB liability		City’s proportionate share of net OPEB liability
1% decrease		\$ 794,753		\$ 1,341,956
Current trend rate		\$ 1,104,006		\$ 2,047,992
1% increase		\$ 1,477,279		\$ 2,912,718

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

10. DEFERRED COMPENSATION PLAN

The City of Cynthiana also provides its employees a deferred compensation plan. All employees can choose to voluntarily participate in the plan. Employees may contribute up to the federal limitations. The City does not provide any contributions to these plans.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

11. RISK MANAGEMENT

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

12. PROPERTY TAX CALENDAR

Property taxes for fiscal year 2022 were levied in September 2021, on the assessed property located in the City of Cynthiana as of the preceding January 1. The assessments are determined by the County Property Valuation Administrator in accordance with Kentucky Revised Statutes. The due date collection periods for all taxes exclusive of vehicle taxes are as follows:

Description	Date Per K.R.S. 134.020
1. Due date for payment	Upon receipt
2. Face value payment period	To November 30
3. Past due date, 20% penalty	December 1
4. Interest charge	1.0% per month effective January 1

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

13. LOAN RECEIVABLE

The City has forgivable loan agreements related to the sale of seven properties for the Westside Redevelopment Project. The loan agreements are comprised of housing development loans financed by resource allocations from the U.S. Department of Housing and Urban Development (HUD). The loans were made with home buyers in 2018, 2019, 2020, and 2021 and were to be applied to the down payment and closing costs on the sale of the homes. The term of the loans are ten years and the funds are subject to recapture if the property is sold or conveyed by the purchasers within ten years from the date of purchase. Ten percent of the loan balances are forgiven each year for the remaining term of the loans. Also, the City has a forgivable loan agreement related to the sale of a property known as the Lerman Building. The loan started effective September 1, 2021 with a term of five years. The property is subject to recapture if the property is sold or conveyed by the purchaser within five years from the date of purchase. The principal balance of the loans receivable and the allowance for uncollectible loans as of June 30, 2022 was \$389,000.

The City entered into an agreement with Cynthiana-Harrison County Home Assistance, Inc (CHCHA) for repayment of expenses incurred by the City on the properties deeded to CHCHA for the Westside Redevelopment Project. The term of the agreement is 6 years with equal, quarterly installments of \$2,144 being paid to the City beginning on April 27, 2021. The principal balance of the note receivable as of June 30, 2022 was \$40,741.

14. JOINT VENTURE

The City entered into a joint venture with Harrison County to form a public properties corporation to construct a community service center project. The public properties corporation has title to property that is leased to the Community Service Center of Harrison County, Inc. The public properties corporation also obtained a loan in the amount of \$499,000 to finance the construction of the community service center in addition to funds from the Community Service Center of Harrison County, Inc. and a grant of \$350,000. The note is repaid from lease payments obtained for use of the building. The City's interest is reported in the capital assets of the City, totaling \$212,102 at June 30, 2022.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

15. COVID-19 PANDEMIC

Since 2020, various restrictions have been placed on travel and business across the United States in response to the COVID-19 pandemic. The duration and pervasiveness of these restrictions are uncertain as of the date of these financial statements. The City is continuously evaluating the impact of COVID-19 and related responses on the operations and finances of the City. Restrictions placed on the City could negatively impact the City’s revenue and expenses for an unknown period of time. At this time, a specific estimate of the impact could not reasonably be determined due to a number of unknown factors regarding the severity and duration of the event.

16. RESTATEMENT OF NET POSITION

Implementation of new accounting standards GASB Statement No. 87

During fiscal year 2022, the City implemented GASB Statement No. 87, *Leases*, as described more fully in Note 1. The City had previously recorded leases, for which it was the lessee, as capital lease liabilities and recorded the underlying assets. Following the implementation of GASB 87, the lease liabilities and leased assets were restated to the present value of future lease payments effective July 1, 2021, which resulted in a restatement of beginning net position as follows:

Governmental Activities	2022
Net position-beginning	\$ (1,801,415)
Beginning capital assets, net	(9,690)
Beginning long term liabilities	<u>57,236</u>
Net position-beginning, as restated	<u>\$ (1,753,869)</u>
Business-type Activities	
<u>Water & Sewer Fund</u>	
Net position, beginning of year	\$ 11,527,507
Beginning capital assets, net	(16,498)
Beginning long term liabilities	<u>51,256</u>
Net position-beginning, as restated	<u>\$ 11,562,265</u>

17. SUBSEQUENT EVENTS

In September 2022, the City received \$3,370,713 in Kentucky Infrastructure Authority federally assisted drinking water revolving loan funds for the industrial park water tank and water treatment plant upgrade project. The rate of interest on the loan is 0.25% with payments due semiannually, beginning six months after the first draw and set to mature in 30 years. The City also received a \$500,000 subaward of American Rescue Plan Act grant funds from Harrison County Fiscal Court for funding the project.

In November 2022, the City was awarded \$635,440 in Kentucky Infrastructure Authority Kentucky Cleaner Water Program Round 2 grant funds for a pump station replacement project.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2022

	Enacted Budget	Amended Budget	Actual	Variance
Property taxes				
Real estate and tangible	\$ 565,000	\$ 530,000	\$ 528,379	\$ (1,621)
Public service companies	66,000	89,700	89,298	(402)
Bank shares	70,000	75,048	75,048	-
Payment in lieu of taxes	8,100	13,373	13,373	-
Penalties	12,500	16,724	18,414	1,690
Motor vehicle	65,000	65,000	68,459	3,459
Real estate and tangible prior year	<u>13,000</u>	<u>21,690</u>	<u>22,752</u>	<u>1,062</u>
	<u>799,600</u>	<u>811,535</u>	<u>815,723</u>	<u>4,188</u>
Licenses, permits and billings				
Occupational license fees	3,150,000	3,022,495	3,052,832	30,337
Occupational license net profits fees	275,000	330,000	324,472	(5,528)
Privilege license fees	3,000	2,300	2,280	(20)
Liquor and beer licenses	24,000	22,780	22,855	75
Insurance premium license fees	735,000	776,000	785,709	9,709
Residential rental licenses	12,500	7,450	7,450	-
Utility franchise licenses	328,000	326,000	332,403	6,403
Reg fee/ retail alcohol	190,000	175,837	188,990	13,153
Tourism license fee	<u>6,000</u>	<u>4,308</u>	<u>8,144</u>	<u>3,836</u>
	<u>4,723,500</u>	<u>4,667,170</u>	<u>4,725,135</u>	<u>57,965</u>
Intergovernmental revenue				
Police incentive pay	119,000	85,101	88,299	3,198
Fire incentive pay	112,000	95,734	100,591	4,857
E-911 reimbursement	660,000	518,000	488,618	(29,382)
Other grants	<u>1,047,088</u>	<u>2,059,048</u>	<u>332,598</u>	<u>(1,726,450)</u>
	<u>1,938,088</u>	<u>2,757,883</u>	<u>1,010,106</u>	<u>(1,747,777)</u>
Charges for service				
Sanitation fees	<u>380,000</u>	<u>511,000</u>	<u>510,704</u>	<u>(296)</u>
Other revenues				
Parking tickets	100	75	50	(25)
Interest income	15,500	7,000	4,919	(2,081)
Miscellaneous	<u>60,550</u>	<u>42,498</u>	<u>50,364</u>	<u>7,866</u>
	<u>76,150</u>	<u>49,573</u>	<u>55,333</u>	<u>5,760</u>
TOTAL REVENUES	<u>\$ 7,917,338</u>	<u>\$ 8,797,161</u>	<u>\$ 7,117,001</u>	<u>\$ (1,680,160)</u>

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2022

	Enacted Budget	Amended Budget	Actual	Variance
PUBLIC AFFAIRS				
Mayor's salary	\$ 31,950	\$ 31,822	\$ 31,929	\$ 107
City attorney expense	18,519	18,456	18,519	63
Other legal expenses	-	313	313	-
Medical and hospital insurance	32,000	35,793	34,817	(976)
Social security	3,800	3,846	3,859	13
Workers' compensation	-	134	134	-
City picnic	3,500	-	-	-
Telephone	1,000	1,250	1,632	382
Website	600	300	-	(300)
Office supplies	1,750	2,475	2,490	15
Travel and training	1,000	275	294	19
Publishing	7,000	5,378	5,402	24
Membership dues	2,000	2,594	2,594	-
Regional cable commission dues	1,000	1,000	1,000	-
Bluegrass Area Development District	1,220	1,207	1,207	-
Mayor and commissioners' bond	4,000	375	375	-
Public officials liability insurance	-	9,000	9,000	-
Emergency management agency	6,615	6,615	6,615	-
Recreation board operations	126,755	126,755	126,755	-
Senior citizens	20,000	20,000	20,000	-
EDA	36,000	36,000	36,000	-
Spouse abuse center	-	900	900	-
Joint planning	69,790	69,790	69,790	-
Airport board	5,000	5,000	5,000	-
Chamber of commerce	10,000	11,233	11,130	(103)
Fireworks	6,000	5,500	5,500	-
Rape crisis center	10,000	10,000	10,000	-
Tourism funding	10,000	11,148	11,148	-
Cynthiana-Harrison county museum	7,000	6,500	6,441	(59)
Humane society	1,000	1,000	1,000	-
Miscellaneous	136,450	47,606	61,730	14,124
CDBG westside redevelopment	-	15,000	-	(15,000)
E-911 share	20,100	20,100	20,100	-
ARPA small business grants	-	21,590	22,290	700
Total public affairs	<u>574,049</u>	<u>528,955</u>	<u>527,964</u>	<u>(991)</u>

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2022

	Enacted Budget	Amended Budget	Actual	Variance
PUBLIC FINANCE				
Commissioner salary	\$ 10,700	\$ 10,686	\$ 10,686	\$ -
Salaries	104,000	109,039	111,646	2,607
Overtime and holiday pay	500	31	59	28
Longevity pay	3,300	1,872	1,872	-
Retirement	30,000	27,840	28,951	1,111
Medical and hospital insurance	48,000	46,103	45,110	(993)
Social security	8,300	8,760	8,668	(92)
Workers' compensation	3,000	233	233	-
Employee assistance program	-	420	420	-
HR incentives	12,000	10,000	8,841	(1,159)
Employee training	2,500	-	-	-
Telephone	4,000	3,600	3,421	(179)
Insurance and fees	10,000	-	-	-
City auditor	9,000	7,866	7,866	-
Office supplies	12,000	9,000	8,712	(288)
Training	500	415	315	(100)
Copier maintenance and fees	2,500	2,300	88	(2,212)
Computer maintenance	12,000	5,000	4,979	(21)
Ordinance update	4,000	-	-	-
Clothing allowance	1,000	1,000	712	(288)
Miscellaneous	34,300	30,037	26,614	(3,423)
Policies and procedures update	5,000	-	-	-
Tax assessment and bills	21,000	20,100	20,036	(64)
	337,600	294,302	289,229	(5,073)
Total public finance	337,600	294,302	289,229	(5,073)

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2022

	Enacted Budget	Amended Budget	Actual	Variance
PUBLIC SAFETY-POLICE				
Commissioner salary	\$ 10,600	\$ 10,686	\$ 10,686	\$ -
Policemen salaries	815,000	710,088	712,316	2,228
Police clerk / typist	37,000	37,229	37,273	44
Overtime pay	85,000	130,200	127,879	(2,321)
Holiday pay	33,000	26,996	26,996	-
Longevity pay	6,200	6,523	6,523	-
Policemen incentive pay	83,000	71,876	62,231	(9,645)
Employee retirement	432,000	391,835	407,792	15,957
Medical and hospital insurance	152,000	152,770	153,390	620
Social security	75,000	75,500	74,870	(630)
Workers' compensation	62,000	45,404	45,404	-
Medical exam/hospital expense	-	223	223	-
Professional services	-	-	20	20
Police projects	10,000	6,148	6,885	737
Telephone	20,000	23,000	23,441	441
Insurance	68,000	53,175	53,175	-
Gas and oil	40,000	73,048	65,396	(7,652)
Supplies	12,000	21,970	11,701	(10,269)
Training ammunition	5,000	4,987	4,987	-
Training	12,500	11,200	10,783	(417)
Copier maintenance and fees	3,200	3,675	1,422	(2,253)
Uniforms and body armor	15,000	20,000	17,335	(2,665)
Maintenance and repairs	20,000	20,419	19,013	(1,406)
Membership fees	6,600	705	705	-
Miscellaneous	71,800	66,422	53,838	(12,584)
Equipment	35,900	11,100	11,192	92
	<hr/>	<hr/>	<hr/>	<hr/>
Total public safety-police	2,110,800	1,975,179	1,945,476	(29,703)

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2022

	Enacted Budget	Amended Budget	Actual	Variance
PUBLIC SAFETY-FIRE				
Firemen salaries	\$ 618,000	\$ 606,728	\$ 614,874	\$ 8,146
Holiday pay	24,000	25,046	25,046	-
Overtime pay	90,000	143,597	145,780	2,183
Firemen incentive pay	76,000	70,000	66,333	(3,667)
Longevity pay	13,000	20,303	20,303	-
Employee retirement	342,000	353,782	366,943	13,161
Medical and hospital insurance	228,000	205,201	204,208	(993)
Social security	63,000	65,620	65,811	191
Workers' compensation	45,000	22,639	22,639	-
Telephone	4,400	4,200	4,311	111
Insurance for vehicles	24,000	22,920	22,920	-
Gas and oil	10,000	11,000	11,156	156
Supplies	5,000	12,100	12,044	(56)
Firefighting protective clothing	9,000	17,500	5,492	(12,008)
Travel and training	3,000	6,845	6,845	-
Training material	2,500	2,500	299	(2,201)
Fire prevention program materials	1,000	2,160	2,160	-
Uniforms	8,000	8,000	7,271	(729)
Maintenance and repairs	10,000	20,871	20,973	102
Membership fees	2,000	100	293	193
Equipment and tools	13,500	10,170	8,911	(1,259)
Miscellaneous	8,000	3,307	3,317	10
	<hr/>	<hr/>	<hr/>	<hr/>
Total public safety-fire	1,599,400	1,634,589	1,637,929	3,340

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2022

	Enacted Budget	Amended Budget	Actual	Variance
PUBLIC SAFETY-DISPATCH				
Radio operator salary	\$ 359,000	\$ 264,341	\$ 272,895	\$ 8,554
Overtime pay	60,000	60,082	61,700	1,618
Holiday pay	10,000	6,747	6,747	-
Longevity pay	1,500	1,539	1,539	-
Employee retirement	103,000	78,000	76,552	(1,448)
Medical and hospital insurance	50,000	37,623	36,630	(993)
Social security	28,000	23,200	23,381	181
Workers' compensation	3,000	931	931	-
Telephone	3,600	3,200	3,044	(156)
Supplies	4,000	3,600	3,422	(178)
Utilities	9,000	12,849	13,062	213
Miscellaneous	<u>4,000</u>	<u>644</u>	<u>644</u>	<u>-</u>
Total dispatch	<u>635,100</u>	<u>492,756</u>	<u>500,547</u>	<u>7,791</u>
Total public safety	<u>4,345,300</u>	<u>4,102,524</u>	<u>4,083,952</u>	<u>(18,572)</u>
PUBLIC WORKS				
Commissioner salary	10,700	10,686	10,686	-
Salaries	201,000	229,310	234,604	5,294
Overtime and holiday pay	3,000	8,900	8,625	(275)
Longevity pay	4,400	4,356	4,356	-
Employee retirement	58,000	63,668	67,139	3,471
Medical and hospital insurance	65,000	76,019	75,026	(993)
Social security	16,000	18,885	19,111	226
Worker's compensation	21,000	9,656	9,656	-
Telephone	5,000	3,300	3,218	(82)
Insurance	30,000	11,890	11,890	-
Gas and oil	12,000	16,526	15,815	(711)
Supplies	12,000	15,229	15,674	445
Rental equipment	2,000	2,892	2,892	-
Training	1,500	1,850	1,850	-
Clothing allowance	4,000	3,261	4,093	832
Truck repairs	5,000	6,006	6,140	134
Leaf vacuum machine repairs	2,500	1,381	1,396	15
Backhoe repair	4,000	6,119	6,119	-
Miscellaneous repairs	64,500	41,021	41,343	322
Street signs	3,000	2,525	2,525	-
Contract Labor	3,000	-	-	-
Miscellaneous	550	84	84	-
Salt	<u>14,000</u>	<u>11,822</u>	<u>16,348</u>	<u>4,526</u>
Total public works	<u>542,150</u>	<u>545,386</u>	<u>558,590</u>	<u>13,204</u>

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2022

	Enacted Budget	Amended Budget	Actual	Variance
PUBLIC SANITATION				
Contract garbage service	\$ 380,000	\$ 476,200	\$ 496,367	\$ 20,167
Total public sanitation	<u>380,000</u>	<u>476,200</u>	<u>496,367</u>	<u>20,167</u>
PUBLIC PROPERTY				
Overtime and holiday pay	4,000	-	-	-
Retirement	3,000	-	-	-
Social security	350	-	-	-
Insurance	20,000	23,724	23,724	-
Supplies	40,000	42,000	41,838	(162)
Cemetery upkeep	-	4,023	4,122	99
Parking lot fees	2,300	2,369	2,369	-
Install and remove decorations	1,700	1,712	1,712	-
Utilities	190,500	198,600	209,111	10,511
Maintenance and repairs	2,500	1,691	2,277	586
Miscellaneous	<u>923,512</u>	<u>44,749</u>	<u>38,427</u>	<u>(6,322)</u>
Total public property	<u>1,187,862</u>	<u>318,868</u>	<u>323,580</u>	<u>4,712</u>
CODE ENFORCEMENT				
Telephone	1,200	1,354	1,417	63
Supplies	-	-	96	96
Miscellaneous	<u>36,750</u>	<u>6,165</u>	<u>6,189</u>	<u>24</u>
Total code enforcement	<u>37,950</u>	<u>7,519</u>	<u>7,702</u>	<u>183</u>
MAIN STREET				
Salaries	14,590	27,298	27,291	(7)
Social security	2,100	2,100	2,088	(12)
Telephone	650	661	661	-
Projects	2,000	-	-	-
Retirement	6,000	6,941	7,220	279
Supplies	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>(1,500)</u>
Total main street	<u>26,840</u>	<u>38,500</u>	<u>37,260</u>	<u>(1,240)</u>

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2022

	Enacted Budget	Amended Budget	Actual	Variance
Debt Service				
Public finance	\$ -	\$ -	\$ 1,911	\$ 1,911
Public safety - police	168,000	160,000	179,908	19,908
Public safety - fire	47,914	47,774	47,775	1
Public works	58,300	45,197	188,611	143,414
Public properties	<u>140,011</u>	<u>156,432</u>	<u>123,750</u>	<u>(32,682)</u>
 Total debt service	 <u>414,225</u>	 <u>409,403</u>	 <u>541,955</u>	 <u>132,552</u>
 Capital Outlay				
Public affairs	-	-	3,000	3,000
Public safety - police	26,000	39,356	461,696	422,340
Public safety - fire	65,000	2,700	-	(2,700)
Public works	131,000	259,430	319,251	59,821
Public properties	<u>57,018</u>	<u>67,839</u>	<u>180,597</u>	<u>112,758</u>
 Total capital outlay	 <u>279,018</u>	 <u>369,325</u>	 <u>964,544</u>	 <u>595,219</u>
 TOTAL EXPENDITURES	 <u>8,124,994</u>	 <u>7,090,982</u>	 <u>7,831,143</u>	 <u>740,161</u>
 EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	 (207,656)	 1,706,179	 (714,142)	 (2,420,321)
 OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt	115,018	52,437	383,152	330,715
Proceeds from disposal of capital assets	<u>47,000</u>	<u>60,000</u>	<u>213,875</u>	<u>153,875</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>162,018</u>	 <u>112,437</u>	 <u>597,027</u>	 <u>484,590</u>
 NET CHANGE IN FUND BALANCE	 <u>\$ (45,638)</u>	 <u>\$ 1,818,616</u>	 <u>\$ (117,115)</u>	 <u>\$ (1,935,731)</u>

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
MUNICIPAL ROAD AID FUND
for the year ended June 30, 2022

	Enacted Budget	Amended Budget	Actual	Variance
REVENUES				
Intergovernmental	\$ 125,000	\$ 130,907	\$ 130,939	\$ 32
Other revenues	<u>10</u>	<u>5</u>	<u>-</u>	<u>(5)</u>
TOTAL REVENUES	<u>\$ 125,010</u>	<u>\$ 130,912</u>	<u>\$ 130,939</u>	<u>\$ 27</u>
EXPENDITURES				
Capital outlay	<u>\$ 188,000</u>	<u>\$ 121,852</u>	<u>\$ 121,852</u>	<u>\$ -</u>
TOTAL EXPENDITURES	<u>\$ 188,000</u>	<u>\$ 121,852</u>	<u>\$ 121,852</u>	<u>\$ -</u>
NET CHANGE IN FUND BALANCE	<u>\$ (62,990)</u>	<u>\$ 9,060</u>	<u>\$ 9,087</u>	<u>\$ (27)</u>

**CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NONHAZARDOUS
Last Nine Fiscal Years**

Reporting Fiscal Year (Measurement Date)	2014 (2013)	2015 (2014)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)
City's proportion of the net pension liability	0.0582%	0.0582%	0.0544%	0.0512%	0.0530%	0.0544%	0.0548%	0.0571%	0.0577%
City's proportionate share of the net pension liability (asset)	\$ 2,142,224	\$ 1,888,670	\$ 2,340,926	\$ 2,520,568	\$ 3,100,673	\$ 3,312,639	\$ 3,852,491	\$ 4,377,068	\$ 3,677,616
City's covered employee payroll	\$ 1,434,925	\$ 1,408,687	\$ 1,320,802	\$ 1,288,744	\$ 1,358,548	\$ 1,413,102	\$ 1,436,240	\$ 1,502,150	\$ 1,503,881
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	149.29%	134.07%	177.24%	195.58%	228.23%	234.42%	268.23%	291.39%	244.54%
Plan fiduciary net position as a percentage of the total pension liability	61.22%	66.80%	59.97%	55.50%	53.32%	53.54%	50.45%	47.81%	57.33%

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

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

Reporting Fiscal Year (Measurement Date)	2014 (2013)	2015 (2014)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)
City's proportion of the net pension liability	0.2487%	0.2487%	0.2406%	0.2542%	0.2742%	0.2581%	0.2749%	0.2751%	0.2533%
City's proportionate share of the net pension liability (asset)	\$ 3,323,154	\$ 2,989,338	\$ 3,693,014	\$ 4,362,032	\$ 6,133,857	\$ 6,242,981	\$ 7,592,556	\$ 8,295,368	\$ 6,742,983
City's covered employee payroll	\$ 1,220,846	\$ 1,228,544	\$ 1,230,686	\$ 1,318,707	\$ 1,506,751	\$ 1,447,139	\$ 1,626,824	\$ 1,663,603	\$ 1,644,063
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	272.20%	243.32%	300.08%	330.78%	407.09%	431.40%	466.71%	498.64%	410.14%
Plan fiduciary net position as a percentage of the total pension liability	57.74%	63.46%	57.52%	53.95%	49.78%	49.26%	46.63%	44.11%	52.26%

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

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Contractually required employer contribution	\$ 160,987	\$ 193,554	\$ 168,402	\$ 160,062	\$ 189,517	\$ 204,617	\$ 232,958	\$ 289,915	\$ 290,249	\$ 344,545
Contributions relative to contractually required employer contribution	<u>160,987</u>	<u>193,554</u>	<u>168,402</u>	<u>160,062</u>	<u>189,517</u>	<u>204,617</u>	<u>232,958</u>	<u>289,915</u>	<u>290,249</u>	<u>344,545</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	\$ 1,434,925	\$ 1,408,687	\$ 1,320,802	\$ 1,288,744	\$ 1,358,548	\$ 1,413,102	\$ 1,436,240	\$ 1,502,150	\$ 1,503,881	\$ 1,627,514
Employer contributions as a percentage of covered-employee payroll	11.22%	13.74%	12.75%	12.42%	13.95%	14.48%	16.22%	19.30%	19.30%	21.17%

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Contractually required employer contribution	\$ 245,390	\$ 253,286	\$ 255,121	\$ 267,170	\$ 327,116	\$ 321,265	\$ 397,599	\$ 500,079	\$ 494,205	\$ 556,308
Contributions relative to contractually required employer contribution	<u>245,390</u>	<u>253,286</u>	<u>255,121</u>	<u>267,170</u>	<u>327,116</u>	<u>321,265</u>	<u>397,599</u>	<u>500,079</u>	<u>494,205</u>	<u>556,308</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	\$ 1,220,846	\$ 1,228,544	\$ 1,230,686	\$ 1,318,707	\$ 1,506,751	\$ 1,447,139	\$ 1,626,824	\$ 1,663,603	\$ 1,644,063	\$ 1,642,965
Employer contributions as a percentage of covered-employee payroll	20.10%	20.62%	20.73%	20.26%	21.71%	22.20%	24.44%	30.06%	30.06%	33.86%

**CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - NONHAZARDOUS
Last Six Fiscal Years**

Reporting Fiscal Year (Measurement Date)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)
City's proportion of the net OPEB liability	0.0530%	0.0530%	0.0544%	0.0548%	0.0571%	0.0577%
City's proportionate share of the net OPEB liability (asset)	\$ 835,306	\$ 1,064,938	\$ 965,684	\$ 921,089	\$ 1,377,850	\$ 1,104,006
City's covered employee payroll	\$ 1,288,744	\$ 1,358,548	\$ 1,413,102	\$ 1,436,240	\$ 1,502,150	\$ 1,503,881
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	64.82%	78.39%	68.34%	64.13%	91.73%	73.41%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%	60.44%	51.67%	62.91%

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

**CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - HAZARDOUS
Last Six Fiscal Years**

Reporting Fiscal Year (Measurement Date)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)
City's proportion of the net OPEB liability	0.2742%	0.2742%	0.2582%	0.2748%	0.2750%	0.2533%
City's proportionate share of the net OPEB liability (asset)	\$ 1,354,288	\$ 2,266,452	\$ 1,840,690	\$ 2,033,209	\$ 2,541,725	\$ 2,047,992
City's covered employee payroll	\$ 1,318,707	\$ 1,506,751	\$ 1,447,139	\$ 1,626,824	\$ 1,663,603	\$ 1,644,063
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	102.70%	150.42%	127.20%	124.98%	152.78%	124.57%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	58.99%	64.24%	64.44%	58.84%	66.81%

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

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Contractually required employer contribution	\$ 88,402	\$ 72,547	\$ 64,984	\$ 59,798	\$ 64,259	\$ 66,416	\$ 75,546	\$ 71,502	\$ 71,585	\$ 94,070
Contributions relative to contractually required employer contribution	<u>88,402</u>	<u>72,547</u>	<u>64,984</u>	<u>59,798</u>	<u>64,259</u>	<u>66,416</u>	<u>75,546</u>	<u>71,502</u>	<u>71,585</u>	<u>94,070</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	\$ 1,434,925	\$ 1,408,687	\$ 1,320,802	\$ 1,288,744	\$ 1,358,548	\$ 1,413,102	\$ 1,436,240	\$ 1,502,150	\$ 1,503,881	\$ 1,627,514
Employer contributions as a percentage of covered-employee payroll	6.16%	5.15%	4.92%	4.64%	4.73%	4.70%	5.26%	4.76%	4.76%	5.78%

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Contractually required employer contribution	\$ 213,648	\$ 162,070	\$ 167,127	\$ 167,344	\$ 140,881	\$ 135,307	\$ 167,432	\$ 158,375	\$ 156,515	\$ 172,018
Contributions relative to contractually required employer contribution	<u>213,648</u>	<u>162,070</u>	<u>167,127</u>	<u>167,344</u>	<u>140,881</u>	<u>135,307</u>	<u>167,432</u>	<u>158,375</u>	<u>156,515</u>	<u>172,018</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	\$ 1,220,846	\$ 1,228,544	\$ 1,230,686	\$ 1,318,707	\$ 1,506,751	\$ 1,447,139	\$ 1,626,824	\$ 1,663,603	\$ 1,644,063	\$ 1,642,965
Employer contributions as a percentage of covered-employee payroll	17.50%	13.19%	13.58%	12.69%	9.35%	9.35%	10.29%	9.52%	9.52%	10.47%

CITY OF CYNTHIANA, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2022

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, 2021 – 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, 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 pension and OPEB:

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

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

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

CITY OF CYNTHIANA, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2022

2. CHANGES OF ASSUMPTIONS (CONTINUED)

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

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

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

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

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

June 30, 2015 – Pension – Hazardous and Nonhazardous

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

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

June 30, 2014 – Pension – Hazardous and Nonhazardous

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

June 30, 2013 – Pension – Hazardous and Nonhazardous

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

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

SUPPLEMENTARY INFORMATION

CITY OF CYNTHIANA, KENTUCKY
SCHEDULE OF OPERATIONS
WATER AND SEWER FUND
for the year ended June 30, 2022

	Water	Sewer	Total
OPERATING REVENUES			
Water and sewer service	\$ 2,058,558	\$ 1,443,896	\$ 3,502,454
Other income	<u>47,388</u>	<u>73,762</u>	<u>121,150</u>
 Total operating revenues	 <u>2,105,946</u>	 <u>1,517,658</u>	 <u>3,623,604</u>
OPERATING EXPENSES			
Salaries	561,185	290,265	851,450
Overtime and holiday pay	18,948	3,189	22,137
Longevity pay	7,734	1,955	9,689
Accrued pay	10,335	-	10,335
Employee retirement	207,163	98,893	306,056
Medical and hospital insurance	105,807	48,437	154,244
Social security	44,081	22,052	66,133
Workers' compensation	10,773	5,631	16,404
Repairs	150,035	54,951	204,986
Electricity	114,107	146,799	260,906
Hauling	-	50,200	50,200
Consulting	4,058	1,125	5,183
Telephone	5,943	3,364	9,307
Insurance	80,608	45,440	126,048
Gas and oil	16,474	9,917	26,391
Postage	5,632	-	5,632
Chemicals	159,059	45,551	204,610
Analysis and testing	11,062	21,793	32,855
Professional services	7,867	7,867	15,734
Office supplies	14,806	3,719	18,525
Other supplies	38,151	19,026	57,177
Travel and training	9,763	3,919	13,682
Clothing allowance	4,596	2,418	7,014
Miscellaneous	42,047	6,891	48,938
Depreciation and amortization	<u>460,654</u>	<u>483,037</u>	<u>943,691</u>
 Total operating expenses	 <u>2,090,888</u>	 <u>1,376,439</u>	 <u>3,467,327</u>
 OPERATING INCOME (LOSS)	 <u>\$ 15,058</u>	 <u>\$ 141,219</u>	 <u>\$ 156,277</u>



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

Mayor and Board of Commissioners
Cynthiana, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cynthiana, Kentucky, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Cynthiana, Kentucky's basic financial statements, and have issued our report thereon dated March 6, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Cynthiana, 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 Cynthiana, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Cynthiana, Kentucky's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2022-001 and 2022-002 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2022-003 to be a significant deficiency.

Report on Compliance and Other Matters

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

The City of Cynthiana, Kentucky's Response to Findings

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

Purpose of this Report

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

RFH

RFH, PLLC
Lexington, Kentucky
March 6, 2023

**CITY OF CYNTHIANA, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
for the year ended June 30, 2022**

FINDING:

2022-001 – Material Weakness – Audit Adjustments (Recurring)

Criteria:

The City is required to have internal controls over the period-end financial reporting process that enables the City to record and process year-end journal entries to produce financial records that are in accordance with generally accepted accounting principles.

Condition:

Material misstatements were identified throughout the audit process.

Cause:

During the fiscal year, the City had complex activity related to construction projects, debt issuance, and material grant funds. Inexperience with this type of activity resulted in the City's unadjusted financial statements being materially misstated.

Effect:

Material audit adjustments were required so that the City's financial statements were fairly stated. These material audit adjustments contributed to the City exceeding budgeted amounts in the General Fund.

Recommendation:

We recommend the City review its controls over the fiscal year-end financial reporting process. We recommend when management encounters unusual or complex financial activity, that they engage a consultant to help management identify adjustments required so that its financial statements are fairly presented.

Response:

Management agrees with the auditors' recommendation and will consult with auditors on complex or unusual financial activity. Management will engage a consultant to help with fiscal year-end financial reporting and adjustments if needed.

2022-002 – Material Weakness – Bank Reconciliations (Recurring)

Criteria:

The City should have internal controls in place for bank reconciliations to have a secondary review to ensure proper oversight over the process.

Condition:

The City Clerk is preparing the bank reconciliations, but there is not a review process from an individual other than the individual preparing the bank reconciliation. This has compromised segregation of duties.

Cause:

The City's internal controls were disrupted by changing personnel roles and the COVID-19 pandemic resulting in lockdowns and personnel working from home.

Effect:

The City does not have proper segregation of duties related to preparation and review of bank reconciliations.

Recommendation:

We recommend that the City take steps to ensure that all bank accounts are reconciled monthly, and that the City implement a secondary review of bank reconciliations to provide oversight and mitigate risks from lack of segregation of duties.

**CITY OF CYNTHIANA, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
for the year ended June 30, 2022**

2022-002 – Material Weakness – Bank Reconciliations (Recurring), Continued

Response:

Management is updating the City's accounting software to improve controls over bank reconciliations to perform reconciliations timely and accurately. The City has plans to budget an additional staff member to improve controls and segregation of duties. Commissioner of Public Property and Finance will sign-off on monthly bank reconciliations.

2022-003 – Significant Deficiency – Financial Statements (Recurring)

Criteria:

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

Condition:

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

Cause:

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

Effect:

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

Recommendation:

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

Response:

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