

CITY OF CYNTHIANA
Cynthiana, Kentucky



FINANCIAL STATEMENTS
June 30, 2024

CONTENTS

Independent Auditors' Report	1-3
Management's Discussion and Analysis.....	4-10
Government-wide Financial Statements	
Statement of Net Position.....	11
Statement of Activities	12
Fund Financial Statements	
Balance Sheet – Governmental Funds	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	14
Statement of Net Position – Proprietary Fund.....	15
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund.....	16
Statement of Cash Flows – Proprietary Fund	17
Notes to Financial Statements	18-42
Required Supplementary Information	
Budgetary Information	43-51
Proportionate Share of the Net Pension Liability – Nonhazardous	52
Proportionate Share of the Net Pension Liability – Hazardous	53
Schedule of Pension Contributions – Nonhazardous	54
Schedule of Pension Contributions – Hazardous	55
Proportionate Share of the Net OPEB Liability – Nonhazardous	56
Proportionate Share of the Net OPEB Liability – Hazardous	57
Schedule of OPEB Contributions – Nonhazardous	58
Schedule of OPEB Contributions – Hazardous	59
Notes to Required Supplementary Information	60-62
Supplementary Information	
Schedule of Operations – Water and Sewer Fund.....	63
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 <i>Government Auditing Standards</i>	64-65
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	66-68
Schedule of Expenditures of Federal Awards.....	69
Schedule of Findings and Responses.....	70-73



INDEPENDENT AUDITOR'S 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, 2024, 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, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of 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.

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 43–62 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 and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of operations – water and sewer fund and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2025, 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
February 21, 2025

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, 2024. 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.
- Beginning July 1, 2023 tourism fees will be collected by Harrison County Fiscal Court and remitted to the City on a quarterly basis. The checking account will continue to be maintained by the City.
- The City budgeted conservatively and continued cost containment measures implemented by management. The City strived to maintain current levels of service.
- The downtown area continues to grow with several new businesses.
- The City continues to make improvements to the water infrastructure. Most of the labor for these improvements is provided by the City workforce. There is a continuing multi-year plan to repair aging infrastructure.
- The City made allocations of the 1.6 million dollars in American Rescue Plan Act funds for public safety salaries and \$500,000 was allocated to the Water tank project at the Industrial Park, with working starting on the project in 2024.
- 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.
- In conjunction with the new NexGen software programs, the City changed Utility billing from printing in-house for both monthly billing and past-due notices to now outsourcing the printing and mailing of utility bills which has resulted in time and cost savings.

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

	<u>Governmental</u>		<u>Business-type</u>		<u>Total Primary</u>	
	<u>Activities</u>		<u>Activities</u>		<u>Government</u>	
	<u>FY 2024</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2023</u>
Current and Other Assets	\$ 3,831,293	\$ 4,150,002	\$ 1,710,782	\$ 1,641,719	\$ 5,542,075	\$ 5,791,721
Noncurrent and Capital Assets	12,516,659	10,784,788	21,329,390	21,205,980	33,846,049	31,990,768
Deferred Outflows of Resources	<u>1,607,084</u>	<u>1,919,387</u>	<u>652,238</u>	<u>597,982</u>	<u>2,259,322</u>	<u>2,517,369</u>
Total Assets and Deferred Outflows	<u>\$ 17,955,036</u>	<u>\$ 16,854,177</u>	<u>\$ 23,692,410</u>	<u>\$ 23,445,681</u>	<u>\$ 41,647,446</u>	<u>\$ 40,299,858</u>
Long-Term Accrued Leave Payable	\$ 354,521	\$ 335,348	\$ 147,601	\$ 133,707	\$ 502,122	\$ 469,055
Long-Term Debt	3,986,903	3,163,390	6,743,873	7,087,117	10,730,776	10,250,507
Net Pension and OPEB Liabilities	7,355,022	11,151,355	2,103,291	2,896,483	9,458,313	14,047,838
Deferred Inflows of Resources	4,346,131	1,839,858	927,443	295,111	5,273,574	2,134,969
Other Current Liabilities	<u>669,961</u>	<u>1,369,272</u>	<u>1,696,108</u>	<u>1,278,049</u>	<u>2,366,069</u>	<u>2,647,321</u>
Total Liabilities and Deferred Inflows	<u>\$ 16,712,538</u>	<u>\$ 17,859,223</u>	<u>\$ 11,618,316</u>	<u>\$ 11,690,467</u>	<u>\$ 28,330,854</u>	<u>\$ 29,549,690</u>
Net Position:						
Net Investment in Capital Assets	\$ 7,888,327	\$ 6,763,662	\$ 13,280,247	\$ 12,914,565	\$ 21,168,574	\$ 19,678,227
Restricted	641,429	857,736	763,300	704,298	1,404,729	1,562,034
Unrestricted	<u>(7,287,258)</u>	<u>(8,626,444)</u>	<u>(1,969,453)</u>	<u>(1,863,649)</u>	<u>(9,256,711)</u>	<u>(10,490,093)</u>
Total Net Position	<u>\$ 1,242,498</u>	<u>\$ (1,005,046)</u>	<u>\$ 12,074,094</u>	<u>\$ 11,755,214</u>	<u>\$ 13,316,592</u>	<u>\$ 10,750,168</u>

NET POSITION, continued

Table A-2

Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>FY 2024</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2023</u>
Revenues						
<u>Program Revenues</u>						
Charges for service	\$ 603,905	\$ 596,035	\$ 4,097,691	\$ 3,909,603	\$ 4,701,596	\$ 4,505,638
Operating grants & contributions	2,516,891	791,922	-	-	2,516,891	791,922
Capital grants & contributions	785,265	780,303	109,602	194,583	894,867	974,886
<u>General Revenues</u>						
Taxes	811,088	787,998	-	-	811,088	787,998
License fees	5,213,520	4,942,809	-	-	5,213,520	4,942,809
Investment earnings	45,815	19,951	2,824	1,432	48,639	21,383
Miscellaneous	446,724	643,544	-	-	446,724	643,544
Total Revenue	<u>10,423,208</u>	<u>8,562,562</u>	<u>4,210,117</u>	<u>4,105,618</u>	<u>14,633,325</u>	<u>12,668,180</u>
Program Expenses						
Public affairs	846,366	756,573	-	-	846,366	756,573
Public finance	356,109	342,105	-	-	356,109	342,105
Public safety - police	2,282,169	2,051,514	-	-	2,282,169	2,051,514
Public safety - fire	1,655,123	1,864,847	-	-	1,655,123	1,864,847
Public safety - dispatch	695,686	532,472	-	-	695,686	532,472
Public works	1,018,268	1,020,765	-	-	1,018,268	1,020,765
Public property	539,288	362,340	-	-	539,288	362,340
Sanitation	603,825	596,018	-	-	603,825	596,018
Code enforcement	20,166	15,797	-	-	20,166	15,797
Crisis Response	39,157	-	-	-	39,157	-
Main street	6,538	43,262	-	-	6,538	43,262
Interest on Debt	130,335	97,861	-	-	130,335	97,861
Water	-	-	2,292,079	2,419,756	2,292,079	2,419,756
Sewer	-	-	1,582,192	1,546,520	1,582,192	1,546,520
Total Program Expenses	<u>8,193,030</u>	<u>7,683,554</u>	<u>3,874,271</u>	<u>3,966,276</u>	<u>12,067,301</u>	<u>11,649,830</u>
Other Changes						
Gain (loss) on sale of assets	17,366	24,305	(16,966)	(19,062)	400	5,243
Total Other Changes	<u>17,366</u>	<u>24,305</u>	<u>(16,966)</u>	<u>(19,062)</u>	<u>400</u>	<u>5,243</u>
Change In Net Position	<u>\$ 2,247,544</u>	<u>\$ 903,313</u>	<u>\$ 318,880</u>	<u>\$ 120,280</u>	<u>\$ 2,566,424</u>	<u>\$ 1,023,593</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 2024</u>	<u>FY 2023</u>	<u>Change</u>
Taxes	\$ 811,088	\$ 787,998	\$ 23,090
Licenses and Permits	5,213,520	4,942,809	270,711
Intergovernmental	3,277,830	1,572,225	1,705,605
Charges for Services	603,905	596,035	7,870
Other Revenues	<u>264,543</u>	<u>227,022</u>	<u>37,521</u>
Total Revenues	<u>10,170,886</u>	<u>8,126,089</u>	<u>2,044,797</u>
Public affairs	682,322	623,732	58,590
Public finance	364,287	336,330	27,957
Public safety - police	2,447,019	1,930,343	516,676
Public safety - fire	2,037,622	1,866,480	171,142
Public safety - dispatch	727,685	518,298	209,387
Public works	759,074	756,360	2,714
Public property	510,955	334,092	176,863
Sanitation	603,825	596,018	7,807
Code enforcement	20,166	15,797	4,369
Main street	41,145	42,418	(1,273)
Crisis Response	6,146	-	6,146
Debt Service	547,711	470,845	76,866
Capital Outlay	<u>2,814,955</u>	<u>831,772</u>	<u>1,983,183</u>
Total Expenditures	<u>11,562,912</u>	<u>8,322,485</u>	<u>3,240,427</u>
Excess (Deficiency) of Revenues over Expenditures before other financing sources	<u>\$ (1,392,026)</u>	<u>\$ (196,396)</u>	<u>\$ (1,195,630)</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	\$ 817,347	\$ 811,088	\$ (6,259)
Licenses and permits	5,190,367	5,213,520	23,153
Intergovernmental	1,897,989	3,124,650	1,226,661
Charges for services	604,233	603,905	(328)
Other revenues	<u>188,500</u>	<u>264,416</u>	<u>75,916</u>
Total revenues	<u>\$ 8,698,436</u>	<u>\$ 10,017,579</u>	<u>\$ 1,319,143</u>

Table A-5

Condensed General Fund - Expenditures

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Public affairs	\$ 805,852	\$ 682,322	\$ (123,530)
Public finance	344,740	364,287	19,547
Public safety-police	2,490,268	2,447,019	(43,249)
Public safety-fire	2,059,867	2,037,622	(22,245)
Public safety-dispatch	733,777	727,685	(6,092)
Public works	735,009	759,074	24,065
Public sanitation	602,996	603,825	829
Public property	526,683	510,955	(15,728)
Code enforcement	20,289	20,166	(123)
Main street	41,245	41,145	(100)
Crisis Response	4,381	6,146	1,765
Debt service	492,230	547,711	55,481
Capital outlay	<u>1,120,083</u>	<u>2,706,518</u>	<u>1,586,435</u>
Total	<u>\$ 9,977,420</u>	<u>\$ 11,454,475</u>	<u>\$ 1,477,055</u>

The City budgeted for a total of \$8,698,436 in revenues for 2024, but actual revenues totaled \$10,017,579. The City under budgeted revenues by \$1,319,143. A total of \$9,977,420 was budgeted for expenditures, but expenditures totaled \$11,454,475 for fiscal year 2024. The City was over budget on the expenses by \$1,477,055. 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 2024	FY 2023	FY 2024	FY 2023	FY 2024	FY 2023
Land & improvements	\$ 2,754,627	\$ 2,754,627	\$ -	\$ -	\$ 2,754,627	\$ 2,754,627
Construction in progress	659,189	129,064	859,958	182,781	1,519,147	311,845
Infrastructure	4,767,661	4,659,224	-	-	4,767,661	4,659,224
Buildings & improvements	5,356,235	4,498,767	-	-	5,356,235	4,498,767
Vehicles & equipment	4,409,150	3,921,826	707,883	567,164	5,117,033	4,488,990
Water & sewer system	-	-	<u>42,785,723</u>	<u>42,962,645</u>	<u>42,785,723</u>	<u>42,962,645</u>
Total Capital Assets	<u>\$ 17,946,862</u>	<u>\$ 15,963,508</u>	<u>\$ 44,353,564</u>	<u>\$ 43,712,590</u>	<u>\$ 62,300,426</u>	<u>\$ 59,676,098</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 2024	FY 2023	FY 2024	FY 2023	FY 2024	FY 2023
Notes and bonds payable	\$ 3,170,077	\$ 2,642,906	\$ 6,570,527	\$ 6,981,900	\$ 9,740,604	\$ 9,624,806
Lease liability	<u>816,826</u>	<u>520,484</u>	<u>173,346</u>	<u>105,217</u>	<u>990,172</u>	<u>625,701</u>
Total Debt Outstanding	<u>\$ 3,986,903</u>	<u>\$ 3,163,390</u>	<u>\$ 6,743,873</u>	<u>\$ 7,087,117</u>	<u>\$ 10,730,776</u>	<u>\$ 10,250,507</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, 2024. 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 Elizabeth Kitchen, 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, 2024

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,643,153	\$ 945,710	\$ 2,588,863
Receivables, net	2,313,929	639,283	2,953,212
Internal balances	<u>(125,789)</u>	<u>125,789</u>	<u>-</u>
Total current assets	<u>3,831,293</u>	<u>1,710,782</u>	<u>5,542,075</u>
Noncurrent assets			
Restricted cash and cash equivalents	641,429	1,263,300	1,904,729
Net OPEB asset	-	41,970	41,970
Capital assets			
Nondepreciable capital assets	3,413,816	859,958	4,273,774
Depreciable capital assets, net	7,671,603	18,996,487	26,668,090
Leased vehicles and equipment, net	<u>789,811</u>	<u>167,675</u>	<u>957,486</u>
Total noncurrent assets	<u>12,516,659</u>	<u>21,329,390</u>	<u>33,846,049</u>
Total assets	<u>16,347,952</u>	<u>23,040,172</u>	<u>39,388,124</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows- pension	1,241,225	462,466	1,703,691
Deferred outflows- OPEB	<u>365,859</u>	<u>189,772</u>	<u>555,631</u>
Total deferred outflows of resources	<u>1,607,084</u>	<u>652,238</u>	<u>2,259,322</u>
Total assets and deferred outflows of resources	<u>\$ 17,955,036</u>	<u>\$ 23,692,410</u>	<u>\$ 41,647,446</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 474,212	\$ 562,575	\$ 1,036,787
Accrued leave payable, current	35,683	-	35,683
Accrued payroll liabilities	123,175	29,110	152,285
Accrued interest payable	45,575	53,883	99,458
Unearned revenue	26,999	989,890	1,016,889
Customer deposits	-	60,650	60,650
Lease liability, current	242,458	51,062	293,520
Bonds and notes payable, current	<u>220,941</u>	<u>509,262</u>	<u>730,203</u>
Total current liabilities	<u>1,169,043</u>	<u>2,256,432</u>	<u>3,425,475</u>
Noncurrent liabilities			
Accrued leave payable, net of current portion	318,838	147,601	466,439
Lease liability, net of current portion	574,368	122,284	696,652
Bonds and notes payable, net of current portion	2,949,136	6,061,265	9,010,401
Net pension liability	7,120,525	2,103,291	9,223,816
Net OPEB liability	<u>234,497</u>	<u>-</u>	<u>234,497</u>
Total noncurrent liabilities	<u>11,197,364</u>	<u>8,434,441</u>	<u>19,631,805</u>
Total liabilities	<u>12,366,407</u>	<u>10,690,873</u>	<u>23,057,280</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows- pension	1,842,184	233,319	2,075,503
Deferred inflows- OPEB	<u>2,503,947</u>	<u>694,124</u>	<u>3,198,071</u>
Total deferred inflows of resources	<u>4,346,131</u>	<u>927,443</u>	<u>5,273,574</u>
NET POSITION			
Net investment in capital assets	7,888,327	13,280,247	21,168,574
Restricted for:			
Debt service	-	763,300	763,300
Other purposes	641,429	-	641,429
Unrestricted	<u>(7,287,258)</u>	<u>(1,969,453)</u>	<u>(9,256,711)</u>
Total net position	<u>1,242,498</u>	<u>12,074,094</u>	<u>13,316,592</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 17,955,036</u>	<u>\$ 23,692,410</u>	<u>\$ 41,647,446</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, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
Public affairs	\$ 846,366	\$ -	\$ 38,128	\$ 87,500	\$ (720,738)	\$ -	\$ (720,738)
Public finance	356,109	-	-	-	(356,109)	-	(356,109)
Public safety-police	2,282,169	-	1,550,086	-	(732,083)	-	(732,083)
Public safety-fire	1,655,123	-	113,348	-	(1,541,775)	-	(1,541,775)
Public safety-dispatch	695,686	-	709,931	-	14,245	-	14,245
Public works	1,018,268	-	-	697,765	(320,503)	-	(320,503)
Public property	539,288	-	5,000	-	(534,288)	-	(534,288)
Sanitation	603,825	603,905	-	-	80	-	80
Code enforcement	20,166	-	-	-	(20,166)	-	(20,166)
Main street	39,157	-	-	-	(39,157)	-	(39,157)
Crisis response	6,538	-	100,398	-	93,860	-	93,860
Interest on long-term debt	130,335	-	-	-	(130,335)	-	(130,335)
Total governmental activities	8,193,030	603,905	2,516,891	785,265	(4,286,969)	-	(4,286,969)
Business-type activities							
Water	2,292,079	2,545,366	-	109,602	-	362,889	362,889
Sewer	1,582,192	1,552,325	-	-	-	(29,867)	(29,867)
Total business-type activities	3,874,271	4,097,691	-	109,602	-	333,022	333,022
Total primary government	\$ 12,067,301	\$ 4,701,596	\$ 2,516,891	\$ 894,867	(4,286,969)	333,022	(3,953,947)
General revenues							
Taxes:							
Property taxes, levied for general purposes					811,088	-	811,088
License fees:							
Franchise					382,059	-	382,059
Insurance premiums					959,485	-	959,485
Occupational					3,655,231	-	3,655,231
Reg fee/ retail alcohol					184,678	-	184,678
Other					32,067	-	32,067
Investment earnings					45,815	2,824	48,639
Miscellaneous					446,724	-	446,724
Total general revenues					6,517,147	2,824	6,519,971
Gain (loss) on disposal of capital assets					17,366	(16,966)	400
Change in net position					2,247,544	318,880	2,566,424
Net position-beginning of year					(1,005,046)	11,755,214	10,750,168
NET POSITION-ENDING					\$ 1,242,498	\$ 12,074,094	\$ 13,316,592

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

**CITY OF CYNTHIANA, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2024**

	General	Municipal Road Aid	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 2,141,483	\$ 143,099	\$ 2,284,582
Receivables, net	1,115,293	-	1,115,293
Other receivable	1,198,636	-	1,198,636
Total assets	\$ 4,455,412	\$ 143,099	\$ 4,598,511
LIABILITIES			
Accounts payable	\$ 474,212	\$ -	\$ 474,212
Accrued leave payable	35,683	-	35,683
Accrued payroll liabilities	123,175	-	123,175
Unearned revenue	26,999	-	26,999
Due to other funds	125,789	-	125,789
Total liabilities	785,858	-	785,858
DEFERRED INFLOWS			
Deferred inflows - unavailable revenue	688,793	-	688,793
FUND BALANCES			
Restricted			
Tourism	21,927	-	21,927
Grants and contributions	219,520	-	219,520
MRA	-	143,099	143,099
Debt service	256,883	-	256,883
Assigned			
Fire truck reserve	10,628	-	10,628
Unassigned	2,471,803	-	2,471,803
Total fund balances	2,980,761	143,099	3,123,860
Total liabilities and fund balances	\$ 4,455,412	\$ 143,099	\$ 4,598,511

Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Fund balances reported above	\$ 3,123,860
Capital and leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.	11,875,230
Deferred inflows - unavailable revenue related to the opioid settlement is recognized as revenue in the year of settlement in the governmental activities in accordance with the accrual basis of accounting.	688,793
Accrued interest payable on long-term debt	(45,575)
Long-term liabilities, including bonds, leases, notes payable, accrued leave and related pension/OPEB deferred inflows/outflows are not due and payable in the current period and therefore are not reported in the funds.	(14,399,810)
Net position of governmental activities	\$ 1,242,498

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, 2024

	General	Municipal Road Aid	Total Governmental Funds
REVENUES			
Taxes	\$ 811,088	\$ -	\$ 811,088
Licenses and permits	5,213,520	-	5,213,520
Intergovernmental	3,124,650	153,180	3,277,830
Charges for services	603,905	-	603,905
Other revenues	264,416	127	264,543
Total revenues	10,017,579	153,307	10,170,886
EXPENDITURES			
Current			
Public affairs	682,322	-	682,322
Public finance	364,287	-	364,287
Public safety-police	2,447,019	-	2,447,019
Public safety-fire	2,037,622	-	2,037,622
Public safety-dispatch	727,685	-	727,685
Public works	759,074	-	759,074
Public property	510,955	-	510,955
Sanitation	603,825	-	603,825
Code enforcement	20,166	-	20,166
Main street	41,145	-	41,145
Crisis Response	6,146	-	6,146
Debt service	547,711	-	547,711
Capital outlay	2,706,518	108,437	2,814,955
Total expenditures	11,454,475	108,437	11,562,912
Excess (deficiency) of revenues over expenditures	(1,436,896)	44,870	(1,392,026)
Other financing sources:			
Proceeds from issuance of debt	1,263,593	-	1,263,593
Proceeds from disposal of capital assets	67,443	-	67,443
Total other financing sources	1,331,036	-	1,331,036
Net change in fund balances	(105,860)	44,870	(60,990)
Fund balances-beginning	3,086,621	98,229	3,184,850
Fund balances-ending	\$ 2,980,761	\$ 143,099	\$ 3,123,860
Reconciliation to government-wide change in net position:			
Net change in fund balances			\$ (60,990)
Add: capital outlay expenditures			2,814,955
Add: debt service expenditures			547,711
Add: gain on disposal of assets			17,366
Add: opioid settlement revenue			252,320
Less: interest on long-term debt			(130,335)
Less: proceeds from sale and disposal of assets			(67,440)
Less: proceeds from issuance of debt			(1,263,593)
Add: change in net pension liability			779,009
Add: change in net OPEB liability			198,748
Less: change in long-term accrued leave payable			(23,505)
Less: depreciation and amortization on governmental activities assets			(816,702)
Change in net position Governmental Activities			\$ 2,247,544

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

CITY OF CYNTHIANA, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2024

	Business-type Activities Water & Sewer Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 945,710
Receivables, net	639,283
Due from other funds	125,789
Total current assets	1,710,782
Noncurrent assets	
Restricted cash and cash equivalents	1,263,300
Net OPEB asset	41,970
Capital assets	
Nondepreciable capital assets	859,958
Leased vehicles and equipment	274,970
Depreciable capital assets	43,218,636
Less: accumulated depreciation and amortization	(24,329,444)
Total noncurrent assets	21,329,390
Total assets	23,040,172
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension	462,466
Deferred outflows - OPEB	189,772
Total deferred outflows of resources	652,238
Total assets and deferred outflows of resources	\$ 23,692,410
LIABILITIES	
Current liabilities	
Accounts payable	\$ 562,575
Accrued payroll liabilities	29,110
Accrued interest payable	53,883
Customer deposits	60,650
Unearned revenue	989,890
Lease liability, current	51,062
Bonds and notes payable, current	509,262
Total current liabilities	2,256,432
Noncurrent liabilities	
Accrued leave payable	147,601
Lease liability, net of current portion	122,284
Bonds and notes payable, net of current portion	6,061,265
Net pension liability	2,103,291
Total noncurrent liabilities	8,434,441
Total liabilities	10,690,873
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension	233,319
Deferred inflows - OPEB	694,124
Total deferred inflows of resources	927,443
NET POSITION	
Net investment in capital assets	13,280,247
Restricted	763,300
Unrestricted	(1,969,453)
Total net position	12,074,094
Total liabilities, deferred inflows of resources and net position	\$ 23,692,410

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, 2024**

	Business-type Activities
	Water & Sewer Fund
Operating revenues	
Charges for services	\$ 3,970,308
Other revenues	127,383
Total operating revenues	4,097,691
Operating expenses	
Salaries and employee benefits	1,358,392
Material and supplies	91,984
Repairs and maintenance	302,361
Electricity	274,690
Chemicals	320,574
Other	385,546
Depreciation and amortization	972,450
Total operating expenses	3,705,997
Operating income (loss)	391,694
Nonoperating revenues (expenses)	
Investment earnings	2,824
(Loss) on disposal of capital assets	(16,966)
Grant revenue	109,602
Interest expense	(168,274)
Total nonoperating revenues (expenses)	(72,814)
Change in net position	318,880
Total net position-beginning	11,755,214
TOTAL NET POSITION-ENDING	\$ 12,074,094

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, 2024

	Business-Type Activities Water & Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 4,109,048
Payments to suppliers	(1,346,615)
Payments for employee services and benefits	(1,598,744)
Customer deposits received	3,508
Customer deposits returned	<u>(1,433)</u>
Net cash provided by (used in) operating activities	<u>1,165,764</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Increase (decrease) in interfund loans	<u>(149,520)</u>
Net cash provided by (used in) noncapital financing activities	<u>(149,520)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(518,050)
Grants received	66,565
Principal paid on bonds, notes and leases	(554,128)
Proceeds from issuance of debt	99,999
Interest paid on bonds, notes, and leases	<u>(166,589)</u>
Net cash provided by (used in) capital and related financing activities	<u>(1,072,203)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>2,824</u>
Net cash provided by (used in) investing activities	<u>2,824</u>
Net increase (decrease) in cash and cash equivalents	(53,135)
Cash and cash equivalents - beginning of the year	<u>2,262,145</u>
CASH AND CASH EQUIVALENTS - END OF THE YEAR	<u>\$ 2,209,010</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 391,694
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization	972,450
Net change in pension liability	(86,378)
Net change in OPEB liability	(170,708)
Change in assets and liabilities:	
Receivables, net	11,357
Customer deposits	2,075
Accounts and other payables	28,540
Accrued expenses	<u>16,734</u>
Net cash provided by (used in) operating activities	<u>\$ 1,165,764</u>
Reconciliation of total cash and cash equivalents	
Current assets - cash and cash equivalents	\$ 945,710
Restricted assets - cash and cash equivalents	<u>1,263,300</u>
Total cash and cash equivalents	<u>\$ 2,209,010</u>
Schedule of non-cash activities	
Leased vehicle and equipment additions, net	\$ 110,885
Payables for capital items, net	<u>382,919</u>
Total non-cash activities	<u>\$ 493,804</u>

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

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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, 2024

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, 2024

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, 2024

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 2024, the City exceeded budgeted amounts by \$1,477,055 in the General Fund. This is primarily a result of capital outlay exceeding budgeted amounts by \$1,586,435.

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 certificates of deposit, which consist of highly liquid investments with original maturities of twelve months or less from the date of acquisition to be cash and cash equivalents.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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 than 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 for employees other than firefighters and 720 hours of sick leave for firefighters. Upon voluntarily separating from City service, 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 voluntary separation but are not allowed any roll over hours to the retirement system. The City allows employees other than firefighters to carry over a maximum of 160 hours of accrued and unused vacation leave and firefighters to carry over a maximum of 240 hours of accrued and unused vacation leave to the next calendar year. Upon termination of employment, vested but unused vacation leave will be paid out at the regular hourly rate earned by the employee at the time of separation. Employees may also request payment of vacation leave in lieu of paid time off between November 1st to December 1st of each year in 8 hour increments to a maximum of 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 leave total.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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.

Upcoming Authoritative Accounting Guidance

Statement No. 101 - In June 2022, the GASB issued Statement No. 101 Compensated Absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The City continues to evaluate the impact of this statement on the City's financial statements.

Management's Review of Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through February 21, 2025, 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, 2024, have not been evaluated by the City.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

2. CASH AND CASH EQUIVALENTS

KRS 66.480 authorizes the City to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or 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, 2024, were entirely covered by federal depository insurance or by collateral held by the custodial banks in the City's name. At June 30, 2024, the book balance of the City's deposits was \$4,493,592 and the bank balances totaled \$5,472,864. \$1,244,377 was covered by FDIC insurance and \$4,228,487 was covered by collateral held by the custodial banks in the City's name.

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	\$ 12,557	\$ -	\$ -	\$ 12,557
Licenses, permits, billings	1,102,736	-	-	1,102,736
Intergovernmental	470,454	-	43,037	513,491
Customers	-	-	596,246	596,246
Other	728,182	-	-	728,182
Notes	<u>316,100</u>	<u>-</u>	<u>-</u>	<u>316,100</u>
Gross receivables	2,630,029	-	639,283	3,269,312
Less: allowance for uncollectible	<u>(316,100)</u>	<u>-</u>	<u>-</u>	<u>(316,100)</u>
Net receivables	<u>\$ 2,313,929</u>	<u>\$ -</u>	<u>\$ 639,283</u>	<u>\$ 2,953,212</u>

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

4. CAPITAL ASSETS

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

<u>Governmental Activities</u>	Balance			Balance
	July 1, 2023	Additions	Deductions	June 30, 2024
Capital assets not being depreciated:				
Land and improvements	\$ 2,754,627	\$ -	\$ -	\$ 2,754,627
Construction in progress	<u>129,064</u>	<u>1,342,821</u>	<u>(812,696)</u>	<u>659,189</u>
Total	<u>2,883,691</u>	<u>1,342,821</u>	<u>(812,696)</u>	<u>3,413,816</u>
Capital assets being depreciated:				
Buildings and improvements	4,498,767	857,468	-	5,356,235
Vehicles and equipment	3,118,684	767,388	(704,428)	3,181,644
Leased equipment	14,328	9,182	(6,171)	17,339
Leased vehicles	<u>788,814</u>	<u>542,354</u>	<u>(121,001)</u>	<u>1,210,167</u>
Total	<u>8,420,593</u>	<u>2,176,392</u>	<u>(831,600)</u>	<u>9,765,385</u>
Total non-infrastructure assets	<u>11,304,284</u>	<u>3,519,213</u>	<u>(1,644,296)</u>	<u>13,179,201</u>
Infrastructure assets	<u>4,659,224</u>	<u>108,437</u>	<u>-</u>	<u>4,767,661</u>
Total capital assets	<u>15,963,508</u>	<u>3,627,650</u>	<u>(1,644,296)</u>	<u>17,946,862</u>
Less: accumulated depreciation:				
Buildings and improvements	1,447,881	158,389	-	1,606,270
Vehicles and equipment	2,440,319	215,009	(704,428)	1,950,900
Infrastructure assets	<u>1,853,593</u>	<u>223,174</u>	<u>-</u>	<u>2,076,767</u>
Total	<u>5,741,793</u>	<u>596,572</u>	<u>(704,428)</u>	<u>5,633,937</u>
Less: accumulated amortization:				
Leased equipment	9,935	4,171	(5,337)	8,769
Leased vehicles	<u>284,728</u>	<u>215,959</u>	<u>(71,761)</u>	<u>428,926</u>
Total	<u>294,663</u>	<u>220,130</u>	<u>(77,098)</u>	<u>437,695</u>
Total accumulated depreciation and amortization	<u>6,036,456</u>	<u>816,702</u>	<u>(781,526)</u>	<u>6,071,632</u>
Governmental activities capital assets, net	<u>\$ 9,927,052</u>	<u>\$ 2,810,948</u>	<u>\$ (862,770)</u>	<u>\$ 11,875,230</u>

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

4. CAPITAL ASSETS (CONTINUED)

<u>Business-type activities:</u>	Balance July 1, 2023	Additions	Deductions	Balance June 30, 2024
Construction in progress	\$ 182,781	\$ 677,177	\$ -	\$ 859,958
Equipment and vehicles	381,133	99,999	(48,218)	432,914
Leased vehicles	186,031	110,885	(21,946)	274,970
Water system	18,327,523	96,975	(141,654)	18,282,844
Sewer system	<u>24,635,122</u>	<u>26,818</u>	<u>(159,062)</u>	<u>24,502,878</u>
 Total capital assets	 43,712,590	 1,011,854	 (370,880)	 44,353,564
 Less: accumulated depreciation	 <u>23,626,981</u>	 <u>927,137</u>	 <u>(331,968)</u>	 <u>24,222,150</u>
 Less: accumulated amortization	 <u>83,927</u>	 <u>45,313</u>	 <u>(21,946)</u>	 <u>107,294</u>
 Total accumulated depreciation and amortization	 <u>23,710,908</u>	 <u>972,450</u>	 <u>(353,914)</u>	 <u>24,329,444</u>
 Capital assets, net	 <u>\$ 20,001,682</u>	 <u>\$ 39,404</u>	 <u>\$ (16,966)</u>	 <u>\$ 20,024,120</u>

Depreciation expense was charged to the governmental functions as follows:

Public affairs	\$ 158,390
Public safety - police	39,978
Public safety - fire	111,341
Public works	257,831
Public property	28,640
Crisis Response	<u>392</u>
 Total	 <u>\$ 596,572</u>

Amortization expense was charged to the governmental functions as follows:

Public affairs	\$ 5,654
Public safety - police	182,814
Public safety - fire	7,592
Public works	<u>24,070</u>
 Total	 <u>\$ 220,130</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, 2024

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%. Future expected debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2025	\$ <u>1,763</u>	\$ <u>18</u>	\$ <u>1,781</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, 2024, had a net book value of \$417,593 is collateral on the loan. The principal balance at June 30, 2024, in the governmental activities is \$166,186. Future expected debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2025	\$ 8,277	\$ 5,518	\$ 13,795
2026	8,562	5,233	13,795
2027	8,858	4,937	13,795
2028	<u>140,489</u>	<u>1,196</u>	<u>141,685</u>
	<u>\$ 166,186</u>	<u>\$ 16,884</u>	<u>\$ 183,070</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, 2041. The principal balance for the governmental activities portion of the bonds at June 30, 2024, is \$1,890,000. Future expected debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2025	\$ 85,000	\$ 46,053	\$ 131,053
2026	90,000	44,094	134,094
2027	90,000	42,069	132,069
2028	85,000	40,091	125,091
2029	90,000	38,131	128,131
2030-2034	535,000	156,686	691,686
2035-2039	635,000	84,168	719,168
2040-2041	<u>280,000</u>	<u>8,737</u>	<u>288,737</u>
	<u>\$ 1,890,000</u>	<u>\$ 460,029</u>	<u>\$ 2,350,029</u>

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, 2024, had a net book value of \$236,157 is collateral on the loan. The principal balance at June 30, 2024 is \$307,174. Future expected debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2025	\$ 15,671	\$ 6,480	\$ 22,151
2026	<u>291,503</u>	<u>3,138</u>	<u>294,641</u>
	<u>\$ 307,174</u>	<u>\$ 9,618</u>	<u>\$ 316,792</u>

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

5. GOVERNMENTAL ACTIVITIES - LONG TERM DEBT (CONTINUED)

Bonds and notes payable, continued

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, 2024, had a net book value of \$70,833 is collateral on the loan. The principal balance at June 30, 2024, is \$51,185. Future expected debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2025	\$ 25,043	\$ 2,245	\$ 27,288
2026	<u>26,142</u>	<u>1,146</u>	<u>27,288</u>
	<u>\$ 51,185</u>	<u>\$ 3,391</u>	<u>\$ 54,576</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, 2024, had a net book value of \$32,605 is collateral on the loan. The principal balance at June 30, 2024, is \$18,486. Future expected debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2025	<u>\$ 18,486</u>	<u>\$ 457</u>	<u>\$ 18,943</u>

In September 2021, the City financed police body cameras through seller financing for \$46,040. The loan is for 60 months with payments beginning September 1, 2021. Annual payments due on the loan total \$12,733. The City calculated the present value of future loan payments based on an incremental borrowing rate of 6.40%. The principal balance at June 30, 2024, is \$23,228. Future expected debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2025	\$ 11,247	\$ 1,486	\$ 12,733
2026	<u>11,981</u>	<u>752</u>	<u>12,733</u>
	<u>\$ 23,228</u>	<u>\$ 2,238</u>	<u>\$ 25,466</u>

In November 2023, the City financed a fire truck for \$712,055. The loan is for 10 years with payments beginning November 16, 2024, at an interest rate of 6.40%. The fire truck, which as of June 30, 2024, had a net book value of \$709,088 is collateral on the loan. The principal balance at June 30, 2024, is \$712,055. Future expected debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2025	\$ 55,454	\$ 38,750	\$ 94,204
2026	58,472	35,732	94,204
2027	61,654	32,550	94,204
2028	65,009	29,195	94,204
2029	68,547	25,657	94,204
2030-2033	<u>402,919</u>	<u>68,102</u>	<u>471,021</u>
	<u>\$ 712,055</u>	<u>\$ 229,986</u>	<u>\$ 942,041</u>

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

5. GOVERNMENTAL ACTIVITIES - LONG TERM DEBT (CONTINUED)

Changes in long-term debt

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

	July 1, 2023	Additions	Retirements	June 30, 2024	Current Portion
Bond and notes payable	\$ 2,642,906	\$ 712,055	\$ (184,884)	\$ 3,170,077	\$ 220,941
Lease liability	520,484	551,538	(255,196)	816,826	242,458
Accrued leave	335,348	19,173	-	354,521	35,683
Net pension liability	8,766,930	-	(1,646,405)	7,120,525	-
Net OPEB liability	<u>2,384,425</u>	<u>-</u>	<u>(2,149,928)</u>	<u>234,497</u>	<u>-</u>
Total	<u>\$ 14,650,093</u>	<u>\$ 1,282,766</u>	<u>\$ (4,236,413)</u>	<u>\$ 11,696,446</u>	<u>\$ 499,082</u>

6. BUSINESS-TYPE ACTIVITIES - LONG-TERM DEBT

Bonds and notes payable

The June 30, 2024 summary of bonds and notes payable of the Water and Sewer Fund is as follows:

	Amount Issued	Interest Rate	Balance Outstanding 7/1/23	Issued (Retired) During Year	Balance Outstanding 6/30/24
2015 Series	\$ 3,590,000	2.50%	\$ 3,254,500	\$ (62,000)	\$ 3,192,500
KIA Loan	\$ 5,887,374	1.00%	1,378,757	(301,065)	1,077,692
KIA Loan	\$ 754,539	0.75%	432,270	(27,332)	404,938
KIA Loan	\$ 972,600	0.50%	833,073	(47,071)	786,002
2020C Series	\$ 995,000	2.00%	905,000	(40,000)	865,000
Building Loan	\$ 200,000	3.35%	178,300	(12,114)	166,186
Excavator Loan	\$ 99,999	5.20%	<u>-</u>	<u>(21,790)</u>	<u>78,209</u>
			<u>\$ 6,981,900</u>	<u>\$ (511,372)</u>	<u>\$ 6,570,527</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 \$1,077,692 at June 30, 2024.

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, 2024, is \$3,192,500.

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 0.75% and had an outstanding balance of \$404,938 at June 30, 2024.

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 \$786,002 at June 30, 2024.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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

Bonds and notes payable, continued

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, 2024, had a net book value of \$417,593 is collateral on the loan. The principal balance at June 30, 2024, in the water and sewer fund is \$166,186.

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.

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, 2024, is \$865,000.

In September 2023, the City financed a Hydro Excavator for \$99,999. The payments on this loan are annual for 5 years at 5.20%. The excavator, which as of June 30, 2024, had a net book value of \$81,666 and is collateral on the loan. The principal balance at June 30, 2024, in the water and sewer fund is \$78,209.

Future expected debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2025	\$ 509,262	\$ 127,940	\$ 637,202
2026	516,002	120,700	636,702
2027	522,335	113,316	635,651
2028	504,041	102,363	606,404
2029	188,636	96,159	284,795
2030-2034	993,059	432,031	1,425,090
2035-2039	1,092,205	338,932	1,431,137
2040-2044	768,987	237,449	1,006,436
2045-2059	613,000	154,750	767,750
2050-2054	709,500	73,463	782,963
2055	<u>153,500</u>	<u>3,838</u>	<u>157,338</u>
	<u>\$ 6,570,527</u>	<u>\$ 1,800,941</u>	<u>\$ 8,371,468</u>

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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

Changes in long term debt

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

	July 1, 2023	Additions	Retirements	June 30, 2024	Current Portion
Bonds and Notes	\$ 6,981,900	\$ 99,999	\$ (511,372)	\$ 6,570,527	\$ 509,262
Lease liability	105,217	110,885	(42,756)	173,346	51,062
Accrued leave	133,707	13,894	-	147,601	-
Net pension liability	2,235,771	-	(132,480)	2,103,291	-
Net OPEB liability (asset)	<u>660,712</u>	<u>-</u>	<u>(702,682)</u>	<u>(41,970)</u>	<u>-</u>
Total	<u>\$ 10,117,307</u>	<u>\$ 224,778</u>	<u>\$ (1,389,290)</u>	<u>\$ 8,952,795</u>	<u>\$ 560,324</u>

7. LEASE LIABILITIES

Governmental Activities

As of June 30, 2024, 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 \$372. The City calculated the present value of future lease payments based on incremental borrowing rates of 4.39 – 5.44%. The balance of the liability related to the copier leases as of June 30, 2024, totaled \$10,384.

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 – 8.37%. The balance of the liability related to the vehicle leases as of June 30, 2024, totaled \$806,442.

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

Year ended	Principal	Interest	Total
2025	\$ 242,458	54,982	297,440
2026	218,035	40,378	258,413
2027	193,520	26,138	219,658
2028	110,865	9,190	120,055
2029	<u>51,948</u>	<u>2,167</u>	<u>54,115</u>
	<u>\$ 816,826</u>	<u>\$ 132,855</u>	<u>\$ 949,681</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 3.19 – 8.28%. The balance of the liability related to the vehicle leases as of June 30, 2024, totaled \$173,346.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

7. LEASE LIABILITIES (CONTINUED)

Business-type Activities, continued

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

Year ended	Principal	Interest	Total
2025	\$ 51,062	\$ 11,024	\$ 62,086
2026	49,839	8,281	58,120
2027	32,233	5,485	37,718
2028	24,910	2,249	27,159
2029	<u>15,302</u>	<u>937</u>	<u>16,239</u>
	<u>\$ 173,346</u>	<u>\$ 27,976</u>	<u>\$ 201,322</u>

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

The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2024, participating employers contributed 23.34% of each employee's wages for non-hazardous job classifications and 43.69% of each employee's wages for hazardous job classifications.

The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 9. Plan members contributed 23.34% to the pension trust for non-hazardous job classifications and 41.11% 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.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

8. RETIREMENT PLAN (CONTINUED)

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

For the year ended June 30, 2024, the City contributed \$488,206 or 100% of the required contribution for non-hazardous job classifications, and \$724,313, for the year ended June 30, 2024, 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.

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.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

8. RETIREMENT PLAN (CONTINUED)

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

Total Net Pension Liability	Non-hazardous	Hazardous
<u>\$ 9,223,816</u>	<u>\$ 3,810,957</u>	<u>\$ 5,412,859</u>

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

Non-hazardous	Hazardous
.0594%	.2008%

The proportionate share at June 30, 2023, increased .0031% for non-hazardous and decreased .0264% for hazardous compared to the proportionate share as of June 30, 2022.

For the year ended June 30, 2024, the City recognized pension expense of \$263,220. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 444,740	\$ 10,355
Changes of assumptions	-	772,006
Net difference between projected and actual earnings on Plan Investments	-	106,285
Changes in proportion and differences between City contributions and proportionate share of contributions	139,125	1,186,857
City contributions subsequent to the measurement date	<u>1,119,826</u>	<u>-</u>
Total	<u>\$ 1,703,691</u>	<u>\$ 2,075,503</u>

The \$1,119,826 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Contributions exclude \$92,693 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,	
2025	\$ (610,458)
2026	\$ (618,630)
2027	\$ (122,558)
2028	\$ (139,992)

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

8. RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions – The total pension liabilities in the June 30, 2023, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

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

Hazardous

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

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

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

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

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

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

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

8. RETIREMENT PLAN (CONTINUED)

Discount Rate – The discount rate used to measure the total pension liability was 6.50 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 6.50 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	Non-hazardous			Hazardous		
	Discount rate	City’s proportionate share of net pension liability	Discount rate	City’s proportionate share of net pension liability	Discount rate	City’s proportionate share of net pension liability
1% decrease	5.50%	\$ 4,811,563	5.50%	\$ 6,835,026		
Current discount rate	6.50%	\$ 3,810,957	6.50%	\$ 5,412,859		
1% increase	7.50%	\$ 2,979,415	7.50%	\$ 4,251,271		

Payable to the Pension Plan – At June 30, 2024, the City reported a payable of \$125,116 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2024. 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, 2024, the employer’s contribution was 0.00% to the insurance trust for non-hazardous job classifications and 2.58% to the insurance trust for hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers 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.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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

For the year ended June 30, 2024, the City contributed \$0, or 100% of the required contribution for non-hazardous job classifications, and \$45,457, or 100% of the required contribution for hazardous job classifications.

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

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

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

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

Total Net OPEB Liability (Asset)	Non-hazardous	Hazardous
<u>\$ 192,527</u>	<u>\$ (81,999)</u>	<u>\$ 274,526</u>

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

Non-hazardous	Hazardous
.0594%	.2006%

The proportionate share at June 30, 2023 increased .0031% for non-hazardous and decreased .0264% for hazardous compared to the proportionate share as of June 30, 2022.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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

For the year ended June 30, 2024, the City recognized OPEB expense of \$(338,447). At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 81,996	\$ 2,296,094
Changes of assumptions	348,818	398,638
Net difference between projected and actual earnings on Plan investments	-	56,838
Changes in proportion and differences between City contributions and proportionate share of contributions	59,027	446,501
City contributions subsequent to the measurement date	<u>65,790</u>	<u>-</u>
Total	<u>\$ 555,631</u>	<u>\$ 3,198,071</u>

The \$65,790 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 (asset) in the year ending June 30, 2025. Contributions exclude \$(3,899) of contributions for employees that previously retired and were subsequently re-employed. Contributions also include an allocation for the implicit subsidy of \$24,232, 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,	
2025	\$ (605,802)
2026	\$ (713,866)
2027	\$ (566,860)
2028	\$ (592,656)
2029	\$ (229,046)

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

Non-hazardous

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

Pre – 65: Initial trend starting at 6.80% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

Post – 65: Initial trend starting at 8.50% at January 1, 2025, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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

Hazardous

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

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

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

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

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

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

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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

Discount Rate – The discount rate used to measure the total OPEB liability (asset) was 5.93% and 5.97% for non-hazardous and hazardous classifications, respectively. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.50%, and a municipal bond rate of 3.86%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index” as of June 30, 2023. 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 (asset) to Changes in the Discount Rate – The following presents the City’s proportionate share of the net OPEB liability (asset) calculated using the discount rate as well as what the City’s proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Non-hazardous		Hazardous	
	Discount rate	City’s proportionate share of net OPEB liability (asset)	Discount rate	City’s proportionate share of net OPEB liability (asset)
1% decrease	4.93%	\$ 153,881	4.97%	\$ 694,280
Current discount rate	5.93%	\$ (81,999)	5.97%	\$ 274,526
1% increase	6.93%	\$ (279,520)	6.97%	\$ (75,241)

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

	Non-hazardous		Hazardous	
		City’s proportionate share of net OPEB liability (asset)		City’s proportionate share of net OPEB liability (asset)
1% decrease		\$ (262,822)		\$ 3,128
Current trend rate		\$ (81,999)		\$ 274,526
1% increase		\$ 140,124		\$ 602,295

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

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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.

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 2024 were levied in September 2023, 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, 2024 was \$316,100.

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 \$187,149 at June 30, 2024.

CITY OF CYNTHIANA, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

15. CONCENTRATIONS

The City has a concentration of revenue in the Water and Sewer Fund. One customer generated approximately 38% of the Water and Sewer Fund's service revenue and 35% of the accounts receivable at June 30, 2024.

16. LINE OF CREDIT

In May 2024, the City opened up a line of credit at a local bank with a limit of \$1,800,000 that bears interest at a fixed rate of 6.06% and matures in May 2026. The line of credit was opened to provide short-term financing for various projects taken on by the City and is expected to be paid down shortly after each draw is taken. No draws were made on the line of credit in fiscal year 2024.

17. SUBSEQUENT EVENTS

In May 2022, the City was awarded \$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 loan amount was increased to \$5,971,313 in February 2024. 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. The project started in fiscal year 2024. Draws on the loan began in July 2024 and \$3,312,976 has been drawn on the loan to date.

In January 2025, the City took out a loan totaling \$63,675 to finance the purchase of an excavator for the General Fund. The loan is to be paid monthly over four years and bears interest at 5.69%.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2024

	Enacted Budget	Amended Budget	Actual	Variance
Property taxes				
Real estate and tangible	\$ 565,000	\$ 573,100	\$ 559,568	\$ (13,532)
Public service companies	88,000	66,937	66,472	(465)
Bank shares	95,000	81,581	76,866	(4,715)
Payment in lieu of taxes	9,000	8,546	8,546	-
Penalties	12,000	7,807	1,987	(5,820)
Motor vehicle	75,000	68,340	74,614	6,274
Real estate and tangible prior year	<u>27,000</u>	<u>11,036</u>	<u>23,035</u>	<u>11,999</u>
	<u>871,000</u>	<u>817,347</u>	<u>811,088</u>	<u>(6,259)</u>
Licenses, permits and billings				
Occupational license fees	3,400,000	3,289,652	3,211,246	(78,406)
Occupational license net profits fees	350,000	457,500	443,985	(13,515)
Privilege license fees	3,500	2,825	2,955	130
Liquor and beer licenses	28,000	16,121	10,890	(5,231)
Insurance premium license fees	850,000	892,655	959,485	66,830
Residential rental licenses	12,500	9,460	9,460	-
Utility franchise licenses	378,000	347,209	382,059	34,850
Reg fee/ retail alcohol	210,000	166,807	184,678	17,871
Tourism license fee	<u>6,500</u>	<u>8,138</u>	<u>8,762</u>	<u>624</u>
	<u>5,238,500</u>	<u>5,190,367</u>	<u>5,213,520</u>	<u>23,153</u>
Intergovernmental revenue				
Police incentive pay	88,500	89,746	84,292	(5,454)
Fire incentive pay	113,190	111,944	112,398	454
E-911 reimbursement	590,000	658,377	709,931	51,554
Other grants	<u>201,992</u>	<u>1,037,922</u>	<u>2,218,029</u>	<u>1,180,107</u>
	<u>993,682</u>	<u>1,897,989</u>	<u>3,124,650</u>	<u>1,226,661</u>
Charges for service				
Sanitation fees	<u>600,000</u>	<u>604,233</u>	<u>603,905</u>	<u>(328)</u>
Other revenues				
Parking tickets	150	-	-	-
Interest income	11,000	9,000	45,689	36,689
Miscellaneous	<u>83,900</u>	<u>179,500</u>	<u>218,727</u>	<u>39,227</u>
	<u>95,050</u>	<u>188,500</u>	<u>264,416</u>	<u>75,916</u>
TOTAL REVENUES	<u>\$ 7,798,232</u>	<u>\$ 8,698,436</u>	<u>\$ 10,017,579</u>	<u>\$ 1,319,143</u>

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2024

	Enacted Budget	Amended Budget	Actual	Variance
PUBLIC AFFAIRS				
Mayor's salary	\$ 36,385	\$ 36,385	\$ 36,385	\$ -
City attorney expense	21,100	21,100	21,103	3
Other legal expenses	1,500	-	-	-
Medical and hospital insurance	42,976	47,614	47,993	379
Social security	4,397	4,398	4,398	-
City picnic	3,000	-	-	-
Telephone	2,400	11,560	11,241	(319)
Office supplies	3,500	-	2,565	2,565
Travel and training	3,000	-	1,493	1,493
Publishing	8,000	-	7,717	7,717
Membership dues	2,600	2,594	2,594	-
Bluegrass Area Development District	1,200	1,203	1,203	-
Mayor and commissioners' bond	500	375	375	-
Public officials liability insurance	6,000	4,000	4,000	-
Emergency management agency	6,615	6,615	6,615	-
Recreation board operations	238,200	238,200	238,200	-
Senior citizens	20,000	15,000	15,000	-
EDA	36,000	36,000	36,000	-
Joint planning	75,000	75,000	75,000	-
Airport board	5,000	5,000	5,000	-
Chamber of commerce	10,000	10,225	10,225	-
Fireworks	5,500	8,000	8,000	-
Rape crisis center	10,000	10,000	10,000	-
Tourism funding	10,000	10,526	10,526	-
Cynthiana-Harrison county museum	6,500	7,453	7,353	(100)
Humane society	1,000	1,000	1,000	-
Miscellaneous	137,800	252,725	86,307	(166,418)
CDBG westside redevelopment	-	-	10,000	10,000
E-911 share	-	-	21,150	21,150
ARPA small business grants	-	879	879	-
Total public affairs	<u>698,173</u>	<u>805,852</u>	<u>682,322</u>	<u>(123,530)</u>

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2024

	Enacted Budget	Amended Budget	Actual	Variance
PUBLIC FINANCE				
Commissioner salary	\$ 12,177	\$ 12,177	\$ 12,177	\$ -
Salaries	125,000	121,478	142,195	20,717
Overtime and holiday pay	500	77	77	-
Longevity pay	2,500	2,122	2,122	-
Retirement	35,000	28,244	28,244	-
Medical and hospital insurance	56,000	65,527	65,799	272
Social security	11,000	9,732	9,732	-
Workers' compensation	350	350	350	-
Employee assistance program	500	410	410	-
HR incentives	12,000	15,000	17,612	2,612
Employee training	5,000	3,660	3,660	-
Telephone	4,000	4,500	4,194	(306)
Insurance and fees	2,500	1,348	1,348	-
City auditor	12,000	15,950	15,950	-
Office supplies	12,000	12,600	12,069	(531)
Training	1,000	866	416	(450)
Copier maintenance and fees	2,400	2,400	(79)	(2,479)
Computer maintenance	12,000	12,107	12,107	-
Ordinance update	5,000	-	-	-
Clothing allowance	1,250	1,492	1,492	-
Miscellaneous	13,700	12,508	12,220	(288)
Tax assessment and bills	21,000	22,192	22,192	-
Total public finance	<u>346,877</u>	<u>344,740</u>	<u>364,287</u>	<u>19,547</u>

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2024

	Enacted Budget	Amended Budget	Actual	Variance
PUBLIC SAFETY-POLICE				
Commissioner salary	\$ 12,177	\$ 12,177	\$ 12,177	\$ -
Policemen salaries	815,000	1,047,704	1,045,196	(2,508)
Police clerk / typist	74,000	49,946	49,946	-
Overtime pay	125,000	207,640	207,640	-
Holiday pay	40,000	25,108	25,108	-
Longevity pay	5,000	4,435	4,435	-
Policemen incentive pay	65,575	41,460	40,564	(896)
Employee retirement	315,000	343,311	349,638	6,327
Medical and hospital insurance	140,000	166,983	168,113	1,130
Social security	87,000	104,755	104,755	-
Workers' compensation	60,000	70,292	70,292	-
Police projects	2,700	4,335	4,278	(57)
Telephone	24,000	26,000	27,619	1,619
Insurance	55,000	61,254	61,254	-
Gas and oil	72,000	74,500	75,669	1,169
Supplies	10,000	11,416	13,127	1,711
Training ammunition	3,000	3,145	3,145	-
Training	12,000	10,557	10,472	(85)
Copier maintenance and fees	3,400	3,420	1,016	(2,404)
Uniforms and body armor	11,500	26,028	25,686	(342)
Maintenance and repairs	21,500	36,963	36,989	26
Membership fees	5,000	5,124	5,124	-
Miscellaneous	49,000	124,955	92,279	(32,676)
Equipment	45,500	28,760	12,497	(16,263)
	<hr/>	<hr/>	<hr/>	<hr/>
Total public safety-police	<u>2,053,352</u>	<u>2,490,268</u>	<u>2,447,019</u>	<u>(43,249)</u>

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2024

	Enacted Budget	Amended Budget	Actual	Variance
PUBLIC SAFETY-FIRE				
Firemen salaries	\$ 800,000	\$ 852,125	\$ 824,611	\$ (27,514)
Holiday pay	36,000	29,791	29,791	-
Overtime pay	70,000	115,552	115,552	-
Firemen incentive pay	79,180	61,274	61,274	-
Longevity pay	20,000	19,947	19,947	-
Employee retirement	438,000	441,121	447,448	6,327
Medical and hospital insurance	251,000	295,117	294,255	(862)
Social security	73,320	81,176	81,176	-
Workers' compensation	23,000	26,859	26,859	-
Telephone	6,000	8,654	8,315	(339)
Insurance for vehicles	24,000	29,308	29,308	-
Gas and oil	12,000	12,775	12,941	166
Supplies	8,000	4,903	5,638	735
Firefighting protective clothing	21,000	12,973	12,973	-
Travel and training	4,000	4,351	4,566	215
Training material	2,500	960	1,265	305
Fire prevention program materials	1,000	690	761	71
Uniforms	10,000	7,114	7,114	-
Maintenance and repairs	15,000	12,879	12,911	32
Membership fees	500	370	370	-
Equipment and tools	49,670	25,620	24,229	(1,391)
Miscellaneous	32,000	16,308	16,318	10
	<hr/>	<hr/>	<hr/>	<hr/>
Total public safety-fire	1,976,170	2,059,867	2,037,622	(22,245)

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2024

	Enacted Budget	Amended Budget	Actual	Variance
PUBLIC SAFETY-DISPATCH				
Radio operator salary	\$ 310,500	\$ 435,462	\$ 435,462	\$ -
Overtime pay	70,000	54,096	54,096	-
Holiday pay	8,000	8,306	8,306	-
Longevity pay	3,000	2,088	2,088	-
Employee retirement	82,000	110,513	110,513	-
Medical and hospital insurance	60,000	68,505	66,868	(1,637)
Social security	28,000	35,999	35,999	-
Workers' compensation	2,200	2,275	2,275	-
Telephone	4,200	2,600	2,607	7
Supplies	4,000	4,125	5,266	1,141
Utilities	9,400	8,236	2,346	(5,890)
Miscellaneous	2,500	1,572	1,859	287
Total public safety-dispatch	<u>583,800</u>	<u>733,777</u>	<u>727,685</u>	<u>(6,092)</u>
Total public safety	<u>4,613,322</u>	<u>5,283,912</u>	<u>5,212,326</u>	<u>(71,586)</u>
PUBLIC WORKS				
Commissioner salary	12,177	11,006	11,006	-
Salaries	320,000	324,346	329,319	4,973
Overtime and holiday pay	8,500	6,483	6,483	-
Longevity pay	5,000	5,162	5,162	-
Employee retirement	79,518	78,420	78,420	-
Medical and hospital insurance	92,000	94,659	95,860	1,201
Social security	25,600	25,763	25,763	-
Worker's compensation	19,000	23,335	23,335	-
Telephone	4,000	5,600	6,359	759
Insurance	18,000	21,406	21,406	-
Gas and oil	18,000	22,800	22,463	(337)
Supplies	12,000	12,500	14,004	1,504
Rental equipment	2,000	1,417	328	(1,089)
Training	3,000	90	90	-
Clothing allowance	4,000	6,273	6,273	-
Truck repairs	3,000	5,225	5,208	(17)
Leaf vacuum machine repairs	1,600	1,064	812	(252)
Backhoe repair	5,000	6,524	5,878	(646)
Miscellaneous repairs	53,500	75,438	93,182	17,744
Street signs	5,000	4,578	4,713	135
Miscellaneous	1,900	520	610	90
Salt	12,000	2,400	2,400	-
Total public works	<u>704,795</u>	<u>735,009</u>	<u>759,074</u>	<u>24,065</u>

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2024

	Enacted Budget	Amended Budget	Actual	Variance
PUBLIC SANITATION				
Contract garbage service	\$ 596,320	\$ 602,996	\$ 603,825	\$ 829
Total public sanitation	<u>596,320</u>	<u>602,996</u>	<u>603,825</u>	<u>829</u>
PUBLIC PROPERTY				
Overtime and holiday pay	-	2,438	2,438	-
Retirement	-	1,065	1,065	-
Social security	-	177	177	-
Insurance	25,000	32,732	32,732	-
Supplies	40,000	37,500	38,233	733
Cemetery upkeep	2,000	256	256	-
Parking lot fees	2,438	2,507	2,507	-
Install and remove decorations	1,050	2,013	2,013	-
Utilities	215,700	229,900	237,308	7,408
Maintenance and repairs	3,000	-	-	-
Miscellaneous	<u>32,000</u>	<u>218,095</u>	<u>194,226</u>	<u>(23,869)</u>
Total public property	<u>321,188</u>	<u>526,683</u>	<u>510,955</u>	<u>(15,728)</u>
CODE ENFORCEMENT				
Salaries	-	7,888	7,888	-
Social Security	-	603	603	-
Telephone	1,400	-	-	-
Supplies	-	534	534	-
Travel and training	-	246	123	(123)
Miscellaneous	<u>6,000</u>	<u>11,018</u>	<u>11,018</u>	<u>-</u>
Total code enforcement	<u>7,400</u>	<u>20,289</u>	<u>20,166</u>	<u>(123)</u>
MAIN STREET				
Salaries	32,250	29,426	29,426	-
Social security	2,300	2,251	2,251	-
Telephone	900	1,200	1,100	(100)
Projects	3,000	-	-	-
Retirement	7,600	6,868	6,868	-
Supplies	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>	<u>-</u>
Total main street	<u>47,550</u>	<u>41,245</u>	<u>41,145</u>	<u>(100)</u>
CRISIS RESPONSE				
Administration	<u>-</u>	<u>4,381</u>	<u>6,146</u>	<u>1,765</u>
Total crisis response	<u>-</u>	<u>4,381</u>	<u>6,146</u>	<u>1,765</u>

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2024

	Enacted Budget	Amended Budget	Actual	Variance
Debt Service				
Public affairs	\$ -	\$ 1,000	\$ 4,064	\$ 3,064
Public finance	1,000	-	2,130	2,130
Public safety - police	164,000	216,462	265,511	49,049
Public safety - fire	47,774	51,899	57,099	5,200
Public works	70,800	65,598	61,636	(3,962)
Public properties	<u>157,288</u>	<u>157,271</u>	<u>157,271</u>	<u>-</u>
 Total debt service	 <u>440,862</u>	 <u>492,230</u>	 <u>547,711</u>	 <u>55,481</u>
 Capital Outlay				
Public affairs	-	1,058,270	1,338,530	280,260
Public finance	-	-	9,182	9,182
Public safety - police	-	-	472,278	472,278
Public safety - fire	50,000	1,459	762,668	761,209
Public works	50,000	48,607	85,573	36,966
Public properties	5,000	-	26,540	26,540
Crisis Response	<u>-</u>	<u>11,747</u>	<u>11,747</u>	<u>-</u>
 Total capital outlay	 <u>105,000</u>	 <u>1,120,083</u>	 <u>2,706,518</u>	 <u>1,586,435</u>
 TOTAL EXPENDITURES	 <u>7,881,487</u>	 <u>9,977,420</u>	 <u>11,454,475</u>	 <u>1,477,055</u>
 EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	 (83,255)	 (1,278,984)	 (1,436,896)	 (157,912)
 OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt	80,000	-	1,263,593	1,263,593
Proceeds from disposal of capital assets	<u>-</u>	<u>-</u>	<u>67,443</u>	<u>67,443</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>80,000</u>	 <u>-</u>	 <u>1,331,036</u>	 <u>1,331,036</u>
 NET CHANGE IN FUND BALANCE	 <u>\$ (3,255)</u>	 <u>\$ (1,278,984)</u>	 <u>\$ (105,860)</u>	 <u>\$ 1,173,124</u>

CITY OF CYNTHIANA, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
MUNICIPAL ROAD AID FUND
for the year ended June 30, 2024

	Enacted Budget	Amended Budget	Actual	Variance
REVENUES				
Intergovernmental	\$ 132,000	\$ 153,180	\$ 153,180	\$ -
Other revenues	<u>20</u>	<u>98</u>	<u>127</u>	<u>29</u>
TOTAL REVENUES	<u>\$ 132,020</u>	<u>\$ 153,278</u>	<u>\$ 153,307</u>	<u>\$ 29</u>
EXPENDITURES				
Capital outlay	<u>\$ 132,000</u>	<u>\$ 108,437</u>	<u>\$ 108,437</u>	<u>\$ -</u>
TOTAL EXPENDITURES	<u>\$ 132,000</u>	<u>\$ 108,437</u>	<u>\$ 108,437</u>	<u>\$ -</u>
NET CHANGE IN FUND BALANCE	<u>\$ 20</u>	<u>\$ 44,841</u>	<u>\$ 44,870</u>	<u>\$ (29)</u>

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

Reporting Fiscal Year (Measurement Date)	2015 (2014)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)
City's proportion of the net pension liability	0.0582%	0.0544%	0.0512%	0.0530%	0.0544%	0.0548%	0.0571%	0.0577%	0.0563%	0.0594%
City's proportionate share of the net pension liability (asset)	\$ 1,888,670	\$ 2,340,926	\$ 2,520,568	\$ 3,100,673	\$ 3,312,639	\$ 3,852,491	\$ 4,377,068	\$ 3,677,616	\$ 4,069,790	\$ 3,810,957
City's covered employee payroll	\$ 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	\$ 1,781,136
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	134.07%	177.24%	195.58%	228.23%	234.42%	268.23%	291.39%	244.54%	250.06%	213.96%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	55.50%	53.32%	53.54%	50.45%	47.81%	57.33%	52.42%	57.48%

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

Reporting Fiscal Year (Measurement Date)	2015 (2014)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)
City's proportion of the net pension liability	0.2487%	0.2406%	0.2542%	0.2742%	0.2581%	0.2749%	0.2751%	0.2533%	0.2272%	0.2008%
City's proportionate share of the net pension liability (asset)	\$ 2,989,338	\$ 3,693,014	\$ 4,362,032	\$ 6,133,857	\$ 6,242,981	\$ 7,592,556	\$ 8,295,368	\$ 6,742,983	\$ 6,932,911	\$ 5,412,859
City's covered employee payroll	\$ 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	\$ 1,495,152
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	243.32%	300.08%	330.78%	407.09%	431.40%	466.71%	498.64%	410.14%	421.98%	362.03%
Plan fiduciary net position as a percentage of the total pension liability	63.46%	57.52%	53.95%	49.78%	49.26%	46.63%	44.11%	52.26%	47.11%	52.96%

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required employer contribution	\$ 168,402	\$ 160,062	\$ 189,517	\$ 204,617	\$ 232,958	\$ 289,915	\$ 290,249	\$ 370,748	\$ 416,786	\$ 488,206
Contributions relative to contractually required employer contribution	<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>370,748</u>	<u>416,786</u>	<u>488,206</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	\$ 1,320,802	\$ 1,288,744	\$ 1,358,548	\$ 1,413,102	\$ 1,436,240	\$ 1,502,150	\$ 1,503,881	\$ 1,627,514	\$ 1,781,136	\$ 2,091,712
Employer contributions as a percentage of covered-employee payroll	12.75%	12.42%	13.95%	14.48%	16.22%	19.30%	19.30%	22.78%	23.40%	23.34%

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required employer contribution	\$ 255,121	\$ 267,170	\$ 327,116	\$ 321,265	\$ 397,599	\$ 500,079	\$ 494,205	\$ 584,896	\$ 640,075	\$ 724,313
Contributions relative to contractually required employer contribution	<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>584,896</u>	<u>640,075</u>	<u>724,313</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	\$ 1,230,686	\$ 1,318,707	\$ 1,506,751	\$ 1,447,139	\$ 1,626,824	\$ 1,663,603	\$ 1,644,063	\$ 1,642,965	\$ 1,495,152	\$ 1,761,890
Employer contributions as a percentage of covered-employee payroll	20.73%	20.26%	21.71%	22.20%	24.44%	30.06%	30.06%	35.60%	42.81%	41.11%

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

Reporting Fiscal Year (Measurement Date)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)
City's proportion of the net OPEB liability (asset)	0.0530%	0.0530%	0.0544%	0.0548%	0.0571%	0.0577%	0.0563%	0.0594%
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	\$ 1,110,851	\$ (81,999)
City's covered employee payroll	\$ 1,288,744	\$ 1,358,548	\$ 1,413,102	\$ 1,436,240	\$ 1,502,150	\$ 1,503,881	\$ 1,627,514	\$ 1,781,136
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%	68.25%	-4.60%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	unavailable	52.39%	57.62%	60.44%	51.67%	62.91%	60.95%	104.23%

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

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

Reporting Fiscal Year (Measurement Date)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)
City's proportion of the net OPEB liability	0.2742%	0.2742%	0.2582%	0.2748%	0.2750%	0.2533%	0.2271%	0.2006%
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	\$ 1,934,286	\$ 274,526
City's covered employee payroll	\$ 1,318,707	\$ 1,506,751	\$ 1,447,139	\$ 1,626,824	\$ 1,663,603	\$ 1,644,063	\$ 1,642,965	\$ 1,495,152
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%	117.73%	18.36%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	58.99%	64.24%	64.44%	58.84%	66.81%	64.13%	92.27%

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

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required employer contribution	\$ 64,984	\$ 59,798	\$ 64,259	\$ 66,416	\$ 75,546	\$ 71,502	\$ 71,585	\$ 67,867	\$ 60,380	\$ -
Contributions relative to contractually required employer contribution	<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>67,867</u>	<u>60,380</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 1,320,802	\$ 1,288,744	\$ 1,358,548	\$ 1,413,102	\$ 1,436,240	\$ 1,502,150	\$ 1,503,881	\$ 1,627,514	\$ 1,781,136	\$ 2,091,712
Employer contributions as a percentage of covered-employee payroll	4.92%	4.64%	4.73%	4.70%	5.26%	4.76%	4.76%	4.17%	3.39%	0.00%

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required employer contribution	\$ 167,127	\$ 167,344	\$ 140,881	\$ 135,307	\$ 167,432	\$ 158,375	\$ 156,515	\$ 143,431	\$ 101,371	\$ 45,457
Contributions relative to contractually required employer contribution	<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>143,431</u>	<u>101,371</u>	<u>45,457</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	\$ 1,230,686	\$ 1,318,707	\$ 1,506,751	\$ 1,447,139	\$ 1,626,824	\$ 1,663,603	\$ 1,644,063	\$ 1,642,965	\$ 1,495,152	\$ 1,761,890
Employer contributions as a percentage of covered-employee payroll	13.58%	12.69%	9.35%	9.35%	10.29%	9.52%	9.52%	8.73%	6.78%	2.58%

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

1. GENERAL INFORMATION

Contributions

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

Payroll

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

2. CHANGES OF ASSUMPTIONS

June 30, 2023 – Pension and OPEB Hazardous and Nonhazardous

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

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

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

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

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

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

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

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

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

2. CHANGES OF ASSUMPTIONS (CONTINUED)

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.

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

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

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

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

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

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

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2015 – Pension – Hazardous and Nonhazardous

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

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

June 30, 2014 – Pension – Hazardous and Nonhazardous

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

SUPPLEMENTARY INFORMATION

CITY OF CYNTHIANA, KENTUCKY
SCHEDULE OF OPERATIONS
WATER AND SEWER FUND
for the year ended June 30, 2024

	Water	Sewer	Total
OPERATING REVENUES			
Water and sewer service	\$ 2,475,330	\$ 1,494,978	\$ 3,970,308
Other income	<u>70,036</u>	<u>57,347</u>	<u>127,383</u>
Total operating revenues	<u>2,545,366</u>	<u>1,552,325</u>	<u>4,097,691</u>
OPERATING EXPENSES			
Salaries	656,514	346,645	1,003,159
Overtime and holiday pay	19,308	4,925	24,233
Longevity pay	7,455	2,350	9,805
Accrued pay	28,713	(1,132)	27,581
Employee retirement (benefit)	(13,930)	(7,129)	(21,059)
Medical and hospital insurance	141,808	70,463	212,271
Social security	51,775	26,057	77,832
Workers' compensation	16,972	7,598	24,570
Repairs	177,998	124,363	302,361
Electricity	140,206	134,484	274,690
Hauling	-	61,993	61,993
Telephone	16,164	5,739	21,903
Insurance	95,587	52,329	147,916
Gas and oil	14,127	9,478	23,605
Postage	13,233	-	13,233
Chemicals	228,317	58,118	286,435
Analysis and testing	13,316	20,823	34,139
Professional services	12,000	12,000	24,000
Office supplies	12,087	4,318	16,405
Other supplies	45,111	17,235	62,346
Travel and training	5,672	258	5,930
Clothing allowance	5,350	2,910	8,260
Miscellaneous	71,697	20,242	91,939
Depreciation and amortization	<u>481,305</u>	<u>491,145</u>	<u>972,450</u>
Total operating expenses	<u>2,240,785</u>	<u>1,465,212</u>	<u>3,705,997</u>
OPERATING INCOME (LOSS)	<u>\$ 304,581</u>	<u>\$ 87,113</u>	<u>\$ 391,694</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
City of 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 City of Cynthiana, Kentucky, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise City of Cynthiana, Kentucky's basic financial statements, and have issued our report thereon dated February 21, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 City of Cynthiana, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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 questioned costs, 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 deficiency described in the accompanying schedule of findings and questioned costs as items 2024-001 to be a material weakness.

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 deficiencies described in the accompanying schedule of findings and questioned costs as items 2024-002 and 2024-003 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City of Cynthiana, Kentucky's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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
February 21, 2025



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Mayor and Board of Commissioners
City of Cynthiana, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Cynthiana, Kentucky's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Cynthiana, Kentucky's major federal programs for the year ended June 30, 2024. The City of Cynthiana, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Cynthiana, Kentucky complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance 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 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Cynthiana, Kentucky's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Cynthiana, Kentucky's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Cynthiana, Kentucky's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal

control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Cynthiana, Kentucky's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City of Cynthiana, Kentucky's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Cynthiana, Kentucky's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Cynthiana, Kentucky's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2024-003 and 2024-004. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-003 and 2024-004 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RFH

RFH, PLLC
Lexington, Kentucky
February 21, 2025

CITY OF CYNTHIANA, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended June 30, 2024

GRANTOR/PROGRAM TITLE	Federal AL Number	Pass/Through Contract Number	Grant Contract Period	Passed Through to Subrecipients	Expenditures
U.S. Department of Homeland Security Passed through the Kentucky Department of Emergency Management Hazard Mitigation Grant	97.039	DR4595-0019	10/15/22 - 6/30/24	\$ -	\$ 113,027
Total U.S. Department of Homeland Security				<u>-</u>	<u>113,027</u>
U.S. Department of the Interior Passed through the Kentucky Department for Local Government Outdoor Recreation Acquisition, Development and Planning	15.916	21-01595	10/27/21 - 9/30/24	-	87,500
Total U.S. Department of the Interior				<u>-</u>	<u>87,500</u>
U.S. Department of Transportation Passed through the Kentucky Transportation Cabinet Highway Planning and Construction	20.205	6-80251	N/A	-	306,500
Highway Planning and Construction	20.205	6-80252	N/A	-	112,500
Total U.S. Department of Transportation				<u>-</u>	<u>419,000</u>
U.S. Department of the Treasury Passed through the Kentucky Infrastructure Authority COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	21CWS048	7/1/22-12/31/24	-	14,565
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	21CWW077	7/1/22-12/31/24	-	95,037
Passed through the Kentucky Department for Local Government COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	7/1/22-12/31/24	-	1,141,023
Total U.S. Department of the Treasury				<u>-</u>	<u>1,250,625</u>
Total federal awards expended				<u>\$ -</u>	<u>\$ 1,870,152</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Cynthiana, Kentucky and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in, or used in the preparation of, the basic financial statements may differ from these numbers.

Note 2 - Indirect Cost Rates

The City did not elect to use the 10 percent de minimis cost rate as allowed under the Uniform Guidance.

Note 3 - Pass through or contract numbers will be presented if available.

**CITY OF CYNTHIANA, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2024**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified Yes No

Significant deficiencies identified that are not
considered to be material weaknesses Yes No

Non-compliance material to financial statements noted Yes None reported

Federal Awards:

Internal control over major programs:

Material weaknesses identified Yes No

Significant deficiencies identified that are not
considered to be material weaknesses Yes None reported

Type of auditor's report issued on compliance for major programs:

Unmodified for all major programs.

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR 200.516(a)? Yes No

Major Program:

AL Numbers	Name of Federal Program or Cluster
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A
and type B programs: \$ 750,000

Auditee qualified as a low-risk auditee? Yes No

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

2024-001 – 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.

CITY OF CYNTHIANA, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2024

II. FINDINGS RELATED TO FINANCIAL STATEMENTS (CONTINUED)

2024-001 – Material Weakness – Audit Adjustments (Recurring) (Continued)

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.

2024-002 – 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.

2024-003 – Significant Deficiency – SEFA

See Finding 2024-003 under Findings and Questioned Costs for Federal Awards

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

2024-003 – Significant Deficiency and Noncompliance Uniform Guidance – SEFA

Criteria:

The City is required to have internal controls in place that enable it to prepare complete financial statements, including the schedule of expenditure of federal awards in accordance with generally accepted accounting standards and in accordance with the Uniform Guidance at 2 CFR 200.510(b).

CITY OF CYNTHIANA, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2024

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (CONTINUED)

2024-003 – Significant Deficiency and Noncompliance Uniform Guidance – SEFA (Continued)

Condition:

Management was unable to prepare the Schedule of Expenditures of Federal Awards.

Cause:

The City failed to have internal controls to properly identify Federal funds in the reporting period.

Effect:

Management engaged the auditor to prepare the Schedule of Expenditures of Federal Awards. Significant audit adjustments were required so that the City's Schedule of Expenditures of Federal Awards is fairly stated. Management reviewed, approved and accepted responsibility for the Schedule of Expenditures of Federal Awards prior to its issuance.

Recommendation:

We recommend management review their procedures for identifying federal funds and perform a more thorough review of funding sources that may have both State and Federal funding.

Response:

The City agrees with the auditor's finding and recommendation. The City will add additional internal controls surrounding the review of funding sources to ensure correct classification of State and Federal Funding.

2024-004 – Significant Deficiency – Coronavirus State and Local Fiscal Recovery Funds (21.027) – Reporting

Criteria:

The City is required to file annual Project and Expenditure reports that detail financial data, projects funded, expenditures, and contracts and subawards over \$50,000, that were paid with the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF).

Condition:

The Project and Expenditure report filed by the City for the period ended March 31, 2024, reported that \$500,000 was obligated and expended for the Industrial Park Water Tank and Water Treatment Plant Upgrade Project. The City has obligated the funds, but the funds were not expended as of the period ended March 31, 2024. In addition, the City reported subawards to the City of Cynthiana KIA projects and Cynthiana Splash Pad, which are City project names, and therefore, not subrecipients.

Cause:

A deficiency in the operation of internal controls resulted in the City incorrectly reporting expenditures and subrecipients on their Project and Expenditure report.

Effect:

As a result, total expenditures in the CSLFRF grant were overstated on the March 31, 2024, Project and Expenditure report by approximately \$500,000. In addition, subawards were incorrectly reported, as the City has not made subawards of the CSLFRF grant funds.

Recommendation:

We recommend that the City improve its process for completing and approving the Project and Expenditure reports. The total expenditures on the Project and Expenditure reports should be reconciled to current and cumulative expenditures reported by the City on the Industrial Park Water Tank and Water Treatment Plant Upgrade Project. In addition, the City projects listed as having received subawards should be removed in the City's next annual report.

CITY OF CYNTHIANA, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2024

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (CONTINUED)

2024-004 – Significant Deficiency – Coronavirus State and Local Fiscal Recovery Funds (21.027) – Reporting (Continued)

Management’s Response:

Management acknowledges that there have been deficiencies in processes. The City intends to enhance its internal controls over ARPA reporting. These efforts will be accomplished through improved internal communication and training of staff to ensure proper reporting.

IV. PRIOR AUDIT FINDINGS

2023-001 – Material Weakness – Audit Adjustments

Material misstatements were identified throughout the audit process.

Status: Repeated as Finding 2024-001

2023-002 – Material Weakness – Bank Reconciliations

Bank accounts were not reconciled timely, and some transactions were not recorded accurately. In addition, the City Clerk was preparing the bank reconciliations, but there was not a review process from an individual other than the individual preparing the bank reconciliation. This has compromised segregation of duties.

Status: The City hired additional staff and made improvements to their process for bank reconciliations, ensuring they are done timely and have adequate segregation of duties.

2023-003 – Significant Deficiency – Financial Statements

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

Status: Repeated as Finding 2024-002