

CITY OF FRANKLIN, KENTUCKY
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2023

CITY OF FRANKLIN, KENTUCKY

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor, Commissioners and City Manager
City of Franklin, 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 Franklin, Kentucky (City) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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'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' Responsibility 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's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 11, General Fund budgetary comparison schedule on pages 66 - 69, infrastructure condition and maintenance data on page 70, and pension and OPEB schedules on pages 71 - 76 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and budgetary comparison schedules on pages 77 - 88 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 combining and individual nonmajor fund financial statements and budgetary comparison schedules 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 August 26, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

1 (Inby & Moore, LLP)

Bowling Green, Kentucky
August 26, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Franklin, Kentucky

Management's Discussion and Analysis

The City of Franklin (City) offers the Management's Discussion & Analysis to provide a narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2023. The information contained in this MD&A should be considered in conjunction with the information contained in the Accountants' Reports and Financial Statements and Supplementary information.

Financial Highlights

- The City's total assets and deferred outflows exceeded its liabilities and deferred inflows at the close of the fiscal year by \$48,067,049.
- The City's total net position increased \$4,731,624 this year. The net position of governmental activities increased by \$2,686,054 and the net position of business-type activities increased by \$2,045,570.
- As of June 30, 2023, the City's governmental funds reported a combined ending funding balance of \$17,676,148, an increase of \$1,978,049 over the prior year. Of the total fund balance amount, \$13,326,518 in the General Fund was unassigned and available for spending.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner like a private-sector business. The Statement of Net Position presents information on all the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, *e.g.*, depreciation and earned but unused vacation leave.

The government-wide financial statements are divided into two categories, governmental and business-type activities. The governmental activities of the City include general government, administrative services, financial services, police, fire, public works, community and economic development and cemetery. The business-type activities of the City include water, wastewater, sewer collection and rehabilitation, sanitation and related support departments which comprise the Utility Fund. The City does not have any component units, *e.g.*, where the City has control over the income and expenses of the entity.

The government-wide financial statements can be found on pages 12 through 14 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources which have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Most of the City's basic services are included in the governmental fund type. The statements provide a short-term view of general government operations and show how services are financed as well as the balances left at the end of the year that are available for future spending. These funds use the modified accrual accounting basis, which measures cash and all other financial assets that can readily be converted to cash. The general fund, special revenue funds, capital project and permanent funds are all governmental type funds.

Proprietary Funds

Proprietary funds, in general, charge customers for the services that are provided. These funds use a long-term financial accounting approach, full accrual basis and provide additional information in the statement of cash flows. The City considers Water and Wastewater and Sanitation to be proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 through 65 of this report.

Government-wide Analysis

The following table summarizes the City's financial position as of June 30, 2023. As of June 30, 2023, the City's assets exceeded liabilities by \$48,067,049, an increase of \$4,731,625 over the prior year. Of the \$48,067,049 in net position, 73% or \$35,098,595 is the City's investment in capital assets, *e.g.*, land, buildings, machinery and equipment less any related outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Only the unrestricted net position of the City may be used to meet the government's ongoing obligations to citizens and creditors.

The net position of governmental activities totaled \$23,471,332, comprised of \$18,664,525 (80%) in net investment of capital assets and \$3,967,821 (17%) as unrestricted. The unrestricted net position of governmental activities included fund balances of the General Fund and various special revenue funds.

The net position of the City's business-type activities totaled \$24,595,717. Of the net position total, \$16,434,070 (67%) is the net investment in capital assets and \$6,939,995 (28%), is unrestricted.

	Summary of Net Position					
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 21,012,637	\$17,698,874	\$13,194,674	\$11,772,661	\$34,207,311	\$29,471,535
Capital assets	20,465,832	15,806,094	19,445,372	18,655,850	39,911,204	34,461,944
Total assets	41,478,469	33,504,968	32,640,046	30,428,511	74,118,515	63,933,479
Deferred outflows of resources	3,495,286	2,833,746	1,161,330	984,748	4,656,616	3,818,494
Long-term liabilities outstanding	4,040,370	-	2,929,553	3,159,808	6,969,923	3,159,808
Net CERS Pension Liability	8,802,088	7,953,983	2,558,433	2,250,071	11,360,521	10,204,054
Net OPEB Liability	2,540,511	2,516,343	917,111	905,643	3,457,622	3,421,986
Deferred revenue	1,009,553	1,452,075	-	-	1,009,553	1,452,075
Other liabilities	2,394,240	704,059	1,819,131	1,423,433	4,213,371	2,127,492
Total liabilities	18,786,762	12,626,460	8,224,228	7,738,955	27,010,990	20,365,415
Deferred inflows of resources	2,715,661	2,926,977	981,431	1,124,157	3,697,092	4,051,134
Net position						
Net investment in capital assets	18,664,525	15,806,094	16,434,070	15,418,726	35,098,595	31,224,820
Restricted						
Expendable - Highways & Streets	243,381	214,802	-	-	243,381	214,802
Expendable - Debt service & capital activity		-	1,221,652	1,182,673	1,221,652	1,182,673
Nonexpendable - Perpetual Care	595,605	571,021	-	-	595,605	571,021
Unrestricted	3,967,821	4,193,362	6,939,995	5,948,748	10,907,816	10,142,110
Total net position	\$ 23,471,332	\$20,785,277	\$24,595,717	\$22,550,147	\$48,067,049	\$43,335,424

Analysis of City Operations

The following table summarizes the City's operations for the fiscal year ended June 30, 2023. Government activities increased the City of Franklin's net position by \$2,686,054. The increase in net position is a result of the continued growth of the City providing additional tax revenues and continued investment in capital assets, combined with a conservative spending approach. Business-type activities increased the City's net position by \$2,045,570. The increase in business-type net position is due to increased growth in both water and wastewater services.

	Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues						
Charges for services	\$ 1,267,732	\$ 1,293,820	\$ 7,296,901	\$ 6,866,813	\$ 8,564,633	\$ 8,160,633
Operating grants and contributions	1,144,987	1,451,652		285,579	1,144,987	1,737,231
Capital grants and contributions		-	1,228,592	-	1,228,592	-
General revenues						
Property taxes	1,490,681	1,456,359		-	1,490,681	1,456,359
Occupational fees	3,050,300	2,478,821		-	3,050,300	2,478,821
Insurance premium fees	2,424,199	2,153,525		-	2,424,199	2,153,525
Franchise fees	124,604	116,408		-	124,604	116,408
Business license fees	1,173,117	1,152,619		-	1,173,117	1,152,619
Interest income	407,662	(90,772)	305,510	(51,947)	713,172	(142,719)
Miscellaneous income	163,159	130,725	75,626	73,527	238,785	204,252
Gain on the sale of assets	(1,949)	(4,317)	-	(535)	(1,949)	(4,852)
Extinguishment of landfill obligation		-		-	-	-
Total revenues and transfers	11,244,492	10,138,840	8,906,629	7,173,437	20,151,121	17,312,277
Expenses						
General government	1,660,919	1,573,343		-	1,660,919	1,573,343
Public safety	3,441,161	3,141,772		-	3,441,161	3,141,772
Public works	1,757,327	1,585,424		-	1,757,327	1,585,424
Community and cultural	1,681,871	1,819,480		-	1,681,871	1,819,480
Interest expense on long-term debt	17,160	-	-	-	17,160	-
Water and wastewater		-	5,700,689	5,175,607	5,700,689	5,175,607
Sanitation		-	1,160,370	1,087,401	1,160,370	1,087,401
Total expenses	8,558,438	8,120,019	6,861,059	6,263,008	15,419,497	14,383,027
Change in net position	2,686,054	2,018,821	2,045,570	910,429	4,731,624	2,929,250
Net position, beginning of year	20,785,277	18,766,456	22,550,147	21,639,718	43,335,424	40,406,174
Net position, end of year	\$23,471,331	\$20,785,277	\$24,595,717	\$22,550,147	\$48,067,048	\$43,335,424

Financial Analysis of the Government's Funds

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. Fund balance may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported an ending fund balance of \$17,676,148, of which \$13,326,518 or 75% is unrestricted and available for spending at the City's discretion. The remaining balance includes non spendable, restricted, committed and assigned funds which are not available for spending, or otherwise restricted by statute or ordinance, or are intended to be used for specific purposes

The General Fund is the primary operating fund of the City. As of June 30, 2023, the total General Fund balance was \$13,462,749. Of this balance, 99% is unassigned, reflecting 126% of General Fund revenues. These resources have not been restricted, committed or assigned to a specific purpose. The assigned fund balance totaled \$136,231, representing prepaid items and funds assigned to specific purposes. The General Fund balance decreased \$323,650 from the prior year.

Proprietary Funds

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. The net position in the proprietary funds totaled \$24,595,717 as of June 30, 2023, an increase of \$2,045,570 from the prior year, primarily due to increased utility customers.

General Fund Budgetary Highlights

During the fiscal year, the City's General Fund budgeted revenue increased from the original adopted budget by \$336,000, or 3%.

Original revenue estimates were changed as follows:

Grants & Contributions	\$138,000
Tax revenues	205,000
Miscellaneous income	(7,000)

Actual revenues are \$239,000 lower than the final amended budget. This decrease is due to increased tax revenues of \$506,000 and increased miscellaneous income of \$464,000, offset by a decrease in grant and contribution revenues of \$1,209,000. The decrease in grant and contribution revenues is due to delay of completion of federal and state grant projects, delaying the receipt of the grant revenues.

The original expenditure budget was increased by \$1,136,000 or 12%, as follows:

Community Services	\$216,000
General Government	19,000
Public Safety	69,000
Public Services	22,000
Capital Outlay	810,000

A comparison of actual expenditures to the final amended budgeted expenditures indicates overall reduced spending of \$2,164,000, or 21%. These reductions were in General Government (\$79,000), Public Safety (\$220,000), Public Services (\$109,000), Community Services (\$1,211,000) and Capital Outlays (\$545,000). A significant portion of this reduction was due to supply-chain-related delays and delay in completion of federal and grant projects.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2023, the City's investment in capital assets (net of accumulated depreciation and related debt) for its governmental and business-type activities was \$39,911,203. This investment in capital assets includes land, buildings, improvements, machinery and equipment, vehicles, streets, and construction in progress as shown in the table below.

	Capital Assets (net of depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 1,942,657	\$ 1,797,657	\$ 380,530	\$ 380,530	\$ 2,323,187	\$ 2,178,187
Infrastructure	11,597,941	11,597,941	-	-	11,597,941	11,597,941
Land improvements	90,935	15,026	134,682	27,048	225,617	42,074
Utility plant	-	-	16,222,306	16,693,726	16,222,306	16,693,726
Buildings & improvements	1,294,994	1,031,008	13,349	14,343	1,308,343	1,045,351
Vehicles	410,840	378,566	28,271	57,201	439,112	435,767
Furniture & equipment	450,479	408,370	642,236	649,424	1,092,715	1,057,794
Construction in progress	4,677,985	577,526	2,023,997	833,577	6,701,982	1,411,103
Total	\$20,465,831	\$15,806,094	\$19,445,372	\$18,655,850	\$39,911,203	\$34,461,944

The current year major General Fund capital additions are as follows:

Land and land improvements for new police station	\$375,199
Police department vehicle & equipment replacements	196,761
City Hall building improvements & equipment	401,897
Community livability	153,168

The current year major Business-Type capital additions are as follows:

Water treatment plant equipment replacement	\$ 88,722
Water distribution equipment replacement/improvements	166,339
Wastewater treatment plant equipment replacements	260,258
Wastewater infrastructure additions/replacements	1,346,349

Modified Approach to Infrastructure

The City has elected to apply the Modified Approach to accounting for street infrastructure systems as set forth in GASB34. With this approach, the City uses an overall condition index (OCI) to assess the surface condition of pavement sections. It is the City's policy to assess the condition of the roads every three years and to consider streets in need when the OCI rating falls below minimum functional classification values. The City's most recent assessment in 2023 found that there were no streets severely deficient in condition as of June 30, 2023.

Eligible infrastructure assets are not depreciated, additions and improvements thereto are capitalized, and all other outlays made for such assets are expensed in the period incurred only if requirements regarding asset management system and preservation at condition level are met.

Long-term Debt

The City had \$7,261,173 in revenue bonds and capital lease obligations outstanding related to governmental and business-type activities as of June 30, 2023, which is an increase of \$3,881,365 from the previous year. The City entered into a new general obligation lease for partial funding for the new police station. See note 6 for additional information.

The City has a \$4,106,620 general obligation lease and \$3,154,553 of water and wastewater revenue bonds outstanding as of June 30, 2023.

In FY2022, Moody's Investors Service assigned an Aa3 issuer rating to the City. The Aa3 issuer rating reflects the City's strong financial position supported by formal policies and comprehensive fiscal planning along with low fixed costs.

Industrial Expansion & Economic Development

For the past several years, Franklin has enjoyed positive industrial growth and low unemployment and FY2023 is no exception. Franklin had several new industries and businesses either locate a new facility or expand at their existing facility during the past year. During FY2023, the City contributed approximately \$940,000 to the Industrial Authority to support the ongoing efforts for industrial growth.

Overall, all leaders within our community are excited for growth and expansion. The City's goal is the desire for our community to have the capacity and availability to provide jobs to our citizens. Our community's unemployment rates are at 3.8% as of the end of 2023.

General Fund FY2023 Budget

For the Fiscal Year 2024, the City used a conservative forecasting process, resulting in decreased general fund revenues of 2% over the FY2023 final budget. This decrease is due to a combination of decreased American Rescue Plan Act funding offset somewhat by increased tax revenues. The FY2024 general fund expenditures budget increased by 1% from the FY2023 final budget.

FY2024 budget includes continued funding to complete the new police campus that will provide community meeting space, a community park and walking trail as well as additional office and meeting space and updated technology for police services and training. Funding for this project will be provided by the unrestricted general fund balance and the general obligation (GO) bonds funding received in FY2023.

Contacting the City's Financial Management

The financial report is designed to provide a general overview of the City's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 117 West Cedar Street, P. O. Box 2805, Franklin, KY 42135.

BASIC FINANCIAL STATEMENTS

CITY OF FRANKLIN, KENTUCKY

STATEMENT OF NET POSITION

June 30, 2023

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
ASSETS			
Cash and cash equivalents	\$ 10,340,227	\$ 6,730,934	\$ 17,071,161
Certificates of deposit	268,479	—	268,479
Investments	4,752,546	2,953,706	7,706,252
Receivables (net of allowance for uncollectibles):			
Accounts	67,078	1,224,784	1,291,862
Taxes	1,381,653	—	1,381,653
Intergovernmental	12,328	—	12,328
Lease	181,231	—	181,231
Internal balances	43,120	(43,120)	—
Inventory	—	264,213	264,213
Prepaid items	62,028	40,068	102,096
Restricted assets:			
Cash and cash equivalents	3,679,525	998,489	4,678,014
Certificates of deposit	224,422	1,025,600	1,250,022
Capital assets, net of accumulated depreciation:			
Nondepreciable	13,540,598	380,530	13,921,128
Depreciable capital assets	2,247,249	17,040,844	19,288,093
Construction in progress	4,677,985	2,023,998	6,701,983
Total assets	<u>41,478,469</u>	<u>32,640,046</u>	<u>74,118,515</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding bonds	—	69,161	69,161
Outflows for pensions	2,295,533	679,454	2,974,987
Outflows for OPEB	1,199,753	412,715	1,612,468
Total deferred outflows	<u>3,495,286</u>	<u>1,161,330</u>	<u>4,656,616</u>
LIABILITIES			
Accounts payable	2,008,329	692,625	2,700,954
Other accrued liabilities	137,374	28,875	166,249
Accrued interest payable	17,136	18,407	35,543
Accrued vacation	165,151	48,978	214,129
Deferred revenue	1,009,553	—	1,009,553
Noncurrent liabilities:			
Customer deposits	—	805,246	805,246
OPEB liability	2,540,511	917,111	3,457,622
Net pension liability	8,802,088	2,558,433	11,360,521
Revenue bonds and general obligation lease			
Due within one year:			
Revenue bonds	—	225,000	225,000
General obligation lease	66,250	—	66,250
Due in more than one year:			
Revenue bonds	—	2,929,553	2,929,553
General obligation lease	4,040,370	—	4,040,370
Total liabilities	<u>18,786,762</u>	<u>8,224,228</u>	<u>27,010,990</u>
DEFERRED INFLOWS OF RESOURCES			
Inflows for pensions	1,283,350	514,316	1,797,666
Inflows for OPEB	1,251,080	467,115	1,718,195
Inflows for leases	181,231	—	181,231
Total deferred inflows	<u>2,715,661</u>	<u>981,431</u>	<u>3,697,092</u>

See Notes to Financial Statements

CITY OF FRANKLIN, KENTUCKY

STATEMENT OF NET POSITION (continued)
June 30, 2023

	Primary Government		Total
	Governmental Activities	Business-type Activities	
NET POSITION			
Net investment in capital assets	18,664,525	16,434,070	35,098,595
Restricted for:			
Expendable:			
Highways and streets	243,381	—	243,381
Debt service and capital activity	—	1,221,652	1,221,652
Nonexpendable:			
Perpetual care	595,605	—	595,605
Unrestricted	3,967,821	6,939,995	10,907,816
Total net position	\$ 23,471,332	\$ 24,595,717	\$ 48,067,049

See Notes to Financial Statements

CITY OF FRANKLIN, KENTUCKY

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2023**

Function/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government							
Governmental activities:							
General government	\$ 1,660,919	\$ 698,176	\$ 53,402	\$ —	(\$ 909,341)	\$ —	(\$ 909,341)
Public safety	3,441,161	14,513	181,807	—	(3,244,841)	—	(3,244,841)
Public services	1,757,327	436,203	197,482	—	(1,123,642)	—	(1,123,642)
Community and cultural	1,681,871	118,840	712,296	—	(850,735)	—	(850,735)
Interest on long term debt	17,160	—	—	—	(17,160)	—	(17,160)
Total governmental activities	<u>8,558,438</u>	<u>1,267,732</u>	<u>1,144,987</u>	<u>—</u>	<u>(6,145,719)</u>	<u>—</u>	<u>(6,145,719)</u>
Business-type activities:							
Water and wastewater	5,700,689	6,088,996	—	1,228,592	—	1,616,899	1,616,899
Sanitation	<u>1,160,370</u>	<u>1,207,905</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>47,535</u>	<u>47,535</u>
Total business-type activities	<u>6,861,059</u>	<u>7,296,901</u>	<u>—</u>	<u>1,228,592</u>	<u>—</u>	<u>1,664,434</u>	<u>1,664,434</u>
Total primary government	<u>\$ 15,419,497</u>	<u>\$ 8,564,633</u>	<u>\$ 1,144,987</u>	<u>\$ 1,228,592</u>	<u>(6,145,719)</u>	<u>1,664,434</u>	<u>(4,481,285)</u>
General revenues:							
Property taxes					1,490,681	—	1,490,681
Occupational taxes					3,050,300	—	3,050,300
Insurance premium taxes					2,424,199	—	2,424,199
Franchise taxes					124,604	—	124,604
Business license taxes					1,173,117	—	1,173,117
Interest income					407,662	305,510	713,172
Miscellaneous					163,159	75,626	238,785
Gain (loss) on sale of capital assets					(1,949)	—	(1,949)
Total general revenues and transfers					<u>8,831,773</u>	<u>381,136</u>	<u>9,212,909</u>
Change in net position					2,686,054	2,045,570	4,731,624
Net position, beginning of year					<u>20,785,277</u>	<u>22,550,147</u>	<u>43,335,424</u>
Net position, end of year					<u>\$ 23,471,331</u>	<u>\$ 24,595,717</u>	<u>\$ 48,067,048</u>

See Notes to Financial Statements

CITY OF FRANKLIN, KENTUCKY

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2023

	<u>General</u>	<u>Police Capital Improvement Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 9,161,341	\$ —	\$ 1,178,884	\$ 10,340,225
Certificates of deposit	—	—	268,480	268,480
Investments	4,223,674	—	528,871	4,752,545
Receivables (net of allowance for uncollectibles):				
Accounts	22,584	—	44,498	67,082
Taxes	1,381,653	—	—	1,381,653
Intergovernmental	12,328	—	—	12,328
Lease	181,231	—	—	181,231
Due from other funds	73,296	—	28,048	101,344
Prepaid items	58,737	—	3,291	62,028
Restricted assets				
Cash and cash equivalents	<u>317,646</u>	<u>3,586,301</u>	<u>—</u>	<u>3,903,947</u>
Total assets	<u>\$ 15,432,490</u>	<u>\$ 3,586,301</u>	<u>\$ 2,052,072</u>	<u>\$ 21,070,863</u>
LIABILITIES				
Accounts payable	\$ 641,583	\$ 1,263,851	\$ 102,899	\$ 2,008,333
Due to other funds	—	—	58,224	58,224
Accrued expenses	137,374	—	—	137,374
Deferred revenue	<u>1,009,553</u>	<u>—</u>	<u>—</u>	<u>1,009,553</u>
Total liabilities	<u>1,788,510</u>	<u>1,263,851</u>	<u>161,123</u>	<u>3,213,484</u>
DEFERRED INFLOWS OF RESOURCES				
Lease	<u>181,231</u>	<u>—</u>	<u>—</u>	<u>181,231</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	58,737	—	3,291	62,028
Perpetual care	—	—	595,605	595,605
Restricted:				
Highways and streets	—	—	243,380	243,380
Committed:				
Stormwater	—	—	888,593	888,593
Assigned to:				
Retirement benefits	30,627	—	—	30,627
Drug enforcement	46,867	—	—	46,867
Other purposes	—	—	160,080	160,080
Public service	—	2,322,450	—	2,322,450
Unassigned	<u>13,326,518</u>	<u>—</u>	<u>—</u>	<u>13,326,518</u>
Total fund balances	<u>13,462,749</u>	<u>2,322,450</u>	<u>1,890,949</u>	<u>17,676,148</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,432,490</u>	<u>\$ 3,586,301</u>	<u>\$ 2,052,072</u>	<u>\$ 21,070,863</u>

See Notes to Financial Statements

CITY OF FRANKLIN, KENTUCKY

**RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION**

June 30, 2023

Total fund balances - governmental funds		\$ 17,676,148
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		20,465,831
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
General obligation lease	(\$ 4,106,620)	
Accrued interest on long term obligations	(17,137)	
Compensated absences	(165,147)	
Net pension and OPEB liabilities	(11,342,598)	(15,631,502)
Net deferred inflows and outflows related to pensions and OPEB		<u>960,855</u>
Net position of governmental activities		<u>\$ 23,471,332</u>

See Notes to Financial Statements

CITY OF FRANKLIN, KENTUCKY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS**

Year Ended June 30, 2023

	<u>General</u>	<u>Police Capital Improvement Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes:				
Property	\$ 1,490,682	\$ —	\$ —	\$ 1,490,682
Occupational	3,050,301	—	—	3,050,301
Insurance premium	2,424,199	—	—	2,424,199
Franchise	124,605	—	—	124,605
Business license	1,173,117	—	—	1,173,117
Intergovernmental	704,440	—	192,316	896,756
Charges for sales and services	—	—	347,981	347,981
Interfund charges	788,123	—	12,558	800,681
Fines and forfeitures	103,431	—	—	103,431
Contributions and donations	—	—	7,700	7,700
Investment income	374,429	—	33,233	407,662
Miscellaneous	419,187	—	140	419,327
	<u>10,652,514</u>	<u>—</u>	<u>593,928</u>	<u>11,246,442</u>
Total revenues				
Expenditures				
Current:				
General government	1,632,381	—	—	1,632,381
Public safety	3,245,279	—	—	3,245,279
Public services	903,894	—	813,000	1,716,894
Community services	1,412,684	—	266,688	1,679,372
Capital outlay	1,127,025	3,832,442	35,000	4,994,467
Debt service:				
Debt issuance costs	—	106,596	—	106,596
	<u>8,321,263</u>	<u>3,939,038</u>	<u>1,114,688</u>	<u>13,374,989</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>2,331,251</u>	<u>(3,939,038)</u>	<u>(520,760)</u>	<u>(2,128,547)</u>
Other financing sources (uses):				
Transfers in	50,993	2,154,892	554,002	2,759,887
Transfers out	(2,705,894)	—	(53,993)	(2,759,887)
General obligation lease proceeds	—	4,115,000	—	4,115,000
Debt discount	—	(8,404)	—	(8,404)
	<u>(2,654,901)</u>	<u>6,261,488</u>	<u>500,009</u>	<u>4,106,596</u>
Total other financing sources (uses)				
Net change in fund balances	(323,650)	2,322,450	(20,751)	1,978,049
Fund balances, beginning of year	<u>13,786,399</u>	<u>—</u>	<u>1,911,700</u>	<u>15,698,099</u>
Fund balances, end of year	<u>\$ 13,462,749</u>	<u>2,322,450</u>	<u>\$ 1,890,949</u>	<u>\$ 17,676,148</u>

See Notes to Financial Statements

CITY OF FRANKLIN, KENTUCKY

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2023**

	<u>Total Governmental Funds</u>
Net change in fund balances - total governmental funds	\$ 1,978,049
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	4,661,687
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(4,106,619)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(1,949)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Compensated absences	(\$ 9,793)
OPEB expense	(111,953)
Pension expense	293,768
Accrued interest on long term debt	(17,136)
	154,886
Change in net position of governmental activities	<u>\$ 2,686,054</u>

See Notes to Financial Statements

CITY OF FRANKLIN, KENTUCKY

STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
June 30, 2023

	Enterprise Funds		
	Water and Wastewater	Sanitation	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,159,772	\$ 571,162	\$ 6,730,934
Investments	2,953,706	—	2,953,706
Accounts receivable, net	1,086,842	137,942	1,224,784
Due from other funds	—	8,836	8,836
Inventory	264,213	—	264,213
Prepaid items	40,068	—	40,068
Restricted assets:			
Cash and cash equivalents	998,489	—	998,489
Certificates of deposit	1,025,600	—	1,025,600
Total current assets	12,528,690	717,940	13,246,630
Noncurrent assets:			
Capital assets:			
Land	340,416	40,114	380,530
Depreciable capital assets, net	17,040,844	—	17,040,844
Construction in progress	2,023,998	—	2,023,998
Total noncurrent assets	19,405,258	40,114	19,445,372
Total assets	31,933,948	758,054	32,692,002
DEFERRED OUTFLOWS			
Deferred amount on refunding bonds	69,161	—	69,161
Outflows for pensions	679,454	—	679,454
Outflows for OPEB	412,715	—	412,715
Total deferred outflows	1,161,330	—	1,161,330

See Notes to Financial Statements

CITY OF FRANKLIN, KENTUCKY

STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS

June 30, 2023

	Enterprise Funds		
	Water and Wastewater	Sanitation	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 530,540	\$ 162,085	\$ 692,625
Accrued liabilities	28,875	—	28,875
Accrued interest	18,407	—	18,407
Accrued vacation	48,978	—	48,978
Due to other funds	51,956	—	51,956
Payable from restricted assets:			
Current maturities of revenue bonds payable	225,000	—	225,000
Customer deposits	805,246	—	805,246
	<u>1,709,002</u>	<u>162,085</u>	<u>1,871,087</u>
Total current liabilities			
Noncurrent liabilities:			
OPEB liability	850,591	66,520	917,111
Net pension liability	2,558,433	—	2,558,433
Revenue bonds payable	2,929,553	—	2,929,553
	<u>6,338,577</u>	<u>66,520</u>	<u>6,405,097</u>
Total noncurrent liabilities			
Total liabilities			
	<u>8,047,579</u>	<u>228,605</u>	<u>8,276,184</u>
DEFERRED INFLOWS			
Infloes for pensions	514,316	—	514,316
Infloes for OPEB	467,115	—	467,115
	<u>981,431</u>	<u>—</u>	<u>981,431</u>
Total deferred inflows			
NET POSITION			
Net investment in capital assets	16,393,956	40,114	16,434,070
Restricted for debt service and capital activity	1,221,652	—	1,221,652
Unrestricted	6,450,660	489,335	6,939,995
	<u>\$ 24,066,268</u>	<u>\$ 529,449</u>	<u>\$ 24,595,717</u>
Total net position			

CITY OF FRANKLIN, KENTUCKY

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
Year Ended June 30, 2023**

	Enterprise Funds		
	Water and Wastewater	Sanitation	Total
Operating revenues			
Charges for services	\$ 5,901,988	\$ 1,186,977	\$ 7,088,965
Fines and forfeitures	187,008	20,928	207,936
Total operating revenues	6,088,996	1,207,905	7,296,901
Operating expenses			
Salaries, wages and benefits	2,130,763	—	2,130,763
Maintenance	641,918	884,823	1,526,741
Utilities	390,667	—	390,667
Administrative	288,731	275,547	564,278
Supplies	848,526	—	848,526
Other	200,567	—	200,567
Depreciation	1,072,147	—	1,072,147
Total operating expenses	5,573,319	1,160,370	6,733,689
Operating income	515,677	47,535	563,212
Nonoperating revenues (expenses):			
Investment income	301,113	4,397	305,510
Miscellaneous revenue	75,626	—	75,626
Interest and fiscal charges expense	(126,337)	—	(126,337)
Amortization expense	(1,032)	—	(1,032)
Total nonoperating revenues (expenses)	249,370	4,397	253,767
Income before capital contributions	765,047	51,932	816,979
Capital contributions	1,228,591	—	1,228,591
Change in net position	1,993,638	51,932	2,045,570
Net position, beginning of year	22,072,630	477,517	22,550,147
Net position, end of year	\$ 24,066,268	\$ 529,449	\$ 24,595,717

See Notes to Financial Statements

CITY OF FRANKLIN, KENTUCKY

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended June 30, 2023

	Enterprise Funds		
	Water and Wastewater	Sanitation	Total
Cash flows from operating activities			
Cash received from customers	\$ 6,280,613	\$ 1,187,672	\$ 7,468,285
Cash payments to employees and retirees	(2,145,890)	—	(2,145,890)
Cash payments to suppliers	(1,773,804)	(882,681)	(2,656,485)
Payments for administrative overhead	(288,731)	(275,547)	(564,278)
Net cash provided by operating activities	2,072,188	29,444	2,101,632
Cash flows from capital and related financing activities			
Purchase of capital assets	(1,861,668)	—	(1,861,668)
Principal paid on bonds, notes and lease obligations	(220,000)	—	(220,000)
Interest paid on bonds, notes and lease obligations	(127,316)	—	(127,316)
Capital contributions	892,877	—	892,877
Net cash used in capital and related financing activities	(1,316,107)	—	(1,316,107)
Cash flows from investing activities			
Interest received	129,724	4,397	134,121
Purchase of certificates of deposit	(33,599)	—	(33,599)
Purchase of investments	(1,116,649)	—	(1,116,649)
Net cash provided by (used in) investing activities	(1,020,524)	4,397	(1,016,127)
Net increase (decrease) in cash and cash equivalents	(264,443)	33,841	(230,602)
Cash and cash equivalents, beginning of year	7,422,704	537,321	7,960,025
Cash and cash equivalents, end of year	\$ 7,158,261	\$ 571,162	\$ 7,729,423
Reflected in the Statement of Fund Net Position - Proprietary Funds as:			
Cash and cash equivalents	\$ 6,159,772	\$ 571,162	\$ 6,730,934
Restricted cash and cash equivalents	998,489	—	998,489
Total	\$ 7,158,261	\$ 571,162	\$ 7,729,423

See Notes to Financial Statements

(continued)

CITY OF FRANKLIN, KENTUCKY

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended June 30, 2023

	Enterprise Funds		
	Water and Wastewater	Sanitation	Total
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 515,677	\$ 47,535	\$ 563,212
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,072,147	—	1,072,147
Nonoperating revenues	75,626	—	75,626
Increase in deferred outflows of resources	(182,869)	—	(182,869)
Decrease in deferred inflow of resources	(142,726)	—	(142,726)
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	50,696	(20,233)	30,463
(Increase) decrease in due from other funds	132,912	(5,658)	127,254
Increase in inventory and prepaid items	(110,821)	—	(110,821)
Increase in accounts payable	271,375	7,800	279,175
Increase in accrued liabilities	1,963	—	1,963
Decrease in accrued vacation	(11,325)	—	(11,325)
Increase in customer deposits	65,295	—	65,295
Increase in due to other funds	14,408	—	14,408
Increase in OPEB liability	11,468	—	11,468
Increase in pension liability	308,362	—	308,362
Net cash provided by operating activities	<u>\$ 2,072,188</u>	<u>\$ 29,444</u>	<u>\$ 2,101,632</u>

See Notes to Financial Statements

CITY OF FRANKLIN, KENTUCKY
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2023

	<u>Custodial Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>7,329</u>
LIABILITIES	
Due to other governmental units	<u>7,329</u>
NET POSITION	
Restricted for other governments	<u>\$ —</u>

See Notes to Financial Statements

CITY OF FRANKLIN, KENTUCKY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2023

	<u>Custodial Fund</u>
ADDITIONS	
County 911 fee collections	\$ 127,991
DEDUCTIONS	
Payments of 911 fees to County	<u>(127,991)</u>
Changes in net position	—
Net position, beginning of year	<u>—</u>
Net position, end of year	<u><u>\$ —</u></u>

See Notes to Financial Statements

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Franklin, Kentucky (City) is a municipal corporation and political subdivision of the Commonwealth of Kentucky. The City operates under a Commission-Manager form of government. The City provides a full range of municipal services including general government services, police and fire protection, public works, parks and recreation, and cemetery operations. In addition, the City owns and operates a water and sewer system.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The accompanying government-wide financial statements present the financial statements of the City. There are no component units, legally separate entities for which the City is considered to be financially accountable. Accountability is defined as the City's substantive appointment of the majority of the component unit's governing board. Furthermore, to be financially accountable, the City must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to or impose specific financial burdens on the City.

Related Organizations and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the Electric Plant Board and the Housing Authority of Franklin are considered related organizations of the City.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A regional government or other multi-governmental arrangement is governed by representatives from each of the governments that created the organization, but is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. Based on these criteria, the Franklin-Simpson Industrial Authority, Franklin-Simpson Planning and Zoning Commission, and Franklin-Simpson Planning and Zoning Adjustment Board are considered jointly governed organizations of the City.

Joint Ventures

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Based on these criteria, the Franklin-Simpson Parks Board and the Simpson County 911 Advisory Board are considered joint ventures of the City.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements as follows:

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the City. Fiduciary activities are excluded from the government-wide statements because they cannot be used to support the City's own programs. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenues. Direct expenses are those that are clearly associated with a specific function or identifiable activity. Expenses that cannot be specifically identified to a particular function are charged to funds based on time spent for that function and are included in the functional categories. Program revenues

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

include: (a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or identifiable activity, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program or identifiable activity. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions.

Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund – governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and major enterprise funds, each displayed in a separate column. All other governmental and enterprise funds, if any, are aggregated and reported as nonmajor funds.

Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund

The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law, ordinance or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Police Capital Improvement Fund

The Police Capital Improvement Fund is used to account for capital improvement expenditures associated with the acquisition, construction, installation and equipping of a new police station for the Franklin Police Department. Related project financing is provided from the issuance of Kentucky Bond Corporation \$4,115,000 General Obligation Lease proceeds and General Fund operating transfers.

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes. The City's five nonmajor special revenue funds account for specific revenues that are restricted to expenditures for operating the Greenlawn-Shady Rest Cemetery (Greenlawn-Shady Rest Cemetery Fund), governmental housing, community and economic development projects (Community Development Fund), public works (Municipal Aid Fund), economic development activities (Economic Development Revolving Loan Fund), and stormwater system (Stormwater Fund).

Permanent Funds

Permanent funds are used to report resources that are legally restricted to allow only the earnings and not the principal to be used for purposes that support the reporting government's programs. The City reports two nonmajor permanent funds (Francis Harris Cemetery Perpetual Fund and Greenlawn-Shady Rest Cemetery Perpetual Fund) which account for assets held in trust for the permanent maintenance and beautification of Greenlawn-Shady Rest cemetery.

Proprietary Funds

Proprietary fund reporting focuses on changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determinations or revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The City reports the following major enterprise funds:

Water and Wastewater Fund

The Water and Wastewater Fund accounts for the operations of the City's water and wastewater system.

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sanitation Fund

The Sanitation Fund accounts for the operations of the City's sanitation system.

Fiduciary Funds

Fiduciary Funds are used to account for assets held on behalf of outside parties, including other governments. Trust funds account for assets held by the City under the terms of a formal trust agreement. The City does not report any trust funds. Custodial funds generally are used to account for assets that the City holds on behalf of others as their agent and are custodial in nature. The funds could report net position. The City reports the following custodial fund:

911 Fund

The 911 Fund accounts for the collection of a County assessed 911 fee on water meters located within the City's water service territory pursuant to billing services agreement between the City and County dated August 26, 2019. The 911 fees are billed and collected by the City's Water and Wastewater Fund and transferred to the 911 Fund for monthly remittance to the County.

C. Measurement Focus and Basis of Accounting

Government-wide and Proprietary Funds

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. With this measurement focus, all assets and all liabilities including long-term assets, as well as long-term debt and obligations, are included in Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

In proprietary funds, operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations of the fund. All revenues and expenses not meeting this definition are reported as nonoperating items. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nonexchange transactions, in which the City receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes, grants, entitlements and similar items and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period in which the taxes are levied. Franchise fees, licenses and permits, fines and forfeitures are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Grants, entitlements and donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met.

Amounts received before all eligibility requirements have been met are reported as deferred revenues. Grants and similar aid to other organizations are recognized as expenses as soon as recipients have met all eligibility requirements. Amounts paid before all eligibility requirements have been met are reported as prepaid items.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

General capital asset acquisitions are reported as expenditures and proceeds of general long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The City considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year end. Principal revenue sources considered susceptible to accrual include taxes, licenses and investment earnings. Other revenues are considered to be measurable and available only when cash is received by the City. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences and obligations for worker's compensation, which are recognized as expenditures when payment is due. Pension expenditures are recognized when amounts are due to a plan.

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports unearned revenue on its combined balance sheet. Unearned revenue arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenue also arises when resources are received by the City before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

D. Assets, Liabilities and Fund Equity

Cash and Cash Equivalents

The City considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2023, cash equivalents consisted primarily of certificates of deposit and short-term instruments with local financial institutions.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on property as of January 1 each year. Property values are assessed on January 1 of each year, taxes are levied annually by ordinance and are payable on December 31. The City bills and collects its own property taxes. City property tax revenues are recognized when levied to the extent that they are both measurable and available.

Lease Receivable

The City’s lease receivable is measured at the present value of lease payments expected to be received during the lease term.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the recording of the lease receivable and is amortized on a straight-line basis over the term of the lease.

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are valued at cost, which approximate market, using the first-in/first-out (FIFO) method. The costs of inventory items are recognized as expenditures or expenses when used.

Prepaid Items

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

Restricted Assets

Certain proceeds of bonds and leases, as well as certain resources set aside for their payment, are classified as restricted assets on the balance sheet since their use is limited by applicable bond indentures. Construction fund accounts are used to report proceeds of general obligation and revenue bonds and notes that are restricted for use in construction and capital acquisitions. Depreciation and Maintenance accounts are the resources set aside to provide reasonable reserves for renewals, replacements, improvements, extensions, extraordinary major repairs and contingencies related to bond obligation projects. Sinking Fund accounts are the resources accumulated for debt service payments.

Investments and Investment Income

Investments include certificates of deposit, U.S. Treasury securities, and money market mutual funds carried at fair value. Investment income includes interest income and the net change for the year in the fair value of investments carried at fair value. Fair value is determined based on quoted market prices or yields currently available on comparable securities of issuers with similar credit ratings.

Unbilled Revenue

The City bills customers for water and sewer services after usage based upon meter readings made during the month. The City records a receivable for unbilled revenue at June 30 for usage for which bills have not been sent.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the government-wide financial statements and the fund financial statements for proprietary funds. Purchased or constructed capital assets are reported at cost or

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

The City maintains a capitalization threshold of \$2,000. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets, excluding infrastructure, are depreciated using the straight-line method over their estimated useful lives as follows:

	<u>Years</u>
Utility plant	25 - 50
Building and improvements	25 - 40
Furniture and equipment	10
Vehicles	4

The City utilizes the modified approach for reporting eligible infrastructure assets. Eligible infrastructure assets are not depreciated, additions and improvements thereto are capitalized and all other outlays made for such assets are expensed in the period incurred only if requirements regarding asset management system and preservation at condition level are met.

Depreciation expense is charged directly to the department/function based on the department that utilizes the related asset.

Right to Use Assets

The City records intangible right to use assets, if applicable, in accordance with the provisions of GASB No. 87, *Leases* and GASB No. 96, *Subscription – Based Information Technology Arrangements*. Right to use assets are initially recorded at the initial measurement of the related lease or subscription liability, plus any lease or subscription payments made prior to the term, less incentives, plus any ancillary charges necessary to place the lease or subscription into service. Right to use assets are amortized on a straight-line basis over the life of the related lease or subscription. The City has not recorded any intangible right to use lease or subscription assets as of June 30, 2023 as such agreement terms were short-term or lease, contract amounts were considered immaterial to the financial statements.

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

The City grants vacation and sick pay to all full-time employees based on length of service time. The cost of vacation and sick pay is accrued when earned in the government wide and proprietary fund financial statements and reported as accrued liabilities. In fund financial statements, only amounts that are expected to be liquidated with available financial resources are reported as expenditures and included in accrued liabilities.

Long-term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the columns for governmental activities, business-type activities or proprietary fund Statement of Net Position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Debt issuance costs are reported as expenses in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Unearned Revenue

The City defers revenue recognition for assets recognized before revenue recognition criteria has been satisfied.

Grants and entitlements received before eligibility requirements are met are unearned. In addition, in governmental fund financial statements, notes and lease receivables at fiscal year-end are recorded as unearned revenue because potential revenue does not meet the "available" criteria for recognition in the current period.

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net assets that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has three items that meet this criterion: pension deferrals, OPEB deferrals, and deferred amounts from refunding debt.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net assets that applies to a future period and so will not be recognized as revenue until then. The City has three items that meet the criterion for this category: pension deferrals, OPEB deferrals, and leases.

Retirement

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources, and pension expense, information about the City's participation in the County Employees' Retirement System (CERS) of the Kentucky Public Pension Authority (KPPA) have been determined on the same basis as reported by the KPPA. Benefits including refunds of employee contributions are recognized when due and payable in accordance with the benefit terms of the CERS plan. The liability was measured at June 30, 2022.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the 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 CERS' Insurance Fund and additions to/deductions from the Insurance Fund's fiduciary net position have been determined on the same basis as reported by the Insurance Fund. The Insurance Fund recognizes benefit payments when due and payable in accordance with benefit terms. The liability was measured at June 30, 2022.

Fund Balance Classification

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance—amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance—amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City ordinance).

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the City intends to use for a specific purpose. Intent can be expressed by the City Commission or by an official or body to which the City Commission delegates the authority.
- Unassigned fund balance—in the General fund, resources not otherwise reported as nonspendable, restricted, committed, or assigned. This classification is also used to report negative fund balance amounts in other governmental funds.

The City Commission establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Commission through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Net Position

In the government-wide statements, the difference between the City's total assets and total liabilities represents net position.

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 improvement of those assets.

Net position is reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Revenues, Expenditures and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

Interfund Activity

Transfers between governmental and proprietary activities on the government-wide statements are reported in the same manner as general revenues.

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

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 expenses/expenditures during the reporting period. Actual results could differ from those estimates.

G. Budgetary Information

Budget Policy

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue, and enterprise funds. A budget is not prepared for the City's permanent funds. All annual appropriations lapse at fiscal year-end.

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Legal Compliance

All agencies of the City submit requests for appropriation to the City manager so that a budget may be prepared. The budget is prepared by fund, function and activity, and includes information on the part year, current year estimates, and requested appropriations for the next fiscal year.

Before June 1st, the proposed budget is presented to the City Commission for review. The City Commission holds public hearings to obtain taxpayer comments. Prior to July 1, the budget is legally enacted through passage of an ordinance. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Commission. During the year, several supplementary appropriations were necessary.

NOTE 2. DEPOSITS, INVESTMENTS AND INVESTMENT RETURN

Deposits

Custodial credit risk is the risk that in the event of a bank failure a government's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; letters of credit issued by federal home loan banks; bonds, notes, letters of credit or other obligations of the U. S. Treasury, U. S. agencies or instrumentalities or the state of Kentucky; bonds of any city of the first, second, and third classes, county, school district or educational institution of the state of Kentucky; or surety bonds having an aggregate current face value or current quoted market value at least equal to the amount of the deposits in excess of amounts insured by the FDIC.

At June 30, 2023, \$1,958,288 of the City's bank balances of \$23,270,603 was exposed to custodial credit risk as follows, while \$21,312,211 was covered by the FDIC:

Uninsured and collateral held by pledging financial institution	<u>\$ 1,958,288</u>
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Investments

In accordance with Kentucky Revised Statutes (KRS) 66.480, the City may legally invest in obligations of the U. S. Treasury, U. S. agencies and instrumentalities, including obligations subject to repurchase agreements, bankers' acceptances, commercial paper, obligations of the Commonwealth of Kentucky and its agencies and instrumentalities, shares of mutual funds or interest-bearing deposits of insured national or state banks.

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 2. DEPOSITS, INVESTMENTS AND INVESTMENT RETURN (Continued)

At June 30, 2023, the City had the following investments and maturities:

Type	Fair Value	Maturities In Years		
		Not Applicable	Less than 1	1-5
U.S. Treasury securities				
U.S. Treasury bill	\$ 2,476,258	\$ —	\$ 2,476,258	\$ —
U.S. Treasury note	1,460,859	—	—	1,460,859
Corporate bonds	239,646	—	—	239,646
Mutual funds				
Fixed	3,529,489	3,529,489	—	—
	<u>\$ 7,706,252</u>	<u>\$ 3,529,489</u>	<u>\$ 2,476,258</u>	<u>\$ 1,700,505</u>

Interest Rate Risk - The City recognizes that some level of risk is inherent in any investment transaction. Losses may be incurred due to issuer default, market price changes, or closing investments prior to maturity due to unanticipated cash flow needs. While the City has adopted an investment policy that recommends controlling interest rate risk through maturity diversification, the 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 ten years from the date of purchase.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the City's policy to limit its investments in securities issued by a state or local government or any U. S. agency or instrumentality to the top three ratings issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of Credit Risk - The City's funds must be diversified by security type and institution with the exception of fully insured or fully collateralized investments and except for authorized investment pools, no more than 30% of the City's total investment portfolio shall be invested in a single security type or with a single financial institution.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheets as follows:

Carrying value:	
Deposits	\$ 23,267,676
Investments	<u>7,706,252</u>
	<u>\$ 30,973,928</u>

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 2. DEPOSITS, INVESTMENTS AND INVESTMENT RETURN (Continued)

Included in the following balance sheet captions:

Government-wide Statement of Net Position	
Cash and cash equivalents	\$ 17,071,161
Certificates of deposit	268,479
Investments	7,706,252
Restricted assets:	
Cash and cash equivalents	4,678,014
Certificates of deposit	<u>1,250,022</u>
Total	<u>\$ 30,973,928</u>

Recurring Fair Value Measurements - The City categorizes fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The City had the following assets measured at fair value on a recurring basis as of June 30, 2023.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury securities	\$ —	\$ 3,937,117	—	\$ 3,937,117
Corporate bonds	—	239,646	—	239,646
Money market mutual funds	<u>3,529,489</u>	<u>—</u>	<u>—</u>	<u>3,529,489</u>
	<u>\$ 3,529,489</u>	<u>\$ 4,176,763</u>	<u>—</u>	<u>\$ 7,706,252</u>

NOTE 3. RESTRICTED ASSETS

The City's restricted assets are as follows as of June 30, 2023:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Governmental activities:			
General Fund:			
Retiree Life fund	\$ 30,627	\$ —	\$ 30,627
Police fund	46,868	—	46,868
Taeyang pledge	—	224,422	224,422
HRA/FSA fund	15,729	—	15,729
Police Capital Improvement fund	<u>3,586,301</u>	<u>—</u>	<u>3,586,301</u>
Total governmental activities	<u>3,679,525</u>	<u>224,422</u>	<u>3,903,947</u>

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 3. RESTRICTED ASSETS (continued)

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Business-type activities:			
Enterprise Fund			
Water and Wastewater Fund:			
Customer deposits	\$ 562,329	\$ 240,108	\$ 802,437
Debt service reserve	436,160	316,441	752,601
Depreciation reserve	—	304,922	304,922
Maintenance and replacement reserve	—	164,129	164,129
Total business-type activities	998,489	1,025,600	2,024,089
Total restricted assets	\$ 4,678,014	\$ 1,250,022	\$ 5,928,036

NOTE 4. LEASE RECEIVABLE

As of June 30, 2023, the City has recorded a lease receivable in both the governmental funds and government-wide financial statements in accordance with GASB No. 87, *Leases*.

The City (lessor) leases approximately 6,090 square feet of real estate located at 117 West Cedar Street, Franklin, Kentucky to Regions Bank. Pursuant to lease agreement, Regions Bank will pay the City annual rent of \$89,829 (\$7,486 monthly) and \$91,402 (\$7,617 monthly) for the fiscal years ending June 30, 2024 and 2025, respectively. The tenant has the option to extend the lease for three remaining renewal terms at annual rentals based upon annual rent for the immediately preceding annual lease year increased by one- and three-quarter percent (1.75%).

In fiscal year ending June 30, 2023, the City recognized \$88,285 of lease revenue. Future minimum lease payments to be received by the City are as follows:

Fiscal Year Ending:	
2024	\$ 89,829
2025	91,402
	\$ 181,231

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	Balance June 30, 2022	Increases	Decreases	Balance June 30, 2023
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,797,657	\$ 145,000	\$ —	\$ 1,942,657
Streets and sidewalks	11,597,941	—	—	11,597,941
Construction in progress	577,526	4,208,956	(108,498)	4,677,984
Total capital assets, not being depreciated	<u>13,973,124</u>	<u>4,353,956</u>	<u>(108,498)</u>	<u>18,218,582</u>
Capital assets being depreciated:				
Buildings and improvements	2,060,697	324,565	—	2,385,262
Land improvements	22,456	77,406	—	99,862
Vehicles	1,628,608	185,209	(51,790)	1,762,027
Furniture, fixtures and equipment	1,368,024	161,828	(120,022)	1,409,830
Total capital assets, being depreciated	<u>5,079,785</u>	<u>749,008</u>	<u>(171,812)</u>	<u>5,656,981</u>
Less accumulated depreciation:				
Buildings and improvements	(1,029,687)	(60,578)	—	(1,090,265)
Land improvements	(7,430)	(1,497)	—	(8,927)
Vehicles	(1,250,042)	(152,936)	51,790	(1,351,188)
Furniture, fixtures and equipment	(959,656)	(117,769)	118,073	(959,352)
Total accumulated depreciation	<u>(3,246,815)</u>	<u>(332,780)</u>	<u>169,863</u>	<u>(3,409,732)</u>
Total capital assets, being depreciated, net	<u>1,832,970</u>	<u>416,228</u>	<u>(1,949)</u>	<u>2,247,249</u>
Governmental activities capital assets, net	<u>\$ 15,806,094</u>	<u>\$ 4,770,184</u>	<u>(\$ 110,447)</u>	<u>\$ 20,465,831</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 380,530	\$ —	\$ —	\$ 380,530
Construction in progress	833,577	1,409,663	(219,242)	2,023,998
Total capital assets, not being depreciated	<u>1,214,107</u>	<u>1,409,663</u>	<u>(219,242)</u>	<u>2,404,528</u>
Capital assets being depreciated:				
Utility plant	40,921,192	464,277	—	41,385,469
Buildings	86,738	—	—	86,738
Furniture and equipment	2,561,395	92,141	(78,495)	2,575,041
Vehicles	660,106	—	(28,851)	631,255
Land improvements	50,519	114,830	—	165,349
Total capital assets being depreciated	<u>44,279,950</u>	<u>671,248</u>	<u>(107,346)</u>	<u>44,843,852</u>
Less accumulated depreciation:				
Utility plant	(24,227,466)	(935,697)	—	(25,163,163)
Buildings	(72,394)	(994)	—	(73,388)
Furniture and equipment	(1,911,973)	(99,330)	78,495	(1,932,808)
Vehicles	(602,903)	(28,930)	28,851	(602,982)
Land improvements	(23,471)	(7,196)	—	(30,667)
Total accumulated depreciation	<u>(26,838,207)</u>	<u>(1,072,147)</u>	<u>107,346</u>	<u>(27,803,008)</u>
Total capital assets, being depreciated, net	<u>17,441,743</u>	<u>(400,899)</u>	<u>—</u>	<u>17,040,844</u>
Business-type activities capital assets, net	<u>\$ 18,655,850</u>	<u>\$ 1,008,764</u>	<u>(\$ 219,242)</u>	<u>\$ 19,445,372</u>

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 5. CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 60,310
Public safety	223,946
Public works	46,025
Community and cultural	<u>2,499</u>
Total depreciation expense - governmental activities	<u>\$ 332,780</u>
Business-type activities:	
Water and wastewater	<u>\$ 1,072,147</u>

NOTE 6. LONG-TERM LIABILITIES

Revenue bonds and other directly related long-term liabilities, which are intended to be paid from proprietary funds, are included in the accounts of such funds. All other long-term indebtedness is accounted for in the Governmental column of the Government-wide Statement of Net Position.

Changes in long-term liabilities for the year ended June 30, 2023 were as follows:

	Balance June 30, 2022	Increases	Decreases	Balance June 30, 2023	Amounts Due in One Year
Governmental activities:					
General obligation lease	\$ —	\$ 4,115,000	\$ —	\$ 4,115,000	\$ 66,250
Unamortized discount	<u>—</u>	<u>(8,404)</u>	<u>24</u>	<u>(8,380)</u>	<u>—</u>
Total governmental activities	<u>\$ —</u>	<u>\$ 4,106,596</u>	<u>\$ 24</u>	<u>\$ 4,106,620</u>	<u>\$ 66,250</u>
Business-type activities:					
Revenue bonds	\$ 3,315,000	\$ —	\$ 220,000	\$ 3,095,000	\$ 225,000
Unamortized discounts, premiums, net	<u>64,808</u>	<u>—</u>	<u>5,255</u>	<u>59,553</u>	<u>—</u>
Total business-type activities	<u>\$ 3,379,808</u>	<u>\$ —</u>	<u>\$ 225,255</u>	<u>\$ 3,154,553</u>	<u>\$ 225,000</u>
Total governmental and business-type activities	<u>\$ 3,379,808</u>	<u>\$ 4,106,596</u>	<u>\$ 225,231</u>	<u>\$ 7,261,173</u>	<u>\$ 291,250</u>

CITY OF FRANKLIN, KENTUCKY

**NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

NOTE 6. LONG-TERM LIABILITIES (Continued)

Governmental activities:

The City enters into general obligation bonds, lease purchase agreements and notes payable to finance the acquisition and construction of various public projects. These long-term liabilities pledge the full faith and credit of the City.

Governmental activities long-term debt of the City consisted of the following at June 30, 2023:

General Obligation Lease

\$4,115,000 General Obligation Lease Agreement, dated May 24, 2023, by and between the City of Franklin, Kentucky, lessee, and the Kentucky Bond Corporation, lessor; Kentucky League of Cities (Program Administrator); financing provided pursuant to issuance of Kentucky Bond Corporation Financing Program Revenue Bonds, 2023 First Series A, dated May 24, 2023; The Bank of New York Mellon Trust Company, N.A. (Trustee); Lease rental payments due in monthly principal, interest and expense requirement installments of \$20,655 to \$26,192 beginning August 1, 2023 through January 1, 2053; issued to finance the acquisition, construction, installation, and equipping of (i) a new police station for the Franklin Police Department and (ii) various other capital improvements in the community; secured by the full faith, credit and revenue of the City.

\$ 4,115,000

Business-type activities:

Revenue bonds

Revenue bonds are comprised of various issues for the purpose of acquiring, constructing, equipping, renovating, expanding and refurbishing additions and improvements to the City's system. The City pledges income derived from the acquired or constructed assets to pay debt service.

Water and Wastewater Fund:

Revenue bonds outstanding at June 30, 2023 were as follows:

	<u>Interest Rates</u>	<u>Final Maturity Date</u>	<u>Principal at June 30, 2023</u>
Revenue bonds, Series 2012 (A)	2.00 - 3.75%	December 1, 2033	\$ 2,190,000
Revenue bonds, Series 2016 (B)	3.00 - 3.60%	February 1, 2037	<u>905,000</u>
			3,095,000
Unamortized discounts, premiums, net			<u>59,553</u>
Total revenue bonds payable - business-type activities			<u>\$ 3,154,553</u>

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 6. LONG-TERM LIABILITIES (Continued)

- (A) \$3,860,000 City of Franklin, Kentucky Water and Sewer Revenue Refunding Bonds, Series 2012, dated July 24, 2012; fully registered bonds in the denomination of \$5,000 or any integral multiple thereof; maturing on December 1 in annual installments of \$135,000 to \$230,000 through 2033; interest payable semi-annually on June 1 and December 1; issued to currently refund the City's outstanding Water and Sewer Revenue Bonds, Series 2004; secured by water and sewer system revenues.
- (B) \$1,190,000 Kentucky Bond Corporation Revenue Lease, dated November 30, 2016; City of Franklin, Kentucky portion of Kentucky Bond Corporation Financing Program Revenue Bonds, Series 2016D; maturing on February 1 in annual installments of \$45,000 to \$80,000 through 2037; interest at 3% to 3.5% payable semi-annually on February 1 and August 1; issued to finance water and sewer system improvements; secured by water and sewer system revenues.

Annual Debt Service Requirements

The annual requirements to amortize long-term debt outstanding as of June 30, 2023 are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities		Government-Wide	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 66,250	\$ 183,677	\$ 225,000	\$ 99,394	\$ 291,250	\$ 283,071
2025	75,000	164,437	230,000	93,000	305,000	257,437
2026	77,083	161,437	235,000	86,244	312,083	247,681
2027	82,084	158,354	240,000	79,119	322,084	237,473
2028	85,000	155,071	250,000	71,725	335,000	226,796
2029 – 2033	485,417	721,521	1,385,000	226,903	1,870,417	948,424
2034 – 2038	588,333	615,971	530,000	31,087	1,118,333	647,058
2039 – 2043	734,583	487,238	—	—	734,583	487,238
2044 – 2048	904,583	324,809	—	—	904,583	324,809
2049 – 2053	1,016,667	121,344	—	—	1,016,667	121,344
	<u>\$ 4,115,000</u>	<u>\$ 3,093,859</u>	<u>\$ 3,095,000</u>	<u>\$ 687,472</u>	<u>\$ 7,210,000</u>	<u>\$ 3,781,331</u>

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 7. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payable as of June 30, 2023 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Funds:		
General Fund	\$ 73,296	\$ —
Special Revenue Funds:		
Municipal Aid Fund	—	29,700
Greenlawn Shady Rest Cemetery Fund	—	24,917
Stormwater Fund	<u>28,048</u>	<u>3,607</u>
Total governmental funds	<u>101,344</u>	<u>58,224</u>
Proprietary Funds:		
Water and Wastewater Fund	—	51,956
Sanitation Fund	<u>8,836</u>	<u>—</u>
Total proprietary funds	<u>8,836</u>	<u>51,956</u>
	<u>\$ 110,180</u>	<u>\$ 110,180</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 8. INTERFUND TRANSFERS

Interfund transfers for the year ending June 30, 2023 are summarized as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 50,993	\$ 2,705,894
Special Revenue Funds		
Greenlawn Shady Rest Cemetery Fund	195,700	—
Community Development Fund	32,206	—
Municipal Aid Fund	306,000	—
Economic Development Fund	—	50,993
Stormwater Fund	20,000	—
Capital Projects Fund		
Police Capital Improvement Fund	2,154,892	—
Permanent Fund		
Francis Harris Cemetery Perpetual Fund	96	—
Greenlawn-Shady Rest Cemetery Perpetual Fund	<u>—</u>	<u>3,000</u>
Total governmental funds	<u>\$ 2,759,887</u>	<u>\$ 2,759,887</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 9. RETIREMENT PLAN

County Employees Retirement System

Plan Description

The County Employees Retirement System (CERS) is a cost sharing multiple-employer defined benefit pension plan created by the Kentucky General Assembly, pursuant to the provisions of Kentucky Revised Statute Section 78.520. CERS is administered by the Kentucky Public Pensions Authority (KPPA) and covers substantially all regular full-time City employees (members) employed in nonhazardous and hazardous duty positions. The KPPA is the successor to Kentucky Retirement Systems and was created by state statute under Kentucky Revised Statute Section 61.645 as amended by House Bill 484 and House Bill 9 of the 2020 and 2021 regular sessions, respectively, of the Kentucky General Assembly. These amendments transferred governance of the CERS to a separate nine-member board of trustees. The CERS Board of Trustees is responsible for the proper operation and administration of the CERS. The KPPA issues a publicly available financial report that can be obtained by writing to Kentucky Public Pensions Authority, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

Benefits Provided

CERS provides for retirement, disability and death benefits to plan members. Members are vested in the plan after five years' service credit. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost of living adjustments (COLAs) are provided at the discretion of the State Legislature. Senate Bill 2 of 2013 eliminated all future COLAs unless the State Legislature so authorizes on a biennial basis and either (i) the system is over 100% funded or (ii) the Legislature appropriates sufficient funds to pay the increased liability for the COLA. For retirement purposes, employees are grouped into three tiers based on hire date. Tier 1 includes plan members whose participation began before September 1, 2008, Tier 2 includes plan members whose participation began on or after September 1, 2008 but before January 1, 2014, and Tier 3 includes plan members whose participation began on or after January 1, 2014.

Tier 1 non-hazardous members are eligible to retire with an unreduced retirement benefit at age 65 with four years of service credit or after 27 years of service credit regardless of age. Benefits are determined by a benefit formula calculation based on final compensation times benefit factor times years of service. Tier 1 final compensation is the average of the five highest years' earnings, benefit factor is 2.20% for members participating prior to August 1, 2004 and 2.00 % for members participating on or after August 1, 2004 and before September 1, 2008. Reduced benefits for early retirement are available at age 55 with five years of service credit or at any age with 25 years of service

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 9. RETIREMENT PLAN (Continued)

credit. Tier 2 non-hazardous members are eligible to retire with an unreduced retirement benefit at age 65 with five years' service credit or at age 57 based on the Rule of 87 - sum of service years plus age equal 87. Final compensation for Tier 2 benefit formula calculation is the average of the last complete five years' earnings and benefit factor is an increasing percent based on service at retirement plus 2.00% for each year of service over 30. Reduced benefits for early retirement are available at age 60 with 10 years of service. Tier 3 non-hazardous members are eligible to retire with an unreduced retirement benefit at age 65 with five years' service credit or at age 57 based on the Rule of 87. Tier 3 members are not eligible for reduced retirement benefits. Tier 3 is a hybrid cash balance plan. When a member is eligible to retire, the benefit is calculated based on the member's accumulated account balance. A member earns service credit for each month contributing to the plan. Upon retirement, the hypothetical account, which includes member contributions, employer contributions and interest credits can be withdrawn in a lump sum or annuitized into a single life annuity option.

Tier 1 hazardous members are eligible to retire with an unreduced retirement benefit at age 55 with five years of service credit or after 20 years of service credit regardless of age. Benefits are determined by above benefit formula. Calculation is based on average of the three highest years' earnings (final compensation), a 2.50% benefit factor and years of service. Reduced benefits for early retirement are available at age 50 with 15 years of service credit. Tier 2 hazardous members are eligible to retire at any age with 25 years of service or at age 60 with 5 years of service credit. Benefit formula calculation is based on average of the three highest complete years' earnings, an increasing percent benefit factor based on service at retirement, and years of service. Reduced benefits for early retirement are available at age 50 with 15 years of service. Tier 3 hazardous members are also eligible to retire at any age with 25 years of service or at age 60 with 5 years of service. Tier 3 members are not eligible for reduced retirement benefits.

Death benefits are provided for both death after retirement and death prior to retirement. Members receiving a monthly benefit based on at least four years of creditable service are eligible for a \$5,000 death benefit. Beneficiaries of deceased members are eligible for a monthly benefit if the member was (1) eligible for retirement at the time of death or, (2) under the age of 55 with at least 60 months of service credit and currently working for a participating agency at the time of death or (3) no longer working for a participating agency but at the time of death had at least 144 months of service credit. If the beneficiary of a deceased active member is not eligible for a monthly benefit, the beneficiary will receive a lump sum payment of the member's contributions and any accumulated interest.

Members participating before August 1, 2004 may retire on account of disability provided the member has at least 60 months of service credit and is not eligible for an unreduced benefit. Additional service credit may be added for computation of benefits under the benefit formula. Members participating on or after August 1, 2004, but before

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 9. RETIREMENT PLAN (Continued)

January 1, 2014, may retire on account of disability provided the member has at least 60 months of service credit. Benefits are computed as the higher of a % of final rate of pay (20% nonhazardous, 25% hazardous) or the amount calculated under the benefit formula based upon actual service. Members participating on or after January 1, 2014, may retire on account of disability provided the member has at least 60 months of service credit. The hypothetical account which includes member contributions, employer contributions and interest credits can be withdrawn as a lump sum or an annuity equal to the larger of a % of the member's monthly final rate of pay (20% nonhazardous, 25% hazardous) or the annuitized hypothetical account into a single life annuity option. Members disabled as a result of a single duty-related injury or act of violence related to their job may be eligible for special benefits.

Contributions

Employee contribution rates are set by statutes governing the CERS and may only be changed by the Kentucky General Assembly. Participating employers are required to contribute at an actuarially determined rate as approved by the CERS Board without further legislative review. Per KRS Section 78.635, normal contribution and the actuarially accrued liability contribution rates shall be determined by the CERS Board of Trustees on the basis of the annual actuarial valuation last preceding the July 1 of a new biennium. The CERS Board of Trustees may amend contribution rates as of July 1 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 normal contribution rate (the percent computed of employee creditable compensation) shall be determined by the entry age normal cost funding method.

The actuarially accrued liability shall be determined by actuarial method consistent with the methods prescribed for determining the normal contribution rate. The actuarially accrued liability contribution shall be computed by amortizing the total unfunded actuarially accrued liability over a period of 30 years using the level-percentage-of-payroll amortization method. Administrative costs of CERS are financed through employer contributions and investment earnings.

Plan members participating in CERS on or before August 31, 2008 (Tier 1), with nonhazardous and hazardous duty positions, were required to contribute 5% and 8%, respectively, of their annual creditable compensation. For plan members who began participating on or after September 1, 2008 but before January 1, 2014 (Tier 2), contribution rates are 6% (nonhazardous) and 9% (hazardous) of annual creditable compensation. The additional 1% is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (Kentucky Administrative Regulation 105 KAR 1:420E). Plan members participating on, or after

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 9. RETIREMENT PLAN (Continued)

January 1, 2014 (Tier 3), were required to contribute to the hybrid cash balance plan. Plan members and employers contribute a set percentage of creditable compensation into the member's account. Members contribute 5% (nonhazardous) and 8% (hazardous) of their annual creditable compensation and 1% to the health insurance fund which is not credited to the member's account and is not refundable. Employers contribute 4% (nonhazardous) and 7.5% (hazardous) of creditable compensation into member's hypothetical account.

For the year ended June 30, 2023, the City contributed 26.79% (nonhazardous – 23.40% pension; 3.39% insurance) and 49.59% (hazardous – 42.81% pension; 6.78% insurance) of each employee's creditable compensation to CERS, in accordance with its actuarially determined contribution rate. The City's employer's contributions to CERS for pension benefits for the year ended June 30, 2023 were \$1,128,847.

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

At June 30, 2023, the City reported a liability of \$11,360,521 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 and rolled-forward using generally accepted actuarial principles. 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. At June 30, 2022, the City's proportion was 0.08007400% (non-hazardous), a decrease of 0.002606% from its proportion measured as of June 30, 2021, and 0.182600% (hazardous), a decrease of .002684% from its proportion as of June 30, 2021.

For the year ended June 30, 2023, the City recognized pension expense of \$816,324. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 1,409,198	\$ 1,132,103
Difference between expected and actual experience	165,947	51,550
Change of assumptions	—	—
Change in proportion and differences between employer contributions and proportionate share of contributions	270,995	614,013
Contributions subsequent to the measurement date of June 30, 2022	<u>1,128,847</u>	<u>—</u>
Total	<u>\$ 2,974,987</u>	<u>\$ 1,797,666</u>

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 9. RETIREMENT PLAN (Continued)

The amount shown above for “contributions subsequent to the measurement date of June 30, 2022,” will be recognized as a reduction of the net pension liability in the year ending June 30, 2024.

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

Year Ended June 30:	
2024	(\$ 39,940)
2025	(83,039)
2026	(125,585)
2027	<u>297,039</u>
	<u>\$ 48,475</u>

In the table above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Actuarial assumptions. The total pension liability as of the measurement date of June 30, 2022 was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.30 %
Payroll Growth Rate	2.00%
Salary increases	3.30% to 10.30% for CERS non-hazardous; 3.55% to 19.05% for CERS hazardous
Investment rate of return	6.25 %

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2020. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

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

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 9. RETIREMENT PLAN (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	60.00%	
Public equity	50.00%	4.45%
Private equity	10.00%	10.15%
Fixed Income	20.00%	
Core bonds	10.00%	0.28%
Specialty credit/high yield	10.00%	2.28%
Cash	0.00%	-0.91%
Inflation Protected	20.00%	
Real estate	7.00%	3.67%
Real return	13.00%	4.07%
Expected Real Return	100.00%	4.28%
Long Term Inflation Assumption		<u>2.30%</u>
Expected Nominal Return for Portfolio		6.58%

Discount rate. The projection of cash flows used to determine the discount rate of 6.25% for CERS hazardous and nonhazardous, assumes that local employers would contribute with required employer contributions each future year, as determined by the current funding policy established in Statute as amended by House Bill 362 (passed in 2018) which limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the KPPA financial report.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City calculated using the discount rate of 6.25%, as well as the net pension liability if calculated using a discount rate that is 1-percentage-point lower (5.25 %) or 1-percentage-point higher (7.25 %) than the current rate:

	<u>1% Decrease (5.25%)</u>	<u>Current Discount Rate (6.25%)</u>	<u>1% Increase (7.25%)</u>
City of Franklin's net pension liability			
Hazardous	\$ 6,940,789	\$ 5,571,961	\$ 4,457,135
Nonhazardous	<u>7,234,982</u>	<u>5,788,560</u>	<u>4,592,249</u>
Total	<u>\$ 14,175,771</u>	<u>\$ 11,360,521</u>	<u>\$ 9,049,384</u>

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 9. RETIREMENT PLAN (Continued)

Pension Plan Fiduciary Net Position

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

NOTE 10. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Kentucky Retirement Systems' Insurance Fund

Plan Description

Employees of the City are provided hospital and medical insurance through the Kentucky Public Pensions Authority's County Employees' Retirement Insurance Fund (Insurance Fund), a cost-sharing multiple-employer defined benefit OPEB plan. The KPPA was created by State statute under Kentucky Revised Statute Section 61.645. The CERS Board of Trustees is responsible for the proper operation and administration of the CERS. The KPPA issues a publicly available financial report that can be obtained by writing to Kentucky Public Pension Authority, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

Benefits provided. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The Insurance Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous members killed in the line of duty. As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after July 1, 2003, earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 10. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)
(Continued)

Contributions. Contribution requirements of the participating employers are established and may be amended by the CERS Board of Trustees. The City's contractually required contribution rate for the year ended June 30, 2023 was 3.39% (non-hazardous) and 6.78% (hazardous) of covered payroll. Contributions to the Insurance Fund from the City were \$171,192 for the year ended June 30, 2023. Employees that entered the plan prior to September 1, 2008 are not required to contribute to the Insurance Fund. Employees that entered the plan after September 1, 2008 are required to contribute 1% of their annual creditable compensation which is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E).

The City's proportion of the collective net OPEB liability and OPEB expense was determined using the employers' actual contributions for fiscal year 2022. This method is expected to be reflective of the employers' long-term contribution effort. At June 30, 2023, the City's proportion was 0.080060% (non-hazardous) and 0.182509% (hazardous).

Net OPEB Liability

At June 30, 2023, the City reported a liability of \$3,134,581 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021 and rolled-forward using generally accepted actuarial principles. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the Insurance Fund relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2022, the City's proportion was 0.080060% (non-hazardous), a decrease of 0.002600% from its proportion measured as of June 30, 2021, and 0.182509% (hazardous), a decrease of 0.002774% from its proportion as of June 30, 2021.

Actuarial assumptions. The total OPEB liability as of the measurement date of June 30, 2022 was determined using the following actuarial assumptions:

Inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.30% to 10.30%, varies by service for CERS non-hazardous; 3.55% to 19.05%, varies by service for CERS hazardous

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 10. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)
(Continued)

Investment rate of return	6.25%
Healthcare cost trend rates (Pre-65)	Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to ultimate trend rate of 4.05% over a period of 13 years.
Healthcare cost trend rates (Post-65)	Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to ultimate trend rate of 4.05% over a period of 13 years.

The discount rate used to calculate the total OPEB liability increased from 5.20 to 5.70% for the CERS non-hazardous insurance plan and from 5.05% to 5.61% for the CERS hazardous insurance plan. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2021, valuation process and was updated to better reflect the plan's anticipated long-term healthcare costs. There were no other material assumption or plan provision changes.

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 10. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)
(Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	60.00%	
Public equity	50.00%	4.45%
Private equity	10.00%	10.15%
Fixed Income	20.00%	
Core bonds	10.00%	0.28%
Specialty credit/high yield	10.00%	2.28%
Cash	0.00%	-0.91%
Inflation Protected	20.00%	
Real estate	7.00%	3.67%
Real return	13.00%	4.07%
Expected Real Return	100.00%	4.28%
Long Term Inflation Assumption		<u>2.30%</u>
Expected Nominal Return for Portfolio		6.58%

Discount rate. The discount rate used to measure the total OPEB liability was 5.70% for non-hazardous and 5.61% for hazardous employees. The discount rate is based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.69%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2022. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan’s fiduciary net position and future contributions were projected to be sufficient to finance future benefit payments of current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan.

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. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 10. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)
Continued)

Changes in the Net OPEB Liability

Sensitivity of the City's proportionate share of the collective net OPEB liability to changes in the discount rate. The following presents the City's proportionate share of the collective net OPEB liabilities, calculated using discount rates of 5.61% (hazardous) and 5.70% (nonhazardous), as well as what the City's proportionate share of the collective net OPEB liabilities would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<u>1% Decrease</u> <u>(4.61%)</u>	<u>Current Discount</u> <u>(5.61%)</u>	<u>1% Increase</u> <u>(6.61%)</u>
City of Franklin's net OPEB liability Hazardous	\$ 2,160,050	\$ 1,554,586	\$ 1,062,835
	<u>1% Decrease</u> <u>(4.70%)</u>	<u>Current Discount</u> <u>(5.70%)</u>	<u>1% Increase</u> <u>(6.70%)</u>
City of Franklin's net OPEB liability Non-hazardous	<u>\$ 2,112,201</u>	<u>\$ 1,579,995</u>	<u>\$ 1,140,038</u>
Total net OPEB liability	<u>\$ 4,272,251</u>	<u>\$ 3,134,581</u>	<u>\$ 2,202,873</u>

Sensitivity of the City's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates. The following presents the City's proportionate share of the collective net OPEB liabilities, as well as what the City's proportionate share of the collective net OPEB liabilities would be if they were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current health care cost trend rates:

	<u>1% Decrease</u>	<u>Current Health- care Cost Trend Rates</u>	<u>1% Increase</u>
City of Franklin's net OPEB liability Hazardous	\$ 1,085,548	\$ 1,554,586	\$ 2,126,318
Nonhazardous	<u>1,174,691</u>	<u>1,579,995</u>	<u>2,066,688</u>
Total	<u>\$ 2,260,239</u>	<u>\$ 3,134,581</u>	<u>\$ 4,193,006</u>

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

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 10. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)
(Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the City recognized OPEB expense of \$360,741. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$ 193,390	\$ 454,401
Changes of assumptions	509,393	473,394
Net difference between projected and actual earnings on OPEB plan investments	619,205	498,335
Changes in proportion and difference between employer contributions and proportionate share of contributions	119,289	292,066
Contributions subsequent to the measurement date of June 30, 2022	<u>171,192</u>	<u>—</u>
Total	<u>\$ 1,612,469</u>	<u>\$ 1,718,196</u>

The amount shown above for “contributions subsequent to the measurement date of June 30, 2022,” will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2023, related to OPEB, are recognized in OPEB expense as follows:

Year ended June 30,	
2024	(\$ 42,912)
2025	(33,762)
2026	(149,710)
2027	961
2028	<u>(51,496)</u>
	<u>(\$ 276,919)</u>

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 11. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CITY OPEB)

In addition to the other post-employment benefits provided by the City through the Kentucky Retirement Systems' Insurance Fund, described above, the City also maintains an informal retirement plan authorized by the Mayor/Commission. The City does not issue a separate, publicly available OPEB financial report. City employees who retired prior to May 1, 1988, plus employees/spouses who retired after May 1, 1988 but who elected not to participate in the CERS plan (above), are paid a \$100 per month retirement benefit. Eleven retired City employees are currently covered under the plan. Retirement benefits are financed on a pay as you go basis. Payments under the plan totaled \$10,800 for the year ended June 30, 2023.

In addition to providing retirement benefits, the City also provides certain health care and life insurance benefits for these retired employees and their spouses. The cost of the retiree health care and life insurance benefits is borne 100% by the City and is financed on a pay as you go basis. For the year ended June 30, 2023, payments under the plan totaled \$49,633.

At June 30, 2023, the City reported a total OPEB liability of \$323,040. The City's total OPEB liability was measured as of June 30, 2023 and was calculated by the City using the alternative measurement method permitted by GASB Statement 75 for employers in OPEB plans with fewer than 100 employees as of the beginning of the measurement period.

The following simplifying assumptions were made:

Marital Status - Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality - Life expectancies were based on mortality tables from the National Center for Health Statistics.

Healthcare cost trend rate - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services' long-term healthcare trends analysis model. A rate of 5.20% per year initially, fluxuated slightly to a rate of 5.60% per year.

Discount rate - The discount rate used to measure the total OPEB liability was 3.86%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2023. No assets have been accumulated in an irrevocable trust, so the municipal rate has been applied to all periods. The discount rate was 3.75% for the June 30, 2022 measurement date.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 11. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CITY OPEB)
(Continued)

Changes in the Total OPEB Liability

Sensitivity of the City's total OPEB liability to changes in the discount rate. The following presents the City's total OPEB liability as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.86%) or 1 percentage point higher (4.86%) than the current discount rate:

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
City of Franklin's total OPEB liability	\$ 336,768	\$ 323,040	\$ 310,216

Sensitivity of the City's total OPEB liability to changes in the healthcare cost trend rates. The following presents the City's total OPEB liability, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current health care cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
City of Franklin's total OPEB liability	\$ 304,187	\$ 323,040	\$ 338,785

NOTE 12. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time City employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

The plan's investments are held in trust by Public Employee Benefit Service Corporation. Participating employees can contribute to the plan based on either a percentage of compensation or a fixed dollar amount per pay period up to 100% of the participant's total includible compensation or \$22,500 for 2023, whichever is less. During the fiscal year ending June 30, 2023, contributions made on behalf of employees totaled \$84,473.

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 13. SOLID WASTE COLLECTION FRANCHISE AGREEMENTS

Commercial and Residential

On September 30, 2013, the City entered into an exclusive commercial and residential franchise agreement with Scott Waste Services, LLC (franchisee), for the collection of residential and commercial solid waste and wastewater treatment plant waste in the City. Pursuant to franchise agreement for residential services, the City shall withhold 10% of the monthly gross receipts (franchise fee) received by the City from utility bill payments attributable to operations conducted by franchisee. In addition, City shall withhold 3% of the monthly gross receipts as a collection fee for its billing and collection services provided. For commercial services, the franchisee shall bill all commercial and industrial customers and pay to the City a fee of 10% of collected gross receipts for commercial and industrial services. The franchise agreement was for a five-year period beginning October 1, 2013 and ending September 30, 2018.

Industrial

In September, 2013, the City entered into non-exclusive industrial franchise agreements with franchisees for the collection of industrial solid waste in the City and/or industrial parks located therein. The industrial franchisee must remit to the City monthly 10% of the gross receipts received attributable to its operations in the industrial franchise area. The franchise agreements were for a five-year period beginning October 1, 2013 and ending September 30, 2018.

Amended and Restated Franchise Agreement

On August 15, 2019, the City and County entered into an amended and restated franchise agreement with Scott Waste Services, LLC (franchisee), for the collection of residential, commercial and industrial solid waste and wastewater treatment plant waste within the City and County. The City and County desired to combine their respective separate franchise agreements with franchisee for the extended term of this amended and restated franchise agreement. This agreement is effective August 15, 2019, shall terminate on June 30, 2026, and may be renewed for one additional seven-year term. Monthly rates for collection of City residential solid waste and recyclable materials by franchisee shall continue be billed by City as part of monthly resident's utility bills. Monthly rates for collection of commercial solid waste shall be billed to customers by franchisee.

The City shall withhold ten percent (10%) of the monthly gross receipts received from utility bill payments (residential franchise fee) and the franchisee shall pay the City a fee of ten percent (10%) of collected gross receipts from all commercial and industrial customers (commercial franchise fee). In addition, the City shall withhold three percent (3%) of the monthly gross receipts from residential utility bill payments as a collection fee for its billing and collection services provided.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 14. INTERLOCAL AGREEMENT FOR FIRE PROTECTION

On June 21, 2012, the City and Simpson County Fiscal Court ("County") entered into an Interlocal Agreement for fire protection and related emergency services. The County presently furnishes basic fire protection services within its boundaries and the City desires to contract for essential fire-fighting, protection and emergency services for the City.

At onset of Interlocal Agreement, the City and County fire departments merged into the Franklin-Simpson Fire Rescue operated, managed and administered by the County, with the Simpson County Fire Department Chief being the chief officer of the merged department.

Fire Station and Equipment

The County shall have full use of fire station owned by City and shall maintain the station and grounds. The City shall retain ownership of the fire station and shall provide for major capital repairs of station required during the term of the agreement including extensions.

Personnel

Staffing of Franklin-Simpson Fire Rescue will be determined by the Fire Chief, in consultation with the County Judge Executive and the Mayor and City Manager, subject to approval of the Simpson County Fiscal Court.

Financial Contributions

City contributions to the County to the cost and expense of Franklin-Simpson Fire Rescue shall be at amounts per City's adopted budget payable monthly, however, not less than \$250,000 annually, without the prior written agreement of the parties. City contributions shall be increased or decreased annually, based upon change in consumer price index or cost of living increases set by Governor's Office of Local Development or comparable governmental office, effective July 1st of year increase or decrease is adopted by applicable state office, or the percentage increase in Simpson County's fire department budget, whichever is lower.

Financial contributions to the County for implementation of federal, state or local mandatory regulations shall be determined by negotiation. City shall furnish, without charge, quantities of water and use of fire hydrants as County may require or be able to use in its fire-fighting operations within the City or County. City shall provide insurance coverage for the fire station facility, however, vehicles owned or operated by County located within the station, shall be insured by the County.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 14. INTERLOCAL AGREEMENT FOR FIRE PROTECTION (Continued)

Term

The term of the agreement is for ten years, unless extended by mutual agreement or terminated. The agreement shall be renewed for one additional ten-year term unless, not less than twelve months prior to the expiration of this agreement, either party shall provide written notice to the other of its intent to terminate. The agreement may be terminated by either party by written notice at least one year prior to intended termination.

NOTE 15. RISK MANAGEMENT

The City 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. The City maintains outside insurance coverage (either commercial or through a pooled insurance program) covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims did not exceed this commercial coverage in the past three fiscal years.

NOTE 16. COMMITMENTS AND CONTINGENCIES

Litigation

The City has been named as a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City that resolution of these matters will not have a material adverse effect on the City's financial position. Accordingly, no provision for any liability resulting from such litigation has been made in the accompanying financial statements.

Grant Programs

The City participates in numerous State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the City complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2023 may be impaired. In the opinion of the City, there are not significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 16. COMMITMENTS AND CONTINGENCIES (Continued)

Construction Commitments

The City has active construction project commitments as follows as of June 30, 2023:

<u>Project</u>	<u>Remaining Commitment</u>
New Police station	\$ 5,054,258
Wastewater system improvements	466,299

NOTE 17. CONDUIT DEBT OBLIGATIONS

The City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2023, there was one Industrial Revenue Bond outstanding, with an approximate principal amount payable of \$36,104,000.

NOTE 18. TAX ABATEMENTS

The City participates, along with the Commonwealth of Kentucky, in the Kentucky Business Investment Program (“KBI”). KBI provides a wage incentive of up to 1% of the gross wages of each employee for qualified businesses in the City. An eligible company must be engaged in one of the following activities: manufacturing, agribusiness, regional or national headquarters operations, or certain nonretail service or technology activities. The minimum requirements for an eligible project are: create a minimum of 10 new, full-time jobs for Kentucky residents, incur at least \$100,000 in eligible costs, and meet a minimum level of wages and benefits. The tax incentives involved with this program are available for up to 10 years. The authority for this program is established in KRS 154.32. For the year ended June 30, 2023, City tax abatements were approximately \$223,983 relating to the City’s participation in the KBI program.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 19. IMPLEMENTATION OF GASB 96

In May 2020, the Governmental Accounting Standards Board (GASB) issued statement No. 96, *Subscription – Based Information Technology Arrangements (SBITAs)*. The provisions of this Statement were effective for fiscal years beginning after June 15, 2022. The Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, or an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding SBITA. To the extent relevant, the standards for SBITA are based on the standards established in Statement No. 87, *Leases*, as amended.

The City implemented GASB Statement No. 96 for the period ending June 30, 2023. The City's SBITAs were not considered material to the government-wide and fund financial statements, therefore, no subscription assets or liabilities were recognized as of June 30, 2023.

NOTE 20. RECENT PRONOUNCEMENTS

In June of 2022, GASB Statement No. 101, *Compensated Absences*, was issued. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2024. The Statement will replace the existing Statement No. 16, *Accounting for Compensated Absences*, and will align recognition and measurement guidance for all types of compensated absences under a unified model, resulting in greater consistency and improved comparability. The City is reviewing this Statement and will implement in an upcoming reporting period. The City is currently evaluating the impact that will result from adopting this Standard and is therefore unable to disclose the effects that this Standard may have on the City's financial position and the results of its operations when the Statement is adopted.

REQUIRED SUPPLEMENTARY INFORMATION
(Other than Management's Discussion and Analysis)

CITY OF FRANKLIN, KENTUCKY

**BUDGETARY COMPARISON SCHEDULE
General Fund
Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 1,443,216	\$ 1,446,238	\$ 1,490,682	\$ 44,444
Occupational taxes	2,699,221	2,801,221	3,050,301	249,080
Insurance premium taxes	2,252,000	2,352,000	2,424,199	72,199
Business license taxes	1,054,000	1,054,000	1,173,117	119,117
Franchise taxes	103,000	103,000	124,605	21,605
Intergovernmental	1,774,816	1,862,346	704,440	(1,157,906)
Interfund charges	788,123	839,115	788,123	(50,992)
Fines and forfeitures	70,500	64,000	103,431	39,431
Miscellaneous	<u>370,042</u>	<u>369,466</u>	<u>793,616</u>	<u>424,150</u>
Total revenues	<u>10,554,918</u>	<u>10,891,386</u>	<u>10,652,514</u>	<u>(238,872)</u>
Expenditures				
General government:				
Legislative:				
Personal services	131,598	131,598	134,498	(2,900)
Contractual services	33,398	37,398	37,262	136
Materials and supplies	2,100	2,100	301	1,799
Other	<u>23,550</u>	<u>23,550</u>	<u>25,052</u>	<u>(1,502)</u>
Total legislative	<u>190,646</u>	<u>194,646</u>	<u>197,113</u>	<u>(2,467)</u>
Administrative:				
Personal services	448,295	452,211	456,595	(4,384)
Contractual services	140,278	153,903	134,552	19,351
Materials and supplies	13,174	30,450	20,562	9,888
Other	<u>24,650</u>	<u>24,650</u>	<u>5,785</u>	<u>18,865</u>
Total administrative	<u>626,397</u>	<u>661,214</u>	<u>617,494</u>	<u>43,720</u>
Finance and accounting:				
Personal services	299,867	302,612	290,998	11,614
Contractual services	123,980	126,380	122,590	3,790
Materials and supplies	70,550	66,200	69,677	(3,477)
Other	<u>16,100</u>	<u>13,050</u>	<u>11,266</u>	<u>1,784</u>
Total finance and accounting	<u>510,497</u>	<u>508,242</u>	<u>494,531</u>	<u>13,711</u>

See Independent Auditor's Report

(continued)

CITY OF FRANKLIN, KENTUCKY

**BUDGETARY COMPARISON SCHEDULE
General Fund
Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures (continued)				
Risk management:				
Personal services	\$ 257,077	\$ 260,367	\$ 265,279	(\$ 4,912)
Contractual services	17,500	8,500	4,350	4,150
Materials and supplies	2,500	2,500	2,247	253
Other	<u>87,561</u>	<u>76,152</u>	<u>51,367</u>	<u>24,785</u>
Total risk management	<u>364,638</u>	<u>347,519</u>	<u>323,243</u>	<u>24,276</u>
Total general government	<u>1,692,178</u>	<u>1,711,621</u>	<u>1,632,381</u>	<u>79,240</u>
Public safety:				
Police department:				
Administration:				
Personal services	313,693	313,693	314,678	(985)
Contractual services	5,100	5,100	1,259	3,841
Materials and supplies	3,425	3,425	3,006	419
Other	<u>9,099</u>	<u>9,099</u>	<u>8,536</u>	<u>563</u>
Total administration	<u>331,317</u>	<u>331,317</u>	<u>327,479</u>	<u>3,838</u>
Patrol:				
Personal services	2,338,053	2,385,969	2,234,492	151,477
Contractual services	31,400	41,400	40,504	896
Materials and supplies	138,755	138,755	110,263	28,492
Other	<u>60,212</u>	<u>60,212</u>	<u>33,964</u>	<u>26,248</u>
Total patrol	<u>2,568,420</u>	<u>2,626,336</u>	<u>2,419,223</u>	<u>207,113</u>
Non-sworn personnel:				
Personal services	108,377	99,825	97,691	2,134
Contractual services	65,944	66,844	65,989	855
Materials and supplies	11,804	12,000	6,434	5,566
Other	<u>750</u>	<u>750</u>	<u>1,370</u>	<u>(620)</u>
Total non-sworn personnel	<u>186,875</u>	<u>179,419</u>	<u>171,484</u>	<u>7,935</u>
Total police department	<u>3,086,612</u>	<u>3,137,072</u>	<u>2,918,186</u>	<u>218,886</u>
Fire department:				
Inspection and administration:				
Contractual services	<u>500</u>	<u>500</u>	<u>1,490</u>	<u>(990)</u>

See Independent Auditor's Report

(continued)

CITY OF FRANKLIN, KENTUCKY

**BUDGETARY COMPARISON SCHEDULE
General Fund
Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures (continued)				
Firefighting:				
Contractual services	\$ 308,842	\$ 327,592	\$ 325,603	\$ 1,989
Total fire department	<u>309,342</u>	<u>328,092</u>	<u>327,093</u>	<u>999</u>
Total public safety	<u>3,395,954</u>	<u>3,465,164</u>	<u>3,245,279</u>	<u>219,885</u>
Public services:				
Public works:				
Personal services	504,569	477,035	438,318	38,717
Contractual services	283,307	324,807	274,801	50,006
Materials and supplies	104,620	96,020	84,586	11,434
Other	<u>3,025</u>	<u>4,100</u>	<u>3,185</u>	<u>915</u>
Total public works	<u>895,521</u>	<u>901,962</u>	<u>800,890</u>	<u>101,072</u>
Code enforcement:				
Personal services	88,377	94,252	92,272	1,980
Contractual services	2,668	3,668	2,441	1,227
Materials and supplies	2,200	11,100	7,698	3,402
Other	<u>2,250</u>	<u>2,250</u>	<u>593</u>	<u>1,657</u>
Total code enforcement	<u>95,495</u>	<u>111,270</u>	<u>103,004</u>	<u>8,266</u>
Total public services	<u>991,016</u>	<u>1,013,232</u>	<u>903,894</u>	<u>109,338</u>
Community services:				
Economic development	602,219	781,719	542,816	238,903
Parks and recreation	391,346	427,346	427,346	—
Emergency services	<u>1,414,782</u>	<u>1,414,782</u>	<u>442,522</u>	<u>972,260</u>
Total community services	<u>2,408,347</u>	<u>2,623,847</u>	<u>1,412,684</u>	<u>1,211,163</u>
Capital outlay:				
Vehicles	335,600	428,157	79,168	348,989
Equipment	82,200	229,356	201,555	27,801
Land and improvements	245,355	663,635	488,727	174,908
Buildings	169,295	340,510	357,575	(17,065)
Reserve for capital improvement	<u>30,000</u>	<u>10,342</u>	<u>—</u>	<u>10,342</u>
Total capital outlay	<u>862,450</u>	<u>1,672,000</u>	<u>1,127,025</u>	<u>544,975</u>
Total expenditures	<u>9,349,945</u>	<u>10,485,864</u>	<u>8,321,263</u>	<u>2,164,601</u>

See Independent Auditor's Report

(continued)

CITY OF FRANKLIN, KENTUCKY

**BUDGETARY COMPARISON SCHEDULE
General Fund
Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Excess of revenues over expenditures	\$ 1,204,973	\$ 405,522	\$ 2,331,251	\$ 1,925,729
Other financing sources (uses):				
Sale of capital assets	—	40,000	50,992	10,992
Transfers out	<u>(518,700)</u>	<u>(7,975,906)</u>	<u>(2,705,894)</u>	<u>5,270,012</u>
Total other financing sources (uses)	<u>(518,700)</u>	<u>(7,935,906)</u>	<u>(2,654,902)</u>	<u>5,281,004</u>
Net change in fund balance	686,273	<u>(7,530,384)</u>	<u>(323,651)</u>	7,206,733
Fund balances, beginning of year	<u>13,786,399</u>	<u>13,786,399</u>	<u>13,786,399</u>	—
Fund balances, end of year	<u>\$ 14,472,672</u>	<u>\$ 6,256,015</u>	<u>\$ 13,462,748</u>	<u>\$ 7,206,733</u>

See Independent Auditor's Report

CITY OF FRANKLIN, KENTUCKY

Infrastructure Condition and Maintenance Data June 30, 2023

Modified Approach to Infrastructure

The following schedules are presented by the City as supplementary information on infrastructure assets using the modified approach:

	OCI Condition Rating	Square Feet of Road Area					
		2022		2020		2019	
		Square Feet	%	Square Feet	%	Square Feet	%
Acceptable	75 - 100	5,649,060	87.69	4,991,178	87.21	4,162,508	79.66
Marginally deficient	50 - 74	622,769	9.67	580,504	10.14	770,049	14.74
Moderately deficient	25 - 49	170,205	2.64	146,604	2.56	292,922	5.60
Severely deficient	0 - 24	—	—	5,104	.09	—	—
Total		<u>6,442,034</u>	<u>100.00</u>	<u>5,723,390</u>	<u>100.00</u>	<u>5,225,479</u>	<u>100.00</u>

	Comparison of Estimated-to-Actual Maintenance/Preservation				
	2023	2022	2021	2020	2019
Original estimate	\$ 445,646	\$ 435,049	\$ 430,440	\$ 430,440	\$ 396,607
Actual	\$ 396,466	\$ 240,698	\$ 259,288	\$ 394,551	\$ 336,616

The condition of the City's roads is determined using its Road Management and Inspection Program (RMIP). The road condition is rated from 1 to 100 (OCI), with 100 being new or recently paved.

It is the City's policy to assess the condition of the roads at least every three years for cracks, potholes, misalignment, drainage condition and number of specific safety hazards.

The City has not changed the measurement scale used to assess and report the condition of its roads for the past 10 years.

The City's goal is to have all roads at 60 - 100 OCI rating.

The budgeting process utilized by the City results in spending in one fiscal year from amounts that were budgeted in a previous year(s). Therefore, this timing difference does not allow a true comparison of amounts budgeted and spent within a given year. The table demonstrates that over the past five years, the City spending has been in line with the budgeted amounts and the other tables contained within this narrative demonstrate that the City has met its desired condition levels.

See Independent Auditor's Report

CITY OF FRANKLIN, KENTUCKY

**SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
OF THE STATE OF KENTUCKY
Last Ten Fiscal Years**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total net pension liability for county employees retirement systems	\$ 10,280,470,000	\$ 9,037,943,645	\$ 10,684,945,613	\$ 9,795,340,000	\$ 8,508,762,000	\$ 8,090,585,976	\$ 6,639,559,678	\$ 5,834,631,445	\$ 9,037,943,645
City's proportion of the net pension liability	0.1105%	0.1129%	0.12167%	0.11346%	0.1175%	0.1188%	0.1156%	0.1150%	0.1166%
City's proportionate share of the net pension liability	\$ 11,360,521	\$ 10,204,054	\$ 13,000,662	\$ 10,906,757	\$ 9,999,688	\$ 9,614,320	\$ 7,677,024	\$ 6,708,131	\$ 5,186,001
City's covered payroll	\$ 3,952,925	\$ 3,647,759	\$ 3,468,463	\$ 3,683,281	\$ 3,480,555	\$ 3,378,134	\$ 3,253,039	\$ 3,205,636	\$ 3,162,531
City's proportionate share of the net pension liability as a percentage of its covered payroll	287.40%	279.73%	374.82%	296.12%	287.30%	284.60%	236.00%	209.26%	163.98%
Plan fiduciary net position as a percentage of the total pension liability	50.96%	55.95%	46.82%	49.43%	52.40%	52.40%	59.11%	59.35%	65.96%

Note: This schedule is intended to present a 10-year trend per GASB 68. Additional years will be reported as they become available.

Note: The County Employees Retirement System measurement date is 12 months prior to the City's Financial Statements, the 2023 measurement date is 06/30/22.

See Independent Auditor's Report

CITY OF FRANKLIN, KENTUCKY
SCHEDULE OF CITY CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM
OF THE STATE OF KENTUCKY
Last Ten Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 1,128,847	\$ 884,406	\$ 741,410	\$ 764,404	\$ 614,767	\$ 537,426	\$ 511,350	\$ 452,495	\$ 450,450
Contributions in relation to the actuarially determined contribution	<u>\$ 1,128,847</u>	<u>\$ 884,406</u>	<u>\$ 741,410</u>	<u>\$ 764,404</u>	<u>\$ 614,767</u>	<u>\$ 537,426</u>	<u>\$ 511,350</u>	<u>\$ 452,495</u>	<u>\$ 450,450</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 3,952,925	\$ 3,647,759	\$ 3,468,463	\$ 3,683,281	\$ 3,480,555	\$ 3,378,134	\$ 3,253,039	\$ 3,205,636	\$ 3,162,531
Contribution's as a percentage of covered payroll	28.56%	24.25%	21.38%	20.75%	17.66%	15.91%	15.72%	14.12%	14.24%

Notes to Schedule:

Valuation date	Actuarially determined contribution rates for 2022 were calculated based on the June 30, 2020, actuarial valuation.
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay
Remaining amortization period	30 years, closed
Payroll growth rate	2.00%
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary increase	3.30 to 19.05%, varies by service
Investment rate of return	6.25%
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

Note: This schedule is intended to present a 10-year trend per GASB 68. Additional years will be reported as they become available.

See Independent Auditor's Report

CITY OF FRANKLIN, KENTUCKY
SCHEDULE OF PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
OF THE STATE OF KENTUCKY
Last Ten Fiscal Years

	2023	2022	2021	2020	2019	2018
Total net OPEB liability for county employees retirement systems	\$ 2,825,300,000	\$ 2,723,009,298	\$ 3,338,801,439	\$ 2,421,815,000	\$ 2,488,439,000	\$ 2,837,013,635
City's proportion of the net OPEB liability (asset)	0.1109%	0.1131%	0.1210%	0.1134%	0.1178%	0.1204%
City's proportionate share of the net OPEB liability (asset)	\$ 3,134,581	\$ 3,080,607	\$ 4,038,976	\$ 2,747,013	\$ 2,930,581	\$ 3,414,788
City's covered payroll	\$ 3,952,925	\$ 3,647,759	\$ 3,468,463	\$ 3,683,281	\$ 3,480,555	\$ 3,378,134
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	79.30%	84.45%	116.45%	74.58%	84.20%	101.09%
Total pension plan's fiduciary net position	\$ 4,602,655,000	\$ 4,874,625,000	\$ 3,902,730,000	\$ 3,910,225,000	\$ 3,695,108,000	\$ 3,401,537,049
Total pension plan's OPEB liability	\$ 7,427,955,000	\$ 7,597,634,000	\$ 7,241,531,000	\$ 6,332,040,000	\$ 6,183,547,000	\$ 6,288,550,680
Total pension plan's fiduciary net position as a percentage of the total OPEB liability	61.96%	64.16%	53.89%	61.75%	59.76%	54.52%

Note: This schedule is intended to present a 10-year trend per GASB 75.

Additional years will be reported as incurred.

Note: The County Employer's Retirement System measurement date is 12 months prior to the City's Financial Statements, the 2023 measurement date is 06/30/22.

See Independent Auditor's Report

CITY OF FRANKLIN, KENTUCKY

**SCHEDULE OF CITY OPEB CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM
OF THE STATE OF KENTUCKY
Last Ten Fiscal Years**

	2023	2022	2021	2020	2019	2018	2017
Actuarially determined OPEB contribution	\$ 171,192	\$ 256,038	\$ 206,228	\$ 212,569	\$ 223,998	\$ 212,332	\$ 200,741
Contributions in relation to the actuarially determined OPEB contribution	<u>\$ 171,192</u>	<u>\$ 256,038</u>	<u>\$ 206,228</u>	<u>\$ 212,569</u>	<u>\$ 223,998</u>	<u>\$ 212,332</u>	<u>\$ 200,741</u>
OPEB Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 3,952,925	\$ 3,647,759	\$ 3,468,463	\$ 3,683,281	\$ 3,480,555	\$ 3,378,134	\$ 3,253,039
OPEB contribution's as a percentage of covered payroll	4.33%	7.02%	5.95%	5.77%	6.43%	6.26%	6.17%

Notes to Schedule:

Valuation date	Actuarially determined contribution rates for 2022 were calculated based on the June 30, 2020, actuarial valuation.
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay
Remaining amortization period	30 years, closed at June 30, 2019; gains/losses incurring after June 30, 2019 will be amortized over separate closed 20-year amortization bases.
Payroll growth rate	2.00%
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary increase	3.30% to 19.05%, varies by service
Investment rate of return	6.25%
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Healthcare trend rates:	
Pre-65	Initial trend starting at 6.25% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years
Post-65	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years

Note: This schedule is intended to present a 10-year trend per GASB 75. Additional years will be reported as incurred.

See Independent Auditor's Report

CITY OF FRANKLIN, KENTUCKY

**SCHEDULE OF TOTAL OPEB LIABILITY
CITY RETIREMENT PLAN
Last Ten Fiscal Years**

	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability	<u>\$ 323,040</u>	<u>\$ 330,124</u>	<u>\$ 249,708</u>	<u>\$ 275,005</u>	<u>\$ 330,124</u>	<u>\$ 427,987</u>	<u>\$ 515,756</u>

Note: This schedule is intended to present a 10-year trend per GASB 75. Additional years will be reported as they become available.

See Independent Auditor's Report

CITY OF FRANKLIN, KENTUCKY

**SCHEDULE OF CITY OPEB CONTRIBUTIONS
CITY RETIREMENT PLAN
Last Ten Fiscal Years**

	2023	2022	2021	2020	2019	2018	2017
City OPEB liability	<u>\$ 60,433</u>	<u>\$ 66,002</u>	<u>\$ 61,002</u>	<u>\$ 71,207</u>	<u>\$ 85,242</u>	<u>\$ 102,886</u>	<u>\$ 122,400</u>

Note: This schedule is intended to present a 10-year trend per GASB 75. Additional years will be reported as they become available.

See Independent Auditor's Report

SUPPLEMENTARY INFORMATION

Major Governmental Fund

Capital Projects Fund

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Police Capital Improvement Fund - This fund is used to account for capital improvement expenditures associated with the acquisition, construction, installation and equipping of a new police station for the Franklin Police Department. Funding is provided from the issuance of Kentucky Bond Corporation, \$4,115,000 General Obligation Lease and General Fund operating transfers.

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are restricted to expenditures for particular purposes.

Greenlawn-Shady Rest Cemetery Fund - This fund is used to account for the activities of the Greenlawn-Shady Rest Cemetery. The cemetery is operated by the City with input from an advisory board.

Community Development Fund - This fund was previously used by the City to account for the federal community development block grant program and state economic development grant programs restricted for various governmental housing and community development and economic development projects. The City closed this fund in fiscal year 2023.

Municipal Aid Fund - This fund is used to account for the City's share of liquid fuel tax receipts, mineral and coal severance tax receipts and special municipal road aid bond receipts restricted for public works eligible costs.

Economic Development Revolving Loan Fund - This fund was previously used by the City to account for economic development incentive loans to local industrial tenants. Loan repayments are restricted to future economic development activities. The City closed this fund in fiscal year 2023.

Stormwater Fund - This fund is used to account for revenues received to develop and maintain the City's stormwater management system.

Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Francis Harris Cemetery Perpetual Care Fund - This fund is used to account for monies held in trust from a memorial from Francis Harris to provide for the future care and maintenance of the Greenlawn Shady Rest Cemetery.

Greenlawn - Shady Rest Cemetery Perpetual Care Fund - This fund is used to account for monies set aside to provide for the future care and maintenance of the Greenlawn Shady Rest Cemetery.

CITY OF FRANKLIN, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2023

	<u>Special Revenue</u>					
	<u>Cemetery</u>	<u>Community Development</u>	<u>Municipal Aid</u>	<u>Economic Development</u>	<u>Stormwater</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 178,268	\$ —	\$ 351,082	\$ —	\$ 574,740	\$ 1,104,090
Certificates of deposit	—	—	—	—	—	—
Investments	—	—	—	—	276,736	276,736
Receivables (net of allowance for uncollectibles):						
Accounts	10,010	—	9,042	—	25,245	44,297
Due from other funds	—	—	—	—	28,048	28,048
Prepaid items	<u>27</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,264</u>	<u>3,291</u>
Total assets	<u>\$ 188,305</u>	<u>\$ —</u>	<u>\$ 360,124</u>	<u>\$ —</u>	<u>\$ 908,033</u>	<u>\$ 1,456,462</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 3,281	\$ —	\$ 87,044	\$ —	\$ 12,568	\$ 102,893
Due to other funds	<u>24,917</u>	<u>—</u>	<u>29,700</u>	<u>—</u>	<u>3,607</u>	<u>58,224</u>
Total liabilities	<u>28,198</u>	<u>—</u>	<u>116,744</u>	<u>—</u>	<u>16,175</u>	<u>161,117</u>
Fund balances:						
Nonspendable:						
Prepaid items	27	—	—	—	3,264	3,291
Perpetual care	—	—	—	—	—	—
Restricted						
Highway and streets	—	—	243,380	—	—	243,380
Committed						
Stormwater	—	—	—	—	888,594	888,594
Assigned to:						
Other purposes	160,080	—	—	—	—	160,080
Unassigned	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total fund balances	<u>160,107</u>	<u>—</u>	<u>243,380</u>	<u>—</u>	<u>891,858</u>	<u>1,295,345</u>
Total liabilities and fund balances	<u>\$ 188,305</u>	<u>\$ —</u>	<u>\$ 360,124</u>	<u>\$ —</u>	<u>\$ 908,033</u>	<u>\$ 1,456,462</u>

See Independent Auditor's Report

<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Cemetery Perpetual</u>	
\$ 74,794	\$ 1,178,884
268,480	268,480
252,136	528,872
200	44,497
—	28,048
—	<u>3,291</u>
<u>\$ 595,610</u>	<u>\$ 2,052,072</u>

\$ 5	\$ 102,898
<u>—</u>	<u>58,224</u>
<u>5</u>	<u>161,122</u>

—	3,291
595,605	595,605
—	243,380
—	888,594
—	160,080
<u>—</u>	<u>—</u>
<u>595,605</u>	<u>1,890,950</u>
<u>\$ 595,610</u>	<u>\$ 2,052,072</u>

CITY OF FRANKLIN, KENTUCKY

**COMBINING BALANCE SHEET
NONMAJOR PERMANENT FUNDS
June 30, 2023**

	<u>Francis Harris Cemetery Perpetual</u>	<u>Greenlawn- Shady Rest Cemetery Perpetual</u>	<u>Total Nonmajor Permanent Funds</u>
ASSETS			
Cash and cash equivalents	\$ 4,397	\$ 70,397	\$ 74,794
Certificates of deposit	50,000	218,480	268,480
Investments	—	252,136	252,136
Accounts receivable	<u>—</u>	<u>200</u>	<u>200</u>
Total assets	<u>\$ 54,397</u>	<u>\$ 541,213</u>	<u>\$ 595,610</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ —	\$ 5	\$ 5
Due to other funds	<u>—</u>	<u>—</u>	<u>—</u>
Total liabilities	<u>—</u>	<u>5</u>	<u>5</u>
Fund balances			
Nonspendable:			
Cemetery maintenance	54,397	—	54,397
Perpetual care	<u>—</u>	<u>541,208</u>	<u>541,208</u>
Total fund balances	<u>54,397</u>	<u>541,208</u>	<u>595,605</u>
Total liabilities and fund balances	<u>\$ 54,397</u>	<u>\$ 541,213</u>	<u>\$ 595,610</u>

See Independent Auditor's Report

CITY OF FRANKLIN, KENTUCKY

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2023**

	Special Revenue					Total
	Cemetery	Community Development	Municipal Aid	Economic Development	Stormwater	
Revenues						
Intergovernmental	\$ —	\$ —	\$ 192,317	\$ —	\$ —	\$ 192,317
Charges for sales and services	81,150	—	—	—	261,077	342,227
Interfund charges	—	—	—	—	12,558	12,558
Contributions	—	—	—	—	—	—
Investment income	438	—	749	—	12,234	13,421
Fines and forfeitures	—	—	—	—	5,754	5,754
Miscellaneous	140	—	—	—	—	140
Total revenues	<u>81,728</u>	<u>—</u>	<u>193,066</u>	<u>—</u>	<u>291,623</u>	<u>566,417</u>
Expenditures						
Current:						
Public works	—	—	470,486	—	342,515	813,001
Community services	266,663	—	—	—	—	266,663
Capital outlay	—	—	—	—	35,000	35,000
Total expenditures	<u>266,663</u>	<u>—</u>	<u>470,486</u>	<u>—</u>	<u>377,515</u>	<u>1,114,664</u>
Excess (deficiency) of revenues over (under) expenditures	(184,935)	—	(277,420)	—	(85,892)	(548,247)
Other financing sources (uses):						
Transfers in	195,700	32,206	306,000	—	20,000	553,906
Transfers out	—	—	—	(50,993)	—	(50,993)
Total other financing sources (uses)	<u>195,700</u>	<u>32,206</u>	<u>306,000</u>	<u>(50,993)</u>	<u>20,000</u>	<u>502,913</u>
Net change in fund balances	10,765	—	28,580	(50,993)	(65,892)	(45,334)
Fund balances, beginning of year	<u>149,342</u>	<u>(32,206)</u>	<u>214,800</u>	<u>50,993</u>	<u>957,750</u>	<u>1,340,679</u>
Fund balances, end of year	<u>\$ 160,107</u>	<u>\$ —</u>	<u>\$ 243,380</u>	<u>\$ —</u>	<u>\$ 891,858</u>	<u>\$ 1,295,345</u>

See Independent Auditor's Report

<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Cemetery Perpetual</u>	
\$ —	\$ 192,317
—	342,227
—	12,558
7,700	7,700
19,813	33,234
—	5,754
<u>—</u>	<u>140</u>
<u>27,513</u>	<u>593,930</u>
—	813,001
25	266,688
<u>—</u>	<u>35,000</u>
<u>25</u>	<u>1,114,689</u>
<u>27,488</u>	<u>(520,759)</u>
96	554,002
<u>(3,000)</u>	<u>(53,993)</u>
<u>(2,904)</u>	<u>500,009</u>
24,584	(20,750)
<u>571,021</u>	<u>1,911,700</u>
<u>\$ 595,605</u>	<u>\$ 1,890,950</u>

CITY OF FRANKLIN, KENTUCKY

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
Year Ended June 30, 2023**

	<u>Francis Harris Cemetery Perpetual</u>	<u>Greenlawn- Shady Rest Cemetery Perpetual</u>	<u>Total Nonmajor Permanent Funds</u>
Revenues			
Investment income	\$ 525	\$ 19,288	\$ 19,813
Contributions	<u>—</u>	<u>7,700</u>	<u>7,700</u>
Total revenues	525	26,988	27,513
Expenditures			
Current:			
Community services	<u>25</u>	<u>—</u>	<u>25</u>
Excess of revenues over expenditures	<u>500</u>	<u>26,988</u>	<u>27,488</u>
Other financing sources (uses):			
Transfers in	96	—	96
Transfers out	<u>—</u>	<u>(3,000)</u>	<u>(3,000)</u>
Total other financing resources (uses)	<u>96</u>	<u>(3,000)</u>	<u>(2,904)</u>
Net change in fund balance	596	23,988	24,584
Fund balance, beginning of year	<u>53,801</u>	<u>517,220</u>	<u>571,021</u>
Fund balance, end of year	<u>\$ 54,397</u>	<u>\$ 541,208</u>	<u>\$ 595,605</u>

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CITY OF FRANKLIN, KENTUCKY

**BUDGETARY COMPARISON SCHEDULE
Police Capital Improvement Fund
Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Investment income	\$ —	12,000	—	(\$ 12,000)
Total revenues	<u>—</u>	<u>12,000</u>	<u>—</u>	<u>(12,000)</u>
Expenditures				
Capital outlay:				
Equipment	—	164,860	43,375	121,485
Buildings	<u>—</u>	<u>9,843,804</u>	<u>3,789,067</u>	<u>6,054,737</u>
Total capital outlay	—	10,008,664	3,832,442	6,176,222
Debt service:				
Debt issue costs	<u>—</u>	<u>—</u>	<u>106,596</u>	<u>(106,596)</u>
Total expenditures	<u>—</u>	<u>10,008,664</u>	<u>3,939,038</u>	<u>6,069,626</u>
Excess (deficiency) of revenues over (under) expenditures	<u>—</u>	<u>(9,996,664)</u>	<u>(3,939,038)</u>	<u>6,057,626</u>
Other financing sources (uses)				
Transfers in	—	7,400,000	2,154,892	(5,245,108)
General obligation lease proceeds	—	4,000,000	4,115,000	115,000
Debt discount	<u>—</u>	<u>—</u>	<u>(8,404)</u>	<u>(8,404)</u>
Total other financing sources(uses)	<u>—</u>	<u>11,400,000</u>	<u>6,261,488</u>	<u>(5,138,512)</u>
Net change in fund balance	—	1,403,336	2,322,450	919,114
Fund balance, beginning of year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balance, end of year	<u>\$ —</u>	<u>\$ 1,403,336</u>	<u>\$ 2,322,450</u>	<u>\$ 919,114</u>

See Independent Auditor's Report

CITY OF FRANKLIN, KENTUCKY

**BUDGETARY COMPARISON SCHEDULE
Greenlawn - Shady Rest Cemetery Special Revenue Fund
Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Charges for sales and services	\$ 80,000	\$ 80,000	\$ 81,150	\$ 1,150
Investment income	144	144	438	294
Miscellaneous	<u>—</u>	<u>—</u>	<u>140</u>	<u>140</u>
Total revenues	<u>80,144</u>	<u>80,144</u>	<u>81,728</u>	<u>1,584</u>
Expenditures				
Current:				
Community services:				
Personal services	5,217	5,217	—	5,217
Contractual services	201,803	206,103	204,766	1,337
Materials and supplies	2,051	2,051	2,594	(543)
Administrative overhead	50,248	50,248	50,248	—
Other	<u>8,883</u>	<u>8,883</u>	<u>9,055</u>	<u>(172)</u>
Total community services	<u>268,202</u>	<u>272,502</u>	<u>266,663</u>	<u>5,839</u>
Excess (deficiency) of revenues over (under) expenditures	(188,058)	(192,358)	(184,935)	7,423
Other financing sources:				
Transfers in	<u>195,700</u>	<u>195,700</u>	<u>195,700</u>	<u>—</u>
Net change in fund balance	7,642	3,342	10,765	7,423
Fund balance, beginning of year	<u>149,342</u>	<u>149,342</u>	<u>149,342</u>	<u>—</u>
Fund balance, end of year	<u>\$ 156,984</u>	<u>\$ 152,684</u>	<u>\$ 160,107</u>	<u>\$ 7,423</u>

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CITY OF FRANKLIN, KENTUCKY

**BUDGETARY COMPARISON SCHEDULE
Municipal Aid Special Revenue Fund
Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Intergovernmental:				
Liquid fuel tax	\$ 186,418	\$ 186,418	\$ 153,357	(\$ 33,061)
Mineral and coal severance tax	18,000	18,000	38,960	20,960
Investment income	<u>309</u>	<u>309</u>	<u>749</u>	<u>440</u>
Total revenues	204,727	204,727	193,066	(11,661)
Expenditures				
Current:				
Public works	<u>504,415</u>	<u>504,415</u>	<u>470,486</u>	<u>33,929</u>
Excess (deficiency) of revenues over (under) expenditures	(299,688)	(299,688)	(277,420)	22,268
Other financing sources (uses)				
Transfers in	<u>306,000</u>	<u>306,000</u>	<u>306,000</u>	<u>—</u>
Net change in fund balance	6,312	6,312	28,580	22,268
Fund balance, beginning of year	<u>214,800</u>	<u>214,800</u>	<u>214,800</u>	<u>—</u>
Fund balance, end of year	<u>\$ 221,112</u>	<u>\$ 221,112</u>	<u>\$ 243,380</u>	<u>\$ 22,268</u>

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CITY OF FRANKLIN, KENTUCKY

**BUDGETARY COMPARISON SCHEDULE
Stormwater Special Revenue Fund
Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues				
Charges for sales and services	\$ 259,800	\$ 259,800	\$ 261,077	\$ 1,277
Interfund charges	—	—	12,558	12,558
Fines and forfeitures	2,000	2,000	5,754	3,754
Investment income	<u>2,251</u>	<u>2,251</u>	<u>12,234</u>	<u>9,983</u>
Total revenues	<u>264,051</u>	<u>264,051</u>	<u>291,623</u>	<u>27,572</u>
Expenditures				
Current:				
Public works:				
Personal services	166,273	191,273	168,694	22,579
Contractual services	63,450	198,550	120,068	78,482
Materials and supplies	26,000	35,000	19,843	15,157
Administrative overhead	33,739	33,739	33,739	—
Other	<u>671</u>	<u>1,821</u>	<u>171</u>	<u>1,650</u>
Total public works	290,133	460,383	342,515	117,868
Capital outlay	<u>—</u>	<u>35,000</u>	<u>35,000</u>	<u>—</u>
Total expenditures	<u>290,133</u>	<u>495,383</u>	<u>377,515</u>	<u>117,868</u>
Excess (deficiency) of revenues over expenditures	(26,082)	(231,332)	(85,892)	145,440
Other financing sources:				
Transfers in	<u>32,558</u>	<u>32,558</u>	<u>20,000</u>	<u>(12,558)</u>
Net change in fund balance	6,476	(198,774)	(65,892)	132,882
Fund balance, beginning of year	<u>957,750</u>	<u>957,750</u>	<u>957,750</u>	<u>—</u>
Fund balance, end of year	<u>\$ 964,226</u>	<u>\$ 758,976</u>	<u>\$ 891,858</u>	<u>\$ 132,882</u>

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PROPRIETARY FUNDS

Enterprise Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the City's management is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the City's management has decided that periodic determination of net income is appropriate for accountability purposes.

Water and Wastewater Fund - This fund is used to account for the activities of the Water and Wastewater operations.

Sanitation Fund - This fund is used to account for the activities of the City's sanitation and landfill operations.

CITY OF FRANKLIN, KENTUCKY

**BUDGETARY COMPARISON SCHEDULE
Water and Wastewater Fund
Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Operating revenues:				
Charges for sales and services:				
Water division	\$ 3,057,000	\$ 3,163,500	\$ 3,264,168	\$ 100,668
Wastewater division	<u>2,856,500</u>	<u>2,761,500</u>	<u>2,824,828</u>	<u>63,328</u>
Total operating revenues	<u>5,913,500</u>	<u>5,925,000</u>	<u>6,088,996</u>	<u>163,996</u>
Nonoperating revenues:				
Investment income	18,423	20,011	301,113	281,102
State grant	408,703	1,377,912	3,000	(1,374,912)
Miscellaneous	52,000	52,000	72,626	20,626
Contributed capital	<u>1,591,423</u>	<u>1,591,423</u>	<u>1,228,591</u>	<u>(362,832)</u>
Total nonoperating revenues	<u>2,070,549</u>	<u>3,041,346</u>	<u>1,605,330</u>	<u>(1,436,016)</u>
Total revenues	<u>7,984,049</u>	<u>8,966,346</u>	<u>7,694,326</u>	<u>(1,272,020)</u>
Expenditures				
Administration division:				
Administrative:				
Personal services	749,496	826,528	714,627	111,901
Contractual services	77,150	132,150	135,718	(3,568)
Materials and supplies	31,500	34,600	36,821	(2,221)
Other	<u>174,155</u>	<u>173,941</u>	<u>176,494</u>	<u>(2,553)</u>
Total administration division	<u>1,032,301</u>	<u>1,167,219</u>	<u>1,063,660</u>	<u>103,559</u>
Water division:				
Production:				
Personal services	593,817	554,594	482,960	71,634
Contractual services	320,258	343,658	315,406	28,252
Materials and supplies	278,347	313,267	296,018	17,249
Other	<u>15,750</u>	<u>15,750</u>	<u>8,573</u>	<u>7,177</u>
Total water production	<u>1,208,172</u>	<u>1,227,269</u>	<u>1,102,957</u>	<u>124,312</u>

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(continued)

CITY OF FRANKLIN, KENTUCKY

**BUDGETARY COMPARISON SCHEDULE
Water and Wastewater Fund
Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Expenditures (continued)				
Distribution:				
Personal services	\$ 406,678	\$ 356,030	\$ 334,848	\$ 21,182
Contractual services	93,393	116,393	119,017	(2,624)
Materials and supplies	319,550	317,950	291,457	26,493
Other	<u>7,950</u>	<u>8,950</u>	<u>5,645</u>	<u>3,305</u>
Total water distribution	<u>827,571</u>	<u>799,323</u>	<u>750,967</u>	<u>48,356</u>
Total water division	<u>2,035,743</u>	<u>2,026,592</u>	<u>1,853,924</u>	<u>172,668</u>
Wastewater division:				
Treatment:				
Personal services	652,736	551,953	598,329	(46,376)
Contractual services	433,807	492,507	465,937	26,570
Materials and supplies	241,600	251,300	220,544	30,756
Other	<u>11,850</u>	<u>14,450</u>	<u>10,047</u>	<u>4,403</u>
Total wastewater division	<u>1,339,993</u>	<u>1,310,210</u>	<u>1,294,857</u>	<u>15,353</u>
Administrative overhead	<u>288,731</u>	<u>288,731</u>	<u>288,731</u>	<u>—</u>

See Independent Auditor's Report

(continued)

CITY OF FRANKLIN, KENTUCKY

**BUDGETARY COMPARISON SCHEDULE
Water and Wastewater Fund
Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures (continued)				
Debt service:				
Principal	\$ 210,000	\$ 210,000	\$ 220,000	(\$ 10,000)
Interest	111,161	111,161	123,551	(12,390)
Administrative fees	<u>2,838</u>	<u>2,838</u>	<u>2,786</u>	<u>52</u>
Total debt service	<u>323,999</u>	<u>323,999</u>	<u>346,337</u>	<u>(22,338)</u>
Capital outlays	<u>3,187,751</u>	<u>4,319,157</u>	<u>1,861,668</u>	<u>2,457,489</u>
Total expenditures	<u>8,208,518</u>	<u>9,435,908</u>	<u>6,709,177</u>	<u>2,726,731</u>
Excess of revenues over expenditures	(\$ <u>224,469</u>)	(\$ <u>469,562</u>)	985,149	<u>\$ 1,454,711</u>
Add:				
Principal payments			220,000	
Capital outlays, including capitalized labor and materials			1,861,668	
Less:				
Depreciation expense			(1,072,147)	
Amortization expense			<u>(1,032)</u>	
Change in net position			1,993,638	
Net position, beginning of year			<u>22,072,630</u>	
Net position, end of year			<u>\$24,066,268</u>	

See Independent Auditor's Report

CITY OF FRANKLIN, KENTUCKY

**BUDGETARY COMPARISON SCHEDULE
Sanitation Fund
Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Operating revenues:				
Charges for services:				
Hand pick-up	\$ 809,808	\$ 809,808	\$ 885,850	\$ 76,042
Collection fees	24,300	24,300	26,545	2,245
Fines and forfeitures	16,800	16,800	20,928	4,128
Franchise fee	<u>236,712</u>	<u>236,712</u>	<u>274,582</u>	<u>37,870</u>
Total operating revenues	1,087,620	1,087,620	1,207,905	120,285
Nonoperating revenues:				
Investment income	<u>1,075</u>	<u>1,075</u>	<u>4,397</u>	<u>3,322</u>
Total revenues	<u>1,088,695</u>	<u>1,088,695</u>	<u>1,212,302</u>	<u>123,607</u>
Expenditures				
Sanitation operations:				
Contractual services	777,416	777,416	884,823	(107,407)
Administrative overhead	<u>275,547</u>	<u>275,547</u>	<u>275,547</u>	<u>—</u>
Total expenditures	<u>1,052,963</u>	<u>1,052,963</u>	<u>1,160,370</u>	<u>(107,407)</u>
Change in net position	<u>\$ 35,732</u>	<u>\$ 35,732</u>	51,932	<u>\$ 16,200</u>
Net position, beginning of year			<u>477,517</u>	
Net position, end of year			<u>\$ 529,449</u>	

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KIRBY & MOORE, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Tel: 270.782.5488

**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***

The Honorable Mayor, Commissioners and City Manager
City of Franklin, Kentucky

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Franklin, Kentucky (City) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 26, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2023-1 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

City of Franklin, Kentucky's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Bowling Green, Kentucky
August 26, 2024

CITY OF FRANKLIN, KENTUCKY

**SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2023**

FINDINGS - FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

2023-1 Segregation of Duties

Criteria: The objectives of internal control are to provide reasonable, but not absolute, assurance that assets are safeguarded and financial statements are reliable. The segregation of accounting duties is an essential element of effective internal control, involving the separation of the custody of assets from the related recording of those transactions.

Condition: As is often the case with smaller governmental units, segregation of conflicting duties within the City's Finance department is difficult because of the limited number of personnel. Delegation of duties with a limited number of personnel cannot adequately provide the separation of custody of assets from the related recording and monitoring of transactions.

Effect: Potentially material misstatements in the financial statements or material misappropriations of assets due to error or fraud could occur and not be prevented or detected in a timely manner.

Cause: Duties in various transaction cycles are not adequately segregated.

Recommendation: While the City has implemented mitigating controls to compensate for some segregation of duties issues since the previous year, we encourage you to limit, to the extent possible, performance of incompatible duties by individuals in the City's Finance department.

Views of Responsible Officials and Planned Corrective Actions: The City will continue to evaluate the cost vs. the benefit of hiring additional personnel and further implementing compensating controls to mitigate the risk that internal control objectives will not be achieved.