CITY OF IRVINGTON, KENTUCKY

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

CITY OF IRVINGTON, KENTUCKY
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FOR THE YEAR ENDED JUNE 30, 2024

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

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison General Fund and the Pension and OPEB schedules and related notes, as listed in the table of contents, 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 supplemental information such as the Combining Balance Sheet – Non-major Governmental Funds, the Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Non-major Governmental Funds, the Combining Statement of Net Position – Non-major Proprietary Funds, and the Combining Statement of Revenues, Expenses, and Changes in Net Position – Non-major Proprietary Funds, as listed in the table of contents, 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 supplemental information listed above are fairly stated, in all material respects, in relation to the financial statements as a whole.

CITY OF IRVINGTON, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2024

	Primary Government		
	Governmental	Business-Type	Total
Assets			
Current Assets			
Cash and cash equivalents	$ 128,957	$ 69,381	$ 198,338
Receivables, net			
Customers	-	291,051	291,051
Other	120,916	-	120,916
Due from other funds	57,563	127,305	184,868
Total Current Assets	**307,436**	**487,737**	**795,173**
Non-Current Assets			
Restricted cash	236,423	84,008	320,431
Certificates of deposit	14,290	-	14,290
Net OPEB asset	-	6,862	6,862
Capital assets:			
Non-depreciable	82,459	720,508	802,967
Depreciable, net	492,151	1,631,692	2,123,843
Total Non-Current Assets	**825,323**	**2,443,070**	**3,268,393**
Total Assets	**1,132,759**	**2,930,807**	**4,063,566**
Deferred Outflows of Resources			
Deferred amounts related to pension	259,902	74,655	334,557
Deferred amounts related to OPEB	129,927	27,136	157,063
Total Deferred Outflows of Resources	**389,829**	**101,791**	**491,620**
Liabilities			
Current Liabilities			
Accounts payable	10,376	60,360	70,736
Accrued expenses	75,658	9,110	84,768
Accrued interest	-	13,143	13,143
Customer deposits payable	-	50,950	50,950
Due to other funds	127,305	57,563	184,868
Notes payable	22,048	-	22,048
Capital leases	15,033	-	15,033
Revenue bonds payable	-	51,500	51,500
Total Current Liabilities	**250,420**	**242,626**	**493,046**
Non-Current Liabilities			
Notes payable	72,171	-	72,171
Capital leases	36,469	-	36,469
Revenue bonds payable	-	580,800	580,800
Net pension liability	700,705	318,875	1,019,580
Net OPEB liability	29,780	-	29,780
Total Non-Current Liabilities	**839,125**	**899,675**	**1,738,800**
Total Liabilities	**1,089,545**	**1,142,301**	**2,231,846**
Deferred Inflows of Resources			
Deferred amounts related to pension	278,937	59,403	338,340
Deferred amounts related to OPEB	273,233	140,323	413,556
Total Deferred Inflows of Resources	**552,170**	**199,726**	**751,896**
Net Position (Deficit)			
Net investment in capital assets	428,889	1,719,900	2,148,789
Restricted	236,423	145,023	381,446
Unrestricted (deficit)	(784,439)	(174,352)	(958,791)
Total Net Position (Deficit)	**$ (119,127)**	**$ 1,690,571**	**$ 1,571,444**

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

CITY OF IRVINGTON, KENTUCKY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2024

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 128,957	$ 222,966	$ 351,923
Certificates of deposit	14,290	-	14,290
Restricted cash	13,457	-	13,457
Accounts receivable			
Taxes	98,518	22,398	120,916
Due from other funds	55,012	2,551	57,563
Total Assets	**$ 310,234**	**$ 247,915**	**$ 558,149**
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$ 8,903	$ 1,473	$ 10,376
Accrued expenses	75,658	-	75,658
Due to other funds	127,305	-	127,305
Total Liabilities	**211,866**	**1,473**	**213,339**
Fund Balances			
Restricted	13,457	92,916	106,373
Assigned	-	153,526	153,526
Unassigned	84,911	-	84,911
Total Fund Balances	**98,368**	**246,442**	**344,810**
Total Liabilities and Fund Balances	**$ 310,234**	**$ 247,915**	**$ 558,149**

Amounts reported for *governmental activities* in the Statement of Net Position are different because:

Fund balances reported above	**$ 344,810**
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	574,610
Net deferred inflows/outflows related to the long-term net pension liability and long-term net OPEB liability are not reported in the funds.	(162,341)
All long-term liabilities are reported in the Statement of Net Position whereas in governmental funds, long-term liabilities are not due and payable in the current period and therefore are not reported.	
Notes, capital leases and bonds payables	(145,722)
Net pension liability	(700,705)
Net OPEB liability	(29,780)
Net Position of Governmental Activities	**$ (119,128)**

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

CITY OF IRVINGTON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS-CONTINUED
FOR THE YEAR ENDED JUNE 30, 2024

Net Changes in Fund Balances - Total Governmental Funds	**$**	**(45,811)**
Amounts reported for *government 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 depreciaton expense of $81,845 is greater than capital outlay of $62,392 in the current period.		(19,453)
Notes and lease proceeds provide current financial resources in the governmental funds, but issuing debt increases long-term debt in the Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which proceeds of $51,152 is greater than repayments of $32,895.		(18,297)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.		(221,295)
Change in Net Position of Governmental Activities	**$**	**(304,856)**

CITY OF IRVINGTON, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	Water & Sanitation Utilities	Sewer Utilities	Non-Major Proprietary Funds	Total Proprietary Funds
Operating Revenues				
Charges for services:				
Water	$ 408,053	$ -	$ -	$ 408,053
Sanitation	257,670	-	-	257,670
Sewer	-	290,825	-	290,825
Miscellaneous	6,021	145	-	6,166
Total Operating Revenues	**671,744**	**290,970**	**-**	**962,714**
Operating Expenses				
Salaries	55,908	128,299	-	184,207
Employee benefits	1,849	(158,674)	-	(156,825)
Purchase of water	160,076	-	-	160,076
Sanitation contract	267,699	-	-	267,699
Contractual services	9,352	1,300	-	10,652
Repairs, parts, and supplies	19,638	20,491	-	40,129
Utilities and telephone	4,470	34,976	-	39,446
Office supplies and postage	3,775	36	-	3,811
Insurance	10,480	14,353	-	24,833
Depreciation	103,623	113,236	-	216,859
Bad debt provision	3,114	1,363	-	4,477
Miscellaneous	54,302	55,516	-	109,818
Total Operating Expenses	**694,286**	**210,896**	**-**	**905,182**
Operating Income (Loss)	**(22,542)**	**80,074**	**-**	**57,532**
Non-Operating Revenues (Expenses)				
Interest income	122	86	2,010	2,218
Interest expense	(14,001)	(25,288)	-	(39,289)
Grant revenues	-	402,560	-	402,560
Total Non-Operating Revenue (Expenses)	**(13,879)**	**377,358**	**2,010**	**365,489**
Income before transfers	**(36,421)**	**457,432**	**2,010**	**423,021**
Transfers (out) in	(9,533)	81,573	6,084	78,124
Change in Net Position	**(45,954)**	**539,005**	**8,094**	**501,145**
Total Net Position, Beginning,	**415,255**	**637,754**	**136,417**	**1,189,426**
Total Net Position, Ending	**$ 369,301**	**$ 1,176,759**	**$ 144,511**	**$ 1,690,571**

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Irvington, Kentucky (hereinafter "the City") operates under a Mayor-Council form of government located in Breckinridge County. The City's major operations include police and fire protection, parks and recreation, streets, and general administrative services. The City also operates a water, sewer, and sanitation system for its citizens. The citizens of Irvington elect a mayor-at-large and six city council members. The accompanying financial statements present the City's primary government unit over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationship with the City (as distinct from a legal relationship).

Reporting Entity

The City's financial statements include the operations of all organizations for which the City Council exercises oversight responsibility. Responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. Based on these criteria the City does not have any component units.

Basis of Presentation

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and user charges.

Government-wide financial statements display information about the reporting government as a whole. These statements focus on the sustainability as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

- ***Statement of Net Position*** presents information on all of the assets and liabilities, with the difference between the two reported as *net position.*

- ***Statement of Activities*** demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary or fiduciary, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and detailed in the supplementary information.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include charges between the business-type activities/enterprise funds and the general fund. Charges are allocated as reimbursement for services provided by the general fund in support of those functions based on levels or services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. These charges are included in direct program expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus and Basis of Accounting – Continued

Unavailable revenue, a deferred inflow of resources, arises on the balance sheets of the governmental funds when potential revenue does not meet both the *measurable* and *available* criteria for recognition in the current period. This *unavailable* revenue consists primarily of uncollected property taxes and assessments not deemed available to finance operation of the current period. In the government-wide Statement of Activities, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability. Thus, the liability created on the balance sheets of the governmental funds for unavailable revenue is recognized as revenue in the Statement of Activities. Note that unavailable revenues also arise outside the scope of measurement focus and basis of accounting, such as when resources are received before there is legal claim to them. For instance, when grant monies are received prior to the incurrence of qualifying expenditures.

Similar to the way its revenues are recorded, governmental funds only record those expenditures that affect current financial resources. Principal and interest on general long-term debt are recorded as funds liabilities only when due, or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Vested compensated absences are recorded as expenditures only to the extent that they are expected to be liquidated with expendable financial resources. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenditures affecting the economic resource status of the government must be recognized. Thus, the expense and related accrued liability for long-term portions of debt and compensated absences must be included.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the City's water, sewer, and sanitation funds are charges to customers for sales and services. The water, sewer, and sanitation funds also recognize System Development Charges (SDC) fees intended to recover the cost of connecting new customers to the utility systems as operating revenue. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and overhead charges, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the policy to use restricted resources first, then unrestricted resources as they are needed.

Budgeting

The City Council adopts an annual budget for the General, Special Revenues, and Proprietary Funds. Any revisions that alter the budget must be approved by the City Council. For 2024, the original budget was approved in June 2023. The budget for the General and Special Revenue Funds is presented in the Statements of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance - Budget and Actual. All annual appropriations lapse at fiscal year-end. Budgets for all funds are adopted on a consistent basis with generally accepted accounting principles.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Prepaid Expenses

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

Cash and certificates of deposit which may only be used for construction of capital assets or debt service principal and interest payments in accordance with applicable laws and regulations have been reported as restricted cash and certificates of deposit on the Government-Wide Statement of Net Position and the Proprietary Fund Statement of Net Position.

Capital Assets

Capital assets that are purchased or constructed are recorded at historical cost. Donated assets are recorded at estimated market value at the time of donation. The City defines capital assets as assets with an individual cost of more than $1,000, and an estimated useful life of more than one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives are not capitalized. When assets are retired or otherwise disposed of, the costs are removed from the asset accounts and a gain or loss is recorded. In the fund financial statements, capital assets used in government fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Description	Estimated Lives
Buildings	20-40 years
Equipment	5-10 years
Water and Sewer System Utility Plants	20-40 years
Infrastructure	15-40 years

Compensated Absences

The City allows employees to accumulate unused sick leave with no limit and vacation leave to a maximum of 160 hours. Accumulated vacation is required to be used within one year of accumulation. Upon termination, accumulated vacation leave will be paid to the employee. Sick leave is not paid upon termination but will be paid only upon illness while in the employment of the City.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as a liability on the fund financial statements when due.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Operating Revenues and Expenses

Operating revenues and expenses generally result from providing and producing goods and/or services in connection with the enterprise funds. Operating expenses include administrative expenses, supplies, personnel costs, utilities, professional fees, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses and may include interest, grants, and gain or loss on disposition of capital assets.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – DEPOSITS AND CERTIFICATES OF DEPOSIT

As of June 30, 2024, the City's cash and cash equivalents balances include deposits held in checking accounts, savings accounts, and certificates of deposit.

The City's bank deposits were entirely covered by federal depository insurance or by collateral held by the custodial bank in the City's name. At June 30, 2024, the carrying amount of the City's deposits were $533,059 and the bank balance was $513,633. Bank balances were covered by FDIC insurance and securities pledged at market in the City's name in the amount of $250,000 and $263,633, respectively. Bank balances are fully collateralized.

Credit Risk

Under Kentucky Revised Statute 66.480, the City is allowed to invest in obligations of the U.S. and of its agencies, obligations backed by the full faith and credit of the U.S. or a U.S. government agency, obligations of any corporation of the U.S. government, certificates of deposit or other interest-bearing accounts issued by institutions insured by the Federal Deposit Insurance Corporation (FDIC) or similarly collateralized institutions, and bonds and securities of states, local governments, or related agencies in the U.S. rated in one of the three highest categories by a nationally recognized rating agency. As of June 30, 2024, none of the City's deposits were subject to credit risk.

Custodial Credit Risk

Custodial Credit Risk for deposits is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of the deposits that are in the possession of an outside party. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be one hundred percent of the market value of the principal, plus accrued interest.

NOTE 5 – SUMMARY OF CHANGES AND CAPITAL ASSETS – CONTINUED

Capital assets for the governmental activities during the year ended June 30, 2024 are as follows:

	Beginning Balance 7/1/2023	Increases	Decreases	Ending Balance 6/30/2024
Governmental Activities				
Capital assets, not being depreciated:				
Land	$ 82,459	$ -	$ -	$ 82,459
Total capital assets, not being depreciated:	**82,459**	**-**	**-**	**82,459**
Capital assets, being depreciated:				
Buildings	281,189		-	281,189
Machinery and Equipment	1,444,382	62,392	-	1,506,774
Infrastructure	72,485	-	-	72,485
ROU asset - copier	3,878	-	-	3,878
Improvement	398,257	-	-	398,257
Total capital assets, being depreciated:	**2,200,191**	**62,392**	**-**	**2,262,583**
Less accumulated depreciation for Governmental Activities				
Building	204,140	7,476	-	211,616
Machinery and Equipment	1,207,800	55,450	-	1,263,250
Infrastructure	15,070	2,899	-	17,969
ROU asset - copier	646	1,939		2,585
Improvement	260,931	14,081	-	275,012
Total accumulated depreciation	**1,688,587**	**81,845**	**-**	**1,770,432**
Total capital assets, being depreciated, net	**511,604**			**492,151**
Government activities capital assets, net	**$ 594,063**			**$ 574,610**

Depreciation expense for governmental activities is charged to functions as follows:

	2024
General	$ 34,646
Police	9,477
Fire	29,082
Street	8,640
Total	**$ 81,845**

NOTE 6 – CAPITAL LEASES

As of June 30, 2024, the City has several capital lease obligations through Kentucky Association of Counties Leasing Trust for land and building a recycling center and Magnolia Bank, Inc. for various vehicles and equipment. The City also has a lease for a copier from Toshiba, this lease is classified as a finance lease. Total minimum lease payments are as follows:

2025	15,033
2026	6,195
2027	6,045
2028	5,399
2029	5,741
2030-2033	19,269
Total minimum lease payments	57,681
Less amount representing interest	(6,179)
Present value of minimum lease payments	$ 51,502

NOTE 7 – LONG-TERM DEBT

The following is a summary of long-term debt of the City for the year ended June 30, 2024:

	Balance 7/1/2023	Additions	Deletions	Balance 6/30/2024
Governmental-type				
Notes Payable	$ 64,036	$ 51,152	$ 20,969	$ 94,219
Capital Leases	62,136	-	10,634	51,502
Net Pension Liability	892,338	-	191,633	700,705
Net OPEB Liability	248,960	-	219,180	29,780
Business-type				
Revenue Bonds	680,400	-	48,100	632,300
Net Pension Liability	494,465	-	175,590	318,875
Net OPEB Liability	135,028	-	141,890	(6,862)
Total	**$ 2,180,168**	**$ 51,152**	**$ 807,996**	**$ 1,423,324**

Revenue Bonds and Covenants

The government issues revenue bonds to provide for the acquisition and construction of major capital facilities. The original amount of revenue bonds issued in prior years, for the items listed below, was $1,172,000. No general obligation bonds were issued during the current year. Revenue bonds are pledged by revenues and by the full faith and credit of the government. These bonds are issued as 2 and 40-year serial bonds with varying amounts of principal maturing each year. The bond covenants include the maintenance of sinking fund to set aside resources for the payment of future debt service obligations. Interest rates range from 2.25% to 5.0%.

NOTE 7 – LONG-TERM DEBT– CONTINUED

Notes Payable - Continued

The minimum obligations of the City's at June 30, 2024 for the payment of loan principal and interest are as follows:

Year Ending June 30,	Principal	Interest	Total Annual Requirements
2025	22,048	3,418	25,465
2026	19,664	3,829	23,492
2027	20,768	2,724	23,492
2028	20,168	1,556	18,060
2029	11,571	404	11,975
Total	**$ 94,219**	**$ 11,931**	**$ 102,485**

COMPLIANCE WITH RESERVE REQUIREMENTS

The City of Irvington is required to maintain the following funds and accounts related to the bond issuance and loan agreements:

Depreciation Fund – The bond ordinance requires the creation of a depreciation fund that shall be available and shall be utilized to make repairs and replacements to the system and to pay the costs of constructing additions, extensions, betterments, and improvements to the system which will either increase income and revenues or provide a higher degree of service. The bonds call for the creation of a repairs and maintenance reserve of $60,784. At June 30, 2024, the depreciation fund was under funded.

Debt Service Fund – The debt service fund is maintained for the payment of principal and interest on bonds. The City is required to make a monthly transfer to the reserve of 1/6 of the next interest due and 1/12 of the next principal. These monthly transfers are to be made until the balance reaches the lesser of 1) the maximum debt service requirement in any fiscal year, 2) 10% of the proceeds of any series bonds or 3) 125% of the average annual debt service requirement.

NOTE 8 – RETIREMENT PLAN

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

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

NOTE 8 – RETIREMENT PLAN – CONTINUED

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

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2024 the City reported a liability of $1,019,580 and for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 and rolled forward using generally accepted actuarial procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2023, was .006212 percent for non-hazardous and .029243 percent for hazardous. For the year ended June 30, 2023, the City recognized pension expenses of $163,179. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual results	$ 49,023	$ 1,083
Changes of assumptions	-	85,028
Net difference between projected and actual earnings on plan investments	-	11,667
Changes in proportion and differences between employer contributions and proportionate share of contributions	165,898	240,562
City's contributions subsequent to the measurement date	119,637	-
Total	**$ 334,558**	**$ 338,340**

The $119,637 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2024	$ 27,812
2025	(90,921)
2026	(39,831)
2027	(20,481)
2028	-
Thereafter	-

NOTE 8 – RETIREMENT PLAN – CONTINUED

For the year end June 30, 2023 the target allocation and best estimates of nominal real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Equity		
US Equity	50.00%	5.90%
Non-US Equity	10.00%	11.73%
Fixed Income		
Core Bonds	10.00%	2.45%
Specialty Credit/High Yield	10.00%	3.65%
Cash	0.00%	1.39%
Inflation Protected		
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
Expected Real Return		**5.75%**
Long Term Nominal Return for Portfolio		**2.50%**
Expected Nominal Return for Portfolio		**8.25%**

Discount Rate – The projection of cash flows used to determine the discount rate of 6.50% for Non-Hazardous and Hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate.

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

	Discount Rate	City's Proportionate Share of Net Pension Liability
1% Decrease	5.50%	$ 1,287,392
Current discount rate	6.50%	$ 1,019,580
1% Increase	7.50%	$ 799,345

Payable to the Pension Plan – At June 30, 2024, the City reported a payable of $11,966 for the outstanding amount of contributions to the pension and OPEB plans.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description – Employees of the City are provided hospital and medical insurance through the Kentucky Retirement Systems' Insurance Fund (Insurance Fund), a cost-sharing multiple-employer defined benefit OPEB plan. The KRS was created by state statute under the Kentucky revised Statue Section 61.645. The KRS board of Trustees is responsible for the proper operation and administration of the KRS. The KRS issues a publicly available financial report that can be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED

Year ending June 30,		
2024	$	(54,129)
2025		(46,195)
2026		(54,044)
2027		(76,094)
2028		(30,191)
Thereafter		-

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

Non-Hazardous	
Inflation	2.30%
Payroll growth rate	2.00%
Salary increase	3.30% to 10.30%, varies by service
Investment rate of return	6.25%
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 6.30% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post - 65	Initial trend starting at 6.30% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

Hazardous	
Inflation	2.30%
Payroll growth rate	2.00%
Salary increase	3.55% to 19.05%, varies by service
Investment rate of return	6.25%
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 6.30% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post - 65	Initial trend starting at 6.30% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

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

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED

Hazardous – The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.97%) or one percentage point higher (6.97%) follows:

	Discount Rate	City's Proportionate Share of Net OPEB Liability	
1% Decrease	4.97%	$	79,652
Current discount rate	5.97%	$	31,495
1% Increase	6.97%	$	(8,632)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates for June 30, 2024

Nonhazardous – The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.93%) or one percentage point higher (6.93%) than current healthcare cost trend rates follows:

City's Net OPEB Liability Healthcare Cost		
Trend Rate -1% 4.93%	Trend Rate 5.93%	Trend Rate +1% 6.93%
$ (27,490)	**$ (8,577)**	**$ 14,656**

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates for June 30, 2024 - Continued

Hazardous – The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.97%) or one percentage point higher (6.97%) than current healthcare cost trend rates follows:

City's Net OPEB Liability Healthcare Cost		
Trend Rate -1% 4.97%	Trend Rate 5.97%	Trend Rate +1% 6.97%
$ 359	**$ 31,495**	**$ 69,099**

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

CITY OF IRVINGTON, KENTUCKY
REQUIRED SUPPLEMENTAL
BUDGETARY COMPARISON-GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024

	Budget			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Property taxes	$ 236,000	$ 236,000	$ 329,015	$ 93,015
Insurance premium taxes	220,000	220,000	276,859	56,859
Intergovernmental Revenue	68,123	68,123	18,368	(49,755)
Franchise taxes	81,000	81,000	44,287	(36,713)
Business licenses & permits	8,500	8,500	3,915	(4,585)
Other	174,040	174,040	134,893	(39,147)
Total Revenues	**787,663**	**787,663**	**807,337**	**19,674**
Expenditures				
General	322,630	322,630	175,701	146,929
Police	385,631	385,631	452,034	(66,403)
Fire	103,402	103,402	-	103,402
Streets	51,500	51,500	57,001	(5,501)
Capital outlay	10,000	10,000	62,392	(52,392)
Debt service				
Principal	-	-	32,895	(32,895)
Interest	-	-	6,800	(6,800)
Total Expenditures	**873,163**	**873,163**	**786,823**	**86,340**
Excess (deficiency) of revenues over (under) expenditures before other financing sources and uses	**(85,500)**	**(85,500)**	**20,514**	**106,014**
Other Financing Sources (uses)				
Loan proceeds	-	-	-	-
Transfer in	85,500	85,500	-	**(85,500)**
Transfer out	-	-	(83,343)	**(83,343)**
Net other financing sources (uses)	**85,500**	**85,500**	**(83,343)**	**(168,843)**
Net Change in Fund Balance	**-**	**-**	**(62,829)**	**(62,829)**
Fund Balance, Beginning	**161,197**	**161,197**	**161,197**	**64,045**
Fund Balance, Ending	**$ 161,197**	**$ 161,197**	**$ 98,368**	**$ 1,216**

NOTE A - BASIS OF PRESENTATION

The City prepares its financial statements using accounting principles generally accepted in the United States of America (GAAP), but the budget is prepared using the cash basis of accounting, which is a comprehensive basis of accounting other than GAAP.

The budget and all transactions are presented in accordance with the City's budgetary basis in the Budgetary Comparison Schedule - General Fund to provide a comparison of actual results with the budget. No adjustments have been made to convert the actual data presented on the GAAP basis to the cash basis of accounting for revenues because any differences were deemed to be immaterial.

CITY OF IRVINGTON, KENTUCKY
SCHEDULE OF CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM
LAST NINE FISCAL YEARS

	2016	2017	2018	2019	2020	2021	2022	2023	2024
NON-HAZARDOUS									
Contractually required contribution	$ 31,927	$ 42,307	$ 46,294	$ 55,576	$ 78,785	$ 29,522	$ 43,107	$ 46,620	$ 53,367
Contributions in relation to the contractually required contribution	31,297	42,307	46,294	55,576	78,485	29,522	43,107	46,620	53,367
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered-employee payroll	$ 268,081	$ 303,277	$328,418	$335,332	$327,845	$152,962	$189,232	$199,230	$228,651
Contributions as a percentage of covered-employee payroll	11.91%	13.95%	14.10%	16.57%	24.03%	19.30%	22.78%	23.40%	23.34%
HAZARDOUS									
Contractually required contribution	$ -	$ -	$ -	$ -	$ -	$ 61,197	$ 66,775	$ 69,519	$ 66,270
Contributions in relation to the contractually required contribution	-	-	-	-	-	61,197	66,775	69,519	66,270
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered-employee payroll	$ -	$ -	$ -	$ -	$ -	$203,584	$189,017	$162,388	$161,201
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	30.06%	35.33%	42.81%	41.11%

Note: The above schedules will present 10 years of historical data, once available.

CITY OF IRVINGTON, KENTUCKY
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
LAST SEVEN FISCAL YEARS

	2018	2019	2020	2021	2022	2023	2024
NON-HAZARDOUS							
Contractually required contribution	$ 31,374	$ 17,638	$ 22,334	$ 7,281	$ 7,891	$ 6,754	$ -
Contributions in relation to the contractually required contribution	31,374	17,638	22,334	7,281	7,891	6,754	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered-employee payroll	$ 328,418	$ 335,332	$ 327,845	$ 152,962	$ 189,232	$ 199,230	$ 228,651
Contributions as a percentage of covered-employee payroll	9.55%	5.26%	6.81%	4.76%	4.17%	3.39%	0.00%
HAZARDOUS							
Contractually required contribution	$ -	$ -	$ -	$ 19,381	$ 16,375	$ 11,010	$ 4,159
Contributions in relation to the contractually required contribution	-	-	-	19,381	16,375	11,010	4,159
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered-employee payroll	$ -	$ -	$ -	$ 203,584	$ 189,017	$ 162,388	$ 161,200
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	9.52%	8.66%	6.78%	2.58%

Note: The above schedules will present 10 years of historical data, once available.

NOTE 2 – CERS – CONTINUED

Changes of Assumptions – Continued

June 30, 2022 – Pension and OPEB Hazardous and Nonhazardous

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

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

- The single discount rate increased from 5.20% to 5.70% for non-hazardous and from 5.30% to 5.05% for hazardous. The municipal bond rate increased from 1.92% to 3.39%

June 30, 2021 – Pension and OPEB Hazardous and Nonhazardous

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

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

- The single discount rate decreased from 5.34% to 5.20% for non-hazardous and from 5.30% to 5.05% for hazardous. The municipal bond rate decreased from 3.13% to 1.92%

June 30, 2020 – Pension and OPEB Hazardous and Nonhazardous

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

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

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

June 30, 2019 – Pension and OPEB Hazardous and Nonhazardous

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

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

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

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

CITY OF IRVINGTON, KENTUCKY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2024

	Special Revenue Funds					
	Cedar Hill Fund	Fire Dept. Fund	LGEA Fund	Road Fund	Cedar Hill Savings Fund	Total Non-major Fund
Assets						
Cash in bank	$ 1,937	$ 97,803	$ 39,409	$ 26,621	$ 57,196	$ 222,966
MRA receivable	-	-	-	22,398	-	22,398
Due from other funds	-	-	2,551		-	2,551
Total Assets	**$ 1,937**	**$ 97,803**	**$ 41,960**	**$ 49,019**	**$ 57,196**	**$ 247,915**
Liabilities						
Accounts Payable	$ -	$ 1,473	$ -	$ -	$ -	$ 1,473
Fund Balance						
Restricted:						
Cemetery maintenance	1,937	-	-	-	-	1,937
Economic assistance	-	-	41,960	-	-	41,960
Municipal roads	-	-	-	49,019	-	49,019
Assigned:						-
Community projects	-	-	-	-	57,196	57,196
Public safety	-	-	-	-	-	-
Recreation	-	96,330	-	-	-	96,330
Total Liabilities and Fund Balance	**$ 1,937**	**$ 97,803**	**$ 41,960**	**$ 49,019**	**$ 57,196**	**$ 247,915**

CITY OF IRVINGTON, KENTUCKY
COMBINING STATMENT OF NET POSITION - NON-MAJOR PROPRIETARY FUNDS
JUNE 30, 2024

	Wastewater Capital Improvement Fund	Wastewater Depreciation Fund	Wastewater Sinking Fund	Water Capital Improvement Fund	Water Depreciation Fund	Total Non-major Funds
Assets						
Current Assets						
Due from other funds	$ -	$ 54,015	$ -	$ 4,000	$ 3,000	$ 61,015
Non-Current Assets						
Restricted cash	17,215	15,583	21,898	3,471	25,329	83,496
Total Assets	**17,215**	**69,598**	**21,898**	**7,471**	**28,329**	**144,511**
Net Position						
Restricted:						
Capital	17,215	69,598	-	7,471	28,329	122,613
Debt service	-	-	21,898	-	-	21,898
Total Net Position	**$ 17,215**	**$ 69,598**	**$ 21,898**	**$ 7,471**	**$ 28,329**	**$ 144,511**

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

To the Honorable Mayor and Members of the City Council
City of Irvington
Irvington, Kentucky 40146

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Irvington (hereinafter called the "City"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 18, 2025.

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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001 and 2024-002 that we consider to be material weaknesses.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2024-003.

CITY OF IRVINGTON, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

MATERIAL WEAKNESS

2024-001 Financial Statement Preparation

Condition:
A key component of internal control is to ensure that personnel, management, or others within the City have the ability to prepare financial statements, including the notes to the financial statements, in accordance with accounting principles generally accepted in the United States of America (GAAP).

Criteria:
During our audit procedures, we noted some instances of this objective not being completely achieved.

Cause:
The City did not prepare a complete set of GAAP financial statements and related note disclosures.

Effect:
Management is responsible establishing and maintaining internal controls for the fair presentation of the financial position, results of operations, cash flows, and disclosures in the financial statements, in conformity with accounting principles generally accepted in the United States of America. The City does not internally possess the ability to recognize and implement new authoritative guidance in regard to financial reporting. However, management is knowledgeable in respect to the financial accounting and amounts reported in the financial statements. As such, management requested us to prepare a draft of the financial statements, including the related footnote disclosures.

Recommendation:
Management should continue to engage the audit firm to prepare a draft of the financial statements including the notes to the financial or hire an accountant to perform their services.

Views of Responsible Officials:
Management agrees with the recommendation.

NON-COMPLIANCE

2024-003 Bond Required Transfers

Condition:
While conducting our audit procedures, we noted the City failed to make required transfers to accounts required under the terms of its bond issues and to properly fund its deprecation accounts.

Criteria:
The United States Department of Agriculture regulations require the City to transfer amounts to sinking funds monthly in amounts sufficient to pay semi-annual interest and annual principal on the outstanding bond issues. The City is required to make monthly transfers to the Water and Sanitation fund and to Wastewater Depreciation fund until the account reaches $65,640.

Cause:
The City failed to make required transfers.

Effect:
The City was not in compliance with the terms of its bond issues.

Recommendation:
All required transfers should be resumed immediately. If resources permit, the depreciation account should be brought to the required minimum.

Views of Responsible Officials:
Management agrees with the recommendation and has since made required transfers.