

**CITY OF MULDRAUGH, KENTUCKY
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

**CITY OF MULDRAUGH, KENTUCKY
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2023**

	PAGE
INDEPENDENT AUDITOR'S REPORT	1 - 3
BASIC FINANCIAL STATEMENTS	
GOVERNMENT - ENTITY WIDE FINANCIAL STATEMENTS	
Statement of Net Position	4
Statement of Activities	5
FUND FINANCIAL STATEMENTS	
Balance Sheet - Governmental Funds	6
Statement of Revenues, Expenditures, and Changes In Fund Balance - Governmental Funds	7-8
Statement of Net Position - Proprietary Funds	9
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	10
Statement of Cash Flows - Proprietary Funds	11
Notes to the Financial Statements	12-32
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison General Fund	33-34
Schedule of Proportionate Share of the Net Pension Liability	35
Schedule of Pension Contributions County Employees' Retirement System	36
Schedule of Proportionate Share of the Net OPEB Liability	37
Schedule of Contributions to the Other Post Employment Benefits	38
Notes to the Required Supplementary Information	39-41
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	42
OTHER INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	43
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds	44
Combining Statement of Net Position - Nonmajor Proprietary Funds	45
Combining Statement of Revenues, Expenses, and Changes in Net Position - Nonmajor Proprietary Funds	46
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 <i>GOVERNMENT AUDITING STANDARDS</i>	47-48
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	49-50
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	51-53
CORRECTIVE ACTION PLAN	54-55

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Muldraugh
Muldraugh, Kentucky 40155

Report on the Audit of the Financial Statements

Opinion

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 Muldraugh (hereinafter called the "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, 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 Opinion

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 Auditor's 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 opinion.

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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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

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, pension schedules 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 schedule of expenditures of federal awards and the combining balance sheet – nonmajor governmental funds, combining statement of revenues, expenditures, and changes in fund balance – nonmajor governmental funds, combining statement of net position – nonmajor proprietary funds, and combining statement of revenues, expenses, and changes in net position – nonmajor proprietary funds, as listed in the table of contents, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed above are fairly stated, in all material respects, in relation to the 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 May 10, 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.

SK LEE CPAs, P.S.C.

Berea, Kentucky
May 10, 2024

CITY OF MULDRAUGH, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2023

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 132,270	\$ 49,535	\$ 181,805
Receivables, net			
Customers	-	147,630	147,630
Other	146,464	-	146,464
Due from other funds	4,641	-	4,641
Total Current Assets	283,375	197,165	480,540
Non-Current Assets			
Restricted cash	152,982	188,621	341,603
Reserve deposit	7,650	-	7,650
Capital assets:			
Non-depreciable	76,164	6,891,906	6,968,070
Depreciable, net	1,328,110	2,354,568	3,682,678
Total Non-Current Assets	1,564,906	9,435,095	11,000,001
Total Assets	1,848,281	9,632,260	11,480,541
Deferred Outflows of Resources			
Deferred amounts related to pension	81,824	42,153	123,977
Deferred amounts related to OPEB	63,472	32,698	96,170
Total Deferred Outflows of Resources	145,296	74,851	220,147
Liabilities			
Current Liabilities			
Accounts payable	11,616	4,776	16,392
Accrued expenses	10,713	18,636	29,349
Unearned revenue	12,505	-	12,505
Customer deposits payable	-	37,400	37,400
Due to other funds	-	4,641	4,641
Notes payable	35,602	14,618	50,220
Capital leases	12,083	-	12,083
Revenue bonds payable	-	28,308	28,308
Total Current Liabilities	82,519	108,379	190,898
Non-Current Liabilities			
Notes payable	83,608	60,206	143,814
Capital leases	153,751	-	153,751
Revenue bonds payable	-	1,580,692	1,580,692
Net pension liability	555,362	286,095	841,457
Net OPEB liability	151,587	78,091	229,678
Total Non-Current Liabilities	944,308	2,005,084	2,949,392
Total Liabilities	1,026,827	2,113,463	3,140,290
Deferred Inflows of Resources			
Deferred amounts related to pension	7,360	3,792	11,152
Deferred amounts related to OPEB	60,889	31,367	92,256
Total Deferred Inflows of Resources	68,249	35,159	103,408
Net Position (Deficit)			
Net investment in capital assets	1,119,230	7,562,650	8,681,880
Restricted	160,632	151,221	311,853
Unrestricted (deficit)	(381,361)	(155,382)	(536,743)
Total Net Position (Deficit)	\$ 898,501	\$ 7,558,489	\$ 8,456,990

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

**CITY OF MULDRAUGH, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Primary Government		Primary Government		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contribution	Governmental Activities	
Government Activities						
General government	360,204	\$ -	\$ -	\$ 131,748	\$ (228,456)	\$ -
Police	226,522	-	-	-	(226,522)	-
Fire	43,202	-	-	-	(43,202)	-
Street	953	39,147	-	-	38,194	-
Parks and recreation	5,295	-	-	-	(5,295)	-
Total Governmental Activities	636,176	39,147	-	131,748	(465,281)	-
Business-Type Activities						
Water and sewer system	752,015	640,235	-	4,127,555	-	4,015,775
Total Business-Type Activities	752,015	640,235	-	4,127,555	-	4,015,775
Total Activities	\$ 1,388,191	\$ 679,382	\$ -	\$ 4,259,303	\$ (465,281)	\$ 4,015,775
				Governmental Activities	Business-Type Activities	Total
General Revenues						
Property taxes				62,250	-	62,250
Motor vehicle taxes				8,625	-	8,625
Insurance premium taxes				141,093	-	141,093
Occupational taxes				106,531	-	106,531
Gross profits				9,670	-	9,670
Intergovernmental				61,916	-	61,916
Franchise taxes				43,203	-	43,203
License & permits				19,220	-	19,220
Rental income				23,844	-	23,844
Bank deposit taxes				1,323	-	1,323
Miscellaneous				74,260	81,643	155,903
Transfers				38,719	(38,719)	-
Total General Revenues and Transfers				590,654	42,924	633,578
Change in Net Position				125,373	4,058,699	4,184,072
Total Net Position, Beginning				773,128	3,499,790	4,272,918
Net Position, Ending				\$ 898,501	\$ 7,558,489	\$ 8,456,990

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

CITY OF MULDRAUGH, KENTUCKY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

	General	Payroll	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 124,036	\$ 5,109	\$ 3,125	\$ 132,270
Cash and cash equivalents (restricted)	10,066	-	142,916	152,982
Accounts receivable	87,779	-	58,685	146,464
Prepaid expenses	-	-	-	-
Reserve deposit (restricted)	7,650	-	-	7,650
Due from other funds	4,641	-	-	4,641
Total Assets	\$ 234,172	\$ 5,109	\$ 204,726	\$ 444,007
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 11,616	\$ -	\$ -	\$ 11,616
Accrued expenses	6,922	3,791	-	10,713
	12,505	-	-	12,505
Due to other funds	-	-	-	-
Total Liabilities	31,043	3,791	-	34,834
Fund Balances				
Restricted	17,761	-	201,601	219,362
Assigned	-	-	1,265	1,265
Unassigned	185,368	1,318	1,860	188,546
Total Fund Balances	203,129	1,318	204,726	409,173
Total Liabilities and Fund Balances	\$ 234,172	\$ 5,109	\$ 204,726	\$ 444,007

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

Fund balances reported above \$ 409,173

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 1,404,274

Net deferred inflows/outflows related to the long-term net pension liability and long-term net OPEB liability are not reported in the funds. 77,047

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	(285,044)
Net pension liability	(555,362)
Net OPEB liability	(151,587)

Net Position of Governmental Activities **\$ 898,501**

CITY OF MULDRAUGH, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Payroll Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 62,250	\$ -	\$ -	\$ 62,250
Motor vehicle taxes	8,625	-	-	8,625
Insurance premium taxes	141,093	-	-	141,093
Occupational taxes	106,531	-	-	106,531
Gross profits	9,670	-	-	9,670
Intergovernmental revenues	61,916	-	-	61,916
Franchise taxes	43,203	-	-	43,203
Licenses & permits	19,220	-	-	19,220
Rental Income	23,844	-	-	23,844
Bank deposit taxes	1,323	-	-	1,323
Grant revenue	131,748	-	-	131,748
Service charges and fees	-	-	39,147	39,147
Other	72,221	-	2,039	74,260
Total Revenues	681,644	-	41,186	722,830
Expenditures				
General	319,428	72	15,796	335,296
Police	223,388	-	-	223,388
Fire	28,050	-	-	28,050
Street	-	-	953	953
Parks and recreation	1,163	-	-	1,163
Capital outlay	29,302	-	-	29,302
Debt service:				
Principal	39,751	-	-	39,751
Interest	12,525	-	-	12,525
Total Expenditures	653,607	72	16,749	670,428
Excess (Deficiency) of Revenues Over Expenditures				
Other Financing Sources (Uses)				
Transfers in (out)	28,638	-	10,081	38,719
Loan proceeds	-	-	-	-
Total Other Financing Sources (Uses)	28,638	-	10,081	38,719
Net Change in Fund Balance	56,675	(72)	34,518	91,121
Fund Balance, Beginning of Year	146,454	1,390	170,208	318,052
Fund Balance, Ending	\$ 203,129	\$ 1,318	\$ 204,726	\$ 409,173

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

**CITY OF MULDRAUGH, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS-CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023**

Net Changes in Fund Balances - Total Governmental Funds	\$ 91,121
 Amounts reported for <i>government activities</i> 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 outlay of \$29,302 is less than depreciaton expense of \$91,131 in the current period.	
	(61,829)
 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 \$0 is less than repayments of \$39,751	
	39,751
 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. Change in pension liability and OPEB liability of governmental activities	
	<u>56,330</u>
Change in Net Position of Governmental Activities	<u><u>\$ 125,373</u></u>

CITY OF MULDRAUGH, KENTUCKY
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2023

	<u>Operations & Maintenance</u>	<u>Revenue Fund</u>	<u>Non-Major Proprietary Funds</u>	<u>Total Proprietary Funds</u>
Assets				
Current Assets				
Cash and cash equivalents	\$ 20,083	\$ 3,795	\$ 25,657	\$ 49,535
Receivables, net				
Customers	-	147,630	-	147,630
Due from other funds	-	-	-	-
Total Current Assets	<u>20,083</u>	<u>151,425</u>	<u>25,657</u>	<u>197,165</u>
Non-Current Assets				
Restricted cash	-	-	188,621	188,621
Capital assets:				
Non-depreciable	6,891,906	-	-	6,891,906
Depreciable, net	2,354,568	-	-	2,354,568
Total Non-Current Assets	<u>9,246,474</u>	<u>-</u>	<u>188,621</u>	<u>9,435,095</u>
Total Assets	<u>9,266,557</u>	<u>151,425</u>	<u>214,278</u>	<u>9,632,260</u>
Deferred Outflows of Resources				
Deferred amounts related to pension	42,153	-	-	42,153
Deferred amounts related to OPEB	32,698	-	-	32,698
Total Deferred Outflows of Resources	<u>74,851</u>	<u>-</u>	<u>-</u>	<u>74,851</u>
Liabilities				
Current Liabilities				
Accounts payable	4,776	-	-	4,776
Accrued expenses	18,636	-	-	18,636
Customer deposits payable	-	-	37,400	37,400
Due to other funds	4,641	-	-	4,641
Notes payable	14,618	-	-	14,618
Revenue bonds payable	28,308	-	-	28,308
Total Current Liabilities	<u>70,979</u>	<u>-</u>	<u>37,400</u>	<u>108,379</u>
Non-Current Liabilities				
Notes payable	60,206	-	-	60,206
Revenue bonds payable	1,580,692	-	-	1,580,692
Net pension liability	286,095	-	-	286,095
Net OPEB liability	78,091	-	-	78,091
Total Non-Current Liabilities	<u>2,005,084</u>	<u>-</u>	<u>-</u>	<u>2,005,084</u>
Total Liabilities	<u>2,076,063</u>	<u>-</u>	<u>37,400</u>	<u>2,113,463</u>
Deferred Inflows of Resources				
Deferred amounts related to pension	3,792	-	-	3,792
Deferred amounts related to OPEB	31,367	-	-	31,367
Total Deferred Inflows of Resources	<u>35,159</u>	<u>-</u>	<u>-</u>	<u>35,159</u>
Net Position				
Net investment in capital assets	7,562,650	-	-	7,562,650
Restricted	-	-	151,221	151,221
Unrestricted (deficit)	(332,464)	151,425	25,657	(155,382)
Total Net Position	<u>\$ 7,230,186</u>	<u>\$ 151,425</u>	<u>\$ 176,878</u>	<u>\$ 7,558,489</u>

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

CITY OF MULDRAUGH, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Operations & Maintenance	Revenue Fund	Non-Major Proprietary Funds	Total Proprietary Funds
Operating Revenues				
Water	\$ -	\$ 166,543	\$ -	\$ 166,543
Sanitation	-	134,332	-	134,332
Sewer	-	279,068	-	279,068
Sewer Surcharge	-	35,531	-	35,531
Infiltrate	-	24,761	-	24,761
Grant	-	-	4,127,555	4,127,555
Miscellaneous	37,324	21,186	22,647	81,157
Total Operating Revenues	37,324	661,421	4,150,202	4,848,947
Operating Expenses				
Salaries	155,478	-	-	155,478
Employee benefits	101,275	-	-	101,275
Garbage collection	96,872	-	-	96,872
Water Purchases	93,260	-	-	93,260
Repairs and maintenance	33,783	-	-	33,783
Utilities	25,670	-	-	25,670
Miscellaneous expense	5,028	1,730	9,148	15,906
Insurance	13,851	-	-	13,851
Sales and utility tax	16,897	-	-	16,897
Gas and oil	10,319	-	-	10,319
Office expense	11,616	-	-	11,616
Telephone	1,003	-	-	1,003
Professional fees	4,000	-	-	4,000
Advertising	993	-	-	993
Uniforms	376	-	-	376
Depreciation	159,340	-	-	159,340
Total Operating Expenses	729,761	1,730	9,148	740,639
Operating Income (Loss)	(692,437)	659,691	4,141,054	4,108,308
Non-Operating Revenues (Expenses)				
Interest income	36	46	404	486
Interest expense	(11,376)	-	-	(11,376)
Total Non-Operating Revenue (Expenses)	(11,340)	46	404	(10,890)
Income (loss) before transfers	(703,777)	659,737	4,141,458	4,097,418
Transfers (out) in	4,681,874	(625,373)	(4,095,220)	(38,719)
Change in Net Position	3,978,097	34,364	46,238	4,058,699
Total Net Position, Beginning,	3,252,089	117,061	130,640	3,499,790
Total Net Position, Ending	\$ 7,230,186	\$ 151,425	\$ 176,878	\$ 7,558,489

The accompanying notes are an integral part of these financial statements.
Page 10

CITY OF MULdraUGH, KENTUCKY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Operations & Maintenance	Revenue Fund	Non-Major Proprietary Funds	Total Proprietary Funds
Cash Flows from Operating Activities				
Cash received from customers	\$ -	\$ 640,235	\$ -	\$ 640,235
Cash received from other sources	37,322	21,186	4,147,402	4,205,910
Cash payments to suppliers for goods and services	(148,979)	(33,839)	(9,148)	(191,966)
Cash payments to employees	(388,618)	-	-	(388,618)
Net Cash (Used in) Provided by Operating Activities	(500,275)	627,582	4,138,254	4,265,561
Cash Flows from Non-Capital and Related Financing Activities				
Transfers in(out)	4,681,874	(625,373)	(4,095,220)	(38,719)
Net Cash (Used in) Provided by Capital and Related Financing	4,681,874	(625,373)	(4,095,220)	(38,719)
Cash Flows from Capital and Related Financing Activities				
Proceeds from issuance of long-term debt	500,905	-	-	500,905
Principal, interest, and related fees paid on long-term debt	(26,365)	-	-	(26,365)
Net Cash Provided by Capital and Related Financing Activities	474,540	-	-	474,540
Cash Flows from Investing Activities				
Capital expenditures	(4,660,747)	-	-	(4,660,747)
Cash received from interest income	36	45	404	485
Net Cash (Used in) Provided by Investing Activities	(4,660,711)	45	404	(4,660,262)
Net Increase (Decrease) in Cash and Cash Equivalents	(4,572)	2,254	43,438	41,120
Cash and Cash Equivalents at July 1, 2022	24,655	1,541	170,840	197,036
Cash and Cash Equivalents at June 30, 2023	\$ 20,083	\$ 3,795	\$ 214,278	\$ 238,156
⁽¹⁾ Cash and cash equivalents are reflected in the Statement of Net Position as follows:				
Cash and cash equivalents	\$ 20,083	\$ 3,795	\$ 25,657	\$ 49,535
Restricted cash and cash equivalents	-	-	188,621	188,621
Subtotal	\$ 20,083	\$ 3,795	\$ 214,278	\$ 238,156
Reconciliation of Operating Income (Loss) to Net Cash (Used in) Provided by Operating Activities				
Operating Income (Loss)	\$ (692,437)	\$ 659,691	\$ 4,141,054	\$ 4,108,308
Adjustments to reconcile operating income (loss) to net cash (used in) provided by operating activities:				
Depreciation	159,340	-	-	159,340
Changes in assets and liabilities:				
(Increase) decrease in customer accounts receivable	-	(32,109)	-	(32,109)
(Increase) decrease in outflows of resources	(2,696)	-	-	(2,696)
Increase (decrease) in accounts payable	506	-	-	506
Increase (decrease) in accrued expenses	(11,112)	-	-	(11,112)
Increase (decrease) in due to other funds	-	-	-	-
Increase (decrease) in customer deposit payables	-	-	(2,800)	(2,800)
Increase (decrease) in net pension liability	67,350	-	-	67,350
Increase (decrease) in net OPEB liability	12,812	-	-	12,812
Increase (decrease) in inflows of resources	(34,038)	-	-	(34,038)
Total adjustments	192,162	(32,109)	(2,800)	157,253
Net Cash (Used in) Provided by Operating Activities	\$ (500,275)	\$ 627,582	\$ 4,138,254	\$ 4,265,561

CITY OF MULDRAUGH, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of Muldraugh, Kentucky (the City) is a home rule city with a population of approximately 1,000 located in Meade County, Kentucky. It operates under an elected mayor-council form of government. The City provides the following services authorized by its charter: public safety, public works, recreation, water, sewer, and garbage services. Primary revenue sources are property taxes, municipal road aid, insurance taxes, and water and sewer user fees. Those revenues susceptible to accrual are property taxes, insurance taxes, municipal road aid, and water and sewer user fees.

All significant activities and organizations on which the City of Muldraugh, Kentucky exercises oversight responsibility have been included in the City's financial statements, for the year ended June 30, 2023. The following criteria regarding manifestation of oversight were considered by the City in its evaluation of City organizations and activities:

Financial interdependency – The City is responsible for its debts and is entitled to surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the City.

Election of the government authority – The locally elected City Council is exclusively responsible for all public decisions and accountable for the decisions it makes.

Ability to significantly influence operations – The City Council has the statutory authority under the provisions of the Revised Statutes to significantly influence operations. This authority includes, but is not limited to, adoption of the budget, control over all assets, including facilities and properties, short-term borrowing, signing contracts, and developing the programs to be provided.

Accountability of fiscal matters – The responsibility and accountability over all funds is vested in the City Council.

After consideration of the above criteria, no additional entities are deemed to be component units of the City.

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.

CITY OF MULDRAUGH, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

- **General Fund** is the City's primary operating fund. It accounts for all financial operations of the City and except for those required to be accounted for in another designated fund.
- **Special Revenue Funds** consists of accounts for financial resources provided by the State of Kentucky through its Municipal Road Aid and Local Government Economic Assistance Funds, Cedar Hill fund, Christmas parade, Fire department, veterans memorial, and youth sports funds. These funds are restricted for the use of public safety, street improvements, and special events.

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated. Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus.

The government-wide financial statements and the proprietary funds financial statements are presented on a *full accrual* basis of accounting with an economic resource measurement focus. An economic resource focus concentrates on an entity or fund's net position. All transactions and events that affect the total economic resources (net position) during the period are reported. An economic resources measurement focus is inextricably connected with full accrual accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

CITY OF MULDRAUGH, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Governmental fund financial statements are presented on a modified accrual basis of accounting with a *current financial resource* measurement focus. This measurement focus concentrates on the fund's resources available for spending currently or in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Similar to the connection between an economic resource measurement focus is inseparable from a modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. *Measurable* means the amount of the transaction can be determined and revenues are considered *available* when they are collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For this purpose, revenues are considered available if they are collected within 60 days of the end of the current fiscal period. Revenues considered susceptible to accrual are property taxes, state, county and local shared revenues taxes and fees, franchise fees, intergovernmental grants, and interest income

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.

CITY OF MULDRAUGH, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 2023, the original budget was approved in June 2022 and amended May 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.

Cash and Certificates of Deposit

The City considers demand deposits, money market funds, and other deposits with an original maturity of 90 days or less, to be cash equivalents. The City considers all cash, both restricted and unrestricted, as cash and cash equivalents for purposes of the Statement of Cash Flows.

The City has restricted cash and or certificates of deposits to satisfy bond issue requirements, including cash restricted for bond payments.

Certificates of deposit are reported at cost which approximates fair value. These funds are invested for periods that comply with cash flow requirements of bond ordinances and general government services.

Inventories, and disbursements for inventory type items are considered expenditures at the time of purchase.

Receivables

Recorded property taxes receivable that are collected within 60 days after year-end are considered measurable and available and, therefore, are recognized as revenue. An allowance for doubtful accounts is not deemed necessary by management, as uncollectible taxes become a lien on the property. Property taxes are levied and become a lien on July 1. Receivables of the proprietary funds are recognized as revenue when earned, including services provided but not billed. Other receivables consist of amounts due at year end from other state, local and federal governments. Interest revenue receivable in all funds consist of revenue due on each certificate of deposit. Allowances for uncollectible accounts are maintained on all types of receivables that historically experience uncollectible amounts. Allowances are based on collection experience and management's evaluation of the current status of existing receivables. The City considers all receivables to be fully collectible; therefore, an allowance for doubtful accounts is not necessary.

Internal Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds," Short-term inter-fund loans are reported as "inter-fund receivables and payables." Long-term inter-fund loans (non-current portion) are reported as "advances from and to other funds." Inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

**CITY OF MULDRAUGH, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property Tax Calendar

Property taxes for fiscal year 2023 were levied in November 2022, respectively, on the assessed property located in the City of Muldraugh as of the preceding January 1. The rate for real estate was 19.9 cents per one hundred dollars of assessed value. The rate for auto and boats was 15.3 cents and other tangible property was 21.1 cents per one hundred dollars, respectively. The assessments are determined by the Meade County Property Valuation Administrator in accordance with Kentucky Revised Statutes. Taxes on real property are mailed and collected by the Meade County Sheriff who charges the city a of 4% of the gross amount collected. Personally property (on automobiles) are collected by the Meade County Clerk and remitted to the City on a monthly basis net of collection fees of 4%. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

- | | |
|---|---------------------------|
| 1. Due date for payment of taxes, 2% discount | November 30 |
| 2. Face value payment period | December 1 to December 31 |
| 3. Past due date, 10% penalty | January 1 |

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:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	10-39 years
Vehicles	5 years
Equipment	5-7 years
Water and Sewer System Infrastructure	5-25 years
Parks and Recreation	5-25 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.

CITY OF MULDRAUGH, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The City has two items that meets this criterion, as related to pensions and other postemployment benefits (OPEB) reported in the Statement of Net Position. This represents the effect of the net change in the City's proportion of the collective net pension and OPEB liabilities and difference during the measurement period between the City's contributions and its proportion share of total contributions to the pension systems not included in pension expense. In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has two items that meet the criterion for this category as related to pensions and OPEB reported in the Statement of Net Position.

Pensions and Other Postemployment Benefits

The City participates in a cost-sharing multiple-employer plan to provide pension and OPEB benefits to employees. Each cost-sharing government reports its proportionate share of the cumulative net pension and OPEB liability. For the purposes of measuring the net pension and OPEB liability, deferred outflows or inflows of resources related to pension and OPEB, and pension and OPEB expense, information about the fiduciary net positions of the Kentucky "County Employer Retirement System" (CERS), have been determined by the same basis as they are reported by CERS.

CITY OF MULDRAUGH, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Net Position/Fund Balances

Net position in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represent constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or b) imposed by law through state statute. In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraint placed on how fund balance can be spent. The governmental fund types classify fund balances as follows:

- *Non-spendable* – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- *Restricted* – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors, grantors or imposed by law.
- *Committed* – *Portion of fund balance that can only be used for specific purposes imposed by majority vote of the City Council Members. Any changes or removal of specific purposes requires majority action by them.*
- *Assigned* – *Portion of fund balance that has been budgeted by the City Council.*
- *Unassigned* – *Portion of fund balance that has not been restricted, committed or assigned for specific purpose.*

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, 2023, 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. The carrying amount of the City's deposits totaled \$531,058 and the bank balances totaled \$554,154. All deposits were fully covered by FDIC insurance and collateral held by the custodial bank.

CITY OF MULDRAUGH, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023

NOTE 2 – DEPOSITS AND CERTIFICATES OF DEPOSIT – CONTINUED

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, 2023, 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 3 – RECEIVABLES

Receivables as of fiscal year-end for the City's individual major and non-major funds in the aggregate, including applicable allowances for doubtful accounts are as follows:

	<u>General</u>	<u>Water & Sanitation</u>	<u>Sewer</u>	<u>Total</u>
Accounts receivables				
Customers	\$ -	\$ 74,264	\$ 73,366	\$ 147,630
Other	146,464	-	-	146,464
Gross receivables	146,464	74,264	73,366	294,094
Less allowance for bad debt	-	-	-	-
Net total receivables	\$ 146,464	\$ 74,264	\$ 73,366	\$ 294,094

NOTE 4 – INTER-FUND RECEIVABLE/PAYABLE AND TRANSFERS

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Such inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Reallocation of resources between funds of the reporting entity is classified as inter-fund transfers. Such inter-fund transfers between funds are eliminated in the Statement of Activities. Inter-fund receivables/payables at June 30, 2023 were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 4,641	\$ -
O&M	-	4,641
Total	\$ 4,641	\$ 4,641

CITY OF MULDRAUGH, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023

NOTE 5 – SUMMARY OF CHANGES IN CAPITAL ASSETS

Capital assets for the governmental activities during the year ended June 30, 2023 are as follows:

<u>Governmental Activities</u>	<u>Beginning Balance 7/1/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 6/30/2023</u>
Capital assets, not being depreciated:				
Land	\$ 76,164	\$ -	\$ -	\$ 76,164
Total capital assets, not being depreciated:	<u>76,164</u>	<u>-</u>	<u>-</u>	<u>76,164</u>
Capital assets, being depreciated:				
Buildings and Improvements	1,677,062	-	-	1,677,062
Equipment	267,561	28,355	-	295,916
Vehicles	430,861	947	-	431,808
Total capital assets, being depreciated:	<u>2,375,484</u>	<u>29,302</u>	<u>-</u>	<u>2,404,786</u>
Less accumulated depreciation for				
General	524,533	43,539	-	568,072
Park	25,310	4,132	-	29,442
Police	137,990	28,904	-	166,894
Fire	297,713	14,555	-	312,268
Total accumulated depreciation	<u>985,546</u>	<u>91,130</u>	<u>-</u>	<u>1,076,676</u>
Total capital assets, being depreciated, net	<u>1,389,938</u>			<u>1,328,110</u>
Government activities capital assets, net	<u>\$ 1,466,102</u>			<u>\$ 1,404,274</u>

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

General	\$ 43,539
Police	4,132
Fire	28,904
Park	14,555
Total	<u>\$ 91,130</u>

**CITY OF MULDRAUGH, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023**

NOTE 5 – SUMMARY OF CHANGES IN CAPITAL ASSETS – CONTINUED

Capital assets for the business-type activities during the year ended June 30, 2023 are as follows:

<u>Business-Type Activities</u>	<u>Beginning Balance 7/1/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 6/30/2023</u>
Capital assets, not being depreciated:				
Construction in Process	2,262,727	4,629,179	-	6,891,906
Total capital assets, not being depreciated:	<u>2,262,727</u>	<u>4,629,179</u>	<u>-</u>	<u>6,891,906</u>
Capital assets, being depreciated:				
Equipment	205,484	-	-	205,484
Vehicles	162,622	-	-	162,622
Sewer	3,264,682	21,578	-	3,286,260
Water	1,112,548	9,990	-	1,122,538
Total capital assets, being depreciated:	<u>4,745,336</u>	<u>31,568</u>	<u>-</u>	<u>4,776,904</u>
Less accumulated depreciation for				
Accumulated Depreciation	2,262,996	159,340	-	2,422,336
Total accumulated depreciation	<u>2,262,996</u>	<u>159,340</u>	<u>-</u>	<u>2,422,336</u>
Total capital assets, being depreciated, net	<u>2,482,340</u>			<u>2,354,568</u>
Business-type activities capital assets, net	<u>\$ 4,745,067</u>			<u>\$ 9,246,474</u>

Depreciation expense for business-type activities is charged to functions as follows:

	<u>2023</u>
Water & Sewer	\$ 159,340
Total	<u>\$ 159,340</u>

CITY OF MULDRAUGH, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023

NOTE 6 – LONG-TERM DEBT

The following is a summary of long-term debt of the City for the year ended June 30, 2023:

	<u>Balance</u> <u>7/1/2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2023</u>	<u>Due Within</u> <u>One Year</u>
Governmental-type					
Notes Payable	\$ 148,961	\$ -	\$ 29,751	\$ 119,210	\$ 35,602
Capital Leases	175,834	-	10,000	165,834	12,083
Net Pension Liability	507,404	47,958	-	555,362	-
Net OPEB Liability	152,317	-	730	151,587	-
Business-type					
Notes Payable	89,018	-	14,194	74,824	14,618
Capital Leases	-	-	-	-	-
Revenue Bonds	9,273	1,609,000	9,273	1,609,000	28,308
Net Pension Liability	217,459	68,636	-	286,095	-
Net OPEB Liability	65,279	12,812	-	78,091	-
Total	<u>\$ 1,365,545</u>	<u>\$ 1,738,406</u>	<u>\$ 63,948</u>	<u>\$ 3,040,003</u>	<u>\$ 90,611</u>

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 bond issued in prior years, for the bond listed below, was \$213,000. No general obligation bonds were issued during the current year. The revenue bond is pledged by revenues and by the full faith and credit of the government. This bond is issued as 36-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 rate 5%.

The following is a description of the City's bond outstanding as of June 30, 2023:

<u>Bond</u> <u>Series</u>	<u>Issue</u> <u>Date</u>	<u>Interest</u> <u>Rates</u>	<u>Bond</u> <u>Maturity</u>	<u>Original</u> <u>Issue</u>	<u>Outstanding</u> <u>Balance</u>
1986A	6/5/87	5%	1/1/23	\$ 213,000	\$ -
Total				<u>\$ 213,000</u>	<u>\$ -</u>

Long-Term Debt

On December 26, 2012, the City of Muldraugh entered into a loan agreement of \$165,794 with Meade County Bank for a city hall acquisition. As of June 30, 2023, the City had a balance of \$95,945 on the loan. The note is payable in 240 monthly installments of \$1,000 including interest of 3.96% and matures on December 26, 2032.

On February 20, 2021, the City of Muldraugh entered into a loan agreement of \$25,024 with Meade County Bank for a fire truck. As of June 30, 2023, the City had a balance of \$3,924 on the loan. The note bears an interest rate of 4.31% with monthly payments of \$569. The note matures on February 20, 2024.

On April 22, 2021, the City of Muldraugh entered into a loan agreement of \$105,055 with the Meade County Bank for a Ford F550 service truck. As of June 30, 2023, the City had a balance of \$74,823 on the loan. The note bears an interest rate of 2.95%. The note matures on April 22, 2028.

**CITY OF MULDRAUGH, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023**

NOTE 6 – LONG-TERM DEBT – CONTINUED

On July 2, 2021, The City of Muldraugh entered into a loan agreement of \$40,762 with the Meade County Bank for a 2020 Dodge Durango. As of June 30, 2023, the City had a balance of \$19,342 on the loan. The note bears an interest rate of 2.95%. The note matures on July 2, 2027.

On March 13, 2023, The City entered into a loan agreement of \$1,209,000 with United States Department of Agriculture for a sewer rehabilitation project. As of June 30, 2023, the City had drawn down \$1,209,000. As of June 30, 2023, the City had a balance of \$1,209,000. Principal and interest payments will be made July 1 and January 1 of each year. The first payment of interest will be made July 1, 2023, and the first principal payment will be made January 1, 2024. Therefore, no payments have been made on this loan at June 30, 2023. The bond bears an interest rate of 1.875%.

On March 13, 2023, The City entered into a loan agreement of \$400,000 with United States Department of Agriculture for a sewer rehabilitation project. As of June 30, 2023, the City had drawn down \$400,000. As of June 30, 2023, the City had a balance of \$400,000. Principal and interest payments will be made July 1 and January 1 of each year. The first payment of interest will be made July 1, 2023, and the first principal payment will be made January 1, 2024. Therefore, no payments have been made on this loan at June 30, 2023. The bond bears an interest rate of 1.75%.

The minimum obligations of the City at June 30, 2023 for the payment of loan principal and interest are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Annual Requirements</u>
2024	61,824	32,627	94,451
2025	59,413	30,510	89,923
2026	59,648	30,077	89,725
2027-2045	751,720	400,410	1,152,130
2046-2063	870,429	145,281	1,015,710
Total	<u>\$ 1,803,034</u>	<u>\$ 638,905</u>	<u>\$ 2,441,939</u>

NOTE 7 – CAPITAL LEASES

The City entered into a lease agreement in the amount of \$255,000 for the purpose of refinancing an agreement dated August 30, 2012 that was used for the acquisition, construction, equipment and installation of a community safe room. This lease is payable in 248 monthly installments of varying amounts ranging from \$1,370 to \$1,782 per month. Total future minimum payments under this agreement are \$200,652 at June 30, 2023. The lease matures January 1, 2035.

A building with a cost of \$1,219,073 and accumulated depreciation of \$296,953 was financed in part with proceeds from this capital lease. This building is shown as a fixed asset in the statement of net position.

CITY OF MULDRAUGH, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023

NOTE 7 – CAPITAL LEASES - CONTINUED

As of June 30, 2023, the City has a capital lease obligations through Kentucky Bond Corporation for a safe room. Total minimum lease payments are as follows:

2024	17,521
2025	20,075
2026	19,625
2027-2031	91,109
2032-2035	<u>\$ 52,322</u>
Total minimum lease payments	200,652
Less amount representing interest	<u>(34,819)</u>
Present value of minimum lease payments	<u>\$ 165,833</u>

NOTE 8 – RETIREMENT PLAN

The City of Muldraugh is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky 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.

Contributions – Plan members were required to contribute 5% of their annual creditable compensation for non-hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545 (33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined, on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2023, participating employers contributed 26.79% (non-hazardous) of each employee's wages, which is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

**CITY OF MULDRAUGH, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023**

NOTE 8 – RETIREMENT PLAN- CONTINUED

Plan members who began participating on, or after, January 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account for non-hazardous job classifications. Plan members also contribute 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each members' salary. Each member's account is credited with a 4% employer pay credit for non-hazardous members. The employer pay credit represents a portion of the employer contribution. Therefore, the City contributed \$80,248 or 100% of the required contribution for non-hazardous job classifications to the same pension trust.

Benefits – CERS provides retirement, health insurance, death and disability benefits to plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers based on hire date:

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

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

CITY OF MULDRAUGH, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023

NOTE 8 – RETIREMENT PLAN – CONTINUED

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2023 the City reported a liability of \$841,457 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 that date 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, 2022, was .012 percent for non-hazardous. For the year ended June 30, 2023, the City recognized pension expenses of \$55,878. At June 30, 2023, 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	\$ 900	\$ 7,494
Changes of assumptions	-	-
Net difference between projected and actual earnings on plan investments	21,572	-
Changes in proportion and difference between City contributions and proportionate share of contributions	21,256	3,658
City contributions subsequent to the measurement date	80,249	-
Total	\$ 123,977	\$ 11,152

The \$80,248 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2023	\$ 8,594
2024	7,149
2025	(7,071)
2026	23,904
2027	-
Thereafter	-

Actuarial Methods and Assumptions for determining the Total Pension Liability and Net Pension Liability – The total pension liability, net pension liability, and sensitivity information as of June 30, 2022, were based on an actuarial valuation date of June 30, 2021, and was performed by Gabriel Roeder Smith (GRS). The total pension liability was rolled-forward from the valuation date (June 30, 2021) to the plan's fiscal year ending June 30, 2022, using generally accepted actuarial principles. The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2023:

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%

**CITY OF MULDRAUGH, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023**

NOTE 8 – RETIREMENT PLAN – CONTINUED

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 2020. 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 actuarial assumptions used in the June 30, 2021, actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2022. 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.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Equity	60.00%	
US Equity	50.00%	4.45%
Non-US 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		<u>4.28%</u>
Long Term Nominal Return for Portfolio		<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 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 6.25%, 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 (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

**CITY OF MULDRAUGH, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023**

NOTE 8 – RETIREMENT PLAN – CONTINUED

	<u>Discount Rate</u>		<u>City's Proportionate Share of Net Pension Liability</u>
1% Decrease	5.25%	\$	1,051,717
Current discount rate	6.25%	\$	841,457
1% Increase	7.25%	\$	667,555

Payable to the Pension Plan – At June 30, 2023, the City reported no payable for the outstanding amount of contributions to the pension and OPEB plans required.

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.

Benefits Provided – The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. Because 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 services without regard to a maximum dollar amount.

Contributions – Contribution requirements of the participating employers are established and may be amended by the KRS Board of Trustees. For the years ended June 30, 2023, participating employers contributed 3.39% (non-hazardous) of covered payroll. 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). For the fiscal year ended June 30, 2023, the contributions for non-hazardous positions were \$11,626.

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2023 the City reported a liability of \$229,678 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 procedures. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2022, was .012 percent for non-hazardous.

**CITY OF MULDRAUGH, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023**

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

For the year ended June 30, 2023, the City recognized OPEB expenses of \$32,931. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual results	\$ 23,119	\$ 52,670
Implicit subsidy	8,280	-
Changes of assumptions	36,325	29,932
Net difference between projected and actual earnings on plan investments	9,322	-
Changes in proportion and difference between City contributions and proportionate share of contributions	7,498	9,654
City contributions subsequent to the measurement date	11,626	-
Total	\$ 96,170	\$ 92,256

The \$11,626 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ending June 30,	
2023	\$ (2,330)
2024	(3,477)
2025	(12,041)
2026	1,856
2027	-
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 6.40% 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% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

**CITY OF MULDRAUGH, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023**

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

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.

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 Rate of Return</u>
Equity	60.00%	
US Equity	50.00%	4.45%
Non-US 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		<u>4.28%</u>
Long Term Nominal Return for Portfolio		<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 classifications. The single 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 the future benefit payments of the 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 retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the System’s actuarial determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the System’s trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

**CITY OF MULDRAUGH, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023**

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

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – 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 (4.70%) or one percentage point higher (6.70%) follows:

	Discount Rate		City's Proportionate Share of Net OPEB Liability
1% Decrease	4.70%	\$	307,042
Current discount rate	5.70%	\$	229,678
1% Increase	6.70%	\$	165,723

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates – 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 (4.70%) or one percentage point higher (6.70%) than current healthcare cost trend rates follows:

City's Net OPEB Liability (Asset) Healthcare Cost		
Trend Rate 1% Decrease 4.70%	Current Discount Rate 5.70%	Trend Rate 1% Increase 6.70%
\$ 170,760	\$ 229,678	\$ 300,426

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

NOTE 10 – COMMITMENTS AND CONTINGENCIES

The City is involved in various legal proceedings incidental to the normal course of business. City Council is of the opinion, based upon the advise of general counsel, that although the outcome of such litigation cannot be forecast with certainty, final disposition should not have a material effect on the financial position of the City.

The City receives state grants for specific purposes that are subject to review and audit by state agencies. Such audits could result in a request for reimbursement by the State for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of city management, such allowances, if any, will not be significant.

NOTE 11 – RISK MANAGEMENT

The City is exposed to various forms of asset losses associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. As of June 30, 2023, the City was sufficiently insured.

NOTE 12 – COVID 19 IMPACT

In March 2021, the World Health Organization declared the coronavirus (COVID-19) outbreak to be a pandemic. COVID-19 and its variants continue to spread across the globe as vaccines to prevent it are being rolled out. The City is closely monitoring the impact of COVID-19 on all aspects of its operations. As of June 30, 2023 and as of the date that the financial statements were issued, the City has not experienced significant disruption in its operations; however, since the situation surrounding the COVID-19 pandemic remains fluid, the long-term duration, nature, and extent of the effects on the City cannot be reasonably estimated at this time.

**CITY OF MULDRAUGH, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2023**

NOTE 13 – DATE OF MANAGEMENT’S REVIEW

Subsequent events were evaluated through May 10, 2024, which is the date the financial statements were available to be issued.

**CITY OF MULDRAUGH, KENTUCKY
REQUIRED SUPPLEMENTAL
BUDGETARY COMPARISON-GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023**

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 64,000	\$ 64,000	\$ 62,250	\$ (1,750)
Motor vehicle taxes	7,500	7,500	8,625	1,125
Insurance premium taxes	139,000	139,000	141,093	2,093
Occupational taxes	104,000	104,000	106,531	2,531
Gross profits	-	-	9,670	9,670
Intergovernmental Revenue	177,100	177,100	61,916	(115,184)
Franchise taxes	40,990	40,990	43,203	2,213
Licenses & permits	37,500	37,500	19,220	(18,280)
Rental income	-	-	23,844	23,844
Bank deposit taxes	1,200	1,200	1,323	123
Impounds	12,000	12,000	-	(12,000)
Grant revenue			131,748	131,748
Service charges and fees	55,600	55,600	-	(55,600)
Other	41,350	49,080	72,221	23,141
Total Revenues	680,240	687,970	681,644	(6,326)
Expenditures				
General	326,080	353,760	319,428	34,332
Police	265,120	265,120	223,388	41,732
Fire	110,040	110,040	28,050	81,990
Parks and recreation	20,000	20,000	1,163	18,837
Capital outlay			29,302	(29,302)
Debt service				
Principal	-	-	39,751	
Interest	-	-	12,525	(12,525)
Total Expenditures	721,240	748,920	653,607	95,313
Excess (deficiency) of revenues over (under) expenditures before other financing sources and uses	(41,000)	(60,950)	28,037	88,987
Other Financing Sources (uses)				
Transfer in	-	-	28,638	28,638
Transfer out	-	-	-	-
Net other financing sources (uses)	-	-	28,638	28,638
Net Change in Fund Balance	(41,000)	(60,950)	56,675	(73,001)
Fund Balance, Beginning	80,000	80,000	146,454	80,256
Fund Balance, Ending	\$ 39,000	\$ 19,050	\$ 203,129	\$ 7,255

**CITY OF MULDRAUGH, KENTUCKY
REQUIRED SUPPLEMENTAL
BUDGETARY COMPARISON-GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023**

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 MULDRAUGH, KENTUCKY
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST NINE FISCAL YEARS**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
City's proportion of the net pension liability (asset)	0.014118%	0.014421%	0.013081%	0.011866%	0.012389%	0.012461%	0.011122%	0.011369%	0.011640%
City's proportionate share of the net pension liability (asset)	\$458,050	\$620,048	\$644,072	\$694,553	\$754,528	\$876,388	\$853,048	\$724,863	\$841,457
City's covered-employee payroll	N/A	\$336,469	\$312,053	\$288,906	\$307,064	\$284,900	\$290,395	\$321,867	\$342,938
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	184.28%	206.40%	240.41%	245.72%	307.61%	293.75%	225.21%	245.37%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	55.50%	53.32%	53.54%	50.45%	47.81%	57.33%	52.42%

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

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually required contribution	N/A	\$ 42,900	\$ 38,758	\$ 40,303	\$ 44,463	\$ 54,986	\$ 56,046	\$ 73,321	\$ 80,248
Contributions in relation to the contractually required contribution	N/A	42,900	38,758	40,303	44,463	54,986	56,046	73,321	80,248
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	N/A	\$336,469	\$312,053	\$288,906	\$307,064	\$284,900	\$290,395	\$321,867	\$342,938
Contributions as a percentage of covered-employee payroll	N/A	12.75%	12.42%	13.95%	14.48%	19.30%	19.30%	22.78%	23.40%

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

**CITY OF MULDRAUGH, KENTUCKY
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
LAST SIX FISCAL YEARS**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
City's proportion of the net OPEB liability	0.011866%	0.012389%	0.012458%	0.011119%	0.011366%	0.011638%
City's proportionate share of the net OPEB liability	\$ 238,547	\$ 219,964	\$ 209,538	\$ 268,490	\$ 217,596	\$ 229,678
City's covered-employee payroll	\$ 288,906	\$ 307,064	\$ 284,900	\$ 290,395	\$ 321,867	\$ 342,938
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	82.57%	71.63%	73.55%	92.46%	67.60%	66.97%
Plan fiduciary net position as a percentage of the total OPEB liability	52.39%	57.62%	60.44%	51.67%	62.91%	60.95%

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

**CITY OF MULDRAUGH, KENTUCKY
SCHEDULE OF CONTRIBUTIONS TO THE
OTHER POST EMPLOYMENT BENEFITS
LAST SIX FISCAL YEARS**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually required contribution	\$ 13,665	\$ 14,432	\$ 13,561	\$ 13,823	\$ 13,422	\$ 11,626
Contributions in relation to the contractually required contribution	<u>13,665</u>	<u>14,432</u>	<u>13,561</u>	<u>13,823</u>	<u>13,422</u>	<u>11,626</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 288,906	\$ 307,064	\$ 284,900	\$ 290,395	\$ 321,867	\$342,938
Contributions as a percentage of covered-employee payroll	4.73%	4.70%	4.76%	4.76%	4.17%	3.39%

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

CITY OF MULDRAGH, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023

NOTE 1 – BUDGETARY ACCOUNTING AND CONTROL

Budget Law

The City annually prepares a budget under the provisions of Kentucky Revised Statute (KRS) 91A.030. In accordance with the Statute, the following process is used to adopt the annual budget:

- The budget proposal is the responsibility of the Mayor and the City and shall be submitted to the legislative body not later than thirty days prior to the beginning of the fiscal year it covers.
- The legislative body shall adopt a budget ordinance making appropriations for the fiscal year in such sums as the legislative body finds sufficient and proper, whether greater or less than the sums recommended in the budget proposal. The budget ordinance may be in any form that the legislative body finds most efficient in enabling it to make the necessary fiscal policy decisions.
- No budget ordinance shall be adopted that provides for appropriations to exceed available resources in any one fiscal year, which would also violate section 157 of the Kentucky Constitution.
- The City legislative body may amend the budget ordinance after the ordinances' adoption if the amended ordinance continues to satisfy the requirements of KRS 91A.030.
- Immediately following the adoption of an annual budget, the clerk shall cause a summary of the budget or the text of the budget ordinance to be advertised by publication in a newspaper.

Budgetary Accounting

The annual operation budgets of governmental and proprietary funds are prepared and presented on the modified accrual basis of accounting. The City does not use an encumbrance accounting system; thus, the budgetary and GAAP presentation of the Statement of Revenues, Expenditures and Changes in Fund Balance, Budgetary and Actual are the same.

NOTE 2 – CERS

General Information

Contributions

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

Payroll

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

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%

CITY OF MULDRAUGH, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
JUNE 30, 2023

NOTE 2 – CERS – CONTINUED

Changes of Assumptions- Continued

June 30, 2021 – Pension and OPEB Hazardous and Nonhazardous

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

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

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

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

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

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

CITY OF MULDRAUGH, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
JUNE 30, 2023

NOTE 2 – CERS – CONTINUED

Changes of Assumptions- Continued

June 30, 2015 – Pension – Hazardous and Nonhazardous

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

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

June 30, 2014 – Pension – Hazardous and Nonhazardous

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

**CITY OF MULDRAUGH, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
Community Development Block Grants	14.228	\$ 1,818,086
Coronavirus State and Local Fiscal Recovery Funds American Rescue Plan Act	21.027	<u>131,748</u>
Total		<u>\$ 1,949,834</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City under programs of the federal government for the year ended March 31, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF MULDRAUGH, KENTUCKY
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2023

	Festival Fund	Land Development Fund	Police Special Fund	Storm Water Management Fund	Road Fund	Total Non-major Fund
Assets						
Cash and cash equivalents	\$ 1,860	-	\$ 1,265	\$ -	\$ -	\$ 3,125
Cash and cash equivalents- restricted		72,910		45,001	25,005	142,916
Accounts receivable	-	-	-	-	58,685	58,685
Due from other funds	-	-	-	-	-	-
Total Assets	\$ 1,860	\$ 72,910	\$ 1,265	\$ 45,001	\$ 83,690	\$ 204,726
Fund Balance						
Restricted:						
Land development	-	72,910	-	-	-	72,910
Storm water	-	-	-	45,001	-	45,001
Municipal roads	-	-	-	-	83,690	83,690
Assigned:						
Police special	-	-	1,265	-	-	1,265
Unrestricted	1,860	-	-	-	-	1,860
Total Fund Balance	\$ 1,860	\$ 72,910	\$ 1,265	\$ 45,001	\$ 83,690	\$ 204,726

CITY OF MULDRAGH, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Festival Fund	Land Development Fund	Police Special Fund	Storm Water Management Fund	Road Fund	Total Non-major Fund
Revenues						
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ 39,147	\$ 39,147
Interest income	-	-	-	77	43	120
Intergovernmental revenues	-	-	-	-	-	-
Miscellaneous	1,919	-	-	-	-	1,919
Total Revenues	<u>1,919</u>	<u>-</u>	<u>-</u>	<u>77</u>	<u>39,190</u>	<u>41,186</u>
Expenditures						
General government	-	12,000	-	3,796	-	15,796
Police	-	-	-	-	-	-
Street and Roads	-	-	-	-	953	953
Total Expenditures	<u>-</u>	<u>12,000</u>	<u>-</u>	<u>3,796</u>	<u>953</u>	<u>16,749</u>
Excess (Deficiency) of Revenues over Expenditures	1,919	(12,000)	-	(3,719)	38,237	24,437
Other Financing Sources						
Transfers in (out)	(1,919)	12,000	-	-	-	10,081
Net Change in Fund Balance	-	-	-	(3,719)	38,237	34,518
Fund Balance - Beginning of Year	1,860	72,910	1,265	48,720	45,453	170,208
Fund Balance - End of Year	\$ 1,860	\$ 72,910	\$ 1,265	\$ 45,001	\$ 83,690	\$ 204,726

CITY OF MULDRAUGH, KENTUCKY
 COMBINING STATEMENT OF NET POSITION - NON-MAJOR PROPRIETARY FUNDS
 JUNE 30, 2023

	Meter Deposit Fund	Sewer Infiltration Fund	Sewer Surcharge Fund	Bond and Interest Fund	Depreciation Fund	Water/Sewer Construction Fund	Construction Fund	Total Non-major Funds
Assets								
Cash and cash equivalents	\$ 25,657	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,657
Cash and cash equivalents- restricted	37,400	1,000	89,312	43,447	15,482	980	1,000	188,621
Accounts receivable								-
Due from other funds	-	-	-	-	-	-	-	-
Total Assets	\$ 63,057	\$ 1,000	\$ 89,312	\$ 43,447	\$ 15,482	\$ 980	\$ 1,000	\$ 214,278
Liabilities								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Customer deposits	37,400	-	-	-	-	-	-	37,400
Net Position								
Restricted	-	1,000	89,312	43,447	15,482	980	1,000	151,221
Unrestricted	25,657	-	-	-	-	-	-	25,657
Total Liabilities and Net Position	\$ 63,057	\$ 1,000	\$ 89,312	\$ 43,447	\$ 15,482	\$ 980	\$ 1,000	\$ 214,278

**CITY OF MULDRAUGH, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Meter Deposit Fund</u>	<u>Sewer Infiltration Fund</u>	<u>Sewer Surcharge Fund</u>	<u>Bond and Interest Fund</u>	<u>Depreciation Fund</u>	<u>Water/Sewer Construction Fund</u>	<u>Construction Fund</u>	<u>Total Non-major Funds</u>
Operating Revenues								
Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,309,469	\$ 1,818,086	\$ 4,127,555
Other income	10,250	-	12,397	-	-	-	-	22,647
Total Operating Revenues	10,250	-	12,397	-	-	2,309,469	1,818,086	4,150,202
Operating Expenses								
Refunds	-	-	-	-	-	-	-	-
Bank charges	-	-	-	-	-	-	-	-
Miscellaneous	6,885	-	-	2,263	-	-	-	9,148
Total Operating Expenses	6,885	-	-	2,263	-	-	-	9,148
Operating Income (Loss)	3,365	-	12,397	(2,263)	-	2,309,469	1,818,086	4,141,054
Non-Operating Revenues (Expenses)								
Interest income	-	-	131	249	24	-	-	404
Total Non-Operating Revenues (Expenses)	-	-	131	249	24	-	-	404
Transfers in	3,300	23,036	28,936	39,000	8,100	-	-	102,372
Transfers out	-	(23,036)	(30,313)	(7,673)	(8,995)	(2,309,489)	(1,818,086)	(4,197,592)
Changes in Net Position	6,665	-	11,151	29,313	(871)	(20)	-	46,238
Net Position - Beginning of Year	18,992	1,000	78,161	14,134	16,353	1,000	1,000	130,640
Net Position - End of Year	\$ 25,657	\$ 1,000	\$ 89,312	\$ 43,447	\$ 15,482	\$ 980	\$ 1,000	\$ 176,878

SK LEE CPAS, P.S.C.

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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 Muldraugh
Muldraugh, Kentucky 40155

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 Muldraugh (hereinafter called the "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 May 10, 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2023-003.

The City'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 questioned costs. 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SK LEE CPAs, P.S.C.

Berea, Kentucky
May 10, 2024

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

To the Honorable Mayor and Members of the City Council
City of Muldraugh
Muldraugh, Kentucky 40155

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Muldraugh's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the City of Muldraugh's (hereinafter called the "City") major federal program for the year ended June 30, 2023. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-003. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

SK LEE CPAS, P.S.C.

Berea, Kentucky
May 10, 2024

**CITY OF MULDRAUGH, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

MATERIAL WEAKNESS

2023-001 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.

**CITY OF MULDRAUGH, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023**

MATERIAL WEAKNESS

2023-002 Segregation of Duties

Condition:

While conducting our audit procedures to gain an understanding of internal controls over financial reporting, we noted a lack of segregation of duties which enabled one individual access to custody of assets and recording and reporting of the City's transactions in the cash receipts.

Criteria:

Segregation of duties is a control in which no person should be given the responsibility to perform more than one related function of an accounting process.

Cause:

Due to the small number of administrative and clerical employees at the City, there is an inherent limitation in its ability to segregate custodial duties from recordkeeping duties in the cash collection and billing process.

Effect:

The lack of internal controls increases the risk that an error, either intentional or unintentional, will go undetected and the financial statements will contain material misstatements.

Recommendation:

The lack of segregation of duties is a common deficiency in cities the size of Muldraugh.

Views of Responsible Officials:

Management agrees with the recommendation.

**CITY OF MULDRAUGH, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023**

NON-COMPLIANCE

2023-003 Late Submission of Data Collection Form

Condition:

The City is required to submit its Data Collection Form by March 31, 2024.

Criteria:

The City did not submit its required report by its due date.

Cause:

The oversight was due to the City not knowing they were single audit.

Effect:

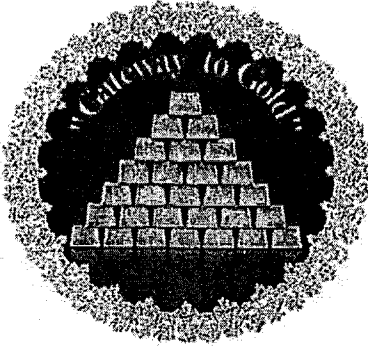
Noncompliance with filing requirements.

Recommendation:

The City should complete their Data Collection Form by the required date.

Views of Responsible Officials:

Management agrees with recommendation.



City of Muldraugh

202 Wendell Street

Muldraugh, Kentucky 40155

Phone: (502) 942-2824 Fax: (502) 942-1320

Email: clerk@muldraugh.org

CORRECTIVE ACTION PLAN May 10, 2024

Department of Local Government

The City of Muldraugh respectfully submits the following corrective action plan for the year ended June 30, 2023.

SK LEE CPAS, P.S.C
P.O. Box 958
Berea, KY 40403

The findings from the June 30, 2023 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS-FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

2023 - 001 Financial Statement Preparation

Recommendation:

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

Action taken:

Management concurs with the finding, however, due to limited economic resources cannot hire an accountant at this time and will continue to engage the audit firm to draft the financial statements including the notes to the financial statements.

2023- 002 Segregation of Duties

Recommendation:

The lack of segregation of duties is a common deficiency in cities the size of Muldraugh

Action taken:

Management concurs with the finding, however, due to limited economic resources cannot hire staff to properly segregate the duties required of the City.

NON - COMPLIANCE

2023 - 003 Late Submission of Data Collection Form

Recommendation:

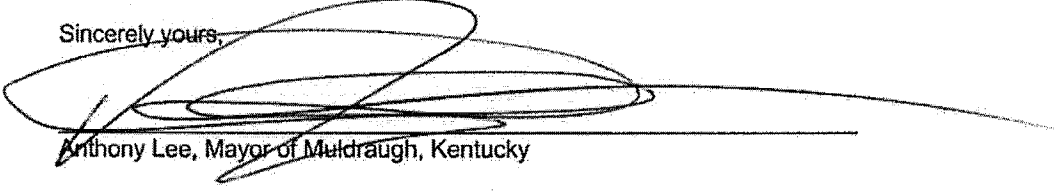
The City should complete their DCF by the required date.

Action taken:

Management concurs with the finding and will have the data collection form completed by the required date.

If the Department of Local Government has questions regarding this plan, please call Anthony Lee at (502) 942-2824.

Sincerely yours,

A large, stylized handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Anthony Lee, Mayor of Muldraugh, Kentucky