

Financial Statements and Required
Supplementary Information

City of Shepherdsville, Kentucky

June 30, 2023

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Supplementary Information

City of Shepherdsville, Kentucky

June 30, 2023

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The City of Shepherdsville, Kentucky

As of and for the Year Ended June 30, 2023

Transmittal Letter

City Council and Citizens of Shepherdsville
Shepherdsville, Kentucky

The Annual Comprehensive Financial Report

The Annual Comprehensive Financial Report ("ACFR") of the City of Shepherdsville, Kentucky (the "City"), for the fiscal year ended June 30, 2023, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rest with the City's management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The ACFR is presented in two sections: introductory and financial. The introductory section includes this transmittal letter and a list of principal officials. The financial section includes, under the new Governmental Accounting Standards Board Statement No. 34 as amended, the Report of Independent Auditors, management's discussion and analysis, the basic government-wide financial statements, the fund financial statements, the notes to the financial statements and the required supplementary information.

The City of Shepherdsville is located in Bullitt County, Kentucky. The City is a home rule municipal corporation organized on December 11, 1793, under the laws of the Commonwealth of Kentucky, and as such, operates under its own charter. The City government consists of a mayor and six (6) city council members. The mayor serves a four (4) year term. Council members serve a two (2) year term.

For financial reporting purposes, the City includes in this report all funds, agencies, boards and other commissions that are controlled by the City or dependent on the City's legislative branch. "Controlled by" or "dependent on" is determined on the basis of the budget adoption, taxing authority, outstanding debts secured by revenues or general taxing authority of the City, and the City's obligation to fund any deficits that may occur.

The City provides a full range of municipal services. These services include fire and police protection, park and recreation programs, streets, sidewalks and roads maintenance and a sewer system.

LBMC audited the financial statements and the related notes of the City of Shepherdsville, Kentucky. As stated in the auditors' report, the audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

We wish to acknowledge the employees of the City of Shepherdsville who are the City's most valuable asset. These individuals serve productively throughout City operations. They continuously provide quality services to the citizens of Shepherdsville, Kentucky.

Respectively submitted:

Mayor

City Clerk

**The City of Shepherdsville, Kentucky
Governmental Directory
City Clerk's Office**

Post Office Box 400

634 Conestoga Parkway

Shepherdsville, KY 40165

Telephone: 502/543-2923 ~ 502/543-6201 (facsimile)

City Council meetings held 2nd and 4th Monday of each month at 6:00PM (EST)

City of Shepherdsville Officials

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Mayor	Jose Cubero	December 31, 2026
Council Member	Jennifer Mendez	December 31, 2024
Council Member	Bonnie Enlow	December 31, 2024
Council Member	Mike Hibbard, Sr.	December 31, 2024
Council Member	Paula A Mangus	December 31, 2024
Council Member	Brad Whitaker	December 31, 2024
Council Member	Faith Portman	December 31, 2024
City Clerk	Brenda Weidekamp	
Deputy City Clerk/Flood Plain Coordinator	Nickie Newton	
Finance Director	Tonya Taylor	
Asst Finance Director	Gayla Bright	
Fire Chief	Layne Troutman	
Fire Marshall	Ted Calvert	
Police Chief	Steve Schmidt	
Public Utility Director	Scott Fleming	
Public Works Foreman	Thomas LaFollette	
Wastewater Treatment	Scott Fleming	
Alcoholic Beverage Control (ABC) Officer	Joe Fleming	
Civil Service Commission Chair	Debbie Hawkins	



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Independent Auditors' Report

To the Mayor and City Council
City of Shepherdsville, Kentucky
Shepherdsville, Kentucky

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Shepherdsville, Kentucky (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 and each major fund of the City as of June 30, 2023 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our ethical responsibilities, in accordance with the relevant requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Restatements

As disclosed in Note D to the financial statements, the City discovered that they had improperly calculated the construction in progress for the general fund for the year ended June 30, 2022. An adjustment to beginning fund balance has been posted. In addition, during the year, the City discovered an error in fund balance classification between General Fund and the Municipal Aid Fund. A restatement adjustment has been posted to beginning fund balance as disclosed in Note I. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with GAAP; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit for the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS 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

GAAP requires that the management's discussion and analysis, pension schedules, OPEB schedules, and budgetary comparison information on pages 7 through 14 and 63 through 71 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulation ("CFR") Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards on Page 77, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 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 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.

L B M C, P C

Louisville, Kentucky
August 27, 2024

Management's Discussion and Analysis

City of Shepherdsville, Kentucky

As of and For the Year Ended June 30, 2023

As management of the City of Shepherdsville, Kentucky (the "City"), we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City as of June 30, 2023 and for the fiscal year then ended. We encourage the readers to read information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

- The ending cash and equivalents balances for the City and the Sewer Department were approximately \$40.4 million and \$8.5 million, respectively.
- The ending net position (assets and deferred outflows of resources less liabilities and deferred inflows of resources) for the City and the Sewer Department were approximately \$1.5 million and \$33.0 million, respectively.
- Overall net position of the City increased approximately \$2.5 million from \$32.1 million at June 30, 2022 to \$34.5 million at June 30, 2023.
- General fund revenues before other financing sources and uses, of \$21.8 million exceeded expenditures of \$19.7 million for the year ended June 30, 2023. This represents an excess of revenue over expenses of approximately \$2.2 million.
- Long-term debt (bonds, leases, and notes) for the general fund increased by approximately \$30.4 million during the year ended June 30, 2023. The sewer fund was reduced by approximately \$1.3 million during the year ended June 30, 2023. The City's total balance of bonds and notes payable at June 30, 2023 totaled approximately \$48.8 million.
- The City has recorded a net pension liability for the City's proportionate share of the County Employees' Retirement System (CERS) net pension liability at June 30, 2023 of \$25.9 million. This is an increase from the prior year of approximately \$4.6 million.
- The City has recorded a net Other Post-Employment Benefit Obligation (OPEB) liability for the City's proportionate share of the County Employees' Retirement System (CERS) net OPEB liability at June 30, 2023 of \$7.2 million. This represents an increase of \$755 thousand from the prior year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements as of June 30, 2023 and for the fiscal year then ended. The City's financial statements consist of three (3) components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. The basic financial statements present two (2) different views of the City through the use of government-wide financial statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City.

City of Shepherdsville, Kentucky

As of and For the Year Ended June 30, 2023

Required Components of Annual Financial Report

Basic Financial Statements

The first two (2) statements in the basic financial statements are the **government-wide financial statements**. They provide both short-term and long-term information about the City's financial status.

The next statements are **fund financial statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide financial statements. There are three (3) parts to the funds financial statements: 1) the governmental funds financial statements, 2) the budgetary comparison financial statements, and 3) the propriety financial statements.

The next section of the basic financial statements is the notes section. The notes to the financial statements explain in detail some of the data contained in these financial statements. After the notes section, required supplementary information is provided, which contains budgetary comparison statement for the general fund and certain required pension and OPEB schedules.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances similar to the financial statements of a private - sector business. The government-wide financial statements provide short and long - term information about the City's financial status as a whole.

The first of these government-wide statements is the Statement of Net Position. This is the government-wide statement of net position presenting information that includes all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of the City's infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the Statement of Activities, which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

The government-wide financial statements are divided into two (2) categories: 1) governmental activities, and 2) business-type activities. The governmental activities include most of the City's basic services for residents such as public safety (fire and police protection), public works (streets, roads and sidewalks maintenance), parks and recreation, and general administration. Property taxes, franchise and license fees and occupational tax revenues finance most of these activities. The business-type activity is one that the City charges consumers to provide. This includes sewer service for City residents and businesses.

Management Discussion and Analysis--Continued

City of Shepherdsville, Kentucky

As of and For the Year Ended June 30, 2023

The government-wide financial statements are reported on pages 15 and 16.

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Shepherdsville, Kentucky, like all other governmental entities in Kentucky, uses fund accounting to ensure and reflect compliance with finance related legal requirements, such as the City's general budget ordinances. All of the funds of the City of Shepherdsville, Kentucky can be divided into two (2) categories: governmental funds, and proprietary fund.

Governmental Fund--Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted in the governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left over at year-end that will be available for spending in the next fiscal year. Governmental funds are reported using an accounting method called *modified accrual accounting* which gives the reader a short - term spending focus. As a result, the governmental fund financial statements give the reader a detailed short - term view that helps determine if there are more or less financial resources available to finance City programs. The relationship between the City's governmental activities (as reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City adopts an annual budget for its general fund as required by Kentucky Revised Statutes ("KRS"). The budget is a legally adopted document that incorporates input from the residents of the City, the management of the City and the decisions of the City Council about which services to provide and how to pay for the services. It also authorizes the City to obtain funds from other sources to finance these correct period items. The budgetary financial statement provided for the general fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison financial statement uses budgetary basis of accounting and is presented using the same format, language and classifications as the legal budget documents. The financial statement shows four (4) columns: 1) the original budget as adopted by the council, 2) the final budget as amended by the city council, 3) the actual resources, charges to appropriations and ending balances of the general fund, and 4) the differences or variance between the final budget and the actual resources and charges.

Proprietary Fund--The City has one proprietary fund. The *Sewer Fund* is used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Shepherdsville, Kentucky uses the enterprise fund to account for sewer operations. These funds are the same as those functions shown in the business-type activities in the statement of net position and statement of activities.

Management Discussion and Analysis--Continued

City of Shepherdsville, Kentucky

As of and For the Year Ended June 30, 2023

Notes to the Financial Statements--The notes to the financial statements provide additional information to the reader that is essential for a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements begin on page 24 of this report.

Independence with Other Entities--The City receives financial assistance (resources) from both the federal government and the Commonwealth of Kentucky. Because of this the City is subject to changes in specific flows of intergovernmental revenues based upon modifications to federal and state laws and federal and state appropriations.

Government-Wide Financial Analysis

Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 45,930,004	\$ 11,408,192	\$ 9,566,282	\$ 9,603,908	\$ 55,496,286	\$ 21,012,100
Capital assets	15,375,278	16,157,541	40,173,470	40,483,014	55,548,748	56,640,555
Total Assets	\$ 61,305,282	\$ 27,565,733	\$ 49,739,752	\$ 50,086,922	\$ 111,045,034	\$ 77,652,655
Deferred Outflows of Resources	\$ 12,185,083	\$ 9,422,287	\$ 737,897	\$ 475,038	\$ 12,922,980	\$ 9,897,325
Current liabilities	\$ 3,731,867	\$ 2,514,792	\$ 1,593,849	\$ 1,985,668	\$ 5,325,716	\$ 4,500,460
Long-term liabilities	63,184,752	28,576,272	15,522,827	16,177,460	78,707,579	44,753,732
Total Liabilities	\$ 66,916,619	\$ 31,091,064	\$ 17,116,676	\$ 18,163,128	\$ 84,033,295	\$ 49,254,192
Deferred Inflows of Resources	\$ 5,037,265	\$ 5,202,862	\$ 422,932	\$ 411,418	\$ 5,460,197	\$ 5,614,280
Net Position						
Net investment in capital assets	\$ 43,026,982	\$ 13,383,547	\$ 25,546,738	\$ 24,509,534	\$ 68,573,720	\$ 37,893,081
Restricted	238,857	118,519	914,837	1,811,912	1,153,694	1,930,431
Unrestricted	(41,729,358)	(12,807,972)	6,476,466	5,665,968	(35,252,892)	(7,142,004)
	\$ 1,536,481	\$ 694,094	\$ 32,938,041	\$ 31,987,414	\$ 34,474,522	\$ 32,681,508

As noted earlier, net position may serve over time as one of the useful indicators of a government's financial condition. The combined assets and deferred outflows of resources of the City exceeded the liabilities and deferred inflows of resources by approximately \$34.5 million as of June 30, 2023. The City's net position increased by approximately \$2.5 million for the fiscal year ended June 30, 2023. Capital assets of the City decreased by approximately \$1.1 million due to depreciation, which exceeded additions for the year. The City uses capital assets to provide services (fire and police protection, City parks, street, roads and sidewalks maintenance) for residents of the City. Therefore, these assets are not available for future spending. Although the City's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay the debt must be provided by other sources, since capital assets cannot be used to liquidate these liabilities. Long-term debt liabilities (excluding compensated absences and the net pension / OPEB liabilities) increased by approximately \$29.1 million during fiscal year ended June 30, 2023.

Management Discussion and Analysis--Continued

City of Shepherdsville, Kentucky

As of and For the Year Ended June 30, 2023

Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Program Revenue						
Charges for services			\$ 6,351,827	\$ 6,703,803	\$ 6,351,827	\$ 6,703,803
Operating grants and contributions	\$ 441,277	\$ 3,666,776			441,277	3,666,776
Capital grants and contributions	236,153	269,815			236,153	269,815
General Revenues						
Property taxes	2,770,776	2,451,040			2,770,776	2,451,040
Occupational taxes	15,648,173	10,561,643			15,648,173	10,561,643
Fees, licenses and permits	336,899	796,163			336,899	796,163
Insurance premium tax	1,803,901	1,014,183			1,803,901	1,014,183
Motor vehicle taxes	192,904	158,968			192,904	158,968
Telecommunications tax	77,644	78,054			77,644	78,054
Franchise taxes	154,710	103,304			154,710	103,304
Rent income	19,466	15,984			19,466	15,984
Other income	189,903	195,506	289,942	230,363	479,845	425,869
Interest income	194,139	6,223	16,297	2,638	210,436	8,861
Gain on sale or disposal of capital	10,487	177,180			10,487	177,180
Total Revenues	22,076,432	19,494,839	6,658,066	6,936,804	28,734,498	26,431,643
Expenses						
General government	4,104,196	2,486,183			4,104,196	2,486,183
Fire department	6,342,031	4,618,754			6,342,031	4,618,754
Police department	6,956,252	5,451,509			6,956,252	5,451,509
Public works department	2,956,125	1,411,164			2,956,125	1,411,164
Municipal aid - streets	232,747	719,557			232,747	719,557
Interest on long-term debt	66,205	115,236			66,205	115,236
Sewer services			5,707,439	5,302,910	5,707,439	5,302,910
Total Expenses	20,657,556	14,802,403	5,707,439	5,302,910	26,364,995	20,105,313
Change in Net Position	\$ 1,418,876	\$ 4,692,436	\$ 950,627	\$ 1,633,894	\$ 2,369,503	\$ 6,326,330

Governmental Activities

Total revenue increased approximately \$2.6 million or 13% for governmental activities, primarily driven by increases in occupational taxes of 48%. City departments experienced an increase in operating expenses of approximately \$5.9 million or 40%.

Management Discussion and Analysis--Continued

City of Shepherdsville, Kentucky

As of and For the Year Ended June 30, 2023

Business-type Activities

Operating revenue related to sewer charges for services offered by the City decreased approximately \$279 thousand or 4% for fiscal year ended June 30, 2023. Primarily due to a decrease in charges for services of 5.3%. Expenses for sewer services increased approximately \$405 thousand or 8%.

Capital Asset and Debt Administration

Capital Assets

The City's total investment in capital assets for its governmental and business-type activities as of June 30, 2023 totals approximately \$55.5 million (net of depreciation). These assets include buildings, infrastructure (streets, roads, sewer lines/system, and sidewalks) land, machinery and equipment, park facilities and vehicles.

Major capital asset transactions during the fiscal year include the following:

1. Construction in process for the following projects:
 - a. General project - \$286 thousand
 - b. Sewer projects - \$360 thousand
2. General infrastructure - \$600 thousand
3. Sewer infrastructure- \$2 million
4. Additional information on the City's capital assets can be found in the notes to the financial statements.

Long-Term Debt

Governmental Activities

As of June 30, 2023, the City had a total debt outstanding of \$33.5 million reported for governmental activities. During the fiscal year, \$1.5 million of debt was retired and a \$30.6 million bond was issued.

The City of Shepherdsville is required by Government Accounting Standards Board Statement No. 68 and No. 75 to begin reporting in its financial statements the City's proportionate share of the unfunded pension and OPEB liabilities of the City related to the City participation in CERS. See notes of the financial statements.

Management Discussion and Analysis--Continued

City of Shepherdsville, Kentucky

As of and For the Year Ended June 30, 2023

The amount of the unfunded pension liability allocated to the City of Shepherdsville by the Kentucky Retirement System is \$25.9 million. The amount of the unfunded OPEB liability allocated to the City of Shepherdsville by the Kentucky Retirement System is \$7.2 million.

The net pension and OPEB liabilities are presented as non-current liabilities as of June 30, 2023 and represent an allocation of the unfunded pension and OPEB liabilities, respectively, of the Kentucky Retirement System measured as of June 30, 2022.

Business-type Activities

As of June 30, 2023, the City had \$14.6 million long-term debt for the Sewer Fund. The City is prohibited from making early payments to retire the debts.

The reserve and replacement sinking funds required by three (3) of the bonds are fully funded as of June 30, 2023.

The sewer fund did not acquire any new debt during fiscal year end June 30, 2023.

Economic Factors, Next Year's Budget and Tax Rates

The following key economic indicators reflect the growth and prosperity of the City of Shepherdsville, Kentucky:

1. Future job growth over the next ten years is expected to be 38.9%.
2. Unemployment rate: The unemployment rate for the Commonwealth of Kentucky at June 2023 was 4.2% compared to 3.9% at the end of June 2022. The unemployment rate for Bullitt County June 2023 was at 4.1%.
3. The median household income in Bullitt County is \$74,969.
4. Interstate 65 is a major highway that runs north and south through the City. There are three (3) exits off the interstate into the City. Large industrial parks have been developed around these exits. The City partnered with the Kentucky Department of Transportation to construct major improvements at Exit 116 on I-65 in Shepherdsville. The improvements to the exit ramps and the addition of another road have improved traffic flow on and off the ramps at Exit 116.
5. The City is 17 miles from the Louisville International Airport which is a major transportation hub for United Parcel Service (UPS) and FedEx.
6. The cost of living in Shepherdsville, Kentucky is slightly more than Kentucky and less than the national average (90 vs. 100.0).

Management Discussion and Analysis--Continued

City of Shepherdsville, Kentucky

As of and For the Year Ended June 30, 2023

7. The real estate property tax for 2023 (due November 1, 2023) remained at \$0.122 per \$100 of assessed value.

Budget Highlights for the Fiscal Year Ended June 30, 2023

Governmental Activities

The City did not amend its original annual budgets (General Fund, Sewer Fund and Municipal Aid Fund), for fiscal year ended June 30, 2023. Generally, if required, budget amendments fall into one of three (3) categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available, 2) amendments made to recognize new funding amounts from external sources, such as federal and state grants, and 3) increases in appropriations that become necessary to maintain services.

Request for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information contained herein or request for additional information should be directed to the Finance Director, 634 Conestoga Pkwy, Shepherdsville, Kentucky 40165. One can also call (502) 215-1529 and request to speak with the Finance Director.

Please visit our website at www.Shepherdsville.gov

Government-Wide Financial Statements

Statement of Net Position

City of Shepherdsville, Kentucky

June 30, 2023

	Governmental Activities	Business- Type Activities	Totals
Assets			
Cash and cash equivalents	\$ 37,974,249	\$ 7,051,953	\$ 45,026,202
Restricted cash and cash equivalents	2,395,622	1,445,573	3,841,195
Receivables, net	3,274,146	511,059	3,785,205
Unbilled receivables, net		277,247	277,247
Internal balances	(6,270)	6,270	
Due from Louisville Water Company		268,638	268,638
Prepaid expenses	1,614,313	5,542	1,619,855
Leased assets, net	677,944		677,944
Non-depreciable capital assets	2,030,345	1,063,705	3,094,050
Depreciable capital assets, net	13,344,933	39,109,765	52,454,698
Total Assets	61,305,282	49,739,752	111,045,034
Deterred Outflow of Resources			
CERS - Pension - Non-Hazardous	673,234	487,514	1,160,748
CERS - Pension - Hazardous	7,615,579		7,615,579
CERS - OPEB - Non-Hazardous	345,767	250,383	596,150
CERS - OPEB - Hazardous	3,550,503		3,550,503
Total Deferred Outflows	12,185,083	737,897	12,922,980
Total Assets and Deferred Outflows of Resources	\$ 73,490,365	\$ 50,477,649	\$ 123,968,014
Liabilities			
Current Liabilities			
Accounts payable	\$ 425,101	\$ 355,518	\$ 780,619
Accrued expenses	967,605	15,702	983,307
Accrued interest	10,945	42,275	53,220
Deposits	12,150		12,150
Lease obligations	272,749		272,749
Accrued compensated absences	51,683	10,073	61,756
Bonds payable - due in one year	399,583	240,000	639,583
Notes payable - due in one year	1,592,051	930,281	2,522,332
Total Current Liabilities	3,731,867	1,593,849	5,325,716
Long-Term Liabilities			
Lease obligations	405,195		405,195
Accrued compensated absences	307,108	55,691	362,799
Bonds payable - non-current	30,155,417	2,370,000	32,525,417
Discount on bond sold	(295,311)		(295,311)
Premium on bond sold	205,379		205,379
Notes payable - non-current	1,311,245	11,086,451	12,397,696
Net pension liability - CERS Non-Hazardous	2,181,279	1,579,545	3,760,824
Net pension liability - CERS Hazardous	22,141,557		22,141,557
Net OPEB liability - CERS Non-Hazardous	595,383	431,140	1,026,523
Net OPEB liability - CERS Hazardous	6,177,500		6,177,500
Total Long-Term Liabilities	63,184,752	15,522,827	78,707,579
Total Liabilities	66,916,619	17,116,676	84,033,295
Deferred Inflows of Resources			
CERS - Pension - Non-Hazardous	272,548	197,363	469,911
CERS - Pension - Hazardous	1,958,464		1,958,464
CERS - OPEB - Non-Hazardous	311,499	225,569	537,068
CERS - OPEB - Hazardous	2,494,754		2,494,754
Total Deferred Inflows	5,037,265	422,932	5,460,197
Net Position			
Net investment in capital assets	43,026,982	25,546,738	68,573,720
Restricted for:			
Municipal Street Fund	238,857		238,857
Debt service		212,696	212,696
Construction		702,141	702,141
Unrestricted	(41,729,358)	6,476,466	(35,252,892)
Total Net Position	1,536,481	32,938,041	34,474,522
Total Liabilities, Deferred Inflows of Resources and Net Pension	\$ 73,490,365	\$ 50,477,649	\$ 123,968,014

See Notes to Financial Statements

Statement of Activities

City of Shepherdsville, Kentucky

For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Primary Governmental Activities	Net Revenue (Expense) and Changes in Net Position Government Business-Type Activities	Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			
Governmental Activities							
General Government							
General government	\$ 4,104,196		\$ 59,988		\$ (4,044,208)		\$ (4,044,208)
Fire department	6,342,031		225,229		(6,116,802)		(6,116,802)
Police department	6,956,252		156,060		(6,800,192)		(6,800,192)
Public works department	2,956,125				(2,956,125)		(2,956,125)
Municipal aid - streets	232,747			\$ 236,153	3,406		3,406
Interest on long-term debt	66,205				(66,205)		(66,205)
Total Governmental Activities	\$ 20,657,556	\$	\$ 441,277	\$ 236,153	\$ (19,980,126)		\$ (19,980,126)
Business-Type Activities							
Sewer services	\$ 5,707,439	\$ 6,351,827	\$	\$	\$	\$ 644,388	\$ 644,388
General Revenues							
Property taxes					\$ 2,770,776		\$ 2,770,776
Occupational taxes					15,648,173		15,648,173
Fees, license and permits					336,899		336,899
Insurance premium tax					1,803,901		1,803,901
Motor vehicle taxes					192,904		192,904
Telecommunications tax					77,644		77,644
Franchise taxes					154,710		154,710
Rent income					19,466		19,466
Other income					189,903	\$ 289,942	479,845
Interest income					194,139	16,297	210,436
Gain on sale or disposal of capital assets					10,487		10,487
Total General Revenues					21,399,002	306,239	21,705,241
Change in Net Position					1,418,876	950,627	2,369,503
Net Position, June 30, 2022, as previously reported					694,094	31,987,414	32,681,508
Restatement (Note D)					(576,489)		(576,489)
Net Position, Beginning, as restated					117,605	31,987,414	32,105,019
Net Position, Ending					\$ 1,536,481	\$ 32,938,041	\$ 34,474,522

See Notes to the Financial Statements

Fund Financial Statements

Balance Sheet - Governmental Funds

City of Shepherdsville, Kentucky

June 30, 2023

	General Government Fund	Municipal Aid Fund	Total Governmental Funds
Assets			
Cash and cash equivalents			
Cash and cash equivalents	\$ 37,974,249		\$ 37,974,249
Cash, restricted	2,156,765	\$ 238,857	2,395,622
Receivables, net	3,274,146		3,274,146
Prepaid expenses	1,614,313		1,614,313
Due from other governmental fund		152,841	152,841
Total Assets	\$ 45,019,473	\$ 391,698	\$ 45,411,171
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 425,101		\$ 425,101
Accrued expenses	967,605		967,605
Accrued interest	10,945		10,945
Deposits	12,150		12,150
Due to other governmental fund	152,841		152,841
Due to sewer fund	6,270		6,270
Total Liabilities	1,574,912		1,574,912
Fund Balances			
Nonspendable	1,614,313		1,614,313
Restricted		\$ 238,857	238,857
Committed	175,394		175,394
Assigned		152,841	152,841
Unassigned	41,654,854		41,654,854
Total Fund Balances	43,444,561	391,698	43,836,259
Total Liabilities and Fund Balances	\$ 45,019,473	\$ 391,698	\$ 45,411,171

See Notes to the Financial Statements

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position

City of Shepherdsville, Kentucky

June 30, 2023

Fund Balance - Total Governmental Funds	\$	43,836,259
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Amounts reported for Governmental Activities in the Statement of Net Position are different because of the following:

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

Governmental leased assets	\$ 965,984	
Less: accumulated amortization	(288,040)	
Governmental capital assets	29,834,612	
Less: accumulated depreciation	<u>(14,459,334)</u>	16,053,222

Deferred outflows of resources and deferred inflows of resources related to the City's proportionate share of CERS:

Deferred outflows of resources - CERS	12,185,083	
Deferred inflows of resources - CERS	<u>(5,037,265)</u>	7,147,818

Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the governmental funds

Lease obligations	(677,944)	
Bonds payable, net	(30,465,068)	
Governmental notes payable	(2,903,296)	
Net pension liability	(24,322,836)	
Net OPEB liability	(6,772,883)	
Compensated absences	<u>(358,791)</u>	<u>(65,500,818)</u>

Net Position of Governmental Activities	\$	<u><u>1,536,481</u></u>
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See Notes to the Financial Statements

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

City of Shepherdsville, Kentucky

For the Year Ended June 30, 2023

	General Government Fund	Municipal Aid Fund	Total Governmental Funds
Revenues			
Property taxes	\$ 2,770,776		\$ 2,770,776
Occupational taxes	15,648,173		15,648,173
Fees, license and permits	336,899		336,899
Insurance premium tax	1,803,901		1,803,901
Motor vehicle taxes	192,904		192,904
Telecommunications tax	77,644		77,644
Franchise taxes	154,710		154,710
Rent income	19,466		19,466
Other income	189,903		189,903
Intergovernmental revenues	441,276	\$ 236,153	677,429
Interest income	194,139		194,139
Total Revenues	21,829,791	236,153	22,065,944
Expenditures			
General government	4,003,719		4,003,719
Public safety, fire department	5,107,716		5,107,716
Public safety, police department	5,664,464		5,664,464
Public works	2,324,720		2,324,720
Municipal road aid expense		232,747	232,747
Capital outlay	1,033,953		1,033,953
Debt service			
Principal	1,478,362		1,478,362
Interest	66,205		66,205
Total Expenditures	19,679,139	232,747	19,911,886
Revenues in Excess of Expenditures	2,150,652	3,406	2,154,058
Other Financing Sources (Uses)			
Proceeds on revenue bond sold	30,555,000		30,555,000
Discount on revenue bond sold	(295,311)		(295,311)
Premium on revenue bond sold	205,379		205,379
Issuance of long term debt	1,607,664		1,607,664
Proceeds from sale of capital assets	10,487		10,487
Total Other Financing Sources (Uses)	32,083,219		32,083,219
Net Change in Fund Balances	34,233,871	3,406	34,237,277
Fund Balances, as previously reported	9,889,996	(291,014)	9,598,982
Restatement (Note I)	(679,306)	679,306	
Fund Balances, Beginning, as restated	9,210,690	388,292	9,598,982
Fund Balances, Ending	\$ 43,444,561	\$ 391,698	\$ 43,836,259

See Notes to the Financial Statements

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities

City of Shepherdsville, Kentucky

For the Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds \$ 34,237,277

Amounts reported for changes in net position in the
Statement of Activities are different because of the following:

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those assets
are depreciated over their estimated useful lives. This is the
amount capital outlays exceeded depreciation
expense in the current fiscal year.

Expenditures for capital assets	\$ 1,033,953	
Depreciation expense	<u>(1,239,727)</u>	(205,774)

Bond proceeds are recorded as revenues in the Fund financial statements but are recorded as liabilities in the statement of net position.	(30,465,068)
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Repayment of long-term debt principal is considered an expenditure in the governmental funds, but their repayment reduces long-term liabilities in the statement of net position.	1,478,362
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Issuance of long-term debt	(1,607,664)
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Items reported in the Statement of Activities
do not involve current financial resources and,
therefore, are not reported as expenditures in the
governmental funds.

These activities include:

Pension and OPEB expense related to changes in the net pension liability and the net changes in deferred inflows and deferred outflows related to CERS	(1,945,465)	
Changes in compensated absences	<u>(72,792)</u>	<u>(2,018,257)</u>

Change in Net Position of Governmental Activities	\$ <u>1,418,876</u>
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See Notes to the Financial Statements

Statement of Net Position - Proprietary Fund

City of Shepherdsville, Kentucky

June 30, 2023

	Sewer Fund
Assets	
Current Assets:	
Cash and cash equivalents	\$ 7,051,953
Restricted cash and cash equivalents	1,445,573
Accounts receivable, net	511,059
Unbilled receivables, net	277,247
Due from General Fund	6,270
Due from Louisville Water Company	268,638
Prepaid expenses	5,542
Total Current Assets	9,566,282
Non-current Assets	
Non-depreciable capital assets	1,063,705
Depreciable capital assets, net	39,109,765
Total Non-current Assets	40,173,470
Total Assets	49,739,752
Deferred Outflow of Resources	
CERS - Pension- Non-Hazardous	487,514
CERS - OPEB - Non-Hazardous	250,383
Total Deferred Outflows of Resources	737,897
Total Assets and Deferred Outflows of Resources	\$ 50,477,649
Liabilities	
Current Liabilities	
Accounts payable	\$ 355,518
Accrued expenses	15,702
Accrued interest	42,275
Accrued compensated absences	10,073
Bonds payable - due in one year	240,000
Notes payable - due in one year	930,281
Total Current Liabilities	1,593,849
Non-current Liabilities	
Accrued compensated absences	55,691
Net pension liability - CERS	1,579,545
Net OPEB liability - CERS	431,140
Bonds payable - non-current	2,370,000
Notes payable - non-current	11,086,451
Total Non-current Liabilities	15,522,827
Total Liabilities	17,116,676
Deferred Inflow of Resources	
CERS - Pension - Non-Hazardous	197,363
CERS - OPEB - Non-Hazardous	225,569
Total Deferred Inflows of Resources	422,932
Net Position	
Net investment in capital assets	25,546,738
Restricted for debt service	212,696
Restricted for construction	702,141
Unrestricted	6,476,466
Total Net Position	32,938,041
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 50,477,649

See Notes to Financial Statements

Statement of Revenues, Expenses and Changes
in Net Position - Proprietary Fund

City of Shepherdsville, Kentucky

June 30, 2023

	Sewer Fund
Operating Revenues	
Sewer service	\$ 3,410,004
Jim Beam service	2,596,183
Sewer connection	318,402
Other fees	27,238
Total Operating Revenues	6,351,827
Operating and Maintenance Expenses	
Personnel expenses	832,402
Personnel benefits	639,564
Sewer plant operating expenses	717,049
Repairs and maintenance	693,823
Training and travel	950
General administrative and supplies	200,216
Professional fees	58,535
Insurance	79,809
Other	41,604
Depreciation and amortization	1,784,276
Total Operating and Maintenance Expenses	5,048,228
Operating Income	1,303,599
Non-operating Revenues (Expenses)	
Interest expense	(659,211)
Interest income	16,297
Other income	289,942
Total Non-operating Income (Expenses)	(352,972)
Change in Net Position	950,627
Net Position, Beginning	31,987,414
Net Position, Ending	\$ 32,938,041

See Notes to Financial Statements

Statement of Cash Flows - Proprietary Fund

City of Shepherdsville, Kentucky

Year Ended June 30, 2023

	Sewer Fund
Cash Flow from Operating Activities	
Cash received from customers	\$ 6,081,037
Cash payments made to suppliers for goods and services	(1,886,353)
Cash payments made to employees and professional contractors for services	(1,233,580)
	<hr/>
Net Cash Provided By Operating Activities	2,961,104
Cash Flows from Noncapital Financing Activity	
Other miscellaneous income	289,942
Cash Flows from Capital and Related Financing Activities	
Acquisition and construction of capital assets	(1,474,732)
Principal paid on long-term debt	(1,346,748)
Interest paid on long-term debt	(659,211)
	<hr/>
Net Cash Used In Capital and Related Financing Activities	(3,480,691)
Cash Flows from Investing Activity	
Interest income	16,297
	<hr/>
Net Decrease in Cash and Cash Equivalents	(213,348)
Cash and Cash Equivalents, Beginning	<hr/> 8,710,874
	<hr/>
Cash and Cash Equivalents, Ending	\$ <u><u>8,497,526</u></u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities	
Operating income	\$ 1,303,599
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	1,784,276
Increases (decreases) In:	
Accounts receivable, net	(331,732)
Due from Louisville Water Company	60,942
Accounts payable	(156,954)
Accrued expenses	(74,085)
Accrued compensated absences	14,814
Net change in pension /OPEB related items	265,176
Due to/from General Fund, net	95,068
	<hr/>
Net Cash Provided By Operating Activities	\$ <u><u>2,961,104</u></u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position	
Cash and cash equivalents - unrestricted	\$ 7,051,953
Cash and cash equivalents - restricted	1,445,573
	<hr/>
Total Cash and Cash Equivalents	\$ <u><u>8,497,526</u></u>
Noncash Transactions	
CERS Pension/OPEB	\$ <u><u>265,176</u></u>

See Notes to Financial Statements

Notes to the Financial Statements

Notes to the Financial Statements

City of Shepherdsville, Kentucky

June 30, 2023

Note A--Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity--The City of Shepherdsville, Kentucky (the "City") was incorporated December 11, 1793, and is located in Bullitt County, Kentucky. The City operates under a Mayor-Council form of government. The City's major operations include fire and police protection, parks and recreation, streets, sidewalks and roads maintenance and general administrative services. In addition, the City operates a sewer system.

The citizens of Shepherdsville elect a mayor and six (6) city council members.

The financial statements of the City include the funds, account groups and entities over which the Mayor and Council exercise significant oversight responsibility. Oversight responsibility, as defined by Section 2100 of the Government Accounting Standards Board ("GASB") Codification of Governmental Accounting and Financial Reporting Standards, was determined based on the City's ability to significantly influence operations, select the governing body, and participate in fiscal management and the scope of public service. Based on the aforementioned oversight criteria, the reporting entity is confined solely to the operations of the City.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Basis of Reporting--These financial statements of the City were prepared in accordance with accounting principles generally accepted in the United States of America for governmental entities ("GAAP"). The following summary of the more significant policies of the City is presented to assist the reader in interpreting these financial statements and should be viewed as an integral part of this report.

Government-Wide Financial Statements--The government-wide financial statements include a statement of net position and a statement of activities. These statements present summaries of Governmental and Business-type Activities for the City accompanied by a total column.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in 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. The types of transactions reported as program revenues for the City are reported in three (3) categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Continued

Notes to Financial Statements--Continued

City of Shepherdsville, Kentucky

June 30, 2023

Note A--Reporting Entity and Summary of Significant Accounting Policies--Continued

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

The City applies all applicable GASB pronouncements.

Governmental Fund Financial Statements Measurement Focus and Basis of Accounting

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-wide financial statements. The City has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, insurance premium tax, occupational tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Fund Balance Classification--The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Continued

City of Shepherdsville, Kentucky

June 30, 2023

Note A--Reporting Entity and Summary of Significant Accounting Policies--Continued

- Nonspendable--Amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has classified prepaid expenses as being nonspendable.
- Restricted--Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant) grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has classified certain cash accounts as being restricted because their use is restricted by Kentucky Revised Statutes and/or a City Ordinance. Debt service resources are to be used for future servicing of the revenue note and are restricted through debt covenants.
- Committed--Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned--Amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City Mayor through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned--All amounts not included in the other spendable classifications. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The City uses restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds. City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

Continued

Notes to Financial Statements--Continued

City of Shepherdsville, Kentucky

June 30, 2023

Note A--Reporting Entity and Summary of Significant Accounting Policies--Continued

Proprietary Fund Financial Statements Measurement Focus and Basis of Accounting

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 assets. 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.

Budgetary Information, Compliance and Accountability--Annual budgets are adopted on a basis consistent with Section 91 A .030 of the Kentucky Revised Statutes ("KRS") for the general, enterprise fund and the special revenue fund. Budgets for all government activities and business-type activities are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year-end.

On or before June 30th of each year, the Mayor must present the proposed budget to the City's Council for review. The Council holds public hearings and a final budget must be prepared and adopted no later than July 1st of the new fiscal year.

The appropriated budget is prepared by fund, function and department. Transfers of appropriations can be made within a City department. The general government function of the General Fund is treated as a department for budgetary purposes and its budget is adopted at the object level. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the governing council. Certain supplemental budgetary appropriations were made during the year, which were not considered material.

Budgeted amounts, as amended, in the financial statements are as adopted by ordinances of the City.

Continued

Notes to Financial Statements--Continued

City of Shepherdsville, Kentucky

June 30, 2023

Note A--Reporting Entity and Summary of Significant Accounting Policies--Continued

Cash and Cash Equivalents--For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

Restricted Assets--The use of certain assets of general government funds and business-type proprietary funds is restricted by specific provisions of City ordinances, Kentucky Revised Statutes and bond resolutions. Assets so designated are identified as restricted assets in the balance sheet. When both restricted and unrestricted resources are available for use, the City's policy is to use restricted resources first, then unrestricted resources as they are needed. Restricted assets are classified as non-current if they are for the acquisition or construction of capital assets, for liquidation of long-term debt or other than current operations.

Accounts Receivable--Amounts due from private individuals, businesses, organizations or other government entities which pertain to charges for services rendered by the City departments are reported as receivables.

Receivables are reviewed periodically to establish or update the provisions for uncollectible amounts.

These provisions are estimated based on an analysis for the age of the various accounts. The City records the amount of earned but unbilled revenues for the Sewer Utilities System enterprise funds.

Fund Financial Statements--The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like all other governmental entities in Kentucky, uses fund accounting to ensure and reflect compliance with finance - related legal requirements, such as the City's general budget ordinances. All of the funds of the City of Shepherdsville, Kentucky can be divided into two (2) categories: governmental funds and a proprietary fund.

Governmental Funds--Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted in the governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left over at year-end that will be available for spending in the next fiscal year. Governmental funds are reported using an accounting method called *modified accrual accounting* which gives the reader a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps to determine if there are more or less financial resources available to finance City programs. The relationship between governments' activities (as reported in the statement of net position and the statement activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Continued

City of Shepherdsville, Kentucky

June 30, 2023

Note A--Reporting Entity and Summary of Significant Accounting Policies--Continued

The City of Shepherdsville, Kentucky adopts an annual budget for its general fund as required by the Kentucky Revised Statutes ("KRS"). The budget is a legally adopted document that incorporates input from the residents of the City, the management of the City and the decisions of the City Council about which services to provide and how to pay for the services. It also authorizes the City to obtain funds from other sources to finance these current period items. The budgetary financial statement provided for the general fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison financial statement uses budgetary basis of accounting and is presented using the same format, language and classifications as the legal budget documents. The financial statement shows four (4) columns: 1) the original budget as adopted by the City council, 2) the final budget as amended by the City council, 3) the actual resources, charges to appropriations and ending balances of the general fund, and 4) the differences or variance between the final budget and the actual resources and charges.

The City reports these funds:

Major Governmental Fund--General Fund - accounts for the City's primary operating activities. It is used to account for and report all financial resources except those required to be accounted for in another fund.

Non-major Governmental Fund--Special Revenue Fund (Municipal Road Aid Fund) - used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes. This includes revenue received from the State of Kentucky and expenditures from this fund are restricted to additions and improvements to City roads.

Proprietary Funds--The City has one proprietary fund. The *Sewer Enterprise Fund* is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for sewer operations. These funds are the same as those functions shown in the business-type activities in the statement of net position and statement of activities. This is a major fund.

Interfund Transactions--Interfund transactions are reflected as loans, services provided, and reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "due to / from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Continued

Notes to Financial Statements--Continued

City of Shepherdsville, Kentucky

June 30, 2023

Note A--Reporting Entity and Summary of Significant Accounting Policies--Continued

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. The City's General Fund charges the Sewer fund a monthly administrative fee of \$10,000 considered to be the market value of personnel and other administrative expenses related to the administration of the Sewer Fund. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other inter-fund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

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

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund		\$ 6,270
Sewer Fund	\$ 6,270	
	<u>\$ 6,270</u>	<u>\$ 6,270</u>

Inventories--The City does not maintain inventories for general government operations or the business-type proprietary operations. Materials and goods for operations are purchased and expensed as needed.

Capital Assets--Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation. The City has established a threshold of \$5,000 for capitalization of depreciable assets. Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized but charged to an expense account in the current year.

Continued

City of Shepherdsville, Kentucky

June 30, 2023

Note A--Reporting Entity and Summary of Significant Accounting Policies--Continued

Capital assets are depreciated using the straight-line method. Capital assets of the government are depreciated using the straight-line method over the estimated useful lives as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives (Years)</u>
Public infrastructure	15 - 50
Sewer system infrastructure	25 - 39
Buildings and improvements	20 - 39
General furniture and equipment	5 - 10
Sewer system equipment	5 - 25
Vehicles	5 - 10

Impairment Loss--General Government Activities and Business-type Activities revenues do not include impairment losses due to the elimination of equipment (net of accumulated depreciation) that was no longer in service for City use.

Infrastructure--The City has elected not to use the modified approach in accounting for its street network (pavement, drainage, sidewalks, and curbs). The modified approach allows governments to report as expenses in lieu of depreciation, infrastructure expenditures which maintain the asset but do not add to or improve the asset. Additions and improvements to the street network are capitalized and depreciation is recognized over the estimated life of the capital asset. The City has not used a pavement rating system to rate street condition and quantifies the results of maintenance efforts.

Operating and Non-operating Revenues and Expenses--The business-type proprietary fund financial statements distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses are those that result from providing services associated with the principal activities of the respective fund. Primary examples of operating revenues are charges for wastewater treatment services of the City's utility system. Operating expenses include the cost of sales and services, administration costs and depreciation expenses.

Non-operating revenues and expenses are all those that do not meet the criteria described previously, and include interest and tax revenues, and debt service expenses.

Continued

Notes to Financial Statements--Continued

City of Shepherdsville, Kentucky

June 30, 2023

Note A--Reporting Entity and Summary of Significant Accounting Policies--Continued

Accrued Compensated Absences--It is the policy of the City to permit City employees to accumulate a limited amount of earned but unused leave benefits which will be paid to City employees upon separation from service. Unpaid compensated absences are recorded as a liability when the benefits are earned. The valuation of accrued leave benefits is calculated in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. The liability is typically liquidated with resources of the same fund that has paid the applicable employee's regular salary and fringe benefits. In governmental funds, compensated absences are not payable with available and spendable resources, and, therefore, are only recorded when they have matured, for example, as a result of employee resignations and retirements. Changes in the City's obligations related to compensated absences are as follows:

<u>Compensated Absences</u>	<u>July 1 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30 2023</u>	<u>Current Portion</u>
Governmental activities	\$ 285,999	\$ 322,753	\$ 249,961	\$ 358,791	\$ 51,683
Business-type activities	50,950	95,898	81,084	65,764	10,073
	<u>\$ 336,949</u>	<u>\$ 418,651</u>	<u>\$ 331,045</u>	<u>\$ 424,555</u>	<u>\$ 61,756</u>

Net Position--Net positions represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the government-wide financial statements. Net positions are classified in the following categories:

- Net investment in capital assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.
- Restricted net position - This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.
- Unrestricted net position - This amount is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

Use of Estimates--The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Continued

City of Shepherdsville, Kentucky

June 30, 2023

Note A--Reporting Entity and Summary of Significant Accounting Policies--Continued

Adoption of New Accounting Pronouncement-- Effective July 1, 2022, the City adopted the provisions of GASB Statement No. 96, *Subscription Based Information Technology Arrangements (SBITAs)* (GASB 96). The objective of this statement is to better meet the information needs of financial statement users by establishing uniform accounting and financial reporting requirements for SBITAs, improving the comparability of financial statements among governments that have entered into SBITAs, and enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. The statement requires recognition of certain right to use subscription assets and subscription liabilities for SBITAs and Recognition of inflows of resources or outflows of resources based on the payment provisions of the agreement.

The adoption of this new standard had no significant impact on the financial statements of the City and there was no adjustment necessary to the opening balance of net position fund balance as a result of the implementation of GASB 96.

Property Tax Revenue--Property tax (real property) rolls are prepared by the Bullitt County Property Tax Assessors office on property assessed as of the preceding January 1. The assessments are determined in accordance with Kentucky Revised Statutes. The property tax rates assessed for the year ended June 30, 2023 to finance the General Fund operations were \$0.122 per \$100 valuation of real property and \$0.125 per \$100 valuation for motor vehicles. The due date collection periods for all taxes exclusive of vehicle taxes are as follows:

<u>Description</u>	<u>Date per KRS 134.015</u>
Due date for payment	Upon receipt
2% discount applies	To November 30
Face value payment period	To December 31
Past due date, 10% penalty	January 1
Interest charges	1.0% per month effective January 1

Real estate taxes are collected by the Bullitt County Sheriff's Office. Vehicle taxes are collected by the County Clerk of Bullitt County. Vehicle taxes are due in the birth month of the licensee.

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

Continued

City of Shepherdsville, Kentucky

June 30, 2023

Note A--Reporting Entity and Summary of Significant Accounting Policies--Continued

Deferred Outflows and Inflows of Resources--In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/ expenditure) until that period.

The City has one item that qualifies as a deferred outflow of resources for CERS pension and OPEB contributions made subsequent to the pension plan's measurement date.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category; that item is the proportionate share of CERS amounts reported for the net difference between projected and actual earnings on pension and OPEB plan investments. This item is reported in the governmental balance sheet and on the statement of net position. These amounts are deferred and recognized as an inflow from resources in the period that the amounts become available.

Leases--Leases are contracts that convey control of a right to use another entity's nonfinancial asset (the underlying asset) for a period of time in exchange or exchange-like transaction. The City leases multiple vehicles.

Short-Term Leases

For leases with a maximum possible term of 12 months or less at commencement. The City recognizes expense/expenditure based on the provisions of the lease contract.

Leases Other than Short-Term

For all other leases, the City recognizes a lease liability and an intangible right-to-use lease asset in the applicable columns of the government-wide (governmental or business-type activities) and proprietary fund financial statements.

Measurement of Lease Amounts

At lease commencement, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, less lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is

Continued

City of Shepherdsville, Kentucky

June 30, 2023

Note A--Reporting Entity and Summary of Significant Accounting Policies--Continued

amortized into depreciation and amortization expense on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. If the City is reasonably certain of exercising a purchase option contained in a lease, the lease asset will be amortized over the useful life of the underlying asset.

Key Estimates and Judgments

Key estimates and judgments include how the City determines (1) the discount rate it uses to calculate the present value of the expected lease payments, (2) lease term, and (3) lease payments.

- The City generally uses its estimated incremental borrowing rate as the discount rate for leases unless the rate that the lessor charges is known.
- The lease term includes the noncancellable period of the lease plus any additional periods covered by either the City or lessor option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Period in which both the City and the lessor have a unilateral option to terminate (or if both parties have to agree to extend) are excluded from the lease term.
- Payments are evaluated by the City to determine if they should be included in the measurement of the lease liability, including those payments that require a determination of whether they are reasonably certain of being made.

Remeasurement of Lease Amounts

The City monitors changes in circumstances that may require remeasurement of a lease. When certain changes occur that are expected to significantly affect the amount of the lease liability, the liability is remeasured, and a corresponding adjustment is made to the lease asset.

Note B--Deposits and Investments

Deposits are carried at cost, which approximates market value. The City maintains deposit balances at First Harrison Bank, Republic Bank & Trust Company, and WesBanco Bank. Each bank is insured by the Federal Deposit Insurance Corporation up to \$250,000.

GASB No. 40, *Deposits and Investment Risk Disclosures*, required the City to address the following risks related to its investments:

Continued

Notes to Financial Statements--Continued

City of Shepherdsville, Kentucky

June 30, 2023

Note B--Deposits and Investments--Continued

Credit Risk--The City's investment policy follows state statute Kentucky Revised Statute 66.480 that authorizes the City to invest in obligations of any agency of the U.S. Government; certificates of deposit or other interest-bearing accounts of any bank; bankers acceptances, commercial paper for banks rated in one of the three highest categories by a nationally recognized rating agency; securities issued by a state or local government; shares of mutual funds which meet certain characteristics.

Custodial Credit Risk--Custodial credit risk for cash and investments is the risk that, in the event of failure by a financial institution, the City may not be able to recover the value of its deposits and investments or collateral securities that are in the possession of the financial institution. The City's policy dictates that all cash maintained in any financial institution be collateralized, the collateral held in the name of the City, and that investments be registered in the name of the City. At June 30, 2023, the City's bank balances of \$22,982,000 were exposed to custodial credit risk. Of the amount exposed to custodial credit risk, \$22,803,000 was collateralized by securities held by the pledging financial institution and \$179,000 was uncollateralized.

Interest Rate Risk--The risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater sensitivity of its fair value to changes in market interest rates.

Concentration of Credit Risk--The City places no limit on the amount it may invest in any one issuer. The City's financial advisor consults with the City Council and the Kentucky Department for Local Government to determine suitable investments.

Note C--Receivables

As of June 30, 2023, the receivables due the City consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Occupational tax	\$ 2,858,127	
Insurance tax	371,235	
Municipal aid fund	22,724	
Other	22,060	
Sewer customers		\$ 522,467
Less provision for uncollectible accounts		(11,408)
Total Receivables, net	<u><u>\$ 3,274,146</u></u>	<u><u>\$ 511,059</u></u>

Notes to Financial Statements--Continued

City of Shepherdsville, Kentucky

June 30, 2023

Note D--Capital Assets

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

Governmental Activities	July 1 2022	Additions	Deletions	June 30 2023
Non-depreciable capital assets:				
Land	\$ 1,744,220			\$ 1,744,220
Construction in process	152,711	\$ 286,125	\$ 152,711	286,125
Total Non-depreciable Assets	1,896,931	286,125	152,711	2,030,345
Depreciable capital assets:				
Building and improvements	5,887,214	232,882		6,120,096
City Park	457,361	6,500		463,861
Furniture and fixtures	111,814			111,814
Equipment	3,162,206	13,284		3,175,490
Vehicles	6,105,158			6,105,158
Infrastructure	11,047,673	627,873		11,675,546
Software	132,302	20,000		152,302
Total Depreciable Assets	26,903,728	900,539		27,804,267
Total Capital Assets	28,800,659	1,186,664	152,711	29,834,612
Accumulated depreciation	13,219,607	1,239,727		14,459,334
Governmental Capital Assets, Net	<u>\$ 15,581,052</u>	<u>\$ (53,063)</u>	<u>\$ 152,711</u>	<u>\$ 15,375,278</u>

Depreciation expense was charged to governmental functions in the statement of activities as follows:

General Government	\$ 82,454
Fire	363,761
Police	214,524
Public Works	82,702
Infrastructure	496,286
Total Depreciation Expense	<u>\$ 1,239,727</u>

Continued

Notes to Financial Statements--Continued

City of Shepherdsville, Kentucky

June 30, 2023

Note D--Capital Assets--Continued

During the year, the City's management determined that the construction in progress ("CIP") balance reported at June 30, 2022 was overstated. The City has restated the June 30, 2022 CIP balance by reducing it in the amount of \$576,489.

Capital asset activity for the business-type activities for the year ended June 30, 2023:

Business-type Activities	July 1 2022	Additions	Deletions	June 30 2023
Non-depreciable capital assets:				
Land	\$ 704,010			\$ 704,010
Construction in process	1,362,174	\$ 752,570	\$ 1,755,049	359,695
Total Non-depreciable Assets	2,066,184	752,570	1,755,049	1,063,705
Depreciable capital assets:				
Equipment	427,551	23,408		450,959
Vehicles	878,654	339,999		1,218,653
Wastewater treatment plant and lines	33,909,657	1,997,151		35,906,808
Building improvements	256,902			256,902
Pump strikes	798,926	116,653		915,579
Salt River Regional Interceptor	11,173,712			11,173,712
South Bullitt Regional Interceptor	11,089,249			11,089,249
Solids processing building	3,090,325			3,090,325
Total Depreciable Assets	61,624,976	2,477,211		64,102,187
Total Capital Assets	63,691,160	3,229,781	1,755,049	65,165,892
Accumulated depreciation	23,208,146	1,784,276		24,992,422
Business-type Capital Assets, Net	\$ 40,483,014	\$ 1,445,505	\$ 1,755,049	\$ 40,173,470

Notes to Financial Statements--Continued

City of Shepherdsville, Kentucky

June 30, 2023

Note E--Lease Accounting

The City adopted the requirements of GASB No. 87, as of July 1, 2022 at which time a right-to-use asset and related liability for vehicle leases were recorded in the amount of \$1,024,873.

The City recognizes a lease liability and right-of-use asset at the commencement of the lease term. The lease liability is based on the present value of the lease payments expected to be paid during the lease term. The right-to-use asset should be valued at the lease liability in addition to the accumulated amortization expense recognized throughout the life of the leases. The lease liability is discounted to the net present value by using a range of 3.06% to 4.93% implied interest rates. Lease terms range from 12 to 72 months.

At June 30, 2023, the City's lease obligation was as follows:

	<u>Beginning Lease Obligation</u>	<u>Increases</u>	<u>Reduction</u>	<u>Ending Lease Obligation</u>
Total Leases	\$ 922,789	\$ 43,195	\$ 288,040	\$ 677,944
Implied Interest			30,169	
Annual Lease Payments			\$ 318,209	

* Annual Lease Payment = Reduction + Implied Interest

Right-to-use assets for the year ended June 30, 2023, were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Amortization</u>	<u>Ending Balance</u>
Right-to-Use Assets	\$ 922,789	\$ 43,195	\$ 288,040	\$ 677,944

Continued

Notes to Financial Statements--Continued

City of Shepherdsville, Kentucky

June 30, 2023

Note E--Lease Accounting--Continued

The future minimum lease payments for the above leases are as follows:

<u>Fiscal Year</u>	<u>Principal</u>
2024	\$ 298,390
2025	252,532
2026	169,728
2027	33,030
2028	<u>15,617</u>
Total Future Lease Payments	769,297
Less Implied Interest	<u>(91,353)</u>
Total	<u><u>\$ 677,944</u></u>

Note F--Long-Term Liabilities

As of June 30, 2023, the governmental activities debt of the City consisted of the following:

	<u>Original Principal</u>	<u>Outstanding Principal June 30, 2023</u>
* Note payable with a local bank dated September 1, 2018, principal and interest payments due monthly bearing interest at 3.55%, maturing August 1, 2023	\$ 2,350,000	\$ 1,295,632
Note payable with a local bank dated September 2, 2022, principal and interest payments due monthly bearing interest at 3.99%, maturing September 2, 2027	1,607,664	1,607,664
Series 2023A General Obligation Development Revenue Note dated May 24, 2023, annual principal and quarterly interest payments at 4.0%-4.125%, maturing February 1, 2048	<u>30,555,000</u>	<u>30,555,000</u>
	<u><u>\$ 34,512,664</u></u>	<u><u>\$ 33,458,296</u></u>

- On July 14, 2023, the City refinanced this obligation by issuing a general obligation refunding note in the amount of \$1,290,544 to Westbanco. The note bears interest at 5.55%; monthly installment of principal and interest of \$57,681 are due monthly. The note matures July 13, 2028.

Continued

Notes to Financial Statements--Continued

City of Shepherdsville, Kentucky

June 30, 2023

Note F--Long-Term Liabilities--Continued

As of June 30, 2023, the City paid off the Series 2017 General Obligation Development Revenue Note and the \$2,262,791 note payable.

Long-term liability activity for the year ended June 30, 2023 is as follows:

Governmental Activities	July 1 2022	Additions	Deletions	June 30 2023	Current Portion
Bonds		\$ 30,555,000		\$ 30,555,000	\$ 399,583
Notes payable	\$ 2,773,994	1,607,664	\$ 1,478,362	2,903,296	1,592,051
Lease obligations	922,789	43,195	288,040	677,944	272,749
Net pension liability	20,118,146	4,204,690		24,322,836	
Net OPEB liability	6,103,715	669,168		6,772,883	
Compensated absences	285,999	322,753	249,961	358,791	51,683
Subtotal	30,204,643	37,402,470	2,016,363	65,590,750	2,316,066
Bond Premium		205,379	8,215	197,164	8,215
Bond Discount		(295,311)	(11,812)	(283,499)	(11,812)
Governmental Activities, Long-Term Liabilities	\$ 30,204,643	\$ 37,312,538	\$ 2,012,766	\$ 65,504,415	\$ 2,312,469
Business-Type Activities	July 1 2022	Additions	Deletions	June 30 2023	Current Portion
Bonds	\$ 2,850,000		\$ 240,000	\$ 2,610,000	\$ 240,000
Notes payable	13,123,480		1,106,748	12,016,732	930,281
Net pension liability	1,149,181	\$ 430,364		1,579,545	
Net OPEB liability	344,983	86,157		431,140	
Compensated absences	50,950	95,898	81,084	65,764	10,073
Business-Type Activities, Long-Term Liabilities	\$ 17,518,594	\$ 612,419	\$ 1,427,832	\$ 16,703,181	\$ 1,180,354

Continued

Notes to Financial Statements--Continued

City of Shepherdsville, Kentucky

June 30, 2023

Note F--Long-Term Liabilities--Continued

Compensated absences are generally paid through the general and sewer funds. The general fund, was the fund with reductions in compensated absences during the fiscal year.

The net pension and OPEB liabilities - CERS pension and OPEB are generally paid through the general fund and sewer fund.

Interest expense of \$66,205 is included in governmental activities in the statement of activities.

Principal and interest requirements to retire the City's governmental activities long-term obligations are as follows:

Governmental Activities - Notes Payable

<u>Amount to be Paid During Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2024	\$ 1,592,051	\$ 72,033	\$ 1,664,084
2025	308,723	52,300	361,023
2026	321,041	39,982	361,023
2027	333,851	27,173	361,024
2028	347,630	13,852	361,482
Total	<u>\$ 2,903,296</u>	<u>\$ 205,340</u>	<u>\$ 3,108,636</u>

Governmental Activities - Bonds Payable

<u>Amount to be Paid During Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2024	\$ 399,583	\$ 1,358,908	\$ 1,758,491
2025	767,500	1,217,560	1,985,060
2026	799,583	1,186,860	1,986,443
2027	834,583	1,154,877	1,989,460
2028	869,583	1,121,494	1,991,077
2029-2033	4,940,417	5,054,802	9,995,219
2034-2038	6,076,250	3,979,619	10,055,869
2039-2043	7,486,250	2,656,136	10,142,386
2044-2048	8,381,251	999,024	9,380,275
Total	<u>\$ 30,555,000</u>	<u>\$ 18,729,280</u>	<u>\$ 49,284,280</u>

Continued

Notes to Financial Statements--Continued

City of Shepherdsville, Kentucky

June 30, 2023

Note F--Long-Term Liabilities--Continued

Principal and interest requirements to retire the City's Business-type activities long-term obligations are as follows:

Business-type Activities - Bonds Payable

<u>Amount to be Paid During Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2024	\$ 240,000	\$ 105,669	\$ 345,669
2025	255,000	93,709	348,709
2026	265,000	81,289	346,289
2027	275,000	68,294	343,294
2028	290,000	54,574	344,574
2029-2033	1,285,000	73,202	1,358,202
Total	\$ 2,610,000	\$ 476,737	\$ 3,086,737

Business-type Activities - Notes Payable

<u>Amount to be Paid During Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2024	\$ 930,281	\$ 502,652	\$ 1,432,933
2025	757,407	468,332	1,225,739
2026	792,287	436,051	1,228,338
2027	829,698	401,439	1,231,137
2028	868,174	365,843	1,234,017
2029-2033	4,843,680	1,223,738	6,067,418
2034-2038	2,995,205	195,521	3,190,726
Total	\$ 12,016,732	\$ 3,593,576	\$ 15,610,308

Continued

Notes to Financial Statements--Continued

City of Shepherdsville, Kentucky

June 30, 2023

Note F--Long-Term Liabilities--Continued

Bonds Payable--On May 31, 2006, the City entered into an agreement with Kentucky Rural Water Finance Corporation to issue \$5,385,000 in public project revenue bonds. The bonds are to be used to finance the expansion of the City's sewer lines. The bonds are secured by a pledge of the additional revenues generated by this expansion. These bonds begin to mature annually starting August 1, 2007 through August 1, 2031. The bonds carry a variable interest rate from 3.60% to 4.80%, depending on the amount of time to maturity. Interest payments are due semi-annually in February and August of each year. Principal payments are due semi-annually in August. These bonds also require the City to make an annual payment of \$450 in August for trustee fees. There is no collateral assigned to the bonds. The City is required to establish a sinking fund for the segregation of funds to repay the bonds. 1/6 of the required amount to pay interest is to be deposited in the sinking fund by the due date of the interest payment. 1/12 of the required amount to pay principal is to be deposited in the sinking fund by the due date of the principal payment. The City is required to create a depreciation reserve account and segregate funds for the repair and replacement of property associated with the bonds. As of June 30, 2023, the sinking fund was fully funded.

On May 24, 2023, the City entered into an agreement with the Kentucky Bond Corporation to issue \$30,555,000 in financing program revenue bonds. The bonds are to be used to finance the costs of the acquisition, construction, installation, and equipping of improvements to a municipal park, renovations and improvements to the downtown district, a new aquatic center, and various other capital improvements in the community. These bonds begin to mature annually starting February 1, 2024 through February 1, 2048. The bonds carry variable interest rate from 4.00% to 4.13%, depending on the amount of time to maturity. Interest payments are due semi-annually in February and August of each year. Principal payments are due annually in February. These bonds also require the City to make monthly payments for trustee fees. There is no collateral assigned to the agreement. The City is required to establish a sinking fund for the segregation of funds to repay the bonds. At June 30, 2023, no balance was required on the sinking fund.

Notes Payable--On June 1, 2002 the City entered into an agreement with Kentucky Infrastructure Authority ("KIA") to borrow up to \$8,187,728 for the upgrade and expansion of the City's sewer system. Proceeds from this loan were drawn down by the City to cover project construction cost. Upon completion of the project, or upon reaching the maximum amount to be borrowed; the loan will convert to an installment note bearing interest at rate of 1% per annum. Repayment will be semi-annually, (June 1 and December 1) over a period of twenty years. During the fiscal year ended June 30, 2004, the note converted to an installment note. The note is secured by service revenue of the business-type activity. The City is required to establish maintenance and replacement reserve account. \$40,000 is to be deposited in the reserve account by December 1 of each year until the balance in the reserve account is \$400,000. As of June 30, 2023, the reserve account is fully funded.

On September 1, 2009, the City entered into an agreement with the KIA to borrow \$3,000,000 of America Recovery and Reinvestment Act ("ARRA") fund for the South Bullitt Regional Interceptor Project. Proceeds from this loan were drawn by the City to cover project cost. Upon completion of the project the loan will

Continued

Notes to Financial Statements--Continued

City of Shepherdsville, Kentucky

June 30, 2023

Note F--Long-Term Liabilities--Continued

convert to an installment note requiring semi-annual payments (June 1 and December 1) of principal. The loan has an interest rate of 3%, and a loan service fee of .20%. The note will be repaid over a twenty year term. The note contains a provision in which 52% (\$1,563,000) of the principal will be forgiven. The note is secured by service revenue of the business-type activity. The City is to establish a replacement reserve account. \$7,500 is to be deposited in the reserve account by December 1 each year until a balance of \$75,000 is reached. As of June 30, 2023, the reserve account is fully funded.

On September 2, 2022, the City entered into an agreement with PNC Bank to borrow \$1,607,664 for the purpose of financing the purchase of a fire truck. The note has a 5 year term ending August 2027 and bears interest at 3.99%. Annual principal and interest payments of \$361,023 begin on August 30, 2023. The note is collateralized by the equipment financed.

On October 28, 2008, the City entered into a 27-1/4 year fixed rate finance agreement with Kentucky League of Cities in the amount of \$18,000,000 to finance the construction of a new interceptor line for the City's sewer system. The agreement requires monthly payments in varying amounts, including interest at 3.86%, plus related fees. The final payment is due February 1, 2036. Total future minimum payments required by the agreement as of June 30, 2023 total \$11,404,398. The agreement is secured by property associated with the financed construction.

Note G--Compliance with Debt Obligations

The City is required to establish sinking fund accounts, depreciation reserve accounts and repair and replacements accounts in order to be compliant with some of the debt financing agreements. As of June 30, 2023 all required sinking funds were fully funded.

Note H--Conduit Debt Obligation

The City has issued Industrial Revenue Bonds to assist a private-sector entity in financing new industrial facilities deemed to be in the public interest. As the issuer, the City has no commitments related to debt service payments, as a result, the City did not recognize the conduit debt obligation as a liability.

Note I--Fund Balances

Nonspendable fund balances are those that cannot be spent on future obligations. At June 30, 2023, there was nonspendable fund balance of \$1,614,313 related to prepaid expenses.

Continued

City of Shepherdsville, Kentucky

June 30, 2023

Note I--Fund Balances--Continued

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2023, the City had \$238,857 restricted for the municipal aid fund.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the City is the City Council. The Council must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment.

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. Assigned fund balance includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose. There were assigned fund balances of \$152,841 at June 30, 2023.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. At June 30, 2023, the City had \$41,654,854 of unassigned fund balance in the general fund.

The City considers unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Also, the City has established the order of assigned, committed and restricted when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Restatement--During the year, management of the City identified an error in the fund balance of the Municipal Aid Fund. A reclassification of \$679,306 fund balance from the General Fund to the Municipal Aid Fund was recorded in order to correct this error.

Note J--Risk Management

The City is exposed to various risk of loss to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters. In addition to its general liability insurance, the City also carries commercial risk insurance for all risk of loss such as worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three (3) years.

Continued

Notes to Financial Statements--Continued

City of Shepherdsville, Kentucky

June 30, 2023

Note J--Risk Management--Continued

The City is a defendant in various pending litigation and administrative proceedings. Management anticipates that any potential claims, if any, against the City would be covered by insurance and would not materially affect the City's financial position.

Note K--Economic Dependency

The City is not economically dependent on one or more major taxpayers or suppliers. However, a single commercial sewer customer accounted for approximately 36% of the sewer fund revenues.

Note L--Tax Abatements

The City enters into occupational tax abatement agreements with local businesses authorized by Kentucky Revised Statutes ("KRS") 154.25-010 and 154.24-150. The KRS established the Kentucky Jobs Development Authority ("KJDA") for encouraging the development and expansion of the service and technology industries in the Commonwealth of Kentucky.

For the fiscal year ended June 30, 2023, the City abated occupational license fees totaling \$239,168 under this program including the following occupational license fee abatement agreement exceeding 10% of the total amount abated:

- A one-half percent (.5%) to one percent (1%) occupational license fee abatement based upon qualifying wages to a distribution company. The amount of the abatement was \$226,828.

Note M--Retirement Plans

The City participates in the County Employees Retirement System ("CERS").

Plan Description--The City participates in the County Employees' Retirement System ("CERS"), a component unit of the Commonwealth of Kentucky, which is a cost-sharing multiple-employer defined benefit plan. CERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems ("KERS") administers CERS. CERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained at www.kyret.ky.gov.

Continued

Notes to Financial Statements--Continued

City of Shepherdsville, Kentucky

June 30, 2023

Note M--Retirement Plans--Continued

This system consists of two plans - *Nonhazardous and Hazardous*. Each plan is a cost-sharing multiple employer defined benefit pension plan that covers all regular full-time members employed in nonhazardous and hazardous positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in CERS.

Benefits Provided: Nonhazardous

	<u>Tier 1 Nonhazardous Participation beginning prior to 9/1/2008</u>	<u>Tier 2 Nonhazardous Participation beginning 9/1/2008 through 12/31/2013</u>	<u>Tier 3 Nonhazardous Participation beginning on or after 1/1/2014</u>
Covered Employees:	All full-time employees	All full-time employees	All full-time employees
Benefit Formula:	Final compensation x Benefit factor x Years of service	Final compensation x Benefit factor x Years of service	Cash balance plan
Final Compensation:	Average of the highest 5 fiscal years (must contain at least 48 months and a minimum of 5 fiscal years)	5 complete fiscal years immediately preceding retirement; Each year must contain 12 months	No final compensation factor
Benefit Factor:	2.00% - If member began participating after 8/1/2004 and before 9/1/2008. 2.20% - If member began participating prior to 8/1/2004	10 years or less = 1.10%. Greater than 10 years, but no more than 20 years = 1.30%. Greater than 20 years, but no more than 26 years = 1.50%. Greater than 26 years, but no more than 30 years = 1.75%. Additional years above 30 = 2.00% (2.00% benefit factor only applies to service earned in excess of 30 years)	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and a method adopted by the KRS Board based on member's accumulated account balance.
Cost of Living Adjustment ("COLA"):	No COLA unless authorized by the Kentucky General Assembly	No COLA unless authorized by the Kentucky General Assembly	No COLA unless authorized by the Kentucky General Assembly
Unreduced Retirement Benefit:	Any age with 27 years of service. Age 65 with 1 month of service	Rule of 87: Member must be at least age 57 and age plus earned service must equal 87 years at retirement to retire under this provision. Age 65 with 5 years of earned service	Rule of 87: Member must be at least age 57 and age plus earned service must equal 87 years at retirement to retire under this provision. Age 65 with 5 years of earned service
Reduced Retirement Benefit:	Any age with 25 years of service. Age 55 with 5 years of service. Reduced by 6.5% per year for first 5 years, and 4.5 for next 5 years before age 65 or 27 years of service	Age 60 with 10 years of service. Reduced by 6.5% per year for first 5 years, and 4.5% for next 5 years before age 65 of Rule of 87	No reduced retirement benefit

Continued

Notes to Financial Statements--Continued

City of Shepherdsville, Kentucky

June 30, 2023

Note M--Retirement Plans--Continued

Benefits Provided: Hazardous

	Tier 1 Hazardous Participation beginning prior to 9/1/2008	Tier 2 Hazardous Participation beginning 9/1/2008 through 12/31/2013	Tier 3 Hazardous Participation beginning on or after 1/1/2014
Covered Employees:	All full-time employees	All full-time employees	All full-time employees
Benefit Formula:	Final compensation x Benefit factor x Years of service	Final compensation x Benefit factor x Years of service	Cash balance plan
Final Compensation:	Average of the highest 3 fiscal years (must contain at least 24 months and a minimum of 3 fiscal years)	Average of the highest 3 fiscal years; Each year must contain 12 months of service credit	No final compensation factor
Benefit Factor:	2.50%	10 years or less = 1.30%. Greater than 10 years, but no more than 20 years = 1.50%. Greater than 20 years, but no more than 25 years = 2.25%. Additional years above 25 = 2.50% (2.50% benefit factor only applies to service earned in excess of 25 years)	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and a method adopted by the KRS Board based on member's accumulated account balance.
Cost of Living Adjustment ("COLA"):	No COLA unless authorized by the Kentucky General Assembly	No COLA unless authorized by the Kentucky General Assembly	No COLA unless authorized by the Kentucky General Assembly
Unreduced Retirement Benefit:	Any age with 20 years of service. Age 55 with 1 month of service	Any age with 25 years of service. Age 60 with 5 years of service	Any age with 25 years of service. Age 60 with 5 years of service. No Money Purchase calculations
Reduced Retirement Benefit:	Age 55 with 15 years of service. Reduced by 6.5% per year for the first 5 years and 4.5% per year for the next 5 years before age 55 or 20 years service	Age 50 with 15 year of experience. Reduced by 6.5% per year for the first 5 years and 4.5% per year for the next 5 years before age 60 or 25 years service	No reduced retirement benefit

Continued

Notes to Financial Statements--Continued

City of Shepherdsville, Kentucky

June 30, 2023

Note M--Retirement Plans--Continued

Contributions--Contributions for employees are established in the statutes governing the KRS and may only be changed by the Kentucky General Assembly. Employees contribute 5% of their salary if they were plan members prior to September 1, 2008. For employees that entered the plan after September 1, 2008, they are required to contribute 6% of their annual creditable compensation. Five percent of the contribution was deposited to the member's account while the 1% was 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). Hazardous covered employees who began participation on or after September 1, 2008 are required to contribute 9% of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS Insurance Fund. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation.

For the year ended June 30, 2023, employers contributed 42.81% of Hazardous employees' creditable compensation and 23.4% of each Nonhazardous employees' creditable compensation as set by KRS. For the year ended June 30, 2023, employer contributions for the City were \$2,811,686 (\$422,646 for nonhazardous and \$2,389,040 for hazardous). By law, employer contributions are required to be paid. The KRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution ("ADC") and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability--At June 30, 2023, the City reported a liability of \$25,902,381 for its proportionate share of the net pension liability (\$3,760,824 for nonhazardous and \$22,141,557 for hazardous). 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. 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 employers, actuarially determined. At June 30, 2023, the City's proportion was 0.052024% for nonhazardous and 0.725606%.

Pension Expense--For the year ended June 30, 2023, the City recognized pension expense of \$400,537 for nonhazardous and \$3,021,408 for hazardous.

Continued

Notes to Financial Statements--Continued

City of Shepherdsville, Kentucky

June 30, 2023

Note M--Retirement Plans--Continued

Deferred Outflows of Resources and Deferred Inflows of Resources--For the year ended June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CERS Non-Hazardous:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,021	\$ 33,492
Changes in actuarial assumptions		
Net difference between projected and actual earnings on investments	511,735	415,321
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>222,346</u>	<u>21,098</u>
	738,102	469,911
Contributions paid to CERS subsequent to the measurement date	<u>422,646</u>	
	<u>\$ 1,160,748</u>	<u>\$ 469,911</u>

The amount reported as deferred outflows for City contributions subsequent to the measurement date of \$422,646 will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ending June 30

2023	\$ 89,519
2024	103,438
2025	(31,604)
2026	<u>106,838</u>
	<u>\$ 268,191</u>

Continued

Notes to Financial Statements--Continued

City of Shepherdsville, Kentucky

June 30, 2023

Note M--Retirement Plans--Continued

CERS Hazardous:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 634,838	
Changes in actuarial assumptions		
Net difference between projected and actual earnings on investments	2,469,873	\$ 1,958,464
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>2,121,828</u>	
	5,226,539	1,958,464
Contributions paid to CERS subsequent to the measurement date	<u>2,389,040</u>	
	<u>\$ 7,615,579</u>	<u>\$ 1,958,464</u>

The amount reported as deferred outflows for City contributions subsequent to the measurement date of \$2,389,040 will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ending June 30

2023	\$ 1,261,773
2024	992,627
2025	398,336
2026	<u>615,339</u>
	<u>\$ 3,268,075</u>

Continued

Notes to Financial Statements--Continued

City of Shepherdsville, Kentucky

June 30, 2023

Note M--Retirement Plans--Continued

Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.30% to 10.30%, varies by service, Nonhazardous; 3.55% to 19.05%, varies by service, Hazardous
Investment rate of return	6.25%, net of pension plan investment expense, including inflation

The mortality table used for active members is a 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 the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018 and adopted by the Board on April 18, 2019.

The long-term expected return on plan assets 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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	-0.91%
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
	<u>100.00%</u>	

Continued

Notes to Financial Statements--Continued

City of Shepherdsville, Kentucky

June 30, 2023

Note M--Retirement Plans--Continued

Discount Rate--The discount rate used to measure the total pension liability as of the Measurement Date was 6.25%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 year closed amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CERS Comprehensive Annual Financial Report.

Sensitivity Analysis--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 net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1- percentage-point higher than the current rate:

	<u>1% Decrease (5.25%)</u>	<u>Current Discount Rate (6.25%)</u>	<u>1% Increase (7.25%)</u>
Non-Hazardous	\$ 4,700,561	\$ 3,760,822	\$ 2,983,580
Hazardous	27,580,933	22,141,557	17,711,521
	<u>\$ 32,281,494</u>	<u>\$ 25,902,379</u>	<u>\$ 20,695,101</u>

Pension Plan Fiduciary Net Position--Detailed information about the pension plan's fiduciary net position, which has been determined on the same basis as that used by the plan, is available in the separately issued CERS financial report. The financial statements are prepared on the accrual basis of accounting. Member contributions and employer matching contributions are recognized in the fiscal year due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 401(k). The plan is administered by the Kentucky Public Employees' Deferred Compensation Authority. The plan, available to all City employees, permits them to defer a portion of their salary until future years.

City of Shepherdsville, Kentucky

June 30, 2023

Note N--Other Post-Employment Benefit Plans ("OPEB")

The City participates in the County Employees Retirement System ("CERS").

Plan Description--The Kentucky Retirement Systems' Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance ("DEI") plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

This system consists of two plans - *Nonhazardous and Hazardous*. Each plan is a cost-sharing multiple employer defined benefit pension plan that covers all regular full-time members employed in nonhazardous and hazardous positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in CERS.

Benefits Provided--For members participating prior to July 1, 2003, KRS pays a percentage of the monthly premium for single coverage based upon the service credit accrued at retirement. Members participating on or after July 1, 2003, and before September 1, 2008, are required to earn at least 10 years of service credit in order to be eligible for insurance benefits at retirement. Members participating on or after September 1, 2008 are required to earn at least 15 years of service credit in order to be eligible for insurance benefits at retirement. The monthly health insurance contribution will be \$10 for each year of earned service increased by the CPI prior to July 1, 2009, and by 1.5% annually from July 1, 2009.

Contributions--For the fiscal year ended June 30, 2023, plan members who began participating prior to September 1, 2008, were required to contribute 0% of their annual creditable compensation. Those members who began participating on, or after, September 1, 2008 and before January 1, 2014 were required to contribute 1% of their annual creditable compensation. Those members who began participating on, or after, January 1, 2014 were required to contribute 1% of their annual creditable compensation but their contribution is not credited to their account and is not refundable. 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 preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The City's contractually required contribution rate for the year ended June 30, 2023, was 3.39% of annual creditable compensation for non-hazardous employees and 6.78% of annual creditable compensation for hazardous employees. Contributions to the OPEB plan from the City were \$439,592 (\$61,230 for nonhazardous and \$378,362 for hazardous).

Continued

Notes to Financial Statements--Continued

City of Shepherdsville, Kentucky

June 30, 2023

Note N--Other Post-Employment Benefit Plans ("OPEB")--Continued

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2023, the City reported a liability of \$7,204,023 for its proportionate share of the net OPEB liability (\$1,026,523 for non-hazardous and \$6,177,500 for hazardous). 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 that date. 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 members, actuarially determined. At June 30, 2023, the City's proportion was 0.047421% for nonhazardous and 0.685277% for hazardous.

OPEB Expense--For the year ended June 30, 2023, the City recognized OPEB expense of \$172,021 for nonhazardous and \$1,008,483 for hazardous).

For the year ended June 30, 2023, the City reported its proportionate share of the CERS deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

CERS Non-Hazardous:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 103,327	\$ 235,406
Changes in actuarial assumptions	162,352	133,777
Net difference between projected and actual earnings on investments	191,149	149,485
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>78,092</u>	<u>18,400</u>
	534,920	537,068
Contributions paid to CERS subsequent to the measurement date	<u>61,230</u>	
	<u>\$ 596,150</u>	<u>\$ 537,068</u>

Continued

Notes to Financial Statements--Continued

City of Shepherdsville, Kentucky

June 30, 2023

Note N--Other Post-Employment Benefit Plans ("OPEB")--Continued

Of the total amount reported as deferred outflows of resources related to OPEB, \$439,592 resulting from City contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the City's OPEB expense as follows:

Measurement Year Ending June 30

2023	\$ 14,390
2024	10,386
2025	(46,591)
2026	19,667
2027	
	<hr/>
	<u>\$ (2,148)</u>

CERS Hazardous:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 136,496	\$ 365,866
Changes in actuarial assumptions	1,031,204	1,062,926
Net difference between projected and actual earnings on investments	1,291,436	1,065,962
Changes in proportion and differences between employer contributions and proportionate share of contributions	<hr/> 713,005	<hr/>
	3,172,141	2,494,754
Contributions paid to CERS subsequent to the measurement date	<hr/> 378,362	<hr/>
	<u>\$ 3,550,503</u>	<u>\$ 2,494,754</u>

Continued

Notes to Financial Statements--Continued

City of Shepherdsville, Kentucky

June 30, 2023

Note N--Other Post-Employment Benefit Plans ("OPEB")--Continued

Of the total amount reported as deferred outflows of resources related to OPEB, \$378,362 resulting from City contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the City's OPEB expense as follows:

Measurement Year Ending June 30

2023	\$ 267,968
2024	209,591
2025	79,485
2026	266,071
2027	<u>(145,728)</u>
	<u>\$ 677,387</u>

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

Investment rate of return	6.25%
Salary Increase	3.30% to 10.30%, varies by service, Non-hazardous; 3.55% to 19.05%, varies by service, Hazardous
Inflation rate	2.30%
Payroll Growth Rate	2.00%
Healthcare Trend Rate:	
Pre-65	Initial trend starting at 6.4% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Post-65	Initial trend starting at 6.3% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Municipal Bond Index Rate	2.45%
Discount Rate- Non-Hazardous	5.70%
Discount Rate -Hazardous	5.61%

Continued

City of Shepherdsville, Kentucky

June 30, 2023

Note N--Other Post-Employment Benefit Plans ("OPEB")--Continued

The mortality table used for active members is 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 for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

The long-term expected return on plan assets 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, as provided by the investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected</u>
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	-0.91%
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
	<u>100.00%</u>	

Single discount rates of 5.70% for the CERS non-hazardous insurance plan and 5.61% for the CERS hazardous insurance plan were used to measure the total OPEB liability as of June 30, 2022. The single discount rates are 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, each plan's fiduciary net position and future contributions were projected separately and were 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 plan. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the plan's actuarially determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Continued

Notes to Financial Statements--Continued

City of Shepherdsville, Kentucky

June 30, 2023

Note N--Other Post-Employment Benefit Plans ("OPEB")--Continued

Sensitivity of The City's Proportionate Share of The Net OPEB Liability To Changes In The Discount Rate--The following table presents the City's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.70% for non-hazardous and 5.61% for hazardous, as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage- point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease (4.70%)</u>	<u>Current Discount Rate (5.70%)</u>	<u>1% Increase (6.70%)</u>
Non-Hazardous	\$ 1,372,298	\$ 1,026,523	\$ 740,683
	<u>1% Decrease (4.61%)</u>	<u>Current Discount Rate (5.61%)</u>	<u>1% Increase (6.61%)</u>
Hazardous	\$ 8,583,451	\$ 6,177,500	\$ 4,223,417

Sensitivity Of The City's Proportionate Share Of The Collective Net OPEB Liability To Changes In The Health care Cost Trend Rates--The following presents the City's proportionate share of the collective net OPEB liability, as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates.

	<u>1% Decrease</u>	<u>Current Health Care Trend Rate</u>	<u>1% Increase</u>
Non-Hazardous	\$ 763,197	\$ 1,026,523	\$ 1,342,728
Hazardous	\$ 4,313,670	\$ 6,177,500	\$ 8,449,407

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

Notes to Financial Statements--Continued

City of Shepherdsville, Kentucky

June 30, 2023

Note O--Contingencies

The City received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City.

Litigation

The City is a party to various legal proceedings. The City management is of the opinion that ultimate disposition of those subsequent pending claims and legal proceedings will likely not have a material adverse effect, if any, on the financial condition of the City.

In September 2019, the City entered into a settlement agreement. The agreement was reached after litigation with a sewer service customer, Jim Beam Brands, Co. related to damages to the City wastewater and treatment system and lines. The settlement obligated the customer to pay the City \$500,000 in five, annual payments of \$100,000.

Note P--Related Parties Transactions

In a governmental entity, related parties include members of the governing body (city commissioners, etc.), board members, administrative officials (mayor, city clerk, etc.) immediate family members of the preceding individuals and affiliated governmental units that are not included in the financial statements as part of the reporting entity such as sewer systems. There are no related party transactions to be disclosed.

Notes to Financial Statements--Continued

City of Shepherdsville, Kentucky

June 30, 2023

Note Q--Recent GASB Pronouncements

Statement No. 100, Accounting Changes and Error Corrections - an amendment of GASB No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements--The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. The effective date for adoption of this statement is fiscal year 2024.

Statement No. 101, Compensated Absences--The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The effective date for adoption of this statement is fiscal year 2025.

Statement No. 102, Certain Risk Disclosures--The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition. The effective date for adoption of this statement is fiscal year 2025.

Statement No. 103, Financial Reporting Model Improvement--The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The effective date for adoption of this statement is fiscal year 2026.

Management of the City has not yet determined the effect, if any, that the adoption may have on its financial statements.

Note R--Subsequent Event

In preparing these financial statements, management of the City has evaluated events and transactions for potential recognition or disclosure through August 27, 2024, the date the financial statements were available to be issued.

In July 2023, the City purchased commercial real estate property in the amount of \$2.9 million.

Required Supplementary Information

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual - General Fund

City of Shepherdsville, Kentucky

For the Year Ended June 30, 2023

	Budget	Actual	Variance with Budget
Revenues			
Taxes, occupational, franchise, property, auto and insurance premiums	\$ 18,001,900	\$ 20,648,108	\$ 2,646,208
Licenses and permits	421,000	336,899	(84,101)
LKEFPF - Police	223,700	156,060	(67,640)
KBTCS - Fire	191,100	225,229	34,129
Rental income		19,466	19,466
Tow lot			
Sewer administrative fees	90,000	85,487	(4,513)
Other revenues	122,000	164,403	42,403
Penalty/interest	10,100	194,139	184,039
Grants	252,550		(252,550)
	19,312,350	21,829,791	2,517,441
Expenditures			
Administration	5,070,659	4,404,977	665,682
Fire Department	7,355,541	5,455,907	1,899,634
Police Department	6,898,438	5,869,806	1,028,632
Public Works	3,335,908	2,403,882	932,026
	22,660,546	18,134,572	4,525,974
Revenues in Excess of Expenditures	(3,348,196)	3,695,219	7,043,415
Other Financing Sources (Uses)			
Proceeds on revenue bond sold		30,555,000	30,555,000
Discount on revenue bond sold		(295,311)	(295,311)
Premium on revenue bond sold		205,379	205,379
Issuance of long term debt		1,607,664	1,607,664
Proceeds from sale of capital assets capital assets		10,487	10,487
Debt service		(1,544,567)	(1,544,567)
	30,538,652	30,538,652	30,538,652
Net Change in Fund Balance	\$ (3,348,196)	\$ 34,233,871	\$ 37,582,067

See Independent Auditors' Report

Schedule of City's Proportionate Share of Net Pension Liability
 **County Employees Retirement System (CERS)

City of Shepherdsville, Kentucky

June 30, 2023

Last Nine Fiscal Years**

Non-Hazardous	2023	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.052024%	0.047432%	0.048396%	0.048917%	0.047686%	0.046629%	0.043559%	0.044080%	0.043835%
City's proportionate share of the net pension liability	\$ 3,760,822	\$ 3,024,162	\$ 3,711,933	\$ 3,440,354	\$ 2,904,224	\$ 2,729,340	\$ 2,144,674	\$ 1,895,173	\$ 1,422,172
City's covered-employee payroll	\$ 1,797,283	\$ 1,715,899	\$ 1,490,325	\$ 1,486,443	\$ 1,299,724	\$ 1,238,867	\$ 1,158,229	\$ 1,032,188	\$ 781,502
City's proportionate share of the net pension liability as a percentage of its covered payroll	209.25%	176.24%	249.07%	231.45%	223.45%	220.31%	185.17%	183.61%	181.98%
Plan fiduciary net position as a percentage of the total pension liability	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%
Hazardous	2023	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.725606%	0.685277%	0.634349%	0.583574%	0.531895%	0.504763%	0.495995%	0.434030%	0.397485%
City's proportionate share of the net pension liability	\$ 22,141,557	\$ 18,243,165	\$ 19,125,803	\$ 16,120,037	\$ 12,863,651	\$ 11,292,955	\$ 8,510,985	\$ 6,662,849	\$ 4,777,070
City's covered-employee payroll	\$ 5,565,840	\$ 4,943,768	\$ 4,188,565	\$ 3,489,240	\$ 3,020,117	\$ 2,627,066	\$ 2,815,084	\$ 2,262,716	\$ 1,649,414
City's proportionate share of the net pension liability as a percentage of its covered payroll	397.81%	369.01%	456.62%	461.99%	425.93%	429.87%	302.34%	294.46%	289.62%
Plan fiduciary net position as a percentage of the total pension liability	47.11%	52.26%	44.11%	46.63%	49.26%	49.80%	53.95%	57.52%	63.46%

**Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See Independent Auditors' Report

Schedule of Pension Contributions
 **County Employees Retirement System (CERS)

City of Shepherdsville, Kentucky

June 30, 2023

Last Nine Fiscal Years**

Non-Hazardous	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 420,564	\$ 390,882	\$ 287,633	\$ 290,092	\$ 241,101	\$ 188,200	\$ 172,822	\$ 143,852	\$ 131,604
Contributions in relation to the contractually required contribution	420,564	390,882	173,233	290,092	241,101	188,200	172,822	143,852	131,604
Contribution Deficiency	\$ -	\$ -	\$ 114,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 1,797,283	\$ 1,715,899	\$ 1,490,325	\$ 1,493,011	\$ 1,486,443	\$ 1,299,724	\$ 1,238,867	\$ 1,158,229	\$ 1,032,188
Contributions as a percentage of covered employee payroll	23.40%	22.78%	19.30%	19.43%	16.22%	14.48%	13.95%	12.42%	12.75%
Hazardous	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 2,382,736	\$ 1,759,981	\$ 1,259,083	\$ 1,158,743	\$ 867,425	\$ 670,466	\$ 570,336	\$ 570,336	\$ 469,061
Contributions in relation to the contractually required contribution	2,382,736	1,759,981	784,347	1,158,743	867,425	670,466	570,336	570,336	469,061
Contribution Deficiency	\$ -	\$ -	\$ 474,736	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 5,565,840	\$ 4,943,768	\$ 4,188,565	\$ 3,854,767	\$ 3,489,240	\$ 3,020,117	\$ 2,627,066	\$ 2,815,084	\$ 2,262,716
Contributions as a percentage of covered employee payroll	42.81%	35.60%	30.06%	30.06%	24.86%	22.20%	21.71%	20.26%	20.73%

**Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See Independent Auditors' Report

Notes to the Required Supplementary Information – CERS Pensions

City of Shepherdsville, Kentucky

Year Ended June 30, 2023

Changes in Assumptions and Benefit Terms from 2022 to 2023--There were no changes noted.

Changes in Assumptions and Benefit Terms from 2021 to 2022--There were no changes noted.

Changes in Assumptions and Benefit Terms from 2020 to 2021--There were no changes noted.

Changes in Assumptions and Benefit Terms from 2019 to 2020--Since the prior measurement date, annual salary increases were updated based on the 2018 Experience Study; annual rates of retirement, disability, withdrawal, and mortality were updated based on the 2018 Experience Study; the percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members and 50% for hazardous members; the assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated (i.e. increased) to better reflect more current expectations relating to anticipated future increases in the medical costs for post-age 65 retirees; and the assumed impact of the Cadillac Tax was changed from a 3.6% to a 0.9% load on employer paid premiums for Non-Medicare retirees who became participants prior to July 1, 2003.

Changes in Assumptions and Benefit Terms from 2018 to 2019--Since the prior measurement date, there have been no changes in actuarial assumptions. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The TPL as of June 30, 2018 was determined using these updated benefit provisions.

Changes in Assumptions and Benefit Terms from 2017 to 2018--Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as described: (i) the assumed investment rate of return was decreased from 7.50% to 6.25%, (ii) the assumed rate of inflation was reduced from 3.25% to 2.30%, and (iii) payroll growth assumption was reduced from 4.00% to 2.00%.

Changes in Assumptions and Benefit Terms from 2016 to 2017--There were no changes noted.

Continued

Notes to the Required Supplementary Information – CERS Pensions--Continued

City of Shepherdsville, Kentucky

Year Ended June 30, 2023

Changes in Assumptions and Benefit Terms from 2015 to 2016--Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as described: (i) the assumed investment rate of return was decreased from 7.75% to 7.50%, (ii) the assumed rate of inflation was reduced from 3.50% to 3.25%, (iii) the assumed rate of wage inflation was reduced from 1.00% to 0.75%, (iv) payroll growth assumption was reduced from 4.50% to 4.00%, (v) the mortality table used for active members is 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. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted, and (vi) the assumed rates of retirement, withdrawal and disability were updated to more accurately reflect experience.¹²⁵

Period Covered by the Required Supplementary Information--GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27* requires the accompanying supplementary information to report on trend information for the previous ten fiscal years if the information is available. The City has been provided this information for six fiscal years and will expand this supplementary information in future financial statements to cover additional periods as it becomes available.

Schedule of City's Proportionate Share of Net OPEB Liability
 **County Employees Retirement System (CERS)

City of Shepherdsville, Kentucky

June 30, 2023

Last Six Fiscal Years**

Non-Hazardous	2023	2022	2021	2020	2019	2018
City's proportion of the net OPEB liability	0.052015%	0.047421%	0.048382%	0.048904%	0.047684%	0.046629%
City's proportionate share of the net OPEB liability	\$ 1,026,523	\$ 907,851	\$ 1,168,278	\$ 822,543	\$ 846,621	\$ 937,403
City's covered-employee payroll	\$ 1,797,283	\$ 1,715,899	\$ 1,490,326	\$ 1,486,445	\$ 1,341,745	\$ 1,238,867
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	57.12%	52.91%	78.39%	55.34%	63.10%	75.67%
Plan fiduciary net position as a percentage of the total OPEB liability	60.95%	62.91%	51.67%	60.44%	57.62%	52.39%
Hazardous	2023	2022	2021	2020	2019	2018
City's proportion of the net OPEB liability	0.725241%	0.685274%	0.634207%	0.583615%	0.531930%	0.504763%
City's proportionate share of the net OPEB liability	\$ 6,177,500	\$ 5,540,847	\$ 5,860,742	\$ 4,317,924	\$ 3,792,446	\$ 4,172,733
City's covered-employee payroll	\$ 5,565,840	\$ 4,943,768	\$ 4,188,565	\$ 3,489,237	\$ 3,067,765	\$ 2,627,066
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	110.99%	112.08%	139.92%	123.75%	123.62%	158.84%
Plan fiduciary net position as a percentage of the total OPEB liability	64.13%	66.81%	58.84%	64.44%	64.24%	58.99%

**Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See Independent Auditors' Report

Schedule of OPEB Contributions
 **County Employees Retirement System (CERS)

City of Shepherdsville, Kentucky

June 30, 2023

Last Six Fiscal Years**

Non-Hazardous	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ 60,928	71,553	\$ 70,940	\$ 71,546	\$ 78,187	\$ 63,062
Contributions in relation to the contractually required contribution	<u>60,928</u>	<u>71,553</u>	<u>42,725</u>	<u>71,546</u>	<u>78,187</u>	<u>63,062</u>
Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,215</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,797,283	1,715,899	\$ 1,490,326	\$ 1,503,067	\$ 1,486,445	\$ 1,341,745
Contributions as a percentage of covered employee payroll	3.39%	4.17%	4.76%	4.76%	5.26%	4.70%
 Hazardous	 2023	 2022	 2021	 2020	 2019	 2018
Contractually required contribution	\$ 377,364	431,591	\$ 398,751	\$ 366,974	\$ 365,672	\$ 286,836
Contributions in relation to the contractually required contribution	<u>377,364</u>	<u>431,591</u>	<u>248,403</u>	<u>366,974</u>	<u>365,672</u>	<u>286,836</u>
Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150,348</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 5,565,840	4,943,768	\$ 4,188,565	\$ 3,854,769	\$ 3,489,237	\$ 3,067,765
Contributions as a percentage of covered employee payroll	6.78%	8.73%	9.52%	9.52%	10.48%	9.35%

**Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See Independent Auditors' Report

Notes to the Required Supplementary Information on OPEB Reporting – CERS

City of Shepherdsville, Kentucky

For the Year Ended June 30, 2023

Changes in Assumptions and Benefit Terms from 2022 to 2023-- The single discount rate used to calculate the total OPEB liability increased from 5.20% to 5.70% for the Non-Hazardous Fund and from 5.05% to 5.61% for the Hazardous Fund.

Changes in Assumptions and Benefit Terms from 2021 to 2022--The single discount rate used to calculate the total OPEB liability decreased from 5.34% to 5.20% for the Non-Hazardous Fund and from 5.30% to 5.05% for the Hazardous Fund

Changes in Assumptions and Benefit Terms from 2020 to 2021--Since the prior measurement dated, the discount rate used to calculate the total OPEB liability decreased from 5.68% to 5.34% for the Non-Hazardous Fund and from 5.69% to 5.30% for the Hazardous Fund. The assumed increase in future health care costs, or trend assumption was reviewed during the June 30, 2020 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. Also, the June 30, 2020 GASB No. 74 actuarial information reflects the anticipated savings from the repeal of the “Cadillac Tax” and “Health Insurer Fee”, which occurred in December of 2019. The assumed load on pre-Medicare premiums to reflect the cost of the Cadillac Tax was removed and the Medicare premiums were reduced by 11% to reflect the repeal of the Health Insurer Fee.

Changes in Assumptions and Benefit Terms from 2019 to 2020--Since the prior measurement date, annual salary increases were updated based on the 2018 Experience Study; annual rates of retirement, disability, withdrawal, and mortality were updated based on the 2018 Experience Study; the percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members and 50% for hazardous members; the assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated (i.e. increased) to better reflect more current expectations relating to anticipated future increases in the medical costs for post-age 65 retirees; and the assumed impact of the Cadillac Tax was changed from a 3.6% to a 0.9% load on employer paid premiums for Non-Medicare retirees who became participants prior to July 1, 2003.

Continued

City of Shepherdsville, Kentucky

For the Year Ended June 30, 2023

Changes in Assumptions and Benefit Terms from 2018 to 2019--Since the prior measurement date, there have been no changes in actuarial assumptions. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The TPL as of June 30, 2018 was determined using these updated benefit provisions.

Period Covered by the Required Supplementary Information--GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions and Financial Reporting for Pensions, an Amendment of GASB Statement No. 45* requires the accompanying supplementary information to report on trend information for the previous ten fiscal years if the information is available. The City has been provided this information for four fiscal years and will expand this supplementary information in future financial statements to cover additional periods as it becomes available.

See Independent Auditors' Report

**Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit In Accordance with
*Government Auditing Standards***



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**Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit In Accordance with
*Government Auditing Standards***

To the Mayor and City Council
City of Shepherdsville, Kentucky

Report on Financial Statements

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, and each major fund of the City of Shepherdsville, Kentucky (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 August 27, 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as items 2023-001 and 2023-002 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items. 2023-003 and 2023-004 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as item 2023-005.

City's Response to Findings

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

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

L B M C, P C

Louisville, Kentucky
August 27, 2024

**Independent Auditors' Report on Compliance for
Each Major Federal Program; Report on Internal
Control Over Compliance; and Report on Schedule
of Expenditures of Federal Awards Required by
the Uniform Guidance**



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**Independent Auditors' Report on Compliance for
Each Major Federal Program; Report on Internal
Control Over Compliance; and Report on Schedule
of Expenditures of Federal Awards Required by
the Uniform Guidance**

To the Mayor and City Council
City of Shepherdsville, Kentucky
Shepherdsville, Kentucky

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the City of Shepherdsville, Kentucky (the "City") compliance with the types of compliance requirements described in the Office of Management and Budget's (*OMB*) *Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2023. The City's major federal program is identified in the summary of audit 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 the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirement 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 Auditors' 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 the 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 provision of contracts or grant agreements applicable to the City's federal program.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City'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 GAAS, *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 the major federal program as a whole.

In performing an audit in accordance with GAAS, *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 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 audit procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2023-005. Our opinion on the major federal program is not modified with respect to this matter.

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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. 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.

L B M C, P C

Louisville, Kentucky
August 27, 2024

Schedule of Expenditures of Federal Awards

Schedule of Expenditures of Federal Awards

City of Shepherdsville, Kentucky

Year Ended June 30, 2023

<u>Federal Grantor/Pass-Through Grantor Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Direct/ Pass-Through Grantor's Number</u>	<u>Passed through to Subrecipients</u>	<u>Federal Expenditures</u>
U.S. Department of the Treasury				
Pass Through Programs Office of State Budget Director				
Coronavirus State and Local Fiscal Recovery Funds	21.027	PON211221000000422		\$ 786,815
Subtotal Coronavirus State and Local Fiscal Recovery Funds (#21.027)				<u>786,815</u>
Total U.S. Department of the Treasury			<u> </u>	<u>786,815</u>
Total Expenditures of Federal Awards			<u>\$</u>	<u>\$ 786,815</u>

See Notes to Schedule of Expenditures of Federal Awards

Notes to Schedule of Expenditures of Federal Awards

City of Shepherdsville, Kentucky

Year Ended June 30, 2023

Note A--Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards ("SEFA") includes the federal grant activity of the City of Shepherdsville, Kentucky (the "City") under programs of the federal grant for the year ended June 30, 2023. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts presented in the SEFA differ from amounts presented in, or used in the preparation, of the financial statements.

Note B--Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C--Indirect Cost Rate

The City has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Schedule of Findings and Questioned Costs

Schedule of Findings and Questioned Costs

City of Shepherdsville, Kentucky

For the Year Ended June 30, 2023

SUMMARY OF AUDIT RESULTS

1. The Independent Auditors' Report expresses an unmodified opinion on whether the financial statements of the City of Shepherdsville, Kentucky (the "City") were prepared in accordance with generally accepted accounting principles.
2. Two significant deficiencies relating to the audit of the financial statements are reported. Two material weaknesses were identified and reported.
3. No instances of noncompliance material to the financial statements of the City, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weakness in internal control over the major federal program is reported. No significant deficiency in internal control over the major federal program is reported.
5. The auditors' report on compliance for the major federal award program of the City expresses an unmodified opinion.
6. An audit finding that are required to be reported under 2 CFR Section 200.516(a) of the Uniform Guidance relative to the major federal award program of the City was identified.
7. The City's major federal award program is as follows:

<u>Name of Federal Program or Cluster</u>	<u>Federal Assistance Listing Number</u>
U.S. Department of the Treasury Coronavirus State and Local Fiscal Recovery Funds	21.027

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The City did not qualify as a low-risk auditee.

Continued

Schedule of Findings and Questioned Costs--Continued

City of Shepherdsville, Kentucky

For the Year Ended June 30, 2023

Section II--Findings - Financial Statement Audit

2023-001 Material Adjustments

Criteria: The City's management is responsible for establishing and maintaining internal controls over the accounting of transactions and the preparation of financial statements.

Condition: As part of the audit, we noted that generally accepted accounting principles were not always applied and that material adjustments were necessary for the preparation of the financial statements.

Cause: The City's transactions were not always recorded in accordance with generally accepted accounting principles. Significant account misstatements went undetected and/or uncorrected by management. Subledgers were not properly reconciled at yearend.

Effect: The design of the internal controls over financial reporting limits the ability of the City to provide accurate financial information.

Recommendation: We recommend City management and financial personnel implement processes in their monthly closings that include the posting of depreciation expense and the reconciliation of the capital outlay activity with the capital assets ledgers. Also, there should be a process in place that ensures the completeness and accuracy of accounts receivable.

Management's Response: Processes and documentation are being developed to prevent these types of errors. Accounts are being reconciled and procedures for capital projects are in development to include projects that cross years from project start date to completion.

2023-002 Timely Issuance of Audited Financial Statements

Criteria: The City's management is responsible for issuing audited financial statements within the timeframe established by regulatory and compliance requirements.

Condition: The 2023 audited financial statements were issued 14 months after year-end.

Cause: Turnover in the City's accounting department and the lack of reliable financial information resulted in delays.

Effect: The City is not in compliance with State regulations and grant agreements.

Continued

Schedule of Findings and Questioned Costs--Continued

City of Shepherdsville, Kentucky

For the Year Ended June 30, 2023

Section II--Findings - Financial Statement Audit--Continued

Recommendation: The City should establish a process to ensure that the financial statement information is readily available and devote the resources necessary to complete the financial audit in a timely manner.

Management's Response: This has been an ongoing issue, but the finance department has worked to document and change processes, to facilitate the efficient and timely issuance of audited financial statements. Moving forward, the City is committed to having adequate staff to facilitate this important goal of timely financial reporting.

2023-003 Capital Assets Management

Criteria: The City's management is responsible for managing capital assets and ensuring these assets and related depreciation is properly reflected on the financial statements.

Condition: In fiscal year 2023, a material prior period adjustment to reduce construction in progress was identified; a material adjustment to depreciation was recorded; and the capital outlay balances recorded throughout the year, did not agree to the capital assets activity on the financial statements.

Cause: The City did not record depreciation on a monthly basis and to reconcile its fixed assets database with the general ledger.

Effect: The City's financial statements generated throughout the year were materially misstated as it relates to capital assets.

Recommendation: The City should establish a process to ensure the completeness and accuracy of the capital assets and related depreciation.

Management's Response: Processes and documentation are being developed to prevent these types of errors. Procedures for capital projects are in development to include projects that cross years from project start date to completion. Cross training on projects and fixed assets has started.

Continued

Schedule of Findings and Questioned Costs--Continued

City of Shepherdsville, Kentucky

For the Year Ended June 30, 2023

Section II--Findings - Financial Statement Audit--Continued

2023-004 Tax Roll and Collections

Criteria: The City must bill and collect taxes.

Condition: During the audit, it was noted that the City did not have an adequate process to ensure the completeness and accuracy of the taxes receivable at yearend.

Cause: The system used by the City is based on a cash basis.

Effect: The City's taxes receivable balance may be understated and result in incomplete tax collections.

Recommendation: The City should look into adopting a system that allows management to properly maintain the tax roll and determine those revenues that have not been collected at year end in order to pursue collection.

Management's Response: Recently the City received some delinquent tax reports but will need to work with the Bullitt County Sheriff's office to facilitate this improvement.

Schedule of Findings and Questioned Costs--Continued

City of Shepherdsville, Kentucky

For the Year Ended June 30, 2023

Section III--Findings and Questioned Costs – Major Federal Program Audit

2023-005 Reporting Noncompliance

Federal Program: 21.027 – Coronavirus State and Local Fiscal Recovery Funds

Federal Agency: U.S. Department of the Treasury

Award Number: PON211221000000422

Questioned Costs: \$0

Criteria: Single audit reporting packages must have a report date no later than nine months after the fiscal year-end (2 CFR Part 200 Subpart F).

Condition: The audit was not completed by the deadline.

Cause: The City continued to experience delays in its financial reporting and completion of audits since 2020 when the City faced staffing difficulties.

Effect: The City was not in compliance with federal regulations and guidelines for the single audit submission.

Recommendation: The City should implement controls for filing federal financial reports in a timely manner.

Management's Response and Planned Corrective Action: In the past few years, the City has experienced turnover in management from the City Clerk, Finance Director, and the HR Director along with being significantly understaffed. With the stabilization of appropriate staffing levels along with appropriate procedures, and clear job duties this should no longer be an issue. The Mayor and City Clerk have sent out instructions to all department heads that the documentation for all grants must be sent to the Admin Department.

Status of Prior Year Findings

Status of Prior Year Findings

City of Shepherdsville, Kentucky

For the Year Ended June 30, 2023

2022-001 Material Adjustments

Finding-- The City's transactions were not always recorded in accordance with generally accepted accounting principles. Significant account misstatements went on unidentified and/or uncorrected by management personnel. Subledgers were not properly reconciled at yearend.

Current Status--Repeat comment in 2023 (finding 2023-001).

2022-002 Timely Issuance of Audited Financial Statements

Finding--The City's management is responsible for issuing audited financial statements within the timeframe established by regulatory and compliance requirements. The 2022 audited financial statements are being issued 19 months after year end. Turnover in the City's accounting department and the lack of reliable financial information, resulted in delays. The City is not in compliance with State regulation and grant agreements.

Current Status--Repeat comment in 2023 (finding 2023-002).

2022-003 Capital Asset Management

Finding--The City's management is responsible for issuing audited financial statements within the timeframe established by regulatory and compliance requirements. The 2022 audited financial statements include a material prior period adjustment to accumulated depreciation in addition to significant reclassification of capital assets categories. The City transitions its capital assets management system during the year, this resulted in the identification of prior errors. The City's capital assets balances presented in past financial statements were misstated.

Current Status--Repeat comment in 2023 (finding 2023-003).

2022-004 Tax Roll and Collections

Finding--The City must bill and collect taxes. During the audit, it was noted that the City lacks a process to ensure the completeness and accuracy of the taxes receivable at yearend. The system used by the City is based on a cash basis. The City's taxes receivable balance may be understated and result in incomplete tax collections.

Current Status--Repeat comment in 2023 (finding 2023-004).

Certification of Compliance
Local Government Economic Assistance Program

Certification of Compliance
Local Government Economic Assistance Program

City of Shepherdsville, Kentucky

For the Year Ended June 30, 2023

The City of Shepherdsville, Kentucky hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

Mayor

City Clerk