

CITY OF TOMPKINSVILLE, KENTUCKY
AUDIT REPORT
JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

July 8, 2025

Commission Members
City of Tompkinsville
206 N Magnolia St
Tompkinsville, KY 42167

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 Tompkinsville, Kentucky, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Tompkinsville, Kentucky's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Tompkinsville, Kentucky's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial

reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, pension schedules, and other post-employment benefits (OPEB) schedules on pages 38-49 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Requirements by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2025, on our consideration of the City of Tompkinsville, Kentucky's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Tompkinsville, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Tompkinsville, Kentucky's internal control over financial reporting and compliance.

Sincerely,

Montgomery & Company, P.L.L.C.

Certified Public Accountants

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

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash & Cash Equivalents - Note 2	1,248,836	554,032	1,802,868
Accounts Receivable:			
Taxes - Current	371,328		371,328
Taxes - Delinquent	23,286		23,286
Accounts Receivables - Net of Allowance for Doubtful Accounts	200	260,094	260,294
Prepaid Expenses	430		430
Total Current Assets	1,644,080	814,126	2,458,206
Noncurrent Assets			
Restricted Assets:			
Cash	-	1,049,634	1,049,634
Capital Assets			
Right to Use Asset Net of Amortization	20,072		20,072
Non-Depreciable Capital Assets - Note 4	1,147,383	894,303	2,041,686
Depreciable Capital Assets - Net of Accumulated Depreciation - Note 4	1,019,287	11,239,531	12,258,818
Total Noncurrent Assets	2,186,742	13,183,468	15,370,210
TOTAL ASSETS	3,830,822	13,997,594	17,828,416
Deferred Outflows Related to Pensions	473,019	360,677	833,696
Deferred Outflows Related to Other Post Employment Benefits	281,727	270,048	551,775
TOTAL ASSETS AND DEFERRED OUTFLOWS	4,585,568	14,628,319	19,213,887
LIABILITIES:			
Current Liabilities:			
Accounts Payable	182,727	469,935	652,662
Accrued Wages	16,556	17,507	34,063
Payroll Taxes and Withholding Payable	30,072	22,960	53,032
Retirement Plan Payable	22,034	14,780	36,814
Customer Deposits		208,222	208,222
Advances from Grantors	577,304		577,304
Current Portion of Notes Payable - Note 6	10,165	166,062	176,227
Lease Liabilities - Note 6	39,394		39,394
Accrued Interest Payable	218	25,979	26,197
Total Current Liabilities	878,470	925,445	1,803,915
Noncurrent Liabilities:			
Noncurrent Portion of Notes Payable - Note 6	26,878	6,154,638	6,181,516
Lease Liabilities - Note 6	10,521		10,521
Net Pension Liability	2,004,697	1,510,653	3,515,350
Net Other Post Employment Benefits Liability	542,710	425,708	968,418
Compensated Absences	12,061	9,110	21,171
Total Noncurrent Liabilities	2,596,867	8,100,109	10,696,976
TOTAL LIABILITIES	3,475,337	9,025,554	12,500,891
Deferred Inflows Related to Pensions	531,537	247,081	778,618
Deferred Inflows Related to Other Post Employment Benefits	385,396	280,850	666,246
TOTAL LIABILITIES AND DEFERRED INFLOWS	4,392,270	9,553,485	13,945,755
NET POSITION:			
Net Investment in Capital Assets	2,099,784	5,813,134	7,912,918
Restricted for:			
Roads	16,929		16,929
Shop with Cops Program	6,474		6,474
Police Task Force	15,509		15,509
Alcohol Beverage Control	100		100
Construction		828,592	
Debt Service		221,042	
Unrestricted	(1,945,498)	(1,787,934)	(3,733,432)
TOTAL NET POSITION	193,298	5,074,834	5,268,132
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	4,585,568	14,628,319	19,213,887

See independent auditor's report and accompanying notes to financial statements.

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

FUNCTION/PROGRAMS	PROGRAM REVENUES				NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
General Government	317,825		13,375		(304,450)		(304,450)
Public Safety - Police	865,918	21,545	61,510		(782,863)		(782,863)
Public Safety - Fire	31,958		11,500		(20,458)		(20,458)
Parks & Recreation	258,989	5,656			(253,333)		(253,333)
Streets & Roads	166,063		63,030		(103,033)		(103,033)
Interest on Long-Term Debt	3,092				(3,092)		(3,092)
TOTAL GOVERNMENTAL ACTIVITIES	1,643,845	27,201	149,415	0	(1,467,229)		(1,467,229)
BUSINESS-TYPE ACTIVITIES:							
Utilities							
Gas	795,574	1,173,062				377,488	377,488
Water	1,032,346	696,323		851,785		515,762	515,762
Sewer	573,585	514,107				(59,478)	(59,478)
Sanitation	396,114	440,702				44,588	44,588
TOTAL BUSINESS-TYPE ACTIVITIES	2,797,619	2,824,194	0	851,785	0	878,360	878,360
TOTAL PRIMARY GOVERNMENT	4,441,464	2,851,395	149,415	851,785	(1,467,229)	878,360	(588,869)
GENERAL REVENUES:							
Taxes:							
Property					318,697		318,697
Motor Vehicle					25,273		25,273
Payroll					1,183,954		1,183,954
Insurance Premiums					289,957		289,957
Bank Deposits					55,354		55,354
Omitted					2,678		2,678
Franchise Fees					26,740		26,740
Grants					20,378		20,378
Investment Earnings					837	327	1,164
License & Permits					104,515		104,515
Miscellaneous					59,133		59,133
Funds Transfer (Expense)					(341,238)	341,238	0
Loss Compensation					61,114		61,114
Gain (Loss) in Sale of Capital Assets					11,436	7,000	18,436
TOTAL GENERAL REVENUES & TRANSFERS					1,818,828	348,565	2,167,393
CHANGE IN NET POSITION					351,599	1,226,925	1,578,524
NET POSITION - BEGINNING					(158,301)	3,857,742	3,699,441
NET POSITION - ENDING					193,298	5,084,667	5,277,965

See independent auditor's report and accompanying notes to financial statements.

CITY OF TOMPKINSVILLE, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	GENERAL FUND	MUNICIPAL ROAD AID FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS:			
Cash & Cash Equivalents	1,231,273	17,563	1,248,836
Accounts Receivable:			
Accounts	200		200
Taxes - Current	371,328		371,328
Taxes - Delinquent	573		573
Prepaid Expenses	430		430
TOTAL ASSETS	<u>1,603,804</u>	<u>17,563</u>	<u>1,621,367</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	181,793	934	182,727
Accrued Salaries & Benefits	68,662		68,662
Advances from Grantors	577,304		577,304
Total Liabilities	<u>827,759</u>	<u>934</u>	<u>828,693</u>
Fund Balance:			
Non-Spendable	430		430
Restricted for:			
Roads		16,629	16,629
Shop with Cops Program	6,474		6,474
Police Task Force	15,509		15,509
Alcohol Beverage Control	100		100
Committed for:			
Compensated Absenses	12,061		12,061
Unassigned Fund Balance	741,471		741,471
Total Fund Balance	<u>776,045</u>	<u>16,629</u>	<u>792,674</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>1,603,804</u>	<u>17,563</u>	<u>1,621,367</u>

See independent auditor's report and accompanying notes to financial statements.

CITY OF TOMPKINSVILLE, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Amounts reported for governmental activities in the statement of net position are different because:

TOTAL GOVERNMENTAL FUND BALANCE		792,674
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	6,056,679	
Accumulated Depreciation	<u>(3,890,009)</u>	2,166,670
Right to Use Asset Net of Amortization		20,072
Property taxes not collected by August 31st are not considered available for the governmental fund statements but are considered assets on the Statement of Net Position.		
		22,713
Deferred Outflows Related to Pensions are not current assets and therefore are not reported as assets in governmental funds.		
		473,019
Deferred Outflows Related to Other Post Employment Benefits are not current assets and therefore are not reported as assets in governmental funds.		
		281,727
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Notes Payable	(37,043)	
Lease Liabilities	(49,915)	
Accrued Interest on Notes Payable	(218)	
Net Pension Liability	(2,004,697)	
Net Other Post Employment Benefits Liability	(542,710)	
Compensated Absences	<u>(12,061)</u>	(2,646,644)
Deferred Inflows Related to Pensions are not current liabilities and therefore are not reported as liabilities in governmental funds.		
		(531,537)
Deferred Inflows Related to Other Post Employment Benefits are not current liabilities and therefore are not reported as liabilities in governmental funds.		
		<u>(385,396)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u><u>193,298</u></u>

See independent auditor's report and accompanying notes to financial statements.

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

	GENERAL	MUNICIPAL ROAD AID	TOTAL GOVERNMENTAL FUNDS
REVENUES:			
Taxes:			
Property	302,833		302,833
Motor Vehicle	25,273		25,273
Payroll	1,183,954		1,183,954
Bank Deposits	55,354		55,354
Insurance Premiums	289,957		289,957
Omitted	2,678		2,678
Franchise Fees	26,740		26,740
License & Permits	20,378		20,378
Intergovernmental - State	19,239	66,121	85,360
Investment Earnings	837		837
Other Sources	266,340		266,340
TOTAL REVENUES	2,193,583	66,121	2,259,704
EXPENDITURES:			
General Government	301,664		301,664
Public Safety - Police	1,028,547		1,028,547
Public Safety - Fire	31,958		31,958
Parks & Recreation	226,638		226,638
Streets & Roads		66,965	66,965
Capital Outlay	136,678	117,941	254,619
Debt Service:			
Principal	39,179		39,179
Interest	2,967		2,967
TOTAL EXPENDITURES	1,767,631	184,906	1,952,537
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	425,952	(118,785)	307,167
OTHER FINANCING SOURCES(USES):			
Loss Compensation	61,114		61,114
Proceeds from Sale of Assets	18,827		18,827
Operating Transfers In - Note 5		56,761	56,761
Operating Transfers Out - Note 5	(397,999)		(397,999)
TOTAL OTHER FINANCING SOURCES(USES)	(318,058)	56,761	(261,297)
NET CHANGE IN FUND BALANCES	107,894	(62,024)	45,870
FUND BALANCES - BEGINNING	668,151	78,653	746,804
FUND BALANCES - ENDING	776,045	16,629	792,674

See independent auditor's report and accompanying notes to financial statements.

CITY OF TOMPKINSVILLE, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Amounts reported for governmental activities in the statement of net position are different because:

NET CHANGES - GOVERNMENTAL FUNDS 45,870

Governmental funds do not report delinquent tax income for taxes not collected by August 31st because they are not considered available. However, in the statement of activities, the delinquent revenue is recognized. This is the amount of increases in delinquent property taxes 15,864

Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital exceeds depreciation expense for the year.

Depreciation Expense	(221,311)	
Capital Outlays	254,619	33,308
Amortization Right to Use Asset		(11,594)

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Note Principal Paid	9,769	
Lease Liabilities Paid	29,410	39,179

Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.

City Pension Contributions	202,971	
Cost of Benefits Earned Net of Employee Contributions - Pension	22,704	
Accrued Interest Payable	125	
City Other Post Employment Benefits Contributions	31,114	
Cost of Benefits Earned Net of Employee Contributions - OPEB	(18,452)	
Compensated Absences	(2,099)	236,363

In the statement of activities the net gain on the sale/disposal of assets is reported in whereas in the governmental funds the proceeds from the sale increases financial resources. Thus the change in net position differs from change in fund balances by the cost of the asset sold.

Gain (Loss) - Net Basis in Assets Sold		(7,391)
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CHANGES - NET POSITION GOVERNMENTAL FUNDS 351,599

See independent auditor's report and accompanying notes to financial statements.

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

	BUSINESS-TYPE ACTIVITIES				TOTAL
	GAS FUND	WATER FUND	SEWER FUND	SANITATION FUN	
ASSETS:					
Current Assets:					
Cash & Cash Equivalents	464,002	61,856	28,174		554,032
Accounts Receivable, net	49,498	99,120	62,044	49,432	260,094
Due from other funds		26,814	30,557	30,244	87,615
Total Current Assets	513,500	187,790	120,775	79,676	901,741
Noncurrent Assets:					
Restricted Assets					
Cash	49,589	936,101	63,944		1,049,634
Capital Assets					
Construction in Process		433,627			433,627
Land	150,000	302,676	8,000		460,676
Land Improvements	3,690	38,223			41,913
Easements		22,468			22,468
Buildings & Improvements	254,932	1,720,526	2,791,661		4,767,119
Furniture & Equipment	245,163	373,972	164,261	415,964	1,199,360
Utility Infrastructure	2,657,541	6,848,835	3,848,748		13,355,124
Less: Accumulated Depreciation	(1,059,906)	(4,872,279)	(1,802,071)	(412,197)	(8,146,453)
Total Noncurrent Assets	2,301,009	5,804,149	5,074,543	3,767	13,183,468
TOTAL ASSETS	2,814,509	5,991,939	5,195,318	83,443	14,085,209
Deferred Outflows Related to Other Post Employment Benefits	76,538	91,958	62,611	38,941	270,048
Deferred Outflows Related to Pensions	101,970	123,872	83,936	50,899	360,677
TOTAL ASSETS AND DEFERRED OUTFLOWS	2,993,017	6,207,769	5,341,865	173,283	14,715,934
LIABILITIES:					
Current Liabilities:					
Accounts Payable	11,431	24,131	407,367	17,539	460,468
Accrued Salaries	3,823	8,834	4,850		17,507
Payroll Taxes and Withholding Payable	4,473	13,444	5,043		22,960
Retirement Plan Payable	3,682	7,417	3,681		14,780
Customer Deposits	114,526	93,696			208,222
Due to Other Funds	87,615				87,615
Tax Collections Payable	2,723	6,744			9,467
Current Portion of Long-Term Obligations - Note 6	14,000	132,271	19,791		166,062
Accrued Interest Payable	11,976	11,959	2,044		25,979
Total Current Liabilities	254,249	298,496	442,776	17,539	1,013,060
Noncurrent Liabilities:					
Noncurrent Portion of Long-Term Obligations - Note 6	981,500	3,482,959	1,690,179		6,154,638
Net Pension Liability	428,319	519,137	355,845	207,352	1,510,653
Net Other Post Employment Benefits Liability	121,504	141,261	97,657	65,286	425,708
Compensated Absences - Note 1	1,338	7,239	533		9,110
Total Noncurrent Liabilities	1,532,661	4,150,596	2,144,214	272,638	8,100,109
TOTAL LIABILITIES	1,786,910	4,449,092	2,586,990	290,177	9,113,169
Deferred Inflows Related to Other Post Employment Benefits	88,008	106,481	65,911	20,450	280,850
Deferred Inflows Related to Pensions	55,408	99,988	64,129	27,556	247,081
TOTAL LIABILITIES AND DEFERRED INFLOWS	1,930,326	4,655,561	2,717,030	338,183	9,641,100
Net Position:					
Net Investment in Capital Assets	1,255,920	1,252,818	3,300,629	3,767	5,813,134
Restricted	49,589	936,101	63,944		1,049,634
Unrestricted	(242,818)	(636,711)	(739,738)	(168,667)	(1,787,934)
Total Net Position	1,062,691	1,552,208	2,624,835	(164,900)	5,074,834
TOTAL LIABILITIES AND NET POSITION	2,993,017	6,207,769	5,341,865	173,283	14,715,934

See independent auditor's report and accompanying notes to financial statements.

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

	BUSINESS-TYPE ACTIVITIES				TOTAL
	GAS FUND	WATER FUND	SEWER FUND	SANITATION FUN	
OPERATING REVENUES:					
Charges for Services	1,096,718	677,010	505,679	434,899	2,714,306
Other Revenues	68,544	16,438	8,428	5,803	99,213
TOTAL OPERATING REVENUES	1,165,262	693,448	514,107	440,702	2,813,519
OPERATING EXPENSES:					
Salaries	165,546	335,584	155,610		656,740
Contract Services	9,550	13,749	26,497	369,167	418,963
Gas Purchases	417,674				417,674
Payroll Taxes	9,779	10,503	9,611		29,893
Employee Benefits	12,677	54,873	14,844		82,394
Uniforms & Laundry		1,710	416		2,126
Maintenance & Repairs	6,988	14,864	26,219		48,071
Motor Fuel	3,587	3,501	404		7,492
Office Expense	3,210	3,967	2,863	1,255	11,295
Legal & Professional Services					0
Utilities	294	108,926	165,210		274,430
Insurance	26,604	51,479	24,420	23,201	125,704
Pretreatment Expenses - Chemicals		125,999	16,449		142,448
Lab Fees		18,431	13,166		31,597
Supplies	40,936	52,246	26,836		120,018
Equipment Rent	1,129	62	3,684		4,875
Training and Certifications	4,183	1,045			5,228
Depreciation - Note 4	61,864	117,030	62,267	2,098	243,259
Other Operating Expenses	10,403	24,159	15,451	393	50,406
TOTAL OPERATING EXPENSES	774,424	938,128	563,947	396,114	2,672,613
OPERATING INCOME(LOSS)	390,838	(244,680)	(49,840)	44,588	140,906
NONOPERATING REVENUES(EXPENSES):					
Interest Income	203	103	21		327
Intergovernmental Grants - State			851,785		851,785
Gain (Loss) on Sale of Assets				7,000	7,000
Interest Expense	(23,964)	(100,395)	(10,480)		(134,839)
TOTAL NONOPERATING REVENUE(EXPENSES)	(23,761)	(100,292)	841,326	7,000	724,273
INCOME(LOSS) BEFORE CAPITAL CONTRIBUTIONS	367,077	(344,972)	791,486	51,588	865,179
CAPITAL CONTRIBUTIONS					
Tap Fees	7,800	2,875			10,675
Transfer In		415,805	61,613		477,418
Transfer Out	(113,271)			(22,909)	(136,180)
CHANGE IN NET POSITION	261,606	73,708	853,099	28,679	1,217,092
TOTAL NET POSITION - BEGINNING	801,085	1,478,500	1,771,736	(193,579)	3,857,742
TOTAL NET POSITION - ENDING	1,062,691	1,552,208	2,624,835	(164,900)	5,074,834

See independent auditor's report and accompanying notes to financial statements.

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

	BUSINESS-TYPE ACTIVITIES				
	GAS FUND	WATER FUND	SEWER FUND	SANITATION FUN	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers	1,194,052	687,670	525,212	454,030	2,860,964
Payments to suppliers	(525,124)	(397,884)	(262,491)	(407,877)	(1,593,376)
Payments to interfund services (payment in lieu of taxes)					-
Payments for employee services and benefits	(214,529)	(448,341)	(212,113)		(874,983)
Payments for other activities	(10,403)	(24,159)	(15,451)		(50,013)
Net Cash Provided (Used) by Operating Activities	443,996	(182,714)	35,157	46,153	342,592
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:					
Principal payments on capital debt	(13,500)	(108,126)	(31,695)		(153,321)
State Grants			851,785		851,785
Tax Collections Payable	(546)	2,259			1,713
Proceeds from sale of assets				7,000	7,000
Interfund (Receivables) Payables	87,615	(26,814)	(30,557)	(30,244)	-
Purchase of capital assets	(68,336)	(967,434)	(1,587,345)		(2,623,115)
Interest paid on capital debt	(23,970)	(108,966)	(10,679)		(143,615)
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	(18,737)	(1,209,081)	(808,491)	(23,244)	(2,059,553)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital Contributions	7,800	2,875			10,675
Net transfers in (out)	(113,271)	415,805	61,613	(22,909)	341,238
Net Cash Provided (Used) by Capital and Related Financing Activities	(105,471)	418,680	61,613	(22,909)	351,913
CASH FLOWS FROM INVESTING ACTIVITIES:					
Receipt of Interest Income	203	103	21		327
Net Cash Provided (Used) by Investing Activities	203	103	21	-	327
Net Increase (Decrease) in Cash and Cash Equivalents	319,991	(973,012)	(711,700)	-	(1,364,721)
Balances, Beginning of Year	193,600	1,970,969	803,818	-	2,968,387
Balances, End of Year	513,591	997,957	92,118	-	1,603,666
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating Income (Loss)	390,838	(244,680)	(49,840)	44,588	140,906
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities					
Depreciation	61,864	117,030	62,267	2,098	243,259
Change in Assets, Deferred Outflows, Liabilities and Deferred Inflows:					
Receivables, net	28,790	(1,903)	11,105	13,327	51,319
Payroll Liabilities	3,770	10,107	579		14,456
Deferred Outflows	(14,504)	(27,522)	(15,610)		(57,636)
Deferred Inflows	(51,234)	(93,348)	(55,174)		(199,756)
Net Pension Liability	33,936	64,392	36,547		134,875
Net Other Post Employment Liability	1,504	2,855	1,620		5,979
Accounts Payable	(10,968)	(9,645)	43,673	(13,860)	9,200
Net Cash Provided (Used) by Operating Activities	443,996	(182,714)	35,167	46,153	342,602

See independent auditor's report and accompanying notes to financial statements.

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Tompkinsville, Kentucky (the City) operates under the City Commission form of government and provides the following services as authorized by its charter: public safety and public works. The accounting policies of the City of Tompkinsville conform to generally accepted accounting principles applicable to governmental units. The following is a summary of the more significant accounting policies.

A. Reporting Entity

The financial statements of the City of Tompkinsville, Kentucky include the funds, account groups and entities over which the Mayor and Commission exercise significant oversight responsibility. Oversight responsibility, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, was determined on the basis of the City's scope of public service, and the ability to significantly influence operation, select the governing body, and participate in fiscal management.

The Economic Development Authority of Tompkinsville/Monroe County is a joint venture between the City and the Monroe County Fiscal Court and is excluded from the City's financial statements.

B. Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements display information about the City as a whole. The statements distinguish between governmental and business-type activities of the City. These financial statements include the financial activities of the City except for fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. The government-wide statement of activities reflects costs of government by function for governmental activities and business-type activities. Program revenues include charges paid by recipient for the goods or services offered by the program and grants or contributions that are restricted to the program. Revenues which are not classified as program revenues are presented as general revenues of the City.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

Fund financial statements report detailed information about the City. The accounts of the City are organized on the basis of funds each of which is considered to be a separate fiscal and accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that is comprised of its assets, liabilities, fund balance/net position, revenues and expenditures or expenses

Governmental funds are those through which most governmental functions are financed. Proprietary fund types are used to account for operations that are financed and operated in a manner similar to business enterprises - where intent of the governing body is that costs of providing services are to be financed or recovered primarily through user charges.

The following funds are used by the City of Tompkinsville:

Governmental Funds

General Fund – The general operating fund of the City is used to account for all financial resources except those required to be accounted for in another fund.

Municipal Road Aid Fund – A non-major special revenue fund used to account for revenues received from the Commonwealth of Kentucky under the gasoline tax distribution program.

Proprietary Funds

Proprietary funds are used to account for the ongoing organizations and activities of the City, which are similar to those found in private business enterprises. The measurement focus is upon determination of net income, financial position, and changes in cash flows.

Proprietary funds are established to account for the acquisition, operations and maintenance of the City's facilities and services which are entirely or predominantly self-supported by user charges or where the City has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City's enterprise operations include the following:

Water Fund – A proprietary fund used to account for the water services provided to the residents of the City of Tompkinsville, the operations of which are financed by user charges.

Sewer Fund – A proprietary fund used to account for the sewer services provided to the residents of the City of Tompkinsville, the operations of which are financed by user charges.

Gas Fund – A proprietary fund used to account for the gas services provided to the residents of the City of Tompkinsville, the operations of which are financed by user charges.

Sanitation Fund - A proprietary fund used to account for the sanitation services provided to the residents of the City of Tompkinsville, the operations of which are financed by user charges.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the City as a whole. The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for individual funds.

Fund Financial Statements

The financial transactions of the City are recorded in individual funds. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred.

Permits, fines and forfeits, and miscellaneous revenues (except for investment earnings) are recorded as revenues when received because they are generally not measurable until actually received. Investment earnings are recorded when earned since they are measurable and available in all funds.

Proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and expenses are recognized when they are incurred.

D. Budgeting

The City follows the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles.

E. Internal Balances

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "internal balances". Interfund receivables and payables between funds within governmental activities and proprietary activities are eliminated in the Statement of Net Position.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Revenues and Receivables

Proprietary funds report all revenues and expenses as operating, except interest income, interest expense, amortization, interfund transfers and capital contributions.

G. Unearned Revenue

Unearned revenue represents the amount for which revenue recognition criteria have not been met. In subsequent periods, when the incurrence of qualifying expenditures has been made, the liability for the unearned revenue is removed and the revenue is recognized.

H. Fund Balances

Fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts constrained for a specific purpose by the City using its highest level of decision-making authority. The City Commission is the highest level of decision-making authority for the City of Tompkinsville. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Commission.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The City has designated the Mayor to carry the intent of the City Commission.

Unassigned – all other spendable amounts.

It is the policy of the City to spend restricted funds first when both restricted and unrestricted funds are available. Once restricted funds are spent, the City will use committed funds first, assigned funds second and unassigned funds last.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Capital Assets

Under GASB 34, the City of Tompkinsville has elected to not report major infrastructure retroactively. Capital assets acquired are recorded at cost or estimated cost. Certain improvements including roads, bridges, curbs and gutters, streets and sidewalks, and drainage systems acquired or constructed before July 1, 2003 have not been capitalized. Infrastructure assets acquired or constructed after July 1, 2003 have been capitalized as permitted by GASB 34. Depreciation of capital assets is provided over the estimated useful lives of the respective assets using the straight-line basis. The estimated useful lives are as follows:

Infrastructure	20-40 years
Buildings	25-40 years
Improvements	10-20 years
Vehicles, furniture and equipment	5-10 years

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

K. Pensions

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

L. Postemployment Benefits Other Than Pensions (OPEB)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Other Accounting Policies

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City of Tompkinsville.

Certificates of deposit are carried at cost, which approximates fair value. All other investments are carried at fair value based on quoted market prices.

The City considers all highly liquid investments (both restricted and unrestricted) with a maturity of 90 days or less when purchased to be cash equivalents.

All restricted and unrestricted cash are considered cash for purposes of the Statement of Cash Flows.

N. Management's Review of Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through July 10, 2025, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2023, have not been evaluated by the City.

2. CASH AND CASH EQUIVALENTS

Custodial Credit Risk

Custodial Credit is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy is to have all deposits secured by pledged securities.

At year-end, the carrying amount of the City's total cash and cash equivalents was \$2,852,502. Of the total cash balance, \$250,000 was covered by Federal Depository Insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the City's name. Cash equivalents are funds temporarily invested in securities with maturity of 90 days or less. Cash and cash equivalents at June 30, 2023, consisted of the following:

	Bank Balance	Book Balance
South Central Bank	2,014,332	1,984,520
Escrowed Funds – Held by State	<u>867,982</u>	<u>867,982</u>
	<u>2,882,314</u>	<u>2,852,502</u>
Breakdown per financial statements:		
Governmental Funds		1,248,836
Proprietary Funds		<u>1,603,666</u>
Cash per Statement of Net Position		<u>2,852,502</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. ACCOUNTS RECEIVABLE

Receivables at year end of the City’s major individual funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General Fund	Municipal Aid Fund	Governmental Funds Total		
Governmental Fund:					
Taxes	371,901		371,901		
Licenses, permits, billings	200		200		
Intergovernmental			-		
Gross Receivables	372,101	-	372,101		
Less: allowance for uncollectible	-	-	-		
Net Receivables	372,101	-	372,101		
	Water Fund	Sewer Fund	Gas Fund	Sanitation Fund	Business-Type Activities Total
Business-Type Activities:					
Customer - Billed	73,078	49,753	44,281	36,367	203,479
Customer - Unbilled	29,806	18,095	8,213	14,563	70,677
Less: allowance for uncollectible	(3,764)	(5,804)	(2,996)	(1,498)	(14,062)
Net Receivables	99,120	62,044	49,498	49,432	260,094

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. CAPITAL ASSETS

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

	Beginning Balance	Additions	Reclass	Retirements	Ending Balance
Governmental Activities					
Land	1,147,383				1,147,383
Land Improvements	190,679				190,679
Infrastructure	2,642,574	117,941			2,760,515
Buildings & Building Improvements	291,721	59,700			351,421
Equipment & Furnishings	985,899	76,983		(10,000)	1,052,882
Vehicles	606,819			(53,017)	553,802
Total at Historical Cost	5,865,075	254,624	-	(63,017)	6,056,682
Less Accumulated Depreciation					
Land Improvements	83,467	15,690			99,157
Infrastructure	2,055,988	98,231			2,154,219
Buildings & Building Improvements	171,219	13,047			184,266
Equipment & Furnishings	894,701	49,794		(2,833)	941,662
Vehicles	519,176	44,549		(53,017)	510,708
Total at Accumulated Depreciation	3,724,551	221,311	-	(55,850)	3,890,012
Governmental Activities Capital Assets Net	2,140,524	33,313	-	(7,167)	2,166,670
Proprietary Activities					
Land	460,676	-			460,676
Land Improvements	64,381	5,480			69,861
Construction in Progress	2,122,838	2,725,111	(4,414,323)		433,626
Infrastructure	8,847,155	58,216	1,232,708		10,138,079
Buildings & Building Improvements	4,767,118	17,079	3,181,615		7,965,812
Vehicles	440,097			(99,891)	340,206
Equipment & Furnishings	843,203	28,809			872,012
Total at Historical Cost	17,545,468	2,834,695	-	(99,891)	20,280,272
Less Accumulated Depreciation					
Land Improvements	63,087	1,489			64,576
Infrastructure	4,113,076	149,045			4,262,121
Buildings & Building Improvements	2,609,086	77,025			2,686,111
Vehicles	420,163	5,500		(99,891)	325,772
Equipment & Furnishings	797,672	10,200			807,872
Total at Accumulated Depreciation	8,003,084	243,259	-	(99,891)	8,146,452
Proprietary Activities Capital Assets Net	9,542,384	2,591,436	-	-	12,133,820
Depreciation Expense Charged to Governmental Functions as Follows:					
General Government					43,098
Public Safety					34,552
Roads and Streets					99,398
Parks & Recreation					44,263
Total					221,311

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. INTERFUND ACTIVITY

Interfund transactions at June 30, 2023, consisted of the following due to/from other funds and transfers in/out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund				397,999
Municipal Aid Fund			56,761	
Gas Fund		87,615		113,271
Water Fund	26,814		415,805	
Sewer Fund	30,557		61,613	
Sanitation Fund	30,244			22,909
	<u>87,615</u>	<u>87,615</u>	<u>534,179</u>	<u>534,179</u>

Due To/From Other Funds

The City’s interfund balances are anticipated to be repaid over a period of time. Some of the interfund balances will not be repaid within one year of the date of these financial statements. The City is unable to identify which balances will not be repaid in the next fiscal year. The interfund balances will be repaid as resources become available.

Interfund Transfers

Transfers are typically used to move unrestricted revenues collected in one fund to finance various programs accounted for in another fund in accordance with budgetary authorizations.

6. LONG-TERM OBLIGATIONS

GOVERNMENTAL ACTIVITIES

Magnolia Bank

On February 22, 2019, the City entered into a lease obligation with Lease One Magnolia Bank, Inc. to purchase four new Ford Explorer police vehicles for a total of \$158,529. The lease calls for 3 monthly payments of \$9,700 beginning April 15, 2019, then four annual payments of \$28,785 and a final payment of \$29,562 beginning December 15, 2019, for a term of 5 years, including interest at 4%. At June 30, 2023, the balance was \$28,425. The annual requirements to amortize the remaining term of the contract is as follows:

Year End June 30, 2024	Principal	Interest	Total
	\$ 28,425	\$ 1,137	\$ 29,562

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. LONG-TERM OBLIGATIONS (continued)

Toshiba Financial

On February 22, 2019, the City entered into a noncancellable lease obligation with Toshiba Financial for office equipment with a monthly payment amount of \$248 including imputed interest at 5.0%. The total lease liability measured at present value is \$13,734. The ending balance at June 30, 2023 is \$4,756. The City has recognized an intangible right of use asset for the term of the lease but the City will not acquire the equipment at the end of the lease. The annual requirements to amortize the remaining term of the contract is as follows:

Year	Principal	Interest
2024	2,806	174
2025	<u>1,950</u>	<u>37</u>
Total	<u>\$ 4,756</u>	<u>\$ 211</u>

The following assets and amortization have been recognized.

Intangible Right of Use Asset – Office Equipment	\$13,734
Accumulated Amortization	<u>(18,094)</u>
Net Ending Balance	<u>\$ 4,360</u>

Axon Enterprises , Inc.

On March 26, 2021, the City entered into a noncancellable lease obligation with Axon Enterprises, Inc. for Police Body Cameras with an initial payment of \$4,000 and annual payment amounts of \$9,000 including imputed interest at 5.0% through March 2025. The total lease liability measured at present value is \$35,913. The ending balance at June 30, 2023 is \$16,734. The City has recognized an intangible right of use asset for the term of the lease but the City will not acquire the equipment at the end of the lease. The annual requirements to amortize the remaining term of the contract is as follows:

Year	Principal	Interest
2024	8,163	837
2025	<u>8,571</u>	<u>429</u>
Total	<u>\$ 16,734</u>	<u>\$ 1,226</u>

The following assets and amortization have been recognized.

Intangible Right of Use Asset – Police Body Cameras	\$35,913
Accumulated Amortization	<u>(20,201)</u>
Net Ending Balance	<u>\$ 15,712</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. LONG-TERM OBLIGATIONS (continued)

South Central Bank

The City had to make emergency repairs to Moe Lane to replace a failing culvert. A small portion of the funds came from the emergency fund of Municipal Road Aid, but the majority was borrowed from South Central Bank. The loan bears an interest rate of 4.35% and had a balance of \$37,043 at June 30, 2023. The annual requirements to amortize the remaining term of the debt is as follows:

Year	Principal	Interest
2024	10,165	1,331
2025	10,578	918
2026	11,008	488
2027	<u>5,292</u>	<u>78</u>
Total	<u>\$ 37,043</u>	<u>\$ 2,815</u>

BUSINESS – TYPE ACTIVITIES

A note for \$654,200 at South Central Bank was obtained to complete a large overhaul of sludge pads and process at the treatment plant. The original note bears interest at 3.75%, this note was renewed on September 20, 2019 with a renewal principal balance of \$641,581 and an interest rate of 4.35% with semi-annual payments of \$40,023 through September 2029. As of June 30, 2023, the balance was \$448,243. The annual requirements to amortize the remaining term of the debt is as follows:

Year	Principal	Interest
2024	61,271	18,775
2025	63,597	16,080
2026	66,017	13,292
2027	68,920	10,389
2028	71,950	7,358
2029-2030	<u>116,488</u>	<u>5,062</u>
Total	<u>\$ 448,243</u>	<u>\$ 70,956</u>

Kentucky Infrastructure Authority

A note for \$1,709,970 from the Kentucky Infrastructure Authority was obtained to complete a large water treatment plant upgrade. The note bears interest at 0.5% and has a principal forgiveness term where upon completion of the project and release of all liens by the contractors the Kentucky Infrastructure Authority will forgive \$430,574 of principal. The note requires the establishment of a repair and maintenance reserve with an annual funding of \$4,300 per year to be made each December 1st starting 2024 until the reserve fund reaches \$86,000. The loan payment requirements with anticipation of the forgiveness of the \$430,574 of principal is semi annual payments of \$22,989 including interest. Further there is a variable servicing fee due with each payment in the amount of 0.1% of the outstanding principal. The balance of the loan, net of forgiveness which was granted subsequent to year end. At June 30, 2023 the principal balance was \$1,709,970, with final maturity in 2053.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. LONG-TERM OBLIGATIONS (continued)

The bond issue requires the establishment of a repair and maintenance reserve account. The city is to deposit \$4,300 each December 1st beginning December 2024 until the account reaches \$86,000.

The annual requirements to amortize the remaining term of the debt after forgiveness of \$430,574 is as follows:

Fiscal Year	Principal	Interest	Service Fees	Total
2024	\$ 19,791	\$ 3,791	\$ 1,685	\$ 25,267
2025	39,730	6,248	2,499	48,477
2026	39,929	6,050	2,420	48,399
2027	40,129	5,850	2,340	48,319
2028	40,329	5,649	2,260	48,238
2029-2033	204,696	25,195	10,078	239,969
2034-2038	209,871	20,020	8,008	237,899
2039-2043	215,177	14,713	5,885	235,775
2044-2048	220,618	9,273	3,709	233,600
2049-2053	226,196	3,695	1,478	231,369
2054	22,930	57	23	23,010
	<u>\$ 1,279,396</u>	<u>\$ 100,541</u>	<u>\$ 40,385</u>	<u>\$ 1,420,322</u>

1986 Issue

The bond ordinance of 1986 authorized \$131,000 of bonds to be issued for the construction of additions, extensions, and improvements to the sewer system. The bonds were purchased by Farmers Home Administration and, subsequently, by Berkadia Commercial Mortgage Corporation. The bonds bear an interest rate of 5.0%. As of June 30, 2023, there is \$23,000 outstanding, with final maturity in 2026. The annual requirements to amortize the remaining term of the debt is as follows:

Year	Principal	Interest
2024	7,000	975
2025	8,000	599
2026	<u>8,000</u>	<u>200</u>
Total	<u>\$ 23,000</u>	<u>\$ 1,474</u>

1998 Issue

The Water and Sewer Revenue Bond of 1998 was issued to U.S. Department of Agriculture p Rural Development (RD) on February 24, 1999, in the amount of \$867,000. The proceeds from this bond issue were used to retire interim financing provided for the construction of the water and wastewater treatment facility. This bond matures each July 1 beginning in 2001, and bears interest at the rate of 4.5%, with \$540,000 outstanding as of June 30, 2023. Final maturity is in 2038. The bond issue required the establishment of the following accounts:

Depreciation Reserve requiring a monthly deposit in the amount of \$470 until the balance reaches \$56,400. At June 30, 2023 the balance in the account exceeded the required \$56,400.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. LONG-TERM OBLIGATIONS (continued)

Sinking Fund requiring the monthly deposit of 1/6th the upcoming semi-annual interest payment and 1/12th the upcoming annual principal payment. For the year ended June 30, 2023 the required monthly deposit amount was \$4,661.

The annual requirements to amortize the remaining term of the debt is as follows:

Year	Principal	Interest
2024	24,000	23,760
2025	25,000	22,658
2026	26,000	21,510
2027	27,000	20,318
2028	28,000	19,080
2029-2033	162,000	74,810
2034-2038	202,000	32,985
2039	<u>46,000</u>	<u>1,034</u>
Total	<u>\$ 540,000</u>	<u>\$ 21,6155</u>

2015 Issue

Bond ordinance of 2015 was issued by U.S. Department of Agriculture on December 30, 2016, in the amount of \$1,058,000. The Bond proceeds were used to upgrade the gas system of the City. Bonds mature in January starting in 2019, and bear interest at 2.375%. At June 30, 2023, Bonds outstanding were \$995,500. Final maturity of the bonds is 2056. The bond issue required the establishment of the following accounts:

Depreciation Reserve requiring a monthly deposit in the amount of \$480 until the balance reaches \$57,600. At June 30, 2023 the balance in the account balance was \$34,560.

Pursuant to General Bond Obligations of 2015, there shall be transferred from the General Fund and deposited into the Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Current Bonds, a sum equal to the total of the following:

1. An amount equal to one-sixth (1/6) of the next six-month interest payment to become due on the Current Bonds, plus
2. A sum equal to one-twelfth (1/12) of the principal of any Current Bonds maturing on the next succeeding January 1.

If the City for any reason shall fail to make any monthly deposit as required, then an amount equal to the deficiency shall be set apart and deposited into the Sinking Fund out of the first available revenues in the ensuing months, which amount shall be in addition to the monthly deposit otherwise required during such succeeding months. Whenever there shall accumulate in the Sinking Fund amounts in excess of the requirements during the next twelve months for paying the principal of and interest due on the Bonds, as same fall due, such excess may be used for redemption or prepayment of any Bonds, subject to the terms and conditions set forth therein, prior to maturity.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. LONG-TERM OBLIGATIONS (continued)

The annual requirements to amortize the remaining term of the debt is as follows:

Year	Principal	Interest
2024	14,000	23,643
2025	14,500	23,311
2026	15,500	22,966
2027	16,000	22,598
2028	16,500	22,218
2029-2033	95,000	104,809
2034-2038	117,500	92,506
2039-2043	145,500	77,286
2043-2047	180,000	58,425
2048-2052	223,000	35,103
2053-2056	<u>158,000</u>	<u>7,600</u>
Total	<u>\$ 995,500</u>	<u>\$ 490,465</u>

2021E Issue

Bond ordinance of 2021 was issued by the Kentucky Bond Corporation on October 6, 2021, in the amount of \$2,660,000. The bond proceeds were used for the purchase and installation of upgraded water meters. Bonds mature in February starting in 2023, and bear interest at 2.0% to 2.65%. At June 30, 2023, Bonds outstanding were \$2,640,000, Final maturity of the bonds is 2048.

The annual requirements to amortize the remaining term of the debt is as follows:

Fiscal Year	Principal	Interest	Service Fees	Total
2024	\$ 40,000	\$ 60,894	\$ 7,050	\$ 107,944
2025	45,000	60,094	6,950	112,044
2026	50,000	59,194	6,838	116,032
2027	55,000	58,194	6,713	119,907
2028	60,000	57,094	6,575	123,669
2029-2033	385,000	265,369	30,363	680,732
2034-2038	545,000	219,694	24,725	789,419
2039-2043	715,000	151,931	17,200	884,131
2044-2048	<u>745,000</u>	<u>51,631</u>	<u>7,188</u>	<u>803,819</u>
	<u>\$ 2,640,000</u>	<u>\$ 984,095</u>	<u>\$ 113,602</u>	<u>\$3,737,697</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>Primary Government</i>					
Governmental Activities:					
Notes Payable	46,812	0	9,769	37,043	10,165
Net Pension Liability	1,882,340	122,357	0	2,004,697	0
Lease Liabilities	89,094	0	39,179	49,915	39,394
Net OPEB Liability	563,389	0	20,679	542,710	0
Compensated Absences	<u>9,962</u>	<u>2,099</u>	<u>0</u>	<u>12,061</u>	<u>0</u>
Total Governmental Activities:	<u>2,591,597</u>	<u>124,456</u>	<u>69,627</u>	<u>2,646,426</u>	<u>49,559</u>
Proprietary Activities:					
Revenue Bond Payable	4,262,000	0	63,500	4,198,500	85,000
Add: Bond Premium	12,062	0	482	11,580	0
Less: Bond Discount	<u>(49,576)</u>	<u>0</u>	<u>(1,983)</u>	<u>(47,593)</u>	<u>0</u>
Net Revenue Bond Payable	4,224,486	0	61,999	4,162,487	85,000
Notes Payable	2,248,033	0	89,820	2,158,213	81,062
Net OPEB Liability	416,729	8,979	0	425,708	0
Compensated Absences	9,095	15	0	9,110	0
Net Pension Liability	<u>1,375,778</u>	<u>134,875</u>	<u>0</u>	<u>1,510,653</u>	<u>0</u>
Total Long-Term Liabilities:	<u>10,865,718</u>	<u>268,325</u>	<u>221,446</u>	<u>10,912,597</u>	<u>215,621</u>

7. PROPERTY TAX CALENDAR

Property taxes for fiscal year 2023 were levied in October 2022 on the assessed valuation of property located in Monroe County as of the preceding January 1, the lien date. The due date and collection periods for all taxes, exclusive of vehicle taxes, are as follows:

<u>Description</u>	<u>Per K.R.S. 134.020</u>
Due date for payment of taxes	Upon receipt
Face value amount payment dates	Upon receipt to January 31
10% delinquent date	February 1

Vehicle taxes are collected by the County Clerk of Monroe County and are due and collected in the birth month of the licensee.

8. RETIREMENT PLAN

CERS

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. RETIREMENT PLAN (continued)

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

Contributions - For the year ended June 30, 2023, plan members were required to contribute 5% of wages for non-hazardous job classifications and 8% of wages for hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium.

The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2023, participating employers contributed 26.79% of each employee's wages for non-hazardous job classifications and 49.59% of each employee's wages for hazardous job classifications. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 9. Plan members contributed 23.40% to the pension trust for non-hazardous job classifications and 42.81% to the pension trust for hazardous job classifications. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

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

For the year ended June 30, 2023, the City contributed \$230,227 or 100% of the required contribution for non-hazardous job classifications, which was allocated \$201,094 to the CERS pension funds and \$29,133 to the CERS insurance fund. The City contributed \$146,598 or 100% of the required contribution for hazardous job classifications, which was allocated \$126,555 to the CERS pension funds and \$20,043 to the CERS insurance fund.

Benefits - CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. RETIREMENT PLAN (continued)

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

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old and 4 years of service
	Reduced retirement	At least 5 years service and 55 years old or 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	Not available

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

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources - At June 30, 2023, the City reported a liability for its proportionate share of the net pension liability as follows:

Total Net		
Pension Liability	Non-hazardous	Hazardous
3,515,351	2,042,992	1,472,359

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, and rolled forward using generally accepted actuarial procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2022 was as follows:

Non-Hazardous	Hazardous
.028261%	.048251%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. RETIREMENT PLAN (continued)

The proportionate share at June 30, 2022 decreased by .00037% for non-hazardous and decreased .005565% for hazardous compared to the proportionate share as of June 30, 2021.

For the year ended June 30, 2023, the City recognized pension benefit of \$54,841. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 44,399	\$ 18,194
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	86,382	-
Changes in proportion and differences between District contributions and proportionate share of contributions	19,418	404,577
District contributions subsequent to the measurement date	<u>327,649</u>	<u>-</u>
Total	<u>\$ 477,848</u>	<u>\$ 422,771</u>

The \$327,649 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2024	(238,414)
2025	(67,749)
2026	(51,061)
2027	84,652
2028	-

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:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. RETIREMENT PLAN (continued)

Non-hazardous

Inflation	2.30%
Salary increases	3.30% to 10.30%, varies by service, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

Hazardous

Inflation	2.30%
Salary increases	3.55% to 19.05%, varies by service, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	60.00%	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Special credit/high yield	15.00%	2.80%
Liquidity	20.00%	
Core Bonds	10.00%	0.28%
Special credit/high yield	10.00%	2.28%
Cash	0.00%	-0.91%
Inflation Protected	20.00%	
Real Estate	7.00%	3.67%
Real Return	10.00%	4.07%
Total	100.00%	4.28%
Long term inflation assumption		2.30%
Expected nominal return for portfolio		6.58%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. RETIREMENT PLAN (continued)

Discount Rate - The discount rate used to measure the total pension liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 30-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	Non-hazardous			Hazardous		
	Discount rate	City's proportionate share of net pension liability		Discount rate	City's proportionate share of net pension liability	
1% decrease	5.25%	\$ 2,553,486		5.25%	\$ 1,834,064	
Current discount rate	6.25%	\$ 2,042,992		6.25%	\$ 1,472,359	
1% increase	7.25%	\$ 1,620,770		7.25%	\$ 1,177,772	

Payable to the Pension Plan - At June 30, 2023, the City reported a payable of \$32,025 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2023. The payable includes both the pension and insurance contribution allocation.

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description - As more fully described in Note 6, the City of Tompkinsville participates in the County Employees' Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPES). OPES benefits may be extended to beneficiaries of plan members under certain circumstances.

Contributions - As more fully described in Note 6, plan members contribute to CERS for non-hazardous and hazardous job classifications. For the year ending June 30, 2023, the employer's contribution was 3.39% to the insurance trust for non-hazardous job classifications and 6.78% to the insurance trust for hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

For the year ended June 30, 2023, the City contributed \$29,133, or 100% of the required contribution for non-hazardous job classifications, and \$20,043 or 100% of the required contribution for hazardous job classifications.

Benefits - CERS provides health insurance benefits to Plan employees and beneficiaries. For retirement purposes, employees are grouped into three tiers based on hire date:

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

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources –

At June 30, 2023, the City reported a liability for its proportionate share of the net OPEB liability as follows:

Total Net		
OPEB Liability	Non-hazardous	Hazardous
968,418	557,636	410,782

The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021 and rolled forward using generally accepted actuarial procedures. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2022 was as follows:

Non-Hazardous	Hazardous
.028256%	.048226%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

The proportionate share at June 30, 2022 decreased by .000368% for non-hazardous and decreased .005589% for hazardous compared to the proportionate share as of June 30, 2021.

For the year ended June 30, 2023, the City recognized OPEB expense of \$87,915. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 65,207	\$ 152,208
Changes of assumptions	156,766	143,352
Net difference between projected and actual earnings on pension plan investments	37,626	-
Changes in proportion and differences between District contributions and proportionate share of contributions	66,336	218,597
District contributions subsequent to the measurement date	<u>73,762</u>	<u>-</u>
Total	<u>\$ 399,697</u>	<u>\$ 514,157</u>

The \$49,176 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Contributions also include an allocation for the implicit subsidy of \$24,586, which are required to be recognized as deferred outflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in expense as follows:

<u>Year ended June 30:</u>	
2024	(44,169)
2025	(48,998)
2026	(80,224)
2027	4,387
2028	(19,218)

Actuarial Assumptions – The total OPEB liability reported at June 30, 2022, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Non-Hazardous and Hazardous

Inflation	2.30%
Salary increases	3.30 to 19.05%, varies by service, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare trend	

Pre – 65: Initial trend starting at 6.20% at January 1, 2021, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

Post – 65: Initial trend starting at 9.00% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	60.00%	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Liquidity	20.00%	
Core Bonds	10.00%	0.28%
Special credit/high yield	10.00%	2.28%
Cash	0.00%	-0.91%
Inflation Protected	20.00%	
Real Estate	7.00%	3.67%
Real Return	10.00%	4.07%
Total	100.00%	4.28%
Long term inflation assumption		2.30%
Expected nominal return for portfolio		6.58%

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Discount Rate - The discount rate used to measure the total OPEB liability was 5.70% and 5.61% for non-hazardous and hazardous classifications, respectively. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, 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. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net OPEB liability calculated using the discount rate as well as what the City's proportionate share of the 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:

	Non-hazardous		Hazardous	
	Discount rate	City's proportionate share of net OPEB liability	Discount rate	City's proportionate share of net OPEB liability
1% decrease	4.70%	\$ 745,470	4.61%	\$ 570,770
Current discount rate	5.70%	\$ 557,636	5.61%	\$ 410,782
1% increase	6.70%	\$ 402,360	6.61%	\$ 280,873

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

	Non-hazardous		Hazardous	
		City's proportionate share of net OPEB liability		City's proportionate share of net OPEB liability
1% decrease	\$	414,590	\$	286,844
Current discount rate	\$	557,636	\$	410,782
1% increase	\$	729,407	\$	561,859

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. RISK MANAGEMENT

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TOMKOINSVILLE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	1,420,800	1,420,800	1,860,049	439,249
License, Fees & Permits	251,703	251,703	47,118	(204,585)
Intergovernmental - State Programs	36,789	36,789	19,239	(17,550)
Other Revenues	1,338,827	1,338,827	347,118	(991,709)
TOTAL REVENUES	<u>3,048,119</u>	<u>3,048,119</u>	<u>2,273,524</u>	<u>(774,595)</u>
EXPENDITURES:				
General Government	228,506	228,506	301,664	(73,158)
Public Safety - Police	817,939	817,939	1,028,547	(210,608)
Public Safety - Fire	24,208	24,208	31,958	(7,750)
Parks & Recreation	167,926	167,926	226,638	(58,712)
Capital Outlay	684,704	684,704	136,678	548,026
Debt Service:	684,152	684,152	42,146	642,006
Transfer Out	440,684	440,684	397,999	42,685
TOTAL EXPENDITURES	<u>3,048,119</u>	<u>3,048,119</u>	<u>2,165,630</u>	<u>882,489</u>
NET CHANGE IN FUND BALANCE	<u>0</u>	<u>0</u>	<u>107,894</u>	<u>107,894</u>
FUND BALANCES - BEGINNING	<u>0</u>	<u>0</u>	<u>668,151</u>	<u>668,151</u>
FUND BALANCES - ENDING	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>776,045</u></u>	<u><u>776,045</u></u>

See independent auditor's report and accompanying notes to financial statements.

CITY OF TOMPKINSVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM - HAZARDOUS
FOR THE YEAR ENDED JUNE 30

	2015	2016	2017	2018	2019
City's proportion of net pension liability	0.052570%	0.054140%	0.056330%	0.070190%	0.077854%
City's proportionate share of the net pension liability	\$ 631,835	831,499	966,561	1,507,279	1,882,865
State of Kentucky's share of the net pension liability associated with the City	-	-	-	-	-
TOTAL	\$ 631,835	831,499	966,561	1,507,279	1,882,865
City's covered-employee payroll	\$ 314,499	385,285	435,845	385,285	419,389
City's proportionate share of the net pension liability as a percentage of its covered-payroll	200.90%	215.81%	221.77%	391.21%	448.95%
Plan fiduciary net position as a percentage of the total pension liability	63.46%	57.52%	53.95%	49.80%	49.27%
	2020	2021	2022	2023	
City's proportion of net pension liability	0.073640%	0.052662%	0.052700%	4.825000%	
City's proportionate share of the net pension liability	2,034,154	1,577,774	1,432,668	1,472,359	
State of Kentucky's share of the net pension liability associated with the district	-	-	-	-	
TOTAL	2,034,154	1,577,774	1,432,668	1,472,359	
City's covered-employee payroll	307,506	443,513	314,231	295,620	
City's proportionate share of the net pension liability as a percentage of its covered-payroll	661.50%	355.74%	455.93%	498.06%	
Plan fiduciary net position as a percentage of the total pension liability	46.63%	44.11%	52.26%	47.11%	

CITY OF TOMPKINSVILLE, KENTUCKY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CITY'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 COUNTY EMPLOYEES RETIREMENT SYSTEM - NON-HAZARDOUS
 FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
City's proportion of net pension liability	0.018720%	0.022050%	0.029680%	0.027790%	0.031705%
City's proportionate share of the net pension liability	\$ 607,282	946,091	1,461,503	1,626,517	1,930,931
State of Kentucky's share of the net pension liability associated with the City	-	-	-	-	-
TOTAL	<u>\$ 607,282</u>	<u>946,091</u>	<u>1,461,503</u>	<u>1,626,517</u>	<u>1,930,931</u>
City's covered-employee payroll	\$ 721,143	676,580	780,710	626,211	1,127,235
City's proportionate share of the net pension liability as a percentage of its covered-payroll	84.21%	139.83%	187.20%	259.74%	171.30%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	55.50%	53.33%	53.55%
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	
City's proportion of net pension liability	0.039464%	0.032664%	0.028631%	0.282610%	
City's proportionate share of the net pension liability	2,775,521	2,505,302	1,825,451	2,042,992	
State of Kentucky's share of the net pension liability associated with the district	-	-	-	-	
TOTAL	<u>2,775,521</u>	<u>2,505,302</u>	<u>1,825,451</u>	<u>2,042,992</u>	
City's covered-employee payroll	868,847	745,543	781,170	859,378	
City's proportionate share of the net pension liability as a percentage of its covered-payroll	319.45%	336.04%	233.68%	237.73%	
Plan fiduciary net position as a percentage of the total pension liability	50.45%	47.81%	57.33%	52.42%	

CITY OF TOMPKINSVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE
COUNTY EMPLOYEES RETIREMENT SYSTEM - HAZARDOUS
FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contributions (actuarially determined)	\$ 107,905	\$ 126,951	\$ 135,373	\$ 86,623	\$ 104,302
Contributions in relation to the actuarially determined contributions	<u>107,905</u>	<u>126,951</u>	<u>135,373</u>	<u>86,623</u>	<u>104,302</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 314,499	\$ 385,285	\$ 435,845	\$ 385,285	\$ 419,389
Contributions as a percentage of Covered employee payroll	34.31%	32.95%	31.06%	22.48%	24.87%
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	
Contractually required contributions (actuarially determined)	\$ 92,436	\$ 133,320	\$ 106,399	\$ 126,555	
Contributions in relation to the actuarially determined contributions	<u>92,436</u>	<u>133,320</u>	<u>106,399</u>	<u>126,555</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Covered employee payroll	\$ 307,506	\$ 443,513	\$ 314,231	\$ 295,620	
Contributions as a percentage of Covered employee payroll	30.06%	30.06%	33.86%	42.81%	

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

CITY OF TOMPKINSVILLE, KENTUCKY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE
 COUNTY EMPLOYEES RETIREMENT SYSTEM - NON-HAZARDOUS
 FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contributions (actuarially determined)	\$ 127,426	\$ 115,425	\$ 145,837	\$ 99,383	\$ 182,837
Contributions in relation to the actuarially determined contributions	<u>127,426</u>	<u>115,425</u>	<u>145,837</u>	<u>99,383</u>	<u>182,837</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 721,143	\$ 676,580	\$ 780,710	\$ 626,211	\$ 1,127,235
Contributions as a percentage of Covered employee payroll	17.67%	17.06%	18.68%	15.87%	16.22%
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	
Contractually required contributions (actuarially determined)	\$ 167,687	\$ 143,890	\$ 165,374	\$ 201,094	
Contributions in relation to the actuarially determined contributions	<u>167,687</u>	<u>143,890</u>	<u>165,374</u>	<u>201,094</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Covered employee payroll	\$ 868,847	\$ 745,543	\$ 781,170	\$ 859,378	
Contributions as a percentage of Covered employee payroll	19.30%	19.30%	21.17%	23.40%	

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

CITY OF TOMPKINSVILLE, KENTUCKY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CITY'S PROPORTIONATE SHARE
 OF THE NET OPEB LIABILITY - MEDICAL INSURANCE
 COUNTY EMPLOYEES RETIREMENT SYSTEM - HAZARDOUS
 FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
City's proportion of net OPEB liability	0.070187%	0.077859%	0.073625%	0.052645%	0.053815%
City's proportionate share of the net OPEB liability	580,216	555,103	544,722	486,495	435,126
State of Kentucky's share of the net OPEB liability associated with the district	-	-	-	-	-
TOTAL	<u><u>580,216</u></u>	<u><u>555,103</u></u>	<u><u>544,722</u></u>	<u><u>486,495</u></u>	<u><u>435,126</u></u>
City's covered-employee payroll	385,285	419,389	307,506	443,513	314,231
City's proportionate share of the net OPEB liability as a percentage of its covered-payroll	150.59%	132.36%	177.14%	109.69%	138.47%
Plan fiduciary net position as a percentage of the total OPEB liability	59.00%	64.25%	64.44%	58.84%	66.81%
	<u>2023</u>				
City's proportion of net OPEB liability	0.048226%				
City's proportionate share of the net OPEB liability	410,782				
State of Kentucky's share of the net OPEB liability associated with the district	-				
TOTAL	<u><u>410,782</u></u>				
City's covered-employee payroll	295,620				
City's proportionate share of the net OPEB liability as a percentage of its covered-payroll	138.96%				
Plan fiduciary net position as a percentage of the total OPEB liability	64.13%				

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

CITY OF TOMPKINSVILLE, KENTUCKY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CITY'S PROPORTIONATE SHARE
 OF THE NET OPEB LIABILITY - MEDICAL INSURANCE
 COUNTY EMPLOYEES RETIREMENT SYSTEM - NON-HAZARDOUS
 FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
City's proportion of net OPEB liability	0.027788%	0.031704%	0.039454%	0.032667%	0.028624%
City's proportionate share of the net OPEB liability	558,634	562,898	663,599	788,809	547,992
State of Kentucky's share of the net OPEB liability associated with the district	-	-	-	-	-
TOTAL	<u>558,634</u>	<u>562,898</u>	<u>663,599</u>	<u>788,809</u>	<u>547,992</u>
City's covered-employee payroll	385,285	419,389	307,506	443,513	781,170
City's proportionate share of the net OPEB liability as a percentage of its covered-payroll	144.99%	134.22%	215.80%	177.85%	70.15%
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%	57.63%	60.44%	51.67%	62.91%
	<u>2023</u>				
City's proportion of net OPEB liability	0.028256%				
City's proportionate share of the net OPEB liability	557,636				
State of Kentucky's share of the net OPEB liability associated with the district	-				
TOTAL	<u>557,636</u>				
City's covered-employee payroll	859,378				
City's proportionate share of the net OPEB liability as a percentage of its covered-payroll	64.89%				
Plan fiduciary net position as a percentage of the total OPEB liability	60.95%				

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

CITY OF TOMPKINSVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE MEDICAL INSUARANCE PLAN
COUNTY EMPLOYEES RETIREMENT SYSTEM - HAZARDOUS
FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contributions (actuarially determined)	\$ 33,046	\$ 43,910	\$ 29,275	\$ 42,222	\$ 32,900
Contributions in relation to the actuarially determined contributions	<u>33,046</u>	<u>43,910</u>	<u>29,275</u>	<u>42,222</u>	<u>32,900</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 385,285	\$ 419,389	\$ 307,506	\$ 443,513	\$ 314,231
Contributions as a percentage of Covered employee payroll	8.58%	10.47%	9.52%	9.52%	10.47%
	<u>2023</u>				
Contractually required contributions (actuarially determined)	\$ 20,043				
Contributions in relation to the actuarially determined contributions	<u>20,043</u>				
Contribution deficiency (excess)	<u>\$ -</u>				
Covered employee payroll	\$ 295,620				
Contributions as a percentage of Covered employee payroll	6.78%				

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

CITY OF TOMPKINSVILLE, KENTUCKY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE MEDICAL INSUARANCE PLAN
 COUNTY EMPLOYEES RETIREMENT SYSTEM - NON-HAZARDOUS
 FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contributions (actuarially determined)	\$ 28,801	\$ 59,294	\$ 41,357	\$ 35,488	\$ 45,152
Contributions in relation to the actuarially determined contributions	<u>28,801</u>	<u>59,294</u>	<u>41,357</u>	<u>35,488</u>	<u>45,152</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 626,211	\$ 1,127,235	\$ 868,847	\$ 745,543	\$ 781,170
Contributions as a percentage of Covered employee payroll	4.60%	5.26%	4.76%	4.76%	5.78%
	<u>2023</u>				
Contractually required contributions (actuarially determined)	\$ 29,133				
Contributions in relation to the actuarially determined contributions	<u>29,133</u>				
Contribution deficiency (excess)	<u>\$ -</u>				
Covered employee payroll	\$ 859,378				
Contributions as a percentage of Covered employee payroll	3.39%				

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023

1. GENERAL INFORMATION

Contributions

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

Payroll

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

2. CHANGES OF ASSUMPTIONS

June 30, 2021 – Pensions and OPEB – Hazardous and Nonhazardous

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

- The initial healthcare trend rate for pre-65 was changed from 6.40% to 6.30%. The initial healthcare trend rate for post-65 was changed from 2.90% to 6.30%.

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

June 30, 2020 – Pensions and OPEB – Hazardous and Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for both pension and OPEB:

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

June 30, 2019 – Pensions and OPEB – Hazardous and Nonhazardous

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

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

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023

CHANGES OF ASSUMPTIONS (continued)

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

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

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

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

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

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

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

June 30, 2015 – Pensions – Hazardous and Nonhazardous

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

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

June 30, 2014 – Pensions – Hazardous and Nonhazardous

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

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023

CHANGES OF ASSUMPTIONS (continued)

June 30, 2013 – Pensions – Hazardous and Nonhazardous

The following assumptions were made by the Kentucky Legislature and reflected in the initial valuation performed as of June 30, 2013:

- The assumed rate of return was 7.75%.
- The assumed rate of inflation was 3.5%.
- The assumed rate of wage inflation was 1%.
- Payroll growth assumption was 4.5%.
- Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006. The 1994 Group Annuity Mortality Table was used for all other members.

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

July 08, 2025

Commission Members
City of Tompkinsville
206 N Magnolia St
Tompkinsville, KY 42167

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tompkinsville, Kentucky, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Tompkinsville, Kentucky's basic financial statements, and have issued our report thereon dated July 8, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2023-001 through 2023-011 that we consider material weaknesses.

Report on Compliance and Other Matters

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

City of Tompkinsville, Kentucky's Responses to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

Montgomery & Company, P.L.L.C.

Certified Public Accountants

**CITY OF TOMPKINSVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2023**

(A) SUMMARY OF AUDIT RESULTS

- The auditor’s report expresses an unmodified opinion on the financial statements of the City of Tompkinsville, Kentucky.
- Material weaknesses relating to the audit of the financial statements are reported in the Independent Auditor’s Report on Internal Control and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Governmental Auditing Standards*.
- No instances of noncompliance material to the financial statements of the City of Tompkinsville, Kentucky were disclosed during the audit.

(B) FINDINGS RELATING TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

LACK OF CONTROLS OVER PURCHASING 2023-001 – REPEAT FINDING

Condition: Due to a lack of standard policy there was no effective purchase order policy in place. Specifically, purchases are being made without obtaining a purchase orders prior to the purchase and there was a lack of purchase approval.

Criteria: Effective internal controls would dictate that purchases by City employees require a request and approval process in order to protect the City’s assets.

Effect: The lack of internal controls over purchasing can subject the City to intentional and unintentional losses due to errors or irregularities.

Recommendation: The City should implement sound purchasing policies where all purchases require an approved purchase order prior to purchase with the supporting invoices reconciled to the approved purchase order prior to paying the invoice.

Management’s Response and Corrective Action: The City has implemented a new purchasing policy that requires purchases to first have a purchase order completed by the payroll clerk or the City clerk detailing the purchase. The purchase order is then required to be signed by the requestor and by their direct supervisor of are commissioner. The purchase order is required to be returned with the related invoice/receipt to the accounts payable clerk for reconciliation and processing.

LACK OF CONTROLS OVER OVERTIME 2023-002 – REPEAT FINDING

Condition: Due to a lack of standard policy there is a lack of oversight related to employee overtime. Specifically, significant amount of overtime by some City employees is being incurred without prior City knowledge or approval.

Criteria: Effective internal controls would dictate that overtime worked by City employees require prior approval when not an emergency. Further, all overtime submitted to be paid should be reviewed and approved by the employees direct supervisor prior to payment.

Effect: The lack of internal controls over employee overtime can subject the City to intentional and unintentional losses due to errors or irregularities.

Recommendation: The City should implement sound payroll policies where all nonemergency overtime requires prior approval by the employee's direct supervisor and that all timesheets be reviewed and approved by the supervisors prior to submitting to payroll for payment.

Management's Response and Corrective Action: The City has implemented a new payroll policy whereby any employee claiming 5 or more hours of overtime in a week must fill out an overtime sheet. The overtime sheet must state the specific need that required overtime and must be submitted to the supervisor for review and approval prior to payment of the overtime. For supervisors they must have their area commissioner review and approve the overtime.

FAILURE TO MAKE TIMELY SINKING FUND DEPOSITS 2023-003 – REPEAT FINDING

Condition: Due to a lack of a full understanding of the sinking fund deposit requirements for the City's outstanding bonds the monthly deposits were not made on a timely basis. Specifically, the deposits to the sinking fund were made in total days before the required payments were to be debited from the sinking fund account rather than making the deposits monthly as required by the bond documents.

Criteria: Proper understanding of the sinking fund requirements is necessary to ensure compliance with the bond agreement.

Effect: The lack of understanding with the monthly deposit requirements of the bond agreements could lead to a material noncompliance issue for the City in relation to City's bond borrowings.

Recommendation: The City should implement policies and controls to ensure that there is an understanding of the bond sinking fund requirements and that the required monthly deposit into the sinking fund accounts occur on a timely basis.

Management's Response and Corrective Action: The accounts payable clerk will transfer the amounts required by the bond documents on a monthly basis as part of her month end processes. Further, the City Clerk will verify that the funds have been transferred as required by the bond documents as it relates to amount and timeframe.

LACK OF CONTROLS OVER BANK RECONCILIATIONS 2023-004 – REPEAT FINDING

Condition: Due to a lack of a standard policy the City's bank accounts are not being reconciled on a timely basis.

Criteria: Effective internal controls would dictate that the bank reconciliations be prepared soon after the close of the month.

Effect: The failure to prepare bank reconciliations on a timely basis can subject the City to intentional or unintentional losses due to errors or irregularities.

Recommendation: The City should implement policies and controls to ensure that all bank accounts are reconciled no later than the 15th of the following month. Furthermore, the reconciliations should be reviewed and approved upon completion by the City Clerk or Mayor.

Management's Response and Corrective Action: The City has implemented a policy where all City bank accounts will be reconciled by the middle of the following month and each reconciliation will be reviewed and approved by the City Clerk or Mayor.

LACK OF CONTROLS OVER POSTING RECEIPTS 2023-005 – REPEAT FINDING

Condition: Due to a lack of controls over recording receipts into the ledger multiple receipts were posted into the miscellaneous income account rather than the proper revenue account.

Criteria: Effective internal controls would dictate receipts be recorded into the revenue accounts that match the type of funds received.

Effect: The lack of controls over the posing of receipts into the proper revenue accounts can lead to material misstatements in the financial statements.

Recommendation: The City should implement policies and controls to ensure all receipts be properly identified as to amount and type to ensure that the items are recorded into the proper revenue accounts within the general ledger.

Management's Response and Corrective Action: The City has implemented a policy all receipts are to be identified at the point of receipt to ensure that the revenues are being posed to the proper revenue accounts. Further, the use of miscellaneous income is now limited to small receipts that are immaterial and do not fit into any of the major revenue categories.

LACK OF CONTROLS OVER POSTING DISBURSEMENTS 2023-006 – REPEAT FINDING

Condition: Due to a lack of controls over recording disbursements into the ledger multiple expense items were posted into the miscellaneous expense account rather than the proper expense account.

Criteria: Effective internal controls would dictate disbursements be recorded into the expense accounts that match the type of expenses being paid.

Effect: The lack of controls over the posing of disbursements into the proper expense accounts can lead to material misstatements in the financial statements.

Recommendation: The City should implement policies and controls to ensure all disbursements be properly identified as to amount and type to ensure that the items are recorded into the proper expense accounts within the general ledger.

Management's Response and Corrective Action: The City has implemented a policy all disbursements are to be identified at the point of entering the item into the accounts payable system to ensure that the expenses are being posed to the proper expense accounts. Further, the use of miscellaneous expense is now limited to small disbursements that are immaterial and do not fit into any of the major expense categories.

LACK OF CONTROLS OVER CREDIT CARD USE 2023-007 – REPEAT FINDING

Condition: Due to a lack of controls over the City's credit card the City's credit card was taken for use by employees without proper authorization and there was a failure to return the credit card immediately after use.

Criteria: Effective internal controls would dictate that the use of the City's credit card be restricted and that all use of the credit card be supported by an approved purchase order and that the time frame for use be restricted.

Effect: The failure to properly safeguard the use of the City's credit card can subject the City to intentional or unintentional losses due to errors or irregularities.

Recommendation: The City should implement policies and controls to ensure that when the City's credit card is not in use that it be properly locked up. Further, the City should implement a check in and check out policy to ensure that those that have use of the credit card are known and that the credit card is being returned immediately after use. The City should implement additional policies whereby the credit card cannot be checked out without a properly approved purchase order.

Management's Response and Corrective Action: The City has implemented a policy where the City's credit card is under lock and key at all times when not in use. Further, the credit card must be signed out and signed in with any signing out of the credit card requiring an approved purchase order. The credit card is now to be returned and signed back in immediately after completion of the purchase and the supporting purchase order and receipt are to be turned into the accounts payable clerk at the time of signing the credit card back in.

FAILURE TO MAINTAIN PURCHASE SUPPORT 2023-008 – REPEAT FINDING

Condition: Due to a lack of controls over the City's purchasing there were instances where the city failed to maintain the proper supporting documentation (invoices) for purchases.

Criteria: Effective internal controls would dictate that prior to the payment to a vendor that proper documentation be received and approved in the way of an invoice.

Effect: The failure to ensure that all purchases and subsequent payments are supported by original vendor invoices can subject the City to intentional or unintentional losses due to errors or irregularities.

Recommendation: The City should implement policies and controls to ensure that the invoices supporting all purchases be submitted to the accounts payable clerk where they will be reconciled to the approved purchase order prior to payment.

Management's Response and Corrective Action: The City has implemented a policy where all invoices and purchase receipts are to be turned into the accounts payable clerk along with the approved purchase order immediately after purchase.

LACK OF CONTROLS OVER FUEL PURCHASES 2023-009 – REPEAT FINDING

Condition: Due to a lack of controls over the City's fuel purchasing by employees there are instances where there was no supporting receipt for the charge.

Criteria: Effective internal controls would dictate that employees allowed to charge the purchase of fuel to the City that supporting receipts for the purchase would be used to reconcile the purchases to the monthly vendor invoice.

Effect: The failure to require receipts from the employees to substantiate the fuel purchase can subject the City to intentional or unintentional losses due to errors or irregularities.

Recommendation: The City should implement policies and controls to ensure that the receipts supporting all fuel purchases be submitted to the accounts payable clerk where they will be reconciled to the monthly vendor invoice.

Management's Response and Corrective Action: The City has implemented a policy where all employees charging fuel to the city must turn in the receipts weekly to the accounts payable clerk to be reconciled to the monthly vendor invoice. Failure to comply will result in employee write ups and or revocation of fuel purchase privileges.

IMPROPER US OF INTERFUND TRANSFER ACCOUNTS 2023-010 – REPEAT FINDING

Condition: Due to a lack of understanding of how interfund transfer general ledger accounts work there were transfers posted to the accounts that were not interfund transfers but rather transfers between a fund's bank accounts.

Criteria: The proper understanding of the use of the interfund transfer general ledger accounts will prevent the improper posting of bank transfers that do not constitute interfund transactions to the interfund transfers accounts.

Effect: The failure to understand the proper use of the interfund transfer accounts results in an over statement of the accounts which could cause a material misstatement in the financial statements.

Recommendation: We recommend that the use of the interfund transfer accounts be limited to only transfers between funds.

Management's Response and Corrective Action: During the audit it came to the City's attention that the interfund transfer accounts were being improperly used. Going forward the city will ensure that only transfers between funds will be posted to the interfund transfer accounts.

FAILURE TO USE INTERFUND TRANSFERS 2023-011 – REPEAT FINDING

Condition: Due to a lack of understanding on how to properly transfer money between funds there were instances where one fund paid the expense for another fund directly rather than implementing an interfund transfer of money.

Criteria: The proper understanding of the use of the interfund transfer general ledger accounts will prevent the payment of one fund's expenses directly from another funds bank account and the improper posting of the expense in the wrong fund.

Effect: The failure to understand the proper use of the interfund transfer accounts results in expenses being paid for and recorded by the incorrect fund which could cause a material misstatement in the financial statements.

Recommendation: We recommend that when needing to transfer money from one fund to another that the transfer be made between bank accounts and that the moving of the money be recorded as a transfer in for the fund receiving the funds and a transfer out for the fund that sends the money.

Management's Response and Corrective Action: During the audit it came to the City's attention that items for one fund were being paid by another fund without the proper transfer of the funds. Going forward any time funds need to be moved from one fund to another to pay expenses the funds will be transferred between bank accounts and the transfer in and transfer out will be recorded in the respective funds.