ELECTRIC PLANT BOARD OF THE CITY OF VANCEBURG, KENTUCKY

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

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INDEPENDENT AUDITOR'S REPORT

Board Members
Electric Plant Board of the
City of Vanceburg
Vanceburg, Kentucky

Report of the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities and each major fund of Electric Plant Board of the City of Vanceburg, Kentucky, a component unit of the City of Vanceburg, Kentucky, (the "Board"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Board'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 business-type activities and each major fund of the Electric Plant Board of the City of Vanceburg, Kentucky as of June 30, 2023, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in aggregate, that raise substantial doubt about the Electric Plant Board of the City of Vanceburg, 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards* 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 Electric Plant Board of the City of Vanceburg, 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 Electric Plant Board of the City of Vanceburg, 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

Accounting principles generally accepted in the United States of America require that the Schedule of the Board's Proportionate Share of the Net Pension and OPEB Liability and the Schedule of Pension and OPEB Contributions on pages 28 through 33 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 in 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.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Board's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2023, on our consideration of Electric Plant Board of the City of Vanceburg, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Electric Plant Board of the City of Vanceburg, 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 Electric Plant Board of the City of Vanceburg, Kentucky's internal control over financial reporting and compliance.

Kelley Galloway Smith Goolsby, PSC
Ashland, Kentucky
October 20, 2023

ELECTRIC PLANT BOARD
OF THE CITY OF VANCEBURG
(A COMPONENT UNIT OF THE CITY OF VANCEBURG, KENTUCKY)
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2023

	Business-Type Activities - Enterprise Funds		
	Electric Fund	Gas, Water and Sewer Fund	Total
ASSETS			
Current assets-			
Unrestricted:			
Cash	$ 2,107,544	$ 87,183	$ 2,194,727
Customer accounts receivable, net	736,620	214,827	951,447
Other accounts receivable	487,293	114,584	601,877
Interfund receivables	2,429,723	-	2,429,723
Accrued interest receivable	11,490	-	11,490
Prepaids	7,575	3,003	10,578
Supplies inventories	400,454	103,489	503,943
Total unrestricted current assets	6,180,699	523,086	6,703,785
Restricted:			
Cash	1,256,897	1,309,206	2,566,103
Total restricted current assets	1,256,897	1,309,206	2,566,103
Total current assets	7,437,596	1,832,292	9,269,888
Capital assets:			
Land	36,134	192,486	228,620
Structures and improvements	742,615	574,456	1,317,071
Utility plant	10,784,220	23,956,713	34,740,933
Machinery and equipment	2,215,863	1,179,784	3,395,647
Construction in progress	-	2,774,741	2,774,741
	13,778,832	28,678,180	42,457,012
Less: Accumulated depreciation	(8,265,913)	(13,420,303)	(21,686,216)
Capital assets, net	5,512,919	15,257,877	20,770,796
Total assets	12,950,515	17,090,169	30,040,684
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension related	114,666	181,331	295,997
Deferred OPEB related	106,501	168,419	274,920
Total deferred outflows of resources	221,167	349,750	570,917
Total assets and deferred outflows of resources	$ 13,171,682	$ 17,439,919	$ 30,611,601

ELECTRIC PLANT BOARD
OF THE CITY OF VANCEBURG
(A COMPONENT UNIT OF THE CITY OF VANCEBURG, KENTUCKY)
STATEMENT OF NET POSITION - PROPRIETARY FUNDS (CONCLUDED)
JUNE 30, 2023

	Business-Type Activities - Enterprise Funds		
	Electric Fund	Gas, Water and Sewer Fund	Total
LIABILITIES			
Current liabilities-			
Unrestricted:			
(payable from current assets)			
Accounts payable	$ 494,939	$ 129,527	$ 624,466
Accrued payroll and payroll items	67,471	123,724	191,195
Interfund payable	-	2,429,723	2,429,723
Other accrued liabilities	45,063	4,507	49,570
Total unrestricted current liabilities (payable from current assets)	607,473	2,687,481	3,294,954
Restricted:			
(payable from restricted assets)			
Customer deposits	-	64,155	64,155
Accrued interest payable	5,588	22,433	28,021
Current portion of long-term debt obligations	310,579	288,131	598,710
Total restricted current liabilities (payable from restricted assets)	316,167	374,719	690,886
Total current liabilities	923,640	3,062,200	3,985,840
Long-term debt obligations, less current portion, net of discount	1,571,120	4,680,882	6,252,002
Net pension liability	1,008,126	1,594,247	2,602,373
Net OPEB liability	275,172	435,155	710,327
Total non-current liabilities	2,854,418	6,710,284	9,564,702
Total liabilities	3,778,058	9,772,484	13,550,542
DEFERRED INFLOWS OF RESOURCES			
Deferred pension related	37,164	58,772	95,936
Deferred OPEB related	117,264	185,440	302,704
Total deferred inflows of resources	154,428	244,212	398,640
NET POSITION			
Net investment in capital assets	3,631,220	10,288,864	13,920,084
Restricted for debt retirement	1,224,909	1,212,752	2,437,661
Restricted for other purposes	26,400	74,021	100,421
Unrestricted	4,356,667	(4,152,414)	204,253
Total net position	9,239,196	7,423,223	16,662,419
Total liabilities, deferred inflows of resources, and net position	$ 13,171,682	$ 17,439,919	$ 30,611,601

The accompanying notes to financial statements
are an integral part of this statement.

ELECTRIC PLANT BOARD
OF THE CITY OF VANCEBURG
(A COMPONENT UNIT OF THE CITY OF VANCEBURG, KENTUCKY)
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Business-Type Activities - Enterprise Funds		
	Electric Fund	Gas, Water and Sewer Fund	Total
OPERATING REVENUES			
Sales of light and power	$ 7,811,497	$ -	$ 7,811,497
Sales of gas, water and sewer	-	2,492,571	2,492,571
Total operating revenues	7,811,497	2,492,571	10,304,068
OPERATING EXPENSES			
Cost of purchased power	6,030,327	-	6,030,327
Cost of purchased natural gas	-	777,412	777,412
Maintenance, operations and administration	1,030,217	1,631,928	2,662,145
Depreciation	248,927	563,114	812,041
Total operating expenses	7,309,471	2,972,454	10,281,925
Operating income (loss)	502,026	(479,883)	22,143
NON-OPERATING REVENUES (EXPENSES)			
Interest income	28,521	4,638	33,159
Interest expense	(59,890)	(120,423)	(180,313)
Capital grants	-	2,072,502	2,072,502
Fiduciary fees	(5,325)	-	(5,325)
Total non-operating revenue (expense)	(36,694)	1,956,717	1,920,023
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	465,332	1,476,834	1,942,166
Capital contributions	1,800	25,950	27,750
Transfers Out	(310,800)	(139,440)	(450,240)
CHANGE IN NET POSITION	156,332	1,363,344	1,519,676
NET POSITION, JUNE 30, 2022	9,082,864	6,059,879	15,142,743
NET POSITION, JUNE 30, 2023	$ 9,239,196	$ 7,423,223	$ 16,662,419

The accompanying notes to financial statements
are an integral part of this statement.

ELECTRIC PLANT BOARD
OF THE CITY OF VANCEBURG
(A COMPONENT UNIT OF THE CITY OF VANCEBURG, KENTUCKY)
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Business-Type Activities - Enterprise Funds		
	Electric Fund	Gas, Water and Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 7,747,594	$ 2,391,134	$ 10,138,728
Payments to suppliers	(6,930,159)	(963,174)	(7,893,333)
Payments to employees and related benefits	(640,663)	(907,853)	(1,548,516)
Net cash provided by operating activities	176,772	520,107	696,879
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers out	(310,800)	(139,440)	(450,240)
Net cash used in non-capital financing activities	(310,800)	(139,440)	(450,240)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from long-term debt	-	702,164	702,164
Principal payments on long-term debt	(315,119)	(282,160)	(597,279)
Interest payments	(61,486)	(119,435)	(180,921)
Fiduciary fees	(5,325)	-	(5,325)
Acquisition and construction of capital assets	-	(2,714,741)	(2,714,741)
Capital grants and contributions received	1,800	2,098,452	2,100,252
Net cash used in capital and related financing activities	(380,130)	(315,720)	(695,850)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	18,350	4,638	22,988
Net cash provided by investing activities	18,350	4,638	22,988
Increase (decrease) in cash and cash equivalents	(495,808)	69,585	(426,223)
Cash and cash equivalents, June 30, 2022	3,860,249	1,326,804	5,187,053
Cash and cash equivalents, June 30, 2023	$ 3,364,441	$ 1,396,389	$ 4,760,830
Noncash Investing and Financing Activity			
Purchase of equipment which was financed	$ 163,745	$ -	$ 163,745

ELECTRIC PLANT BOARD
OF THE CITY OF VANCEBURG
(A COMPONENT UNIT OF THE CITY OF VANCEBURG, KENTUCKY)
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2023

	Business-Type Activities - Enterprise Funds		
Reconciliations of operating income (loss) to net cash provided by operating activities -	Electric Fund	Gas, Water and Sewer Fund	Total
Operating income (loss)	$ 502,026	$ (479,883)	$ 22,143
Adjustment to reconcile operating income (loss) to net cash provided by operating activities -			
Depreciation	248,927	563,114	812,041
Net pension adjustment	(148,730)	70,820	(77,910)
Net OPEB adjustment	(7,470)	71,374	63,904
Changes in assets and liabilities -			
Customer accounts receivable	116,399	20,447	136,846
Other accounts receivable	(180,302)	(114,584)	(294,886)
Interfund receivable	(311,578)	-	(311,578)
Prepaid insurance	6,293	1,467	7,760
Supplies inventories	(14,447)	(8,179)	(22,626)
Accounts payable	(45,096)	64,646	19,550
Interfund payable	-	311,578	311,578
Accrued payroll and payroll liabilities	7,143	25,740	32,883
Other accrued liabilities	3,607	867	4,474
Deposits	-	(7,300)	(7,300)
Total adjustments	(325,254)	999,990	674,736
Net cash provided by operating activities	$ 176,772	$ 520,107	$ 696,879
Reconciliation of cash:			
Cash	$ 2,107,544	$ 87,183	$ 2,194,727
Restricted cash	1,256,897	1,309,206	2,566,103
Total cash and cash equivalents	$ 3,364,441	$ 1,396,389	$ 4,760,830

The accompanying notes to financial statements
are an integral part of this statement.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Electric Plant Board of the City of Vanceburg, Kentucky (the "Board"), a discretely presented component unit of the City of Vanceburg, Kentucky is presented to assist in understanding the Board's financial statements. The financial statements and notes are representations of the Board's management, who are responsible for their integrity and objectivity. These accounting policies, as applied to the aforementioned financial statements, conform to generally accepted accounting principles applicable to governmental units.

Reporting Entity

The Board was created pursuant to an ordinance adopted by the City Council of the City of Vanceburg, Kentucky ("City") on July 11, 1939. The Board was reorganized by additional ordinances dated February 4, 1964 and July 1, 1995, and provides electric, water, gas and sewer services to the citizens of Vanceburg, Kentucky and surrounding areas. The Board is a discretely presented component unit of the City.

Basic Financial Statements

Basic financial statements consist of the following:

- Business-type government wide / fund financial statements and
- Notes to the basic financial statements.

Measurement Focus Basis of Accounting and Financial Statement Presentation

The account classification structures used by the Board conform to accounting principles generally accepted in the United States of America consistent with governmental enterprise fund accounting. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The accounts of the Board are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The Board reports the following major proprietary funds:

- The Electric Fund accounts for the activities of providing electric service to the citizens of the City and surrounding areas.
- The Gas, Water and Sewer Fund accounts for the activities of providing gas, water and sewer service to the citizens of the City and surrounding areas.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Liabilities and Net Position
Cash and Investments

In accordance with state requirements, the Board has adopted an investment policy that, among other things, authorizes types and concentrations of investments and maximum investment terms.

Authorized investments include:

- Securities of the U.S. government or its agencies
- Certificates of deposits (or time deposits) placed with commercial banks and/or savings and loan associations
- Shares of money market funds.

Investments in certificates of deposits are stated at cost, which approximates market value. For purposes of the statement of cash flows, the Board has defined cash and cash equivalents to be change and petty cash funds, checking accounts, time deposits, and certificates of deposits.

Receivable and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as *interfund receivables/interfund payables*, i.e., the current portion of interfund loans, or *advances to/from other funds*, and the noncurrent portion of interfund loans. All other outstanding balances between funds are reported as *interfund receivables/interfund payables*.

The Board's employees read meters to measure customer consumption of electric, gas, sewer and water in the middle of the month. Estimates for unbilled receivables were based on consumption for the meter reading period immediately following the year end. This usage was prorated for the number of days within the fiscal year and multiplied by the appropriate rates. The allowance for doubtful accounts is estimated using accounts receivable past due more than 60 days.

All customer receivables are shown net of an allowance for uncollectible accounts and estimated refunds due. As of June 30, 2023, the allowance for uncollectible accounts was $125,000.

Unbilled service receivables are not accrued at year-end.

Inventories

All materials and supplies inventories are valued at cost using the average-cost method.

Restricted Assets

Certain proceeds of the Board's bond obligations, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. In the absence of specific statutory provisions governing the issuance of bonds, these bond monies may be invested in accordance with the ordinance, resolutions, or indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances, resolutions, and indentures are generally more restrictive than the Board's general investment policy. In no instance have additional types of investments been authorized that are not permitted by the Board's general investment policy.

When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, then unrestricted resources as needed.

Capital Assets

Capital assets, which include land, structures, and improvements, equipment, and utility plant are reported in the financial statements. Such assets are recorded at historical cost. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend assets lives are not capitalized and are expensed currently.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the Board are depreciated using a straight-line method over the following estimated useful lives:

Assets	Years
Structures and improvements	20-50
Utility plant	10-50
Machinery and equipment	05-10

Depreciation expense charged to operations during the year ended June 30, 2023 was $812,041.

Long-Term Liabilities

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities, or proprietary fund type statement of net position. Initial issuance costs are deferred and amortized over the life of the bonds using the straight-line method.

Interest Expense

Interest expense incurred during the construction of financed projects is capitalized during the construction period. There was no capitalized interest recorded for the year ended June 30, 2023. Current year interest expense was $180,313.

Encumbrances

The Board does not use a system of encumbrances in their accounting and reporting methods.

Capital Grants/Contributions

Grants that are restricted to the purchase or construction of property, plant and equipment are recorded as other income, per GASB 33. The Board received capital grants in the amount of $2,072,502 for the year ended June 30, 2023.

Tap fees are also recorded as capital contribution income, per GASB 33. These fees represent the increased value in property, plant and equipment resulting from the addition of customers to the utility distribution systems. The total amount of tap fees was $27,750 for the year ended June 30, 2023.

Net Position and Fund Equity

In the proprietary funds financial statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets represents capital assets less accumulated depreciation less outstanding principal of related debt. Net investment in capital assets does not include the unspent proceeds of capital debt. Restricted net position represents net position restricted by parties outside of the Board (such as creditors, grantors, contributors, laws, and regulations of other governments) and includes unspent proceeds of bonds issued to acquire or construct capital assets. The Board's other restricted net position is temporarily restricted (ultimately expendable) assets. All other net position is considered unrestricted.

Bond Issuance Costs

Debt issuance costs are expensed in the period they are incurred. There were no bond issuance costs for the year ended June 30, 2023.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Pension and Other Post-Employment Benefits (OPEB)

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

Use of Estimates

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts reported in the basic financial statements and accompanying disclosures. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* ("GASB 96"). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. The Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. GASB 96 was effective for the Board beginning with its year ending June 30, 2023. The adoption of this standard did not have a material effect on the Board's financial statements.

In May 2022, the GASB issued Statement No. 99, *Omnibus 2022* ("GASB 99"), to provide guidance addressing various accounting and financial reporting issues identified during the implementation and application of certain GASB pronouncements or during the due process on other pronouncements. GASB 99 addresses, among other matters:

- Accounting and financial reporting for exchange or exchange-like financial guarantees;
- Clarification of certain provisions of Statement No.:
  - 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments,
  - 87, Leases,
  - 94, Public-Private and Public-Public Partnership and Availability Payment Arrangements,
  - 96, Subscription-Based Information Technology Arrangements (SBITA);
- Replacing the original deadline for use of the London Interbank Offered Rate (LIBOR) as a benchmark interest rate for hedges of interest rate risk of taxable debt with a deadline for when LIBOR ceases to be determined by the ICE Benchmark Administration using the methodology in place as of December 31, 2021;
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP);

- Disclosures related to non-monetary transactions; and
- Pledges of future revenues when resources are not received by the pledging government.

Requirements that relate to the extension of the use of LIBOR, accounting for SNAP distributions, disclosures for non-monetary transactions, pledges of future revenues by pledging governments, clarifications of certain provisions in Statement No. 34, and terminology updates were effective upon issuance. Requirements related to leases, public-public and public-private partnerships (PPPs), and SBITAs were effective for the Board beginning with its year ending June 30, 2022. Other requirements related to derivative instruments will be effective for the Board beginning with its year ending June 30, 2023. Adoption of the provisions required thru the year ending June 30, 2023, did not have a material effect on the Board's financial statements.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections (an amendment of GASB Statement No. 62)* ("GASB 100"), which has as its primary objective to provide more straightforward guidance that is easier to understand and is more reliable, relevant, consistent, and comparable across governments for making decisions and assessing accountability. Improving the clarity of accounting and financial reporting requirements for accounting changes and error corrections will mean greater consistency in the application of these requirements in general.

GASB 100 prescribes accounting and financial reporting for each category of accounting change and error corrections, requiring that:

- Changes in accounting principle and error corrections be reported retroactively by restating prior periods;
- Changes in accounting estimate be reported prospectively by recognizing the change in the current period; and
- Changes to and within the financial reporting entity be reported by adjusting beginning balances of the current period.
- Requires that governments disclose the effects of each accounting change and error correction on beginning balances in a tabular format.

The requirements of GASB 100 will be effective for accounting changes and error corrections made by the Board beginning with its year ending June 30, 2024. Management is currently evaluating the impact of this Statement on its financial statements.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences* ("GASB 101"), which supersedes the guidance in Statement No. 16, *Accounting for Compensated Absences*, issued in 1992. GASB 101 aligns recognition and measurement guidance for all types of compensated absences under a unified model. It also requires that a liability for specific types of compensated absences not be recognized until the leave is used. Additionally, it establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. For example, a liability for leave that has not been used would be recognized if the leave:

- Is attributable to services already rendered;
- Accumulates; and
- Is more likely than not to be used for time off or otherwise paid or settled. Some exceptions to this general rule include parental leave, military leave and jury duty leave for which a liability would not be recognized until the leave commences.

Additionally, GASB 101 (1) provides an alternative to the existing requirement to disclose the gross annual increases and decreases in long-term liability for compensated absences, allowing governments to disclose only the net annual change in the liability as long as it is identified as such; and (2) removes the disclosure of the government funds used to liquidate the liability for compensated absences. The requirements of GASB 101 will be effective for the Board beginning with its year ending June 30, 2025. Management is currently evaluating the impact of this Statement on its financial statements.

(2) DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Board's deposits may not be returned, or the Board will not be able to recover collateral securities in the possession of an outside party. The Board's policies for deposits and investments are based on statutes and are summarized below.

Kentucky Revised Statute 66.480 authorizes the Board to invest in obligations of the United States and its agencies; certificates of deposit or interest-bearing accounts at banks or savings and loan institutions insured by the FDIC; uncollateralized certificates of deposit, bankers acceptances, or commercial paper issued by any bank or savings and loan institution rated in the highest three categories by a nationally recognized rating agency; bonds or certificates of indebtedness of the Commonwealth of Kentucky and its agencies; securities issued by a state or local government or their agencies rated in the highest three categories by a nationally recognized rating agency; and shares in mutual funds under certain conditions.

At June 30, 2023, the carrying amount of the Board's deposits with financial institutions, including petty cash, was $4,760,830, and the bank balance was $5,126,071. Of the bank balance, $750,000 was covered by federal depository insurance, $4,376,071 was collateralized by securities held by the pledging financial institution's trust department or agent in the board's name.

(3) CAPITAL ASSETS

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

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
Nondepreciable assets:				
Land	$ 228,620	$ -	$ -	$ 228,620
Construction in progress	60,000	2,714,741	-	2,774,741
Total	288,620	2,714,741	-	3,003,361
Depreciable assets:				
Structures and improvements	1,317,071	-	-	1,317,071
Utility plant	34,740,933	-	-	34,740,933
Machinery and equipment	3,231,902	163,745	-	3,395,647
Total	39,289,906	163,745	-	39,453,651
Total capital assets	39,578,526	2,878,486	-	42,457,012
Less: accumulated depreciation for:				
Structures and improvements	(414,418)	(27,360)	-	(441,778)
Utility plant	(17,553,943)	(702,307)	-	(18,256,250)
Machinery and equipment	(2,905,814)	(82,374)	-	(2,988,188)
Total accumulated depreciation	(20,874,175)	(812,041)	-	(21,686,216)
Capital assets, net	$ 18,704,351	$ 2,066,445	$ -	$ 20,770,796

Depreciation expense was charged to operations as follows:

Electric Fund	$ 248,927
Gas, Water and Sewer fund	563,114
	$ 812,041

(4) TRANSFERS

Payments in lieu of taxes and other payments as permitted by KRS 96.810 by the Electric Fund and the Gas, Water and Sewer Fund have been classified in the Statement of Revenue, Expenses and Changes in Net Position - Proprietary Funds as transfers from these funds to the City as follows:

Electric fund	$ 310,800
Gas, water and sewer fund	139,440
	$ 450,240

(5) LONG-TERM DEBT

The following is a summary of changes in long-term liabilities reported in financial statements for the year ended June 30, 2023:

	Beginning Balance	Additional Proceeds	Reductions/ Payments	Ending Balance	Due Within One Year
Bonds payable:					
Gas, water and sewer fund	$ 3,083,917	$ -	$ 165,093	$ 2,918,834	$ 170,000
Less: Discounts on bonds	(26,880)	-	(1,529)	(25,351)	-
	3,057,037	-	163,554	2,893,483	170,000
Loans payable:					
Electric fund	1,950,000	-	237,917	1,712,083	239,167
Gas, water and sewer fund	1,490,443	702,164	117,077	2,075,530	118,131
	3,440,443	702,164	354,994	3,787,613	357,298
Capital Lease:					
Electric fund	83,073	163,745	77,202	169,616	71,412
	83,073	163,745	77,202	169,616	71,412
Total long-term liabilities	$ 6,580,553	$ 865,909	$ 595,750	$ 6,850,712	$ 598,710

Bonds Payable

At June 30, 2023, bonds payable consisted of the following water and sewer revenue bonds:

Date Issued	Final Maturity	Interest Rate	Authorized and Issued	Outstanding
01/21/2000	01/01/2039	3.25	$ 469,000	$ 292,000
02/14/2001	01/01/2040	3.25	1,008,000	601,000
11/20/2014	02/01/2040	2.00-3.75	2,980,000	2,025,834
			$ 4,457,000	$ 2,918,834

The November 20, 2014 bond issue was sold at a discount of $38,474. This amount is being amortized over the life of the bond.

Debt service requirements to maturity for the water and sewer revenue bonds to be paid from future water and sewer revenues are as follows:

Fiscal Year	Principal	Interest	Total
2024	$ 170,000	$ 97,098	$ 267,098
2025	173,083	91,898	264,981
2026	180,083	86,604	266,687
2027	187,083	81,092	268,175
2028	193,083	75,367	268,450
2029 - 2033	946,167	282,000	1,228,167
2034 - 2038	798,000	133,630	931,630
2039 - 2040	271,335	13,227	284,562
	$ 2,918,834	$ 860,916	$ 3,779,750

Under the provisions of the Bond Ordinances authorizing the 2000 and 2001 bonds, the Board is required to maintain a bond sinking fund that requires monthly deposits of sufficient amounts to fund annual principal and interest requirements in advance. The ordinance further requires a depreciation fund requiring monthly deposits. This fund has a balance of $163,752 at June 30, 2023.

The Bond Ordinances also require that the system shall charge such rates and charges for all services and facilities rendered by the Board, which rates and charges shall be reasonable and just, taking into account and consideration the cost and value of the System, including all extensions, additions and improvement thereto, the cost of maintaining, repairing and operating the same and the amounts necessary for the retirement of all bonds and the accruing interest on all bonds.

The Bond Ordinances further require that the Board shall not reduce the rates and charges for the services rendered by the Board without first filing with the City Clerk, a certification from an independent Consulting Engineer to the effect that the annual net revenues (defined as gross revenues less current expenses) of the then existing Board for the fiscal year preceding the year in which such reduction is proposed, as such annual net revenues are adjusted, after taking into account the projected reduction in annual net revenues of the Board anticipated to result from any such proposed rate decrease, are equal to not less than 120% of the annual debt service requirements for principal and interest on all of the then Outstanding Bonds payable from the revenues of the Board.

Loans Payable

At June 30, 2023 loans payable were as follows:

Kentucky Bond Corporation - In July 2012, a variable rate financing lease payable was obtained to refinance certain electric utility improvements. The loan was in the amount of $4,165,000 and for a term of 17.5 years. The interest rate on the loan varies from 2.00% to 3.15%. At June 30, 2023, the outstanding balance on the loan was $1,712,083. Debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2024	$ 239,167	$ 55,445	$ 294,612
2025	247,083	48,390	295,473
2026	252,083	40,646	292,729
2027	259,167	32,453	291,620
2028	269,167	24,030	293,197
2029 - 2030	445,416	21,185	466,601
	$ 1,712,083	$ 222,149	$ 1,934,232

Kentucky Infrastructure Authority Project A11-06 - On August 31, 2012, the City of Vanceburg for the benefit of the Vanceburg Electric Plant Board entered into a Clean Water SRF construction loan in the amount of $2,000,000 for the CSO Renovation project. Funding will be utilized for the first phase of a two phase project to eliminate sewer overflows from the sanitary sewer system. The term of the loan is 20 years. The interest rate is fixed at 1%. The terms state that 30% of the total principal balance (or $600,000) will be forgiven. The terms of the loan state conditions that must be met by the Board, one of which being a schedule of rate increases for sewer and water rates through 2014. As part of the loan underwriting the Board is to make an annual deposit on December 1st into a replacement cost account that the Board maintains in the amount of $5,000 until the balance reaches $50,000; the Board has funded the full $50,000 upfront. At June 30, 2023, the Board had $773,502 (net of grant forgiveness of $600,000) borrowed from the Kentucky Infrastructure Authority at 1%. Debt service requirements to maturity are as follows (subject to change with additional draws):

Fiscal Year	Principal	Interest	Total
2024	$ 70,226	$ 7,560	$ 77,786
2025	70,930	6,856	77,786
2026	71,641	6,145	77,786
2027	72,359	5,427	77,786
2028	73,085	4,701	77,786
2029 - 2033	376,561	12,368	388,929
2034	38,700	193	38,893
	$ 773,502	$ 43,250	$ 816,752

Kentucky Infrastructure Authority Project F13-032 - On October 1, 2013, the City of Vanceburg for the benefit of the Vanceburg Electric Plant Board entered into a Clean Water construction loan in the amount of $850,000 for drinking water supply project. Funding will be utilized for the construction of a new raw water production well and SCADA system and the installation of approximately 1,550 radio read meters. The well will enhance the water supply for the city and facilitate the future proposed interconnection of the area water systems. The radio read meters will be installed at rural customer locations that do not have other city utility services. The terms of the loan are undetermined. The interest rate is fixed at 0.75%. The terms state that 25% of the total principal balance (or $212,500) will be forgiven. The terms of the loan state conditions that must be met by the Board, one of which being a schedule of rate increases for sewer and water rates through 2014. As part of the loan underwriting the Board is to make an annual deposit on December 1st into a replacement cost account that the Board maintains in the amount of $2,100 until the balance reaches $21,000; the Board has funded the full $21,000 upfront. At June 30, 2023 the Board had $378,121 (net of grant forgiveness of $212,470) borrowed from the Kentucky Infrastructure Authority at 0.75%. Debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2024	$ 31,603	$ 2,777	$ 34,380
2025	31,841	2,539	34,380
2026	32,080	2,300	34,380
2027	32,321	2,059	34,380
2028	32,564	1,816	34,380
2029 - 2033	166,527	5,373	171,900
2034 - 2035	51,185	384	51,569
	$ 378,121	$ 17,248	$ 395,369

Kentucky Infrastructure Authority Project A14-002 - On April 3, 2014, the City of Vanceburg for the benefit of the Vanceburg Electric Plant Board was approved by the KIA for a new $665,000 loan. Funding will be utilized for the Wastewater Treatment Plan Rehabilitation project. The project involves replacement of various components including influent flow meter, chart recorder, auto refrigerated composite sampler blowers, motors, control panel, and sewage pump. The clarifier will be repaired. Modifications will be made to the grit removal system and new chlorine, sulfur dioxide feeds and a new sludge drying bed will also be added. Repair or replacement of 660 linear feet of 12 inch sewer lines will be made to correct inflow and infiltration issues. As part of the loan underwriting the Board is to make an annual deposit on December 1st into a replacement cost account that the Board maintains in the amount of $1,700 until the balance reaches $17,000; the Board has funded the full $17,000 upfront. At June 30, 2023, the Board had $221,743 (net of grant forgiveness of $340,829) borrowed from Kentucky Infrastructure Authority at 0.75%. Debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2024	$ 16,302	$ 1,633	$ 17,935
2025	16,424	1,510	17,934
2026	16,547	1,387	17,934
2027	16,672	1,262	17,934
2028	16,797	1,137	17,934
2029 - 2033	85,898	3,773	89,671
2034 - 2036	53,103	699	53,802
	$ 221,743	$ 11,401	$ 233,144

Kentucky Infrastructure Authority Project A19-013 - On June 9, 2022, the City of Vanceburg for the benefit of the Vanceburg Electric Plant Board was approved by the KIA for a new $1,131,000 loan. Funding will be utilized for the Meadowbrook and Black Oak Sewer Consolidation project. At June 30, 2023, the Board had $702,164 borrowed from Kentucky Infrastructure Authority at 0.50%. The loan contains a forgiveness portion which will total $400,000. The project is still under construction and thus the final payment schedule has not been determined; however, the loan term is 30 years. Due to the project not being complete no portion of the loan has been listed as current at June 30, 2023.

Capital Leases

At June 30, 2023 capital leases were as follows:

Altec Capital - on December 1, 2019, the Board entered into a capital lease for the purchase of a 2019 Freight liner M2-106 Altec Digger Derrick. The capital lease was in the amount of $203,400 and for a term of five years. At June 30, 2023, the outstanding balance of the capital lease was $42,476. Debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2024	$ 42,476	$ 1,967	$ 44,443
	$ 42,476	$ 1,967	$ 44,443

Altec Capital - on May 5, 2023, the Board entered into a capital lease for the purchase of a 2023 Ford F550 Altec Bucket Truck. The capital lease was in the amount of $163,745 and for a term of five years. At June 30, 2023, the outstanding balance of the capital lease was $127,440. Debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2024	$ 28,936	$ 8,225	$ 37,161
2025	30,804	6,357	37,161
2026	32,792	4,369	37,161
2027	34,608	2,553	37,161
	$ 127,140	$ 21,504	$ 148,644

(6) PENSION PLAN

County Employees Retirement System

Plan description: Substantially all full-time classified employees of the Board participate in the County Employees Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer, defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at https://kyret.ky.gov.

Benefits provided: Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

Contributions: Funding for CERS is provided by members who contribute 5% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions and by employers of members. For the year ending June 30, 2023, employers were required to contribute 26.79% (23.40% - pension, 3.39% - insurance) of the member's salary. During the year ending June 30, 2023, the Board contributed $226,500 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

At June 30, 2023, the Board reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2021. An expected total pension liability as of June 30, 2022 was determined using standard roll-forward techniques. The Board's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2022. At June 30, 2022, the Board's proportion was 0.035999%.

For the year ended June 30, 2023, the Board recognized pension expense of $164,167. At June 30, 2023, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,782	$ 23,175
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	66,715	-
Changes in proportion and differences between Board contributions and proportionate share of Contributions	-	72,761
Board contributions subsequent to the measurement date	226,500	-
Total	$ 295,997	$ 95,936

At June 30, 2023, the Board reported deferred outflows of resources for Board contributions subsequent to the measurement date of $226,500. These contributions will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These amounts will be recognized in pension expense as follows:

Year	
2024	$ (48,625)
2025	(29,872)
2026	(21,869)
2027	73,927
2028	-
	$ (26,439)

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2021. The financial reporting actuarial valuation as of June 30, 2022, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Remaining Amortization Period	29 years, closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll Growth	2.00%
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation

There have been no actuarial assumptions or method changes since June 30, 2021. Additionally, there have been no plan provision changes that would materially impact the total pension liability since June 30, 2012.

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

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, 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%
Fixed Income	**20.00%**	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	(0.91)%
Inflation Protected	**20.00%**	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Expected Real Return	**100.00%**	**4.28%**
Long Term Inflation Assumption		**2.30%**
Expected Nominal Return for Portfolio		**6.58%**

Discount Rate: The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Board's proportionate share of the net pension liability to changes in the discount rate: The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the Board'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%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease (5.25%)	Current discount rate (6.25%)	1% Increase (7.25%)
Board's proportionate share of the net pension liability	$ 3,252,643	$ 2,602,373	$ 2,064,545

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publically available at https://kyret.ky.gov.

Payables to the pension plan: At June 30, 2023, the payables to CERS were $21,621.

(7) OTHER POSTEMPLOYMENT BENEFIT ("OPEB") PLAN

County Employees Retirement System Insurance Fund

Plan description: The County Employees Retirement System ("CERS") Insurance Fund was established to provide post-employment healthcare benefits to eligible members and dependents. The CERS Insurance Fund is a cost-sharing, multiple employer defined benefit plan administered by the Kentucky Retirement Systems' (KRS) board of trustees.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at https://kyret.ky.gov.

Benefits provided: CERS health insurance benefits are subject to various participation dates to determine eligibility and health insurance contribution rates. For employees who initiated participation in the CERS system prior to July 1, 2003, KRS pays a percentage of the monthly contribution rate for insurance coverage based on the retired member's years of service and type of service. Non-hazardous members receive a contribution subsidy for only the member's health insurance premium.

Percentage of contribution ranges from 0% for less than 4 years of service to 100% for 20 years or more of service. For members who initiated participation in the CERS system after July 1, 2003 until August 31, 2008, members must have 120 months of service in a state-administered retirement system to qualify for participation in the KRS health plans. Members who began participating with KRS on or after September 1, 2008, must have 180 months of service upon retirement to participate in the KRS health plans. Non-hazardous retirees receive $10 toward the monthly premium for each full year of service.

Contributions: CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the year ending June 30, 2023, CERS allocated 3.39% of the 26.79% actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1.00% of the contributions by employees hired after September 1, 2008 are allocated to the health insurance plan. During the year ending June 30, 2023, the Board contributed $32,813 to the CERS Insurance Fund. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

Implicit Subsidy: The fully-insured premiums KRS pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. This implicit subsidy is included in the calculation of the total OPEB liability.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CERS Insurance Fund

At June 30, 2023, the Board reported a liability its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2021. An expected total OPEB liability as of June 30, 2022 was determined using standard roll-forward techniques. Board's proportion of the net OPEB liability was based on contributions to CERS during the fiscal year ended June 30, 2022. At June 30, 2022, the Board's proportion was 0.035993%.

For the year ended June 30, 2023, the Board recognized OPEB expense of $103,544, including an implicit subsidy of $22,977. At June 30, 2023, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 71,500	$ 162,894
Changes of assumptions	112,343	92,570
Net difference between projected and actual earnings on pension plan investments	28,830	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	29,434	47,240
Board contributions subsequent to the measurement date	32,813	-
Total	$ 274,920	$ 302,704

At June 30, 2022, the Board reported deferred outflows of resources for Board contributions subsequent to the measurement date of $32,813. These contributions will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These amounts will be recognized in pension expense as follows:

Year	
2024	$ (5,514)
2025	(6,015)
2026	(47,166)
2027	(1,902)
2028	-
	$ (60,597)

Actuarial Methods and Assumptions: The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	29 Years, Closed

Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates Pre-65	Initial trend starting at 6.20% at January 1, 2024 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	
Pre-retirement	PUB-2010 General Mortality table, for the Non-Hazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
Post-retirement (non-disabled)	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.
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2021, valuation process and was updated to better reflect the plan's anticipated long-term healthcare costs. There were no other material assumption changes.

Senate Bill 209 passed during the 2022 legislative session and increased the insurance dollar contribution for members hired on or after July 1, 2003, by $5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023. Senate Bill 209 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA. The total OPEB liability as of June 30, 2022, is determined using these updated benefit provisions. There were no other material plan provision changes.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, 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%
Fixed Income	**20.00%**	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	(0.91)%
Inflation Protected	**20.00%**	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Expected Real Return	**100.00%**	**4.28%**
Long Term Inflation Assumption		**2.30%**
Expected Nominal Return for Portfolio		**6.58%**

Discount Rate: The discount rate used to measure the total OPEB liability was 5.70%. 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 KRS' actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS' trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The following table presents the Board's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.70%, as well as what the Board's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.70%) or 1-percentage-point higher (6.70%) than the current rate:

	1% Decrease (4.70%)	Current discount rate (5.70%)	1% Increase (6.70%)
Board's proportionate share of the net OPEB liability	$ 949,594	$ 710,327	$ 512,533

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

	1% Decrease	Current trend rate	1% Increase
Board's proportionate share of the net OPEB liability	$ 528,112	$ 710,327	$ 929,132

OPEB plan fiduciary net position: Detailed information about the insurance plan's fiduciary net position is available in the separately issued CERS financial report which is publically available at https://kyret.ky.gov.

Payables to the OPEB plan: At June 30, 2023, the payables to CERS were $3,132.

(8) COMMITMENTS AND CONTINGENCIES

On January 1, 1979, the Board elected to become a self-insurer for the purpose of Kentucky unemployment insurance taxes. The Board has pledged to the Commonwealth of Kentucky real property that exceeds double the amount of deposit otherwise required as security to insure that any unemployment benefits due would be paid.

Effective January 1, 2006, the Board contracted with American Electric Power to provide all purchased power through May 31, 2025.

Effective April 1, 2022, the Board contracted with Symmetry Energy Solutions to provide all purchased natural gas through March 31, 2025.

(9) RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board provides for risk financing by purchasing coverage from commercial insurance companies. The Board also participates in the Kentucky League of Cities Workers Compensation Trust, a public entity risk pool. The Board pays premiums to the pool which in turn bears the risk of loss. The contract with the Kentucky League of Cities Workers Compensation Trust is a retrospectively rated contract. The premiums under this contract are estimated based on the ultimate cost of the experience to date of the group of entities participating. The Kentucky League of Cities Workers Compensation Trust performs an annual payroll audit of the Board and the premiums are then adjusted based on actual experience.

(10) CONCENTRATIONS OF CREDIT

The Board's revenues are generated from services extended to residents and customers in Vanceburg, Kentucky and the surrounding area. The billings to two large commercial customers account for roughly 21% of electric sales and 58% of gas sales for the year ended June 30, 2023.

(11) SEGMENT INFORMATION

The Board issues separate revenue bonds to finance water and sewer departments. The two departments together with the gas department are accounted for in a single fund, but investors in those bonds rely solely on the revenue generated by the individual activities for repayment. Summary financial activity for these departments is as follows:

	Water Department	Sewer Department	Gas Department	Total
CONDENSED STATEMENT OF NET POSITION				
Assets:				
Current assets	$ 556,966	$ 1,025,295	$ 250,031	$ 1,832,292
Capital assets	7,083,916	8,161,556	12,405	15,257,877
Total assets	7,640,882	9,186,851	262,436	17,090,169
Deferred outflows of resources:				
Deferred pension related	98,750	40,318	42,263	181,331
Deferred OPEB related	91,719	37,446	39,254	168,419
Total deferred outflows of resources	190,469	77,764	81,517	349,750
Total assets and deferred outflows of resources	$ 7,831,351	$ 9,264,615	$ 343,953	$ 17,439,919

Liabilities:				
Current liabilities	$ 417,030	$ 2,342,650	$ 302,520	$ 3,062,200
Noncurrent liabilities	3,841,114	2,396,171	472,999	6,710,284
Total liabilities	4,258,144	4,738,821	775,519	9,772,484
Deferred inflows of resources:				
Deferred pension related	32,006	13,068	13,698	58,772
Deferred OPEB related	100,988	41,231	43,221	185,440
Total deferred inflows of resources	132,994	54,299	56,919	244,212
Net position:				
Net investment in capital assets	4,169,598	6,106,861	12,405	10,288,864
Other restricted	313,819	861,342	111,612	1,286,773
Unrestricted	(1,043,204)	(2,496,708)	(612,502)	(4,152,414)
Total net position	3,440,213	4,471,495	(488,485)	7,423,223
Total liabilities, deferred inflow of resources and net position	$ 7,831,351	$ 9,264,615	$ 343,953	$ 17,439,919

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

Operating revenues (pledged against bonds)	$ 1,143,107	$ 338,126	$ 1,011,338	$ 2,492,571
Depreciation expense	(386,255)	(164,347)	(12,512)	(563,114)
Other operating expenses	(904,512)	(374,191)	(1,130,637)	(2,409,340)
Operating gain (loss)	(147,660)	(200,412)	(131,811)	(479,883)
Non-operating revenues (expenses):				
Investment income	1,617	1,529	1,492	4,638
Interest expense	(96,602)	(23,821)	-	(120,423)
Capital contributions	15,750	2,073,402	9,300	2,098,452
Transfers out	(67,560)	(18,000)	(53,880)	(139,440)
Change in net position	(294,455)	1,832,698	(174,899)	1,363,344
Beginning net position	3,734,668	2,638,797	(313,586)	6,059,879
Ending net position	$ 3,440,213	$ 4,471,495	$ (488,485)	$ 7,423,223

CONDENSED STATEMENT OF CASH FLOWS NET CASH PROVIDED BY (USED BY)

Operating activities	$ 322,422	$ 145,538	$ 52,147	$ 520,107
Noncapital financing activities	(67,560)	(18,000)	(53,880)	(139,440)
Capital and related financing activities	(254,862)	(70,158)	9,300	(315,720)
Investing activities	1,618	1,529	1,491	4,638
Net increase (decrease)	1,618	58,909	9,058	69,585
Beginning cash	331,719	805,348	189,737	1,326,804
Ending cash	$ 333,337	$ 864,257	$ 198,795	$ 1,396,389

REQUIRED SUPPLEMENTARY INFORMATION

ELECTRIC PLANT BOARD
OF THE CITY OF VANCEBURG
(A COMPONENT UNIT OF THE CITY OF VANCEBURG, KENTUCKY)
SCHEDULE OF THE BOARD'S PROPORTIONATE
SHARE OF THE NET PENSION AND OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2023

	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)	Reporting Fiscal Year (Measurement Date) 2015 (2014)
COUNTY EMPLOYEES RETIREMENT SYSTEM - PENSION:									
Board's proportion of the net pension liability	0.035999%	0.037430%	0.037792%	0.039786%	0.034985%	0.035270%	0.035711%	0.035794%	0.035080%
Board's proportionate share of the net pension liability	$ 2,602,373	$ 2,386,456	$ 2,898,615	$ 2,798,167	$ 2,130,693	$ 2,064,462	$ 1,758,292	$ 1,538,959	$ 1,138,000
Board's covered-employee payroll	$ 997,567	$ 958,513	$ 959,093	$ 1,005,851	$ 869,724	$ 858,738	$ 851,876	$ 821,688	$ 804,786
Board's proportionate share of the net pension liability as a percentage of its covered-employee payroll	260.872%	248.975%	302.225%	278.189%	244.985%	240.406%	206.402%	187.292%	141.404%
Plan fiduciary net position as a percentage of the total pension liability	52.420%	57.330%	47.810%	50.450%	53.540%	53.320%	55.500%	59.970%	66.800%
COUNTY EMPLOYEES RETIREMENT SYSTEM - OPEB:									
Board's proportion of the net OPEB liability	0.035993%	0.037422%	0.037781%	0.039786%	0.034985%	0.035270%			
Board's proportionate share of the net OPEB liability	$ 710,327	$ 716,425	$ 912,296	$ 669,014	$ 621,134	$ 709,048			
Board's covered-employee payroll	$ 997,567	$ 958,513	$ 959,093	$ 1,005,851	$ 869,724	$ 858,738			
Board's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	71.206%	74.743%	95.121%	66.512%	71.417%	82.569%			
Plan fiduciary net position as a percentage of the total OPEB liability	60.950%	61.910%	51.670%	60.440%	57.620%	52.390%			

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

ELECTRIC PLANT BOARD
OF THE CITY OF VANCEBURG
(A COMPONENT UNIT OF THE CITY OF VANCEBURG, KENTUCKY)
SCHEDULE OF PENSION AND OPEB CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
COUNTY EMPLOYEES RETIREMENT SYSTEM - PENSION:										
Contractually required contribution	$ 226,500	$ 211,185	$ 184,993	$ 185,105	$ 163,149	$ 125,936	$ 119,794	$ 105,803	$ 104,771	$ 110,582
Contributions in relation to the contractually required contribution	226,500	211,185	184,993	185,105	163,149	125,936	119,794	105,803	104,771	110,582
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Board's covered-employee payroll	$ 967,949	$ 997,567	$ 958,513	$ 959,093	$ 1,005,851	$ 869,724	$ 858,738	$ 851,876	$ 821,688	$ 804,786
Board's contributions as a percentage of its covered-employee payroll	23.40%	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%
COUNTY EMPLOYEES RETIREMENT SYSTEM - OPEB:										
Contractually required contribution	$ 32,813	$ 57,659	$ 45,615	$ 45,642	$ 52,971	$ 40,867	$ 40,618			
Contributions in relation to the contractually required contribution	32,813	57,659	45,615	45,642	52,971	40,867	40,618			
Contribution deficiency (excess)	-	-	-	-	-	-	-			
Board's covered-employee payroll	$ 967,949	$ 997,567	$ 958,513	$ 959,093	$ 1,005,851	$ 869,724	$ 858,738			
Board's contributions as a percentage of its covered-employee payroll	3.39%	5.78%	4.76%	4.76%	5.26%	4.70%	4.73%			

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

(1) CHANGES OF ASSUMPTIONS

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

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%.
- Decreased the assumed rate of return to 6.25%.
- Decreased the payroll growth assumption to 2.00%.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2019:

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% (varies by service).
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is 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 2022.
- The mortality table used for post-retirement (disabled) is 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 following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020:

- Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2019.

(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule:

Valuation Date	June 30, 2020
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	30 years closed period at June 30, 2019 (Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases)
Payroll Growth	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB362 enacted in 2018
Mortality	System specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

(3) CHANGES OF BENEFITS

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The total pension liability as of June 30, 2022 is determined using these updated benefit provisions.

Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for qualified members who become "totally and permanently disabled" as a result of a duty-related disability. The minimum disability benefit increased from 25% of the member's monthly final rate of pay to 75% of the member's monthly average pay. The insurance premium for the member, the member's spouse, and the member's dependent children shall also be paid in full by the System. For non-hazardous members to be eligible for this benefit, they must be working in a position that could be certified as a hazardous position. There were no other material plan provision changes since the prior valuation.

(1) CHANGES OF ASSUMPTIONS

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%.
- Decreased the assumed rate of return to 6.25%.
- Decreased the payroll growth assumption to 2.00%.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2019:

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% (varies by service).
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is 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 post-retirement (disabled) is 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.

For the June 30, 2020 measurement date, the assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The assumed impact of the Cadillac Tax (previously a 0.9% load on employer paid non-Medicare premiums for those who became participants prior to July 1, 2003) was removed to reflect its repeal since the prior valuation.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2022:

- The single discount rates used to calculate the total OPEB liability increased from 5.34% to 5.70%.

(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The following actuarial methods and assumptions, for actuarially determined contributions effective for fiscal year ending June 30, 2022:

Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years, closed period at June 30, 2019 (Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases)

Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post – 65	Initial trend starting at 6.30% on January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement. Additionally, Humana provided "Not to Exceed" 2022 Medicare premiums, which were incorporated and resulted in an assumed 2.90% increase in Medicare premiums at January 1, 2022.
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

(3) CHANGES OF BENEFITS

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2022, is determined using these updated benefit provisions.

Senate Bill 169 passed during the 2022 legislative session increased the disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2022, is determined using these updated benefit provisions.

Senate Bill 209 passed during the 2022 legislative session increased the insurance dollar contribution for members hired on or after July 1, 2003 by $5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023.

SUPPLEMENTARY INFORMATION

ELECTRIC PLANT BOARD OF THE CITY OF VANCEBURG, KENTUCKY
(A COMPONENT UNIT OF THE CITY OF VANCEBURG, KENTUCKY)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Program or Award Amount	Expenditures	
U.S. Department of Environmental Protection Agency						
Passed through Kentucky Infrastructure Authority:						
Capital Grants for Clean Water State Revolving Funds	66.458	A19-013	-	-	$ 581,111	
U.S. Department of Environmental Protection Agency					581,111	
U.S. Department of Housing and Urban Development						
Passed through Commonwealth of Kentucky:						
Community Development Block Grants / State's program and Non-Entitlement Grants in Hawaii	14.228	112 2000001482	-	1,102,800	1,072,800	*
U.S. Department of Environmental Protection Agency					1,072,800	
Appalachian Regional Commission						
Passed through Commonwealth of Kentucky:						
Appalachian Area Development	23.002	112 2000001482	-	$ 900,000	885,118	*
Appalachian Regional Commission					885,118	
Total Federal Assistance					$ 2,539,029	

* Denotes a major program.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Electric Plant Board of the City of Vanceburg, Kentucky under the programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Board, it is not indended to and does not present the financial position, changes in net position or cash flows of the Board.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein, certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - INDIRECT COST RATE

The Board has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

Board Members
Electric Plant Board of the
City of Vanceburg
Vanceburg, Kentucky

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 business-type activities and each major fund of the Electric Plant Board of the City of Vanceburg, Kentucky, a component unit of the City of Vanceburg, Kentucky (the "Board"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated October 20, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board'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 Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board'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. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board'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*.

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 Board'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.

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
October 20, 2023

Kelley Galloway Smith Goolsby, PSC
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board Members
Electric Plant Board of the
City of Vanceburg
Vanceburg, Kentucky

Report of Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control over Compliance

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

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

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

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

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
October 20, 2023

ELECTRIC PLANT BOARD
OF THE CITY OF VANCEBURG
(A COMPONENT UNIT OF THE CITY OF VANCEBURG, KENTUCKY)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

(A) SUMMARY OF AUDIT RESULTS

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified			
Internal Control over financial reporting:				
Material weakness(es) identified?	______	yes	x	no
Significant deficiency(ies) identified?	______	yes	x	none reported
Noncompliance material to the financial statements noted?	______	yes	x	no

Federal Awards

Internal control over major federal programs:				
Material weakness(es) identified?	______	yes	x	no
Significant deficiency(ies) identified?	______	yes	x	none reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	______	yes	x	no

Identification of major federal programs:

Appalachian Area Development (23.002)

Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii (14.228)

Dollar threshold to distinguish between Type A and Type B Programs:	$ 750,000			
The Board qualified as a low risk auditee?	______	yes	x	no

(B) FINANCIAL STATEMENT FINDINGS

None noted in the current year.

(C) FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted in the current year.

**ELECTRIC PLANT BOARD
OF THE CITY OF VANCEBURG
(A COMPONENT UNIT OF THE CITY OF VANCEBURG, KENTUCKY)**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2023

There were no findings in the prior year.