City of Morganfield

For the Year Ended 6/30/22

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Required Supplemental Information:

KEMPER
CPA GROUP LLP
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Morganfield, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Morganfield, Kentucky, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Morganfield, Kentucky's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Morganfield, Kentucky, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Morganfield, 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 the aggregate, that raise substantial doubt about the City of Morganfield, 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.

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

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

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

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

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 51-52 and Pension/OPEB Schedules on pages 53-58 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2023, on our consideration of the City of Morganfield, 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 the City of Morganfield, 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 City of Morganfield, Kentucky's internal control over financial reporting and compliance.

Kemper CPA Group LLP

Kemper CPA Group LLP
Certified Public Accountants and Consultants

Morganfield, Kentucky
February 3, 2023

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF MORGANFIELD, KENTUCKY
Statement of Net Position
June 30, 2022

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	$ 742,550	$ 2,322,591	$ 3,065,141
Accounts receivable, net:			
Utilities	8,620	59,891	68,511
Receivables, net:			
Intergovernmental	2,542	-	2,542
Taxes	206,707	-	206,707
Franchise fees	23,709	-	23,709
Other	-	7,068	7,068
Other current assets	38,606	463,317	501,923
Restricted assets:			
Cash and cash equivalents	-	76,540	76,540
Capital assets:			
Non-depreciable	603,085	163,510	766,595
Depreciable	5,523,021	36,299,469	41,822,490
Less: accumulated depreciation	(3,340,125)	(16,709,581)	(20,049,706)
Total assets	3,808,715	22,669,043	26,477,758
Deferred Outflows of Resources:			
Deferred outflows related to pension/OPEB	1,067,278	855,255	1,922,533
Liabilities:			
Accounts payable	83,159	154,925	238,084
Unearned revenue	14,071	619	14,690
Utility deposits	-	173,173	173,173
Accrued liabilities	95,071	11,811	106,882
Other current liabilities	4,605	-	4,605
Compensated absences	38,886	86,041	124,927
Current portion of long-term debt	17,194	232,164	249,358
Liabilities payable from restricted assets:			
Accrued interest	-	31,898	31,898
Non-current liabilities:			
Net Pension Liability	3,157,036	2,462,059	5,619,095
Net OPEB Liability	950,540	739,114	1,689,654
Notes payable	-	4,773,800	4,773,800
Compensated absences	21,933	71,756	93,689
Total liabilities	4,382,495	8,737,360	13,119,855
Deferred Inflow of Resources:			
Deferred inflows related to pension/OPEB	1,407,985	1,257,757	2,665,742
Net Position:			
Net investment in capital assets	2,758,980	14,747,434	17,506,414
Restricted for:			
Capital projects	-	76,540	76,540
Special projects	570,643	-	570,643
Unrestricted	(4,244,110)	(1,294,793)	(5,538,903)
Total net position	$ (914,487)	$ 13,529,181	$ 12,614,694

The accompanying notes are an integral part of the financial statements

CITY OF MORGANFIELD, KENTUCKY
Statement of Activities
For the fiscal year ended June 30, 2022

Functions/ Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental activities:							
General and administrative	$ 537,808	$ 194,881	$ 51,606	$ -	$ (291,321)	$ -	$ (291,321)
Public safety:							
Police	622,731	-	36,551	-	(586,180)	-	(586,180)
Fire	523,408	-	38,724	-	(484,684)	-	(484,684)
Highways and streets	735,200	-	-	-	(735,200)	-	(735,200)
Public works	452,111	513,285	-	-	61,174	-	61,174
Parks and recreation	44,372	-	-	-	(44,372)	-	(44,372)
Total governmental activities	2,915,630	708,166	126,880	-	(2,080,584)	-	(2,080,584)
Business-type activities:							
Gas	2,842,590	3,630,206	-	-	-	787,616	787,616
Water and sewer	4,061,084	3,153,746	-	1,033,589	-	126,251	126,251
Total business-type activities	6,903,675	6,783,952	-	1,033,589	-	913,867	913,867
Total government	$ 9,819,305	$ 7,492,118	$ 126,880	$ 1,033,589	(2,080,584)	913,867	(1,166,716)
General revenues:							
Taxes and related revenues:							
Property					857,539	-	857,539
Insurance					393,945	-	393,945
Motor vehicle					147,282	-	147,282
Bank Deposit					86,390	-	86,390
Other					22,220	-	22,220
Franchise fees					261,744	-	261,744
Intergovernmental					233,358	-	233,358
Investment income					1,319	58	1,377
Transfers					813,418	(813,418)	(0)
Total general revenues and transfers					2,817,214	(813,360)	2,003,855
Change in net position					736,631	100,507	837,138
Net position, beginning of year					(1,651,119)	13,428,674	11,777,556
Net position, end of year					$ (914,487)	$ 13,529,181	$ 12,614,694

FUND FINANCIAL STATEMENTS

CITY OF MORGANFIELD, KENTUCKY
Balance Sheet
Governmental Funds
June 30, 2022

	General Fund	Local Government Economic Assistance	Total Governmental Funds
Assets:			
Cash and cash equivalents	$ 171,907	$ 570,644	$ 742,551
Accounts receivable, net:			
Utilities	8,620	-	8,620
Receivables, net:			
Intergovernmental	2,542	-	2,542
Taxes	122,646	-	122,646
Franchise fees	23,709	-	23,709
Due from other funds	9,807	-	9,807
Other current assets	38,606	-	38,606
Total assets	$ 377,837	$ 570,644	$ 948,481
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	$ 83,159	$ -	$ 83,159
Other current liabilities	4,605	-	4,605
Compensated absences	24,100	-	24,100
Accrued liabilities	95,071	-	95,071
Unearned revenue	14,071	-	14,071
Total liabilities	221,006	-	221,006
Fund Balances:			
Restricted for:			
Special projects	-	570,644	570,644
Assigned	20,000	-	20,000
Unassigned	136,831	-	136,831
Total fund balances	156,831	570,644	727,475
Total liabilities and fund balances	$ 377,837	$ 570,644	$ 948,481

The accompanying notes are an integral part of these financial statements

CITY OF MORGANFIELD, KENTUCKY

Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2022

Total governmental fund balance per fund financial statements		$	727,475
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. The cost of the assets is $6,126,106, net of accumulated depreciation of ($3,340,125).			2,785,981
Revenues are not available to pay for current period expenditures and, therefore, are deferred in the funds:			
Taxes receivable			84,061
Unrecorded prior year liability			(9,807)
Some liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet. Those liabilities at year-end consist of:			
Notes payable:			
Due within one year	(17,194)		
Net Pension Liability	(3,157,036)		
Net OPEB Liability	(950,540)		
Compensated absences	(36,719)		
			(4,161,489)
Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future periods and, therefore, are not reportable in governmental funds:			
Deferred outflows of resources represents contributions subsequent to plan measurement date.	1,067,278		
Deferred inflows of resources represent difference between projected and actual investment earnings.	(1,407,985)		
			(340,707)
Net position of governmental activities		$	(914,487)

The accompanying notes are an integral part of these financial statements

CITY OF MORGANFIELD, KENTUCKY

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the fiscal year ended June 30, 2022

	General Fund	Local Government Economic Assistance	Total Governmental Funds
Revenues:			
Taxes and related revenues:			
Property	$ 859,868	$ -	$ 859,868
Insurance	393,945	-	393,945
Motor vehicle	147,282	-	147,282
Bank Deposit	74,752	-	74,752
Other	22,220	-	22,220
Service charges and fees	513,285	-	513,285
Licenses	6,125	-	6,125
Franchise fees	261,744	-	261,744
Intergovernmental	133,452	226,786	360,238
Miscellaneous	188,756	-	188,756
Investment income	39	1,280	1,319
Total revenues	2,601,467	228,066	2,829,534
Expenditures:			
Current:			
General and administrative	624,009	-	624,009
Public safety:			
Police	810,436	-	810,436
Fire	694,315	-	694,315
Highways and streets	788,785	54,354	843,139
Public works	452,111	-	452,111
Parks and recreation	7,057	-	7,057
Debt Service			
Principal	25,967	-	25,967
Capital outlay	64,496	116,061	180,556
Total expenditures	3,467,176	170,415	3,637,591
Excess (deficiency) of revenues over expenditures	(865,709)	57,652	(808,057)
Other financing sources (uses):			
Transfers in	839,818	-	839,818
Transfers out	-	(26,400)	(26,400)
Total other financing sources	839,818	(26,400)	813,418
Net change in fund balances	(25,889)	31,252	5,363
Fund balance, beginning of year	182,720	539,392	722,112
Fund balance, end of year	$ 156,831	$ 570,644	$ 727,475

The accompanying notes are an integral part of these financial statements

CITY OF MORGANFIELD, KENTUCKY
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
For the fiscal year ended June 30, 2022

Net change in fund balance per fund financial statements	$	5,363
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives as depreciation expense. This is the amount of capital assets additions recorded in the current period.		180,556
Depreciation expense on capital assets is reported in the statement of activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.		(199,677)
Some revenues will not be collected for several months after the City's fiscal year end. These are not considered "available" revenues in the governmental funds until received. Change in amount deferred on fund statements.		9,309
Governmental funds report the proceeds on sales/disposals of capital assets as increases to financial resources, whereas the statement of activities reports only the gain on the sale/disposal. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold.		-
The issuance of long-term debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of activities. This is the amount by which repayments exceeded proceeds.		25,967
In the statement of activities, certain operating expenses and compensated absences, are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation.		(16,430)
The net pension liability and related deferred outflows and inflows of resources are an obligation of the City of Morganfield not payable from current year resources and not reported as an expenditure of the current year. In the Statement of Activities, these costs represent expenses of the current year.		731,544
Change in net position of governmental activities	$	736,631

The accompanying notes are an integral part of these financial statements

CITY OF MORGANFIELD, KENTUCKY
Statement of Net Position
Proprietary Funds
June 30, 2022

	Business-Type Activities		
	Gas	Water and Sewer	Total
Current assets:			
Cash and cash equivalents	$ 931,440	$ 1,391,151	$ 2,322,591
Accounts receivable, net:			
Utilities	14,292	45,599	59,891
Receivables, net:			
Due from other funds	7,068	-	7,068
Other current assets	175,973	287,344	463,317
Total current assets	1,128,773	1,724,094	2,852,867
Restricted assets:			
Cash and cash equivalents	-	76,540	76,540
Total restricted assets	-	76,540	76,540
Capital Assets:			
Non-depreciable	32,225	131,285	163,510
Depreciable	5,378,422	30,921,047	36,299,469
Less: accumulated depreciation	(4,140,699)	(12,568,882)	(16,709,581)
Total capital assets	1,269,948	18,483,450	19,753,398
Total assets	2,398,721	20,284,084	22,682,805
Deferred Outflows of Resources:			
Deferred outflows related to pension/OPEB	165,570	689,685	855,255
Liabilities:			
Current liabilities:			
Accounts payable	114,246	40,679	154,925
Unearned revenue	619	-	619
Utility deposits	99,203	73,970	173,173
Due to other funds	-	13,762	13,762
Compensated absences	19,651	66,391	86,041
Accrued liabilities	2,120	9,691	11,811
Short-term debt	-	232,164	232,164
Total current liabilities	235,838	436,657	672,495
Liabilities payable from restricted assets:			
Accrued interest	-	31,898	31,898
Total liabilities payable from restricted assets	-	31,898	31,898
Non-current liabilities:			
Notes Payable	-	4,773,800	4,773,800
Net Pension Liability	484,880	1,977,179	2,462,059
Net OPEB Liability	145,562	593,552	739,114
Compensated absences	23,564	48,191	71,756
Total non-current liabilities	654,006	7,392,722	8,046,729
Total liabilities	889,844	7,861,278	8,751,122
Deferred Inflow of Resources:			
Deferred inflows related to pension/OPEB	247,704	1,010,053	1,257,757
Net Position:			
Net investment in capital assets	1,269,948	13,477,486	14,747,434
Restricted for:			
Capital projects	-	76,540	76,540
Unrestricted	156,795	(1,451,588)	(1,294,793)
Total net position	$ 1,426,743	$ 12,102,438	$ 13,529,181

The accompanying notes are an integral part of these financial statements

CITY OF MORGANFIELD, KENTUCKY
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the fiscal year ended June 30, 2022

	Business-Type Activities		
	Gas	Water and Sewer	Total
Operating revenues:			
Charges for services	$ 3,583,638	$ 3,116,743	$ 6,700,382
Service line and meter installation	46,346	20,430	66,776
Miscellaneous	222	16,573	16,795
Total operating revenue	3,630,206	3,153,746	6,783,952
Operating expenses:			
Salaries and labor	197,601	904,434	1,102,036
Telephone	-	12,290	12,290
Office supplies and expense	14,032	25,056	39,088
Natural gas purchased	2,065,036	-	2,065,036
Insurance and bonds	7,841	45,416	53,257
Repairs and maintenance	89,688	265,544	355,231
Legal and accounting	3,611	15,060	18,671
Employee benefits and payroll taxes	311,213	1,155,808	1,467,021
Gas and oil	14,184	19,551	33,735
Electricity	12,043	298,499	310,542
Consultant fees	-	93,702	93,702
Uniform expense	-	17,378	17,378
Depreciation	109,500	813,016	922,516
Chemicals	683	269,579	270,262
Other operating expenses	17,663	24,225	41,887
Bad debt expense	(506)	(2,673)	(3,180)
Total operating expenses	2,842,590	3,956,883	6,799,473
Operating income (loss)	787,616	(803,137)	(15,521)
Non-operating revenues (expenses):			
Investment income	58	-	58
Interest expense	-	(104,201)	(104,201)
Total non-operating revenues (expenses)	58	(104,201)	(104,143)
Income (loss) before contributions and transfers	787,674	(907,338)	(119,664)
Capital Grants	-	1,033,589	1,033,589
Transfers in	-	26,400	26,400
Transfers out	(829,001)	(10,817)	(839,818)
Total contributions and transfers	(829,001)	1,049,172	220,171
Change in net position:	(41,327)	141,834	100,507
Net Position:			
Beginning of year	1,468,070	11,960,604	13,428,674
End of year	$ 1,426,743	$ 12,102,438	$ 13,529,181

The accompanying notes are an integral part of these financial statements

CITY OF MORGANFIELD, KENTUCKY
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2022

	Business-Type Activities		
	Gas	Water & Sewer	Total
Cash flows from operating activities:			
Receipts from customers	$ 3,573,542	$ 3,130,754	$ 6,704,296
Payments to suppliers	(2,173,068)	(1,075,248)	(3,248,316)
Payments to employees	(354,009)	(1,604,419)	(1,958,428)
Net cash provided by operating activities	1,046,465	451,086	1,497,552
Cash flows from non-capital financing activities:			
Transfers in	-	26,400	26,400
Transfers out	(829,001)	(10,817)	(839,818)
Net cash provided (used) by non-capital financing activities	(829,001)	15,583	(813,418)
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(23,898)	(140,111)	(164,009)
Principal payments on debt	-	(227,568)	(227,568)
Interest paid on debt	-	(104,201)	(104,201)
Grants and capital contributions	-	1,033,589	1,033,589
Proceeds from debt	-	-	-
Net cash used by capital and related financing activities	(23,898)	561,709	537,811
Cash flows from investing activities:			
Investment income	58	-	58
Net cash provided by investing activities	58	-	58
Net increase in cash and cash equivalents	193,625	1,028,378	1,222,003
Cash and cash equivalents, beginning of year	737,815	439,313	1,177,128
Cash and cash equivalents, end of year	$ 931,440	$ 1,467,691	$ 2,399,131
Reconciliation of total cash and cash equivalents:			
Current assets- cash and cash equivalents	$ 931,440	$ 1,391,151	$ 2,322,591
Restricted assets- cash and cash equivalents	-	76,540	76,540
	$ 931,440	$ 1,467,691	$ 2,399,131

The accompanying notes are an integral part of these financial statements

CITY OF MORGANFIELD, KENTUCKY
Statement of Cash Flows, Continued
Proprietary Funds
For the fiscal year ended June 30, 2022

	Business-Type Activities		
	Gas	Water & Sewer	Total
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	$ 787,616	$ (803,137)	$ (15,521)
Adjustments to reconcile operating income (loss) to cash provided by operating activities:			
Depreciation	109,500	813,016	922,516
Changes in operating assets and liabilities:			
Decrease (increase) in assets:			
Receivables	2,944	(3,632)	(688)
Other current assets	(59,608)	(19,361)	(78,969)
Deferred outflows	29,731	133,047	162,778
Increase (decrease) in liabilities:			
Accounts payable	47,658	8,195	55,853
Net pension/opeb liability	(87,507)	(526,528)	(614,035)
Utility deposits	3,550	480	4,030
Deferred inflows	204,645	829,515	1,034,160
Compensated absences	7,937	19,789	27,726
Accrued liabilities	-	(298)	(298)
Net cash provided by operating activities	$ 1,046,465	$ 451,086	$ 1,497,552

The accompanying notes are an integral part of these financial statements

1. Summary of Significant Accounting Policies

The City of Morganfield (the "City") is a municipal corporation governed by an elected mayor and six-member council. It provides the following services as authorized by its charter: general governmental service, public safety, public works, and parks and recreation.

The accounting policies of the City of Morganfield, Kentucky conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. The following summary of the more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying financial statements.

a. Financial Reporting Entity

The criteria for including organizations as component units within the City's reporting entity include how the budget is adopted, whether debt is secured by general obligation of the City, the City's duty to cover any deficits that may occur and supervision over the accounting functions. Based on the afore-mentioned criteria, the City of Morganfield, Kentucky has no component units.

Union County Planning Commission

The Union County Planning Commission is a jointly governed organization with the County of Union and various cities in the county. The board controlling this Commission is appointed by both the County and these cities. The City is responsible for funding a portion of the Commission's operation. This funding amounted to $39,804 for the year ended June 30, 2022 and is reported as expenditure in the General Fund. The City's ongoing financial interest and responsibility to the Commission is not considered to be significant in relation to these financial statements.

Morganfield Housing Authority

The Morganfield Housing Authority was established by the United States Department of Housing and Urban Development (HUD). All members of the Authority's Board are appointed by the Mayor. The City provides no funding.

b. Basis of Presentation

The government-wide financial statements (the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the primary government and its component units as a whole. Interfund activity, within the governmental and business-type activities columns, which duplicates revenues or expenses, has been eliminated from these statements. Exceptions to this general rule are the transfers between the proprietary and the governmental funds. Transfers during fiscal year 2022 include both operating transfers and transfers for capital expenditures.

1. Summary of Significant Accounting Policies, Continued

b. Basis of Presentation, Continued

Governmental activities and business-type activities are reported separately to highlight the differences in funding and operations. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, on the other hand, rely to a significant extent on fees and charges that are designed to recover the costs of operations, including the cost of capital.

The statement of activities outlines the direct expenses of each of the City's major functions and the program revenues generated by those programs. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) operating and capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column. Major funds are those whose assets, liabilities, revenues, or expenses/expenditures are at least ten percent of the corresponding totals (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenses/expenditures are at least five percent of the corresponding total for all governmental and enterprise funds combined. The funds of the financial reporting entity are described below:

Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds.

General Fund-

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except where the Department of Local Government or management requires that a separate fund be used for some functions.

Local Government Economic Assistance Fund-

The Local Government Economic Assistance (LGEA) Fund is a special revenue fund that accounts for the state allocation of the gasoline tax and the coal and mineral severance tax to local governments for road improvements. Expenditures for street construction, reconstruction and maintenance are eligible for this funding source. The Department of Local Government requires the City to maintain these receipts and expenditures separately from the General Fund.

1. Summary of Significant Accounting Policies, Continued

b. Basis of Presentation, Continued

Proprietary Funds

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets and liabilities are included on the Statement of Net Assets. The City has presented the following major proprietary funds:

Gas Fund-

The Gas Fund is used to account for the provision of gas services to the residents of the City. Activities of the fund include administration, operations and maintenance of the gas system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for gas debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted as needed to ensure the integrity of the funds.

Water and Sewer Fund-

The Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted as needed to ensure the integrity of the funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's utilities are charges to the customers for services. The City's utilities also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary 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 non-operating revenues and expenses.

c. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

1. Summary of Significant Accounting Policies, Continued

c. Measurement Focus/Basis of Accounting, Continued

The government-wide financial statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting revenues are recognized when earned, including unbilled utility services which are accrued. Expenses are recognized at the time the liability is incurred. Property tax revenues are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e. when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment has matured and will be payable shortly after year end.

Property taxes, franchise taxes, licenses, charges for services, intergovernmental revenues, and interest income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

d. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the City are reported at fair value. Certificates of deposits are reported at cost since the redemption terms do not consider market rates. These investments are required to be fully collateralized in accordance with provisions of KRS 66.480.

State statutes (KRS 66.480) authorize the City to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds that meet the prescribed ratings, repurchase agreements, and the State Treasurer's Investment Pool.

e. Revenue Recognition – Property Taxes

Property taxes are assessed January 1, levied October 1, and are due and payable at that time. All unpaid taxes levied become delinquent January 1 of the following year. The governmental fund financial statements recognize property tax revenues when they become available. Available includes property tax receivables expected to be collected within sixty (60) days after year end.

1. Summary of Significant Accounting Policies, Continued

f. Receivables and Allowance for Uncollectible Accounts

Major receivable balances for the governmental activities include property taxes, insurance premium taxes, franchise taxes, and various intergovernmental receivables. Business-type activities report utilities accounts receivable as their major receivable class. All receivables, including those for the proprietary funds, are shown net of an allowance for uncollectible accounts. Trade accounts that are classified as inactive have been included in the allowance for uncollectible. Amounts considered to be uncollectible are based on historical trends and the type and age of the related receivables. Historically City has allowed for any receivable whose aging exceeds 90 days.

g. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

The City has established a capitalization policy to recognize capital assets as assets with an initial, individual cost of more than $7,500 and an estimated useful life in excess of one year. Such assets are recorded at historical costs or estimated historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

Asset	Years
Buildings and improvements	40
Improvements, other than buildings	10 - 35
Infrastructure	30 - 50
Vehicles	5 - 7
Equipment and machinery	7 - 15
Computers and related equipment	5

h. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes reconciliation between fund balances in the governmental funds and net assets reported in the government-wide statements. These adjustments reflect the changes necessary to report the governmental fund balances on the economic resources measurement focus and accrual basis of accounting. In addition, capital assets, and long-term debt are added to the governmental funds to compile the long-term view of the governmental activities column.

1. Summary of Significant Accounting Policies, Continued

h. Reconciliation of Government-Wide and Fund Financial Statements, Continued

A similar reconciliation is included on the statement of revenues, expenditures and changes in fund balances for the governmental funds. These adjustments reflect the transition from the modified accrual accounting for governmental funds to the accrual basis of accounting for the statement of activities. Capital outlay is replaced with depreciation expense. The principal payments on long-term debt are eliminated from the operating costs.

i. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay and sick pay are accrued when earned in proprietary funds and reported as a fund liability. Employees who retire from the City service who have accumulated sick leave receive a contribution to their pension account based on the lower of the number of hours accumulated or a calculated limit of hours based on job status and length of employment, their job classification, and their age at retirement.

Accumulated vacation leave must be used within one year, so there is no long-term liability for these benefits. The liability for these compensated absences is recorded as current liabilities in the government-wide statements. Liabilities are calculated using the employee's current rate of pay and the total hours of accumulated leave.

Compensated absence activity for the year ended June 30, 2022 was as follows:

	Balance 7/1/2021	Additions	Reductions	Balance 6/30/2022
Governmental Activities:				
Compensated absences	$ 95,976	$ 88,349	$ (123,506)	$ 60,819
Business-Type Activities:				
Compensated absences	$ 136,267	$ 72,156	$ (50,626)	$ 157,797

Presented on the statement of net assets under the following captions:

	Governmental Activities	Business-Type Activities
Current Liabilities: compensated absences	$ 38,886	$ 86,042
Non-current Liabilities: compensated absences	21,933	71,755
	$ 60,819	$ 157,797

1. Summary of Significant Accounting Policies, Continued

j. Long-Term Liabilities

In the government-wide financial statements, and proprietary funds types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond discount or gross of bond premium and are reported as deferred charges and amortized over the life of the related debt.

In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while premiums received and discounts on debt issuances are reported as other financing sources/uses. Issuance costs, whether or not withheld from actual debt proceeds received, are reported as debt service expenditures.

k. Fund Balance

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported by fund balance. Fund balance is divided into non-spendable and spendable components, if applicable.

- Non-spendable- consists of amounts that cannot be spent because they are either 1) not in spendable form, or 2) legally or contractually required to be maintained intact.

Spendable include the following:

- Restricted- consist of fund balances that are restricted by external parties (for example, through debt covenants), by state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Committed- consists of amounts that can only be used for specific purposes pursuant to constraints established by formal action of the City's highest level of decision making authority, which would be ordinances or resolutions passed by the City Council. Those committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by ordinance or resolution.
- Assigned- consists of amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the City Council, City Administrator, or any other body or official which they have delegated the authority to assign amounts to be used for a specific purpose.
- Unassigned- consists of amounts of spendable fund balance that has not been restricted, committed, or assigned to specific purposes within a fund.

The City has assigned amounts that represent security bonds for various permits the City operates under.

1. Summary of Significant Accounting Policies, Continued

k. Fund Balance, Continued

Restrictions of governmental fund balances as of June 30, 2022 include the following balances:

Street Improvements	$274,425
Capital outlay and economic development as amended per KRS 42.450	296,218
Total	$570,643

The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available. Once restricted resources are exhausted, then committed, assigned and unassigned resources will be spent in that order on the activity.

l. Net Position

Net position presents the difference between assets and liabilities in the statement of net position. Government-wide and proprietary fund net position is divided into three components:

- Net investment in capital assets- consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted- consist of net position that is restricted by the City's creditors (for example, through debt covenants), by state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted- all other net assets are reported in this category.

The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

m. Pensions

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

1. Summary of Significant Accounting Policies, Continued

n. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has two items that qualify for reporting in this category: the pension-related deferred outflows and OPEB-related deferred outflows reported in the government-wide statement of net position totaling $2,398,361 at June 30, 2022, as described in Note 8 & 9 to the financial statements.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has two items that meet this criteria: the pension deferred inflows and OPEB deferred inflows reported in the government-wide statement of net position totaling $1,629,218 at June 30, 2022, as described in Note 8 & 9 to the financial statements.

o. Use of Estimates

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

p. Non-exchange Transactions

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, entitlements, and donations. Property taxes levied to finance fiscal year 2022 are recorded when there is an enforceable legal claim and when the revenue is measurable and available. Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used, or the year when use is first permitted, and matching requirements, in which the City must provide local resources to be used for a specified purpose. On the modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

2. Stewardship, Compliance and Accountability

Through the budget, the City Council sets the directions of the City, allocates its resources and establishes its priorities. The annual budget ensures the efficient and effective use of the City's economic resources, as well as establishing that the highest priority objectives are accomplished.

Budgetary Information

Annual budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles. Proprietary fund budgets are adopted on the modified accrual basis of accounting. All annual appropriations lapse at fiscal year-end. The Mayor submits the proposed budget to the Council no later than June 1. Council revises and adopts the budget no later than June 30. The budget ordinance establishes authorized appropriations at the department level of control. Amendments are adopted during the year as necessary to comply with KRS 91A.030.

Excess Expenditures and Revenues

For the year ended June 30, 2022, General Fund actual revenues exceeded budgeted revenues by $151,500 and budgeted expenditures exceeded actual expenditures by $94,605. For the LGEA Fund actual revenues did not exceed budgeted revenues by $368,670 and actual expenditures did not exceed budgeted expenditures by $77,085.

3. Deposits and Investments

Deposits

At June 30, 2022, the City maintained deposits in the amount of $3,300,491 with two local financial institutions. Of these bank balances, $500,000 was insured by federal deposit insurance, the balance of $1,162,897 was collateralized by pledged securities, and the balance of $1,637,594 was either uncollateralized or unable to be confirmed as collateral as required by the Kentucky Revised Statutes. The carrying amount of these deposits was $3,073,795.

Investments

The City's investment policies are to invest public funds in a manner which will provide the highest investment return with the maximum security of principal while meeting the daily cash flow demands of the City and conforming to all state statutes and City regulations governing the investment of public funds. The City held no investments at June 30, 2022.

Credit Risk

The City has no policy regarding credit risk. The City is authorized to invest in U.S. Government backed securities, any corporation of the U.S. Government, Certificates of Deposit and Bankers Acceptances issued by highly rated banks, commercial papers in the highest rating category, and securities issued by a state or local government rated in one of the three highest categories by a nationally-recognized rating agency, and any other investment permitted by Kentucky Revised Statute 66.480.

3. Deposits and Investments, Continued

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk

For an investment, the custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no policy on custodial credit risk.

Concentration of Credit Risk

The City places no limit on the amount that the City may invest in any one issuer.

4. Property Tax

Property taxes include amounts levied against all real and public utility property, plus tangible personal property that is located within the city limits. All property taxes are levied as of October 1st based on the assessment values as of January 1st. Property taxes are due by November 30th. After that date, a 10% penalty is imposed. If bills are not paid by December 1st, all delinquent accounts bear interest at 18% per annum until paid. Liens are filed for all delinquent property taxes in May of the following year.

Assessed values are established by the County Property Valuation Administration at 100% of appraised market value. The city's tax rate applicable to the 2022 fiscal year was $.576 per $100 of assessed valuation for real estate and $.7676 for tangible personal property.

5. Receivables

Receivables as of June 30, 2022 for the City's major funds, including the applicable allowances for uncollectible accounts are as follows:

	General	LGEA	Gas	Water & Sewer	Total
Receivables:					
Utilites	$ 9,767	$ -	$ 20,360	$ 65,031	$ 95,158
Intergovernmental	2,542	-	-	-	$ 2,542
Taxes	209,838	-	-	-	$ 209,838
Franchise Fees	23,709	-	-	-	$ 23,709
Other	149,586	-	1,170	2,362	153,118
Gross Receivables	395,442	-	21,530	67,393	$ 484,365
Less: Allowance for uncollectibles	(153,865)	-	(7,238)	(21,794)	(182,897)
Net Receivables	$ 241,577	$ -	$ 14,292	$ 45,599	$ 301,468

6. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	Balance 7/1/2021	Additions	Disposals	Balance 6/30/2022
Governmental Activities:				
Non-depreciable capital				
Land	$ 503,085	$ 100,000	$ -	$ 603,085
Construction in progress	-	-	-	-
Total non-depreciable capital assets	503,085	100,000	-	603,085
Depreciable capital assets:				
Buildings and improvements	1,510,769	-	-	1,510,769
Improvements, other than buildings	1,006,486	13,973	-	1,020,459
Infrastructure	717,755	-	-	717,755
Vehicles	869,448	23,224	-	892,672
Equipment	1,350,878	133,463	(102,975)	1,381,366
Total depreciable capital assets	5,455,336	170,660	(102,975)	5,523,021
Less accumulated depreciation on:				
Buildings and improvements	(779,304)	(27,259)	-	(806,563)
Improvements, other than buildings	(622,689)	(32,138)	-	(654,827)
Infrastructure	(122,731)	(16,417)	-	(139,148)
Vehicles	(726,723)	(44,801)	-	(771,524)
Equipment	(901,873)	(79,062)	12,872	(968,063)
Total accumulated depreciation	(3,153,320)	(199,677)	12,872	(3,340,125)
Governmental activities capital assets, net	$ 2,805,101	$ 70,983	$ (90,103)	$ 2,785,981
Business-Type Activities:				
Non-depreciable capital assets:				
Land	$ 42,149	$ -	$ -	$ 42,149
Construction in progress	94,511	26,850	-	121,361
Total non-depreciable capital assets	136,660	26,850	-	163,510
Depreciable capital assets:				
Plant facilities and improvements	33,107,075	107,092	-	33,214,167
Equipment and vehicles	3,014,447	70,855	-	3,085,302
Total depreciable capital assets	36,121,522	177,947	-	36,299,469
Less accumulated depreciation on:				
Plant facilities and improvements	(13,500,002)	(783,226)	-	(14,283,228)
Equipment and vehicles	(2,287,063)	(139,290)	-	(2,426,353)
Total accumulated depreciation	(15,787,065)	(922,516)	-	(16,709,581)
Business-type activities capital assets, net	$ 20,471,117	$ (717,719)	$ -	$ 19,753,398

6. Capital Assets, Continued

Depreciation expese was charged as a direct expense to the program of the primary government as follows:

Governmental Activities:	
General government and administration	$ 16,105
Public safety:	
Police	50,033
Fire	33,739
Highway and streets	62,485
Parks and recreation	37,315
Total	$ 199,677
Business-Type Activities:	
Gas	$ 109,500
Water and sewer	813,016
Total	$ 922,516

Interest incurred and charged to expense during the year on capital projects equaled $104,201.

7. Long-term Liabilities and Short-term Debt

Long-term liability activity for the fiscal year ended June 30, 2022, was as follows:

	Balance 7/1/2021	Additions	Reductions	Balance 06/30/2022	Due within One Year
Governmental Activities:					
Equipment note	$ 43,161	$ -	$ (25,967)	$ 17,194	$ 17,194
Net pension liability	4,818,060	-	(1,661,024)	3,157,036	-
Net OPEB liability	1,533,412	-	(582,872)	950,540	-
Totals	$ 6,394,633	$ -	$ (2,269,863)	$ 4,124,770	$ 17,194
Business-type Activities:					
KIA loan fund A	$ 2,604,581	$ -	$ (137,442)	$ 2,467,139	$ 139,858
KIA loan fund B	131,451	-	(42,626)	88,825	43,806
USDA RD loan	2,497,500	-	(47,500)	2,450,000	48,500
Net pension liability - Gas	543,838	-	(58,958)	484,880	-
Net OPEB liability - Gas	174,111	-	(28,549)	145,562	-
Net pension liability - W&S	2,376,534	-	(399,355)	1,977,179	-
Net OPEB liability - W&S	720,725	-	(127,173)	593,552	-
Totals	$ 9,048,740	$ -	$ (841,603)	$ 8,207,137	$ 232,164

The City has a fixed rate line of credit (not to exceed $1,300,000) with a local financial institution which is utilized for capital expenditures and cash flow purposes. The line of credit is unsecured and bears interest at 3.75%. The short-term debt activity for the year ended June 30, 2022, was as follows:

7. Long-term Liabilities and Short-term Debt, Continued

	7/1/2021	Additions	Reductions	Balance 6/30/2022
Business-type Activities:				
Line of credit	$ -	$ -	$ -	$ -

Debt service requirements at June 30, 2022 to retire the City's long-term obligations were as follows:

	Governmental Activities		Business-type Activities			
	Notes from Direct Borrowings		Notes from Direct Borrowings		Bonds	
Year ended June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2023	$ 17,194	$ -	$ 183,664	$ 44,708	48,500	$ 55,115
2024	-	-	187,335	41,039	50,000	54,018
2025	-	-	144,817	37,606	51,000	52,921
2026	-	-	147,363	35,060	52,000	51,754
2027	-	-	152,589	29,835	53,500	50,552
Thereafter	-	-	1,740,196	175,252	2,195,000	817,063
Total	$ 17,194	$ -	$ 2,555,964	$ 363,500	$ 2,450,000	$ 1,081,423

Other information on the City's long-term indebtedness is summarized below:

Obligation	Interest Rate	Final Maturity	Principal Balance	Security
Governmental Activities:				
Notes payable				
Due annually in the amounts ranging from $17,194	0.00%	10/31/22	$ 17,194	Equipment

Business-type Activities:

Notes payable

(KIA Loan Fund - A) Direct borrowings from Kentucky Infrastructure Authority (KIA), dated 9/1/16, principal and interest at 1.75% per annum to be repaid over a period of 20 years. $870 monthly reserve required until reserve equals $104,400.

(KIA Loan Fund - B) Direct Borrowings from Kentucky Infrastructure Authority (KIA), dated 5/1/16, principal and interest at 2.75% per annum to be repaid over a period of 5 years.

(USDA RD Loan) Water Revenue Bond with US Department of Agriculture (USDA), dated 1/29/18, principal and interest at 2.25% per annum to be repaid over a period of 38 years. Secured by and payable from a pledge of a fixed portion of the gross revenues of the system.

8. Pension Plan

Plan Description

The City participates in the County Employees Retirement System (CERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by Kentucky Retirement Systems (KRS), an agency of the Commonwealth of Kentucky. CERS covers all full-time employed in nonhazardous and hazardous positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in CERS. Kentucky Revised Statute Section 61.645 assigns the authority to establish and amend benefit provisions to the Board of Trustees of Kentucky Retirement Systems (Board). KRS issues a publicly available financial report that includes audited financial statements and audited required supplementary information for CERS. The report may be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or it may be found at the KRS website at www.kyret.ky.gov.

Benefits Provided

CERS provides for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of members under certain circumstances. Retirement benefits are determined using a formula which considers the member's final compensation; benefit factors set by statute which vary depending upon the type/amount of service, participation date, and retirement date; and years of service. The information below summarizes the major retirement benefit provisions of CERS. For retirement and benefit purposes, non-hazardous and hazardous employees are grouped into three tiers. The following summaries are not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions:

Non-hazardous members:

Tier 1:

For members whose participation began before September 1, 2008, the following provisions are in force:

Age and service requirement:

Unreduced Benefit:	Age 65, with at least 48 months of service credit. Age 65, with at least one month of non-hazardous duty service credit. Any age with 27 or more years of service credit
Reduced Benefit:	Age 55, with at least five (5) years of service credit Any age with at least 25 and up to 27 years of service credit

Benefit Amount:

For members whose participation began before August 1, 2004, if a member has at least 48 months of service, the monthly benefit is 2.2% times final average compensation times years of service. For members whose participation began on or after August 1, 2004, the benefit factor is 2.0%. Benefits are reduced by varying percentage based on years of age or service from full retirement criteria.

If a member has at least one month but less than 48 months of service, the monthly benefit is the actuarial equivalent of two times the member's contributions with interest.

8. Pension Plan, Continued

Non-hazardous members, Continued:

Compensation:
Final compensation is calculated by taking the average of the highest five (5) fiscal years of salary. If the number of months of service credit during the five (5) year period is less than forty-eight (48), one (1) or more additional fiscal years shall be used.

Tier 2:
For members whose participation began on or after September 1, 2008, but before January 1, 2014, the following provisions are in force:

Age and service requirement:

Unreduced Benefit:	Age 65, with at least 60 months of service credit. Age 57, if members age and years of service equal 87 (Rule of 87)
Reduced Benefit:	Age 60, with at least 120 months of service credit

Benefit Amount:
The monthly benefit is the following benefit factor based on service credit at retirement multiplied by final average compensation, multiplied by years of service.

Service Credit	Benefit Factor
120 months or less	1.10%
121 - 240 months	1.30%
241 - 312 months	1.50%
313 - 360 months	1.75%
Over 360 months	2.00%

Benefits are reduced by varying percentage based on years of age or service from full retirement criteria.

Compensation:
Final compensation is calculated by taking the average of the last (not highest) five (5) complete fiscal years of salary. Each fiscal year used to determine final compensation must contain twelve (12) months of service credit.

Tier 3:
For members whose participation began on or after January 1, 2014, the following provisions are in force:

Age and service requirement:

Unreduced Benefit:	Age 65, with at least 60 months of service credit. Age 57, if members age and years of service equal 87 (Rule of 87)
Reduced Benefit:	Not available

8. Pension Plan, Continued

Non-hazardous members, Continued:

Benefit Amount:
Plan members in Tier 3 participate in and contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a Defined Benefit Plan and a Defined Contribution Plan. Each year that a member is an active contributing member to the System, the member and the member's employer will contribute 5.00% and 4.00%, respectively, of creditable compensation into a hypothetical account.

The employer pay credit represents a portion of the employer contribution. The hypothetical account will earn interest annually on both the member's and employer's contribution at a minimum rate of 4%. If the System's geometric average net investment return for the previous five years exceeds 4%, then the hypothetical account will be credited with an additional amount of interest equal to 75% of the amount of the return which exceeds 4%. All interest credits will be applied to the hypothetical account balance on June 30 based on the account balance as of June 30 of the previous year. Upon retirement the hypothetical account which includes member contributions, employer contributions and interest credits can be withdrawn from the System as a lump sum or annuitized into a single life annuity option.

Hazardous members:

Tier 1:
For members whose participation began before September 1, 2008, the following provisions are in force:

Age and service requirement:

Unreduced Benefit:	Age 55, with at least 60 months of service credit. Age 55, with at least one month of hazardous duty service credit. Any age with 20 or more years of service credit
Reduced Benefit:	Age 50, with at least 15 years of service credit

Benefit Amount:
For members who have at least 60 months of service, the monthly benefit is 2.5% times final average compensation times years of service. Benefits are reduced by varying percentage based on years of age or service from full retirement criteria.

If a member has at least one month but less than 60 months of service, the monthly benefit is the actuarial equivalent of two times the member's contributions with interest.

Compensation:
Final compensation is calculated by taking the average of the highest three (3) fiscal years of salary. If the number of months of service credit during the three (3) year period is less than twenty-four (24), one (1) or more additional fiscal years shall be used.

8. Pension Plan, Continued

Hazardous members, Continued:

Tier 2:

For members whose participation began on or after September 1, 2008, but before January 1, 2014, the following provisions are in force:

Age and service requirement:

Unreduced Benefit:	Any age with at least 25 years of service credit. Age 60, with at least 60 months of service credit.
Reduced Benefit:	Age 50, with at least 180 months of service credit

Benefit Amount:

The monthly benefit is the following benefit factor based on service credit at retirement multiplied by final average compensation, multiplied by years of service.

Service Credit	Benefit Factor
120 months or less	1.30%
121 - 240 months	1.50%
241 to 299 months	2.25%
Over 300 months	2.50%

Benefits are reduced by varying percentage based on years of age or service from full retirement criteria.

Compensation:

Final compensation is calculated by taking the average of the last (not highest) three (3) complete fiscal years of salary. Each fiscal year used to determine final compensation must contain twelve (12) months of service credit.

Tier 3:

For members whose participation began on or after January 1, 2014, the following provisions are in force:

Age and service requirement:

Unreduced Benefit:	Any age with at least 25 years of service credit. Age 60, with at least 60 months of service credit.
Reduced Benefit:	Not available

Benefit Amount:

Plan members in Tier 3 participate in and contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a Defined Benefit Plan and a Defined Contribution Plan. Each year that a member is an active contributing member to the System, the member and the member's employer will contribute 8.00% and 7.50%, respectively, of creditable compensation into a hypothetical account. The employer pay credit represents a portion of the employer contribution. The hypothetical account will earn

8. Pension Plan, Continued

Hazardous members, Continued:

interest annually on both the member's and employer's contribution at a minimum rate of 4%. If the System's geometric average net investment return for the previous five years exceeds 4%, then the hypothetical account will be credited with an additional amount of interest equal to 75% of the amount of the return which exceeds 4%. All interest credits will be applied to the hypothetical account balance on June 30 based on the account balance as of June 30 of the previous year. Upon retirement the hypothetical account which includes member contributions, employer contributions and interest credits can be withdrawn from the System as a lump sum or annuitized into a single life annuity option.

For all tiers, cost of living adjustments (COLA) are provided only if authorized by the Legislature and are at the discretion of the General Assembly. Death and disability benefits are available to members based on years of service, compensation, retirement date and other factors. Please refer to the Summary Plan Description, available from KRS, for a complete description of all Plan benefits and provisions.

Contributions

Per Kentucky Revised Statues Sections 78.545 (33), contribution requirements of the active employees and the participating employers are established and may be amended by the KRS Board. Plan members, are required to contribute a percentage of their annual creditable compensation based on their benefit tier as follows:

	Non-hazardous Required contribution	Hazardous Required contribution
Tier 1	5%	8%
Tier 2	5% + 1% for health insurance fund	8% + 1% for health insurance fund
Tier 3	5% + 1% for health insurance fund	8% + 1% for health insurance fund

The City contributes at an actuarially determined contribution rate determined by KRS Board. The City's required contribution rates for the year ended June 30, 2022, was 26.95% (of which 21.17% was credited to pension liability and 5.78% was credited to insurance liability) for non-hazardous employees and 44.33% (of which 33.86% was credited to pension liability and 10.47% was credited to insurance liability) for hazardous employees. Contributions to CERS by the City were $495,157 for the year ended June 30, 2022, which consisted of $432,063 and $63,094 for non-hazardous and hazardous employees, respectively.

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

At June 30, 2022, the City reported a liability of $5,619,096 for its proportionate share of the net pension liability (NPL). The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long term share contributions to the pension plan relative to the projected contributions of all participating

8. Pension Plan, Continued

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

entities, actuarially determined. At June 30, 2021, the City's proportion was 0.075692% for non-hazardous and 0.029793% for hazardous, a decrease of 0.013759% from its proportion measured as of June 30, 2020 of 0.089451% for non-hazardous and an increase of 0.000685% for hazardous from its proportion measured as of June 30, 2020 of 0.029108%. The amount recognized by the City as its proportionate share of the net pension liability was as follows:

City Proportionate Share of NPL	
Non-hazardous	$ 4,825,959
Hazardous	793,137
Total	$ 5,619,096

The City recognized pension expenses of $546,201 for the year ended June 30, 2022, which consisted of $464,498 and $81,704 for non-hazardous and hazardous employees, respectively. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Non-hazardous		Hazardous	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	$ 187,215	$ 830,434	$ 25,327	$ 110,472
Difference between expected and actual experience	55,417	46,839	21,872	-
Change of assumptions	64,770	-	9,906	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	85,917	637,634	16,224	555
City contributions subsequent to the measurement date	432,063	-	63,094	-
Total	$ 825,382	$ 1,514,907	$ 136,423	$ 111,027

The $495,157 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

8. Pension Plan, Continued

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

	Non-Hazardous	Hazardous
Year ending June, 30		
2022	$ (299,621)	$ 1,628
2023	(454,321)	(5,865)
2024	(166,224)	(9,551)
2025	(201,423)	(23,911)
2026	-	-
Thereafter	-	-
	$ (1,121,589)	$ (37,699)

Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation for both non-hazardous and hazardous liabilities were determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for the males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013.

Discount rate: The discount rate used to measure the total pension liability was 6.25%.

Projected cash flows: The projection of cash flows used to determine the discount rate assumed the local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

8. Pension Plan, Continued

Actuarial Assumptions, Continued

Long term rate of return: The long term rate of return assumption on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in determining the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10 year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Municipal bond rate: The discount rate determination does not use a municipal bond rate.

Periods of projected benefit payments: Projected future benefit payments for all current plan members were projected through 2117.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
Total	100%	

8. Pension Plan, Continued

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the City's proportionate share of the 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:

	Discount Rate	City's Proportionate Share of Net Pension Liability Non-hazardhous	City's Proportionate Share of Net Pension Liability Hazardhous
1% decrease	5.25%	$6,189,521	$1,010,963
Current discount rate	6.25%	$4,825,959	$793,137
1% increase	7.25%	$3,697,643	$615,610

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates are determined by and actuarial valuation as of June 30, 2021. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years, closed
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 percent
Salary increase	3.30 percent to 10.30 percent, varies by service
Investment rate of return	6.25 percent

Changes in Assumptions and Benefit Terms

There were no changes in assumptions or benefit terms since the prior measurement date.

8. Pension Plan, Continued

Changes since Measurement Date

There were no changes between the measurement date of the collective net pension liability and the employer's reporting date.

Plan Fiduciary Net Position

Detailed information about the CERS fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan

At June 30, 2022, the City reported a payable of $0 and $0 for non-hazardous and hazardous employees, respectively.

9. Other Post-Employment Benefits

In addition to the pension benefits described above, the Kentucky Retirement Systems (KRS) provides post-retirement healthcare benefits, in accordance with Kentucky Revised Statutes. The Kentucky Retirement Systems Insurance Fund (Fund) was established to provide hospital and medical insurance for members receiving benefits from KRS, including those in the County Employees Retirement System (CERS), which is a cost-sharing multiple-employer Defined Benefit OPEB Plan, which the City participates. The Plan's financials are included in the Kentucky Retirement Systems audited financial statements, which may be found at the KRS website at www.kyret.ky.gov. The fund and members receiving benefits pay prescribed portions of the aggregate premiums paid by the Fund. The allocation of insurance premiums paid by the Fund and amounts withheld from member benefits is based on years of service with the Systems. For member participating prior to July 1, 2003, years of service and respective percentage of the maximum contribution are as follows:

Service Period	% Paid by Insurance Fund
20 or more years	100%
15-19 years	75%
10-14 years	50%
4-9 years	25%
Less than 4 years	0%

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of ten years, nonhazardous employees whose participation began on, or after, July 1, 2003 earn ten dollars ($10) per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment (COLA), which is at the discretion of the Kentucky General Assembly who reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

9. Other Post-Employment Benefits, Continued

In prior years, the employers' required medical insurance contribution rate was being increased annually by a percentage that would result in advance-funding the medical liability on an actuarially determined basis using the entry age normal cost method within a 20 year period measured from 1987. In November 1992, the Board of Trustees adopted a fixed percentage contribution rate and suspended future increases under the current medical premium funding policy until the next experience study could be performed. In May 1996, the Board of Trustees adopted a policy to increase the insurance contribution rate by the amount needed to achieve the target rate for full entry age normal funding within twenty years.

On August 6, 2012, the Retirement System Board voted to cease self-funding of healthcare benefits for most KRS Medicare eligible retirees. The Board elected to contract with Humana Insurance Company to provide healthcare benefits to KRS' retirees through a fully-insured Medicare Advantage Plan. The Humana Medicare Advantage Plan became effective January 1, 2013.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502-564-4646).

Contribution Policy

The City's actuarially determined contribution rate for the year ended June 30, 2022, was 26.95% of annual creditable compensation, of which 21.17% and 5.78% was contributed to the Pension and OPEB funds within CERS for non-hazardous employees and 44.33% of annual creditable compensation, of which 33.86% and 10.47% was contributed to the Pension and OPEB funds within CERS for hazardous employees. Contributions to CERS by the City were $137,475 for the year ended June 30, 2022, which consisted of $117,965 and $19,510 for non-hazardous and hazardous employees, respectively.

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

At June 30, 2022, the City reported a liability of $1,689,654 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long term share contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2021, the City's proportion was 0.075675% for non-hazardous and 0.029793% for hazardous, a decrease of 0.01375% from its proportion measured as of June 30, 2020 of 0.089425% for non-hazardous and an increase of 0.000694% for hazardous from its proportion measured as of June 30, 2020 of 0.029099%. The amount recognized by the City as its proportionate share of the net OPEB liability was as follows:

City Proportionate Share of Net OPEB Liability	
Non-hazardous	$ 1,448,760
Hazardous	240,894
Total	$ 1,689,654

9. Other Post-Employment Benefits, Continued

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

The City recognized OPEB expenses of $214,358 for the year ended June 30, 2022, which consisted of $187,615 and $26,743 for non-hazardous and hazardous employees, respectively. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Non-hazardous		Hazardous	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	$ 72,993	$ 299,631	$ 15,196	$ 60,537
Difference between expected and actual experience	227,818	432,552	7,528	25,916
Change of assumptions	384,094	1,347	60,411	90
Changes in proportion and differences between employer contributions and proportionate share of contributions	51,349	216,932	3,864	2,803
City contributions subsequent to the measurement date	117,965	-	19,510	-
Total	$ 854,219	$ 950,462	$ 106,509	$ 89,346

The $137,475 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

	Non-hazardous	Hazardous
Year ending June 30,		
2022	$ 2,811	$ (5,579)
2023	(37,190)	1,312
2024	(41,123)	646
2025	(133,085)	(4,490)
2026	-	5,764
Thereafter	-	-
	$ (208,587)	$ (2,347)

9. Other Post-Employment Benefits, Continued

Actuarial Assumptions

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

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

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for the males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013.

Discount rate: The discount rate used to measure the total OPEB liability was 5.20%.

Projected cash flows: The projection of cash flows used to determine the discount rate assumed the local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 30 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

Long term rate of return: The long term rate of return assumption on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in determining the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10 year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Municipal bond rate: The discount rate determination was 1.92%.

9. Other Post-Employment Benefits, Continued

Actuarial Assumptions, Continued

Periods of projected benefit payments: Projected future benefit payments for all current plan members were projected through 2117.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
Total	100%	

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net OPEB liability calculated using the discount rate of 5.20%, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.20%) or 1-percentage-point higher (6.20%) than the current rate for hazardous and using the discount rate of 5.05%, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.05%) or 1-percentage-point higher (6.05%) than the current rate for non-hazardous:

	Discount Rate Non-hazardous	City's Proportionate Share of Net OPEB Liability Non-hazardous	Discount Rate Hazardous	City's Proportionate Share of Net OPEB Liability Hazardous
1% decrease	4.20%	$ 1,989,137	4.05%	$ 349,251
Current discount rate	5.20%	$ 1,448,760	5.05%	$ 240,894
1% increase	6.20%	$ 1,005,291	6.05%	$ 153,836

9. Other Post-Employment Benefits, Continued

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the City's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rate selected by each OPEB system, as well as what the City's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	City's Proportionate Share of Net OPEB Liability Non-hazardous	City's Proportionate Share of Net OPEB Liability Hazardous
1% decrease	$1,042,935	$157,847
Current healthcare cost trend rate	$1,448,760	$240,894
1% increase	$1,938,597	$342,607

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates are determined by and actuarial valuation as of June 30, 2021. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years, Closed
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 percent
Salary increase	3.30 percent to 10.30 percent, varies by service
Investment rate of return	6.25 percent
Mortality	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)
Health Care Trend Rates (Pre-65)	Initial trend starting at 6.25% and gradually decreasing to a ultimate trend rate of 4.05% over 13 year period.
Health Care Trend Rates (Post-65)	Initial trend starting at 5.50% and gradually decreasing to a ultimate trend rate of 4.05% over 14 year period.

Changes in Assumptions and Benefit Terms

There were no changes in benefit terms since the prior measurement date. The following changes of assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021 as follows:

- The assumed discount rate changed from 5.34% to 5.20%

9. Other Post-Employment Benefits, Continued

Changes Since Measurement Date

There were no changes between the measurement date of the collective net OPEB liability and the employer's reporting date.

Plan Fiduciary Net Position

Detailed information about the CERS fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report.

Payables to the OPEB Plan

At June 30, 2022, the City reported a payable of $0 and $0 for non-hazardous and hazardous employees, respectively.

10. Deferred Compensation

The City allows all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full-time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

11. Other Employee Benefits

Vacation leave is credited on each employee's anniversary date and must be taken by the end of the calendar year. Any employee whose employment with the City ends in retirement or with the employee giving proper notice and being in good standing shall be compensated for all unused vacation.

All full-time employees receive eight (8) hours sick leave credit for each month of service up to a maximum of 1,440 hours. Employees who retire from the City service are credited with additional retirement benefits based on unused sick leave, at time of retirement.

12. Interfund Transfers

Interfund transfers during the year ended June 30, 2022 were as follows:

	Transfers In				
	General	Water & Sewer	Gas	LGEA	Total
Transfers Out					
General		$ -	$ -	$ -	$ -
Water & Sewer	10,817		-	-	$ 10,817
Gas	829,001	-		-	$ 829,001
LGEA	-	26,400	-		$ 26,400
Total	$ 839,818	$ 26,400	$ -	$ -	$ 866,218

The transfers are primarily used to move funds from the proprietary funds to the General Fund to assist in providing general governmental, public safety, public works, and parks and recreation services.

13. Contingencies

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. City management believes that disallowances, if any, will be immaterial.

The Natural Resource and Environmental Protection Cabinet of the Commonwealth of Kentucky has issued an "agreed order" with the City which relates to various violations of limits imposed under the City's wastewater permit issued by the Cabinet's Division of Water. The City has engaged an engineering firm to assist them in developing and implementing a plan to address the corrective measures recommended by the Natural Resources and Environmental Protection Cabinet. Should these items cited for corrective action not be rectified in the near future, the possibility exists that fines could be levied against the City. A reasonable estimate of expected fines cannot be made.

The City completed Phase I construction in the second quarter of 2013 on the initial phase of the project to make improvements to various wastewater, drainage and water lines for approximately $4.2 million. Grant proceeds of approximately $2,925,000 approved by the Kentucky Infrastructure Authority and the Governor's Office for Local Development to complete the initial phase of the project were utilized. The City was approved in November 2014 for a Kentucky Infrastructure Authority (KIA) Federally Assisted Wastewater Revolving Loan Fund in the amount of $2,642,200 to assist in funding Phase II of the Combined Sewer Separation Project. The City was awarded a Community Development Block Grant in the amount of $1,000,000 in July 2015 to assist in Phase II of the project. Phase II construction was completed in the second quarter of 2017 for approximately $4,093,527. These improvements are part of a corrective plan with the National Resource and Environmental Protection Cabinet of the Commonwealth of Kentucky relating to various violations of the City's wastewater permit. The remaining estimated cost for Phase III of these improvements is approximately $4,240,000. Phase III Design and Engineering are underway with an estimated start date for work to begin in summer of 2023. The City was scheduled to complete all phases of the project by December 2018 based on an agreement with the Kentucky Environmental Protection Cabinet. On behalf of the City, Smith Management Group sent a letter dated December 10, 2018 to the Kentucky Environmental Protection Cabinet requesting an extension for completion date of the final Phase

13. Contingencies, Continued

(Phase III) of the Long-Term Control Plan (LTCP). The City received a letter dated December 21, 2018 from the Kentucky Environmental Protection Cabinet requesting a meeting in Frankfort to discuss the Department has regarding the request for extension. The meeting was held on January 23, 2019. On behalf of the City, Smith Management Group sent a letter dated December 6, 2019 to the Kentucky Environmental Protection Cabinet requesting an extension for completion date of the final Phase (Phase III) of the Long-Term Control Plan until December 31, 2021. The reason for this request is due to the inability to begin construction because funding has not been secured for Phase III of the LTCP sewer separation project. On behalf of the City, Smith Management Group again sent a letter dated September 22, 2020 to the Kentucky Environmental Protection Cabinet requesting an additional six (6) month extension for completion of the final Phase (Phase III) of the Long-Term Control Plan until July 1, 2022. The reason for this request is due to the inability to begin construction because funding has not been secured for LTCP (Phase III).

In December 2011, the City entered into another "agreed order" with the Natural Resource and Environmental Protection Cabinet of the Commonwealth of Kentucky to identify and eliminate all significant sources of inflow/infiltration into the sewer collection system. The City has contracted with Strand Associates, Inc. to assist them in developing and implementing a plan to address the corrective measures recommended by the Natural Resources and Environmental Protection Cabinet which includes Slip lining or replacing the sewer lines and replacing manholes from the treatment plant through most of the Camp Breckinridge (Job Corp) area. This project was awarded to Deig Bros. on December 15th, 2022 in the amount of $6,007,448.50. The trunk sewer will have to be sized after the collection sewer is completed. The preliminary cost for this is $4,800,000. Both include 25% contingencies. In order to fund the initial study and design of the Camp Breckenridge (Job Corp) sewer rehab project, the City applied for a Fund "B" Loan through the Kentucky Infrastructure Authority in the amount of $260,000 in April of 2016. On May 5, 2016 the City request was approved. As of June 30, 2018, approximately $213,287 was spent out of this loan. Because the Fund "B" loan was not rolled into a construction project, the City has been required to make annual payments of approximately $46,000 until loan is paid off in June 2024. Union County has assisted Morganfield to secure Delta Regional Authority funding of $779,646 to replace sewers in 7,360 linear feet of 8-inch sewer in the Martin View Estates area. This will help reduce the budgeted construction cost the City has to fund. However, with inflation and current market conditions, the projected cost of this project is still about $1,099,000. Strand Associates, Inc. engineers managed the cleaning and running cameras through the existing sewer system. In addition to the cameras they conducted smoke and dye tests as well to conclude their study. The City continues to have open conversation with county, state and federal representatives with help from GRADD and Strand Associates, Inc., about the need for federal infrastructure funding for this and other future projects. In addition, most of the equipment and structures at Morganfield's Wastewater Treatment Plant has reached their useful life and needs replacement to enable the plant to stay in compliance with KPDES permit requirements. Morganfield has hired Strand Associates, Inc. to design the new upgrades to the plant but have not authorized Strand to start design. Strand is assisting GRADD and Morganfield to secure funding for the project. The total projected cost (engineering and construction) of the Treatment Plant project is $14,500,000. Morganfield has been exploring the option of combining all three projects into one project in phases and securing funding for all three projects as one big project. Discussions with funding agencies are still on-going. The City is prioritizing securing as much grants as possible to fund these projects as the City does not have the financial capability to currently fund the entire cost of these projects even under favorable loan terms.

14. Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omission; and natural disasters. The City contracts with Zurich American Insurance Company for insurance coverage for these risks. The city pays a guaranteed fixed premium that transfers these risks to a third party and is not subject to any additional premiums for this policy year.

Coverage consists of $1,000,000 per occurrence with a $4,000,000 umbrella with no deductible on the general liability and auto liability, and a $2,500 deductible on the Public Officials Liability, Employment Practice Liability and Law Enforcement Liability. Coverage for property risk is $27,275,350 with a deductible of $1,000 per occurrence with the exception of earthquake claims with a limit of $4,000,000 and a deductible of 2% not to exceed $25,000 per occurrence and flood with a limit of $4,000,000 and a deductible of $25,000 per occurrence.

15. Related Organizations

The City of Morganfield participates with the County to provide a variety of services with joint funding from both organizations. All entities operate independently with separate management personnel. The following table outlines these organizations and the City's contribution during the fiscal year ending June 30, 2022.

Organization	Contribution
Union County Planning Commission	$ 58,592

16. Concentrations of Sales

Natural Gas

For the year ended June 30, 2022, three industrial customers accounted for approximately $1,237,820 in sales and surcharges for a total of 35% of the City's total gas operating revenues.

Water and Sewer

For the year ended June 30, 2022, three industrial customers accounted for approximately $97,377 in sales and surcharges for a total of 8% of the City's total sewer operating revenues. For the year ended June 30, 2022, three industrial customers accounted for approximately $919,488 in sales and surcharges for a total of 51% of the City's total water operating revenues.

17. Subsequent Events

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through February 3, 2023, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF MORGANFIELD, KENTUCKY
Statement of Revenues,
Expenditures, and Changes in Fund Balance -
Budget and Actual - Budgetary Basis -
General Fund
For the fiscal year ended June 30, 2022

	General Fund			
	Budgeted Amounts			Favorable (Unfavorable) Variance with Final Budget
Revenues:	Original	Final	Actual	
Taxes and related revenues	$ 1,410,500	$ 1,410,500	$ 1,498,067	$ 87,567
Service charges and fees	533,900	533,900	513,285	(20,615)
Licenses	6,000	6,000	6,125	125
Franchise fees	237,000	237,000	261,744	24,744
Intergovernmental	87,000	87,000	133,452	46,452
Miscellaneous	175,007	175,007	188,756	13,749
Investment income	500	500	39	(461)
Total revenues	2,449,907	2,449,907	2,601,467	151,560
Expenditures:				
Current:				
General and administrative	546,865	546,865	624,009	(77,144)
Public safety:				
Police and dispatch	866,237	866,237	810,436	55,801
Fire	752,790	752,790	694,315	58,475
Highways and streets	903,422	903,422	788,785	114,637
Public works	451,500	451,500	452,111	(611)
Parks and recreation	-	-	7,057	(7,057)
Debt Service:				
Principal	-	-	25,967	(25,967)
Capital outlay	15,000	15,000	64,496	(49,496)
Total expenditures	3,535,814	3,535,814	3,467,176	94,605
Deficiency of revenues over expenditures	(1,085,907)	(1,085,907)	(865,709)	246,165
Other financing sources (uses):				
Note proceeds	-	-	-	-
Sale of municipal property	5,000	5,000	-	(5,000)
Operating transfers in	1,080,907	1,080,907	839,818	(241,089)
Operating transfers out	-	-	-	-
Total other financing sources	1,085,907	1,085,907	839,818	(246,089)
Excess (deficiency) of revenues and other sources over expenditures and other uses			(25,889)	
Fund balance, beginning of year			182,720	
Fund balance, end of year			$ 156,831	

CITY OF MORGANFIELD, KENTUCKY

Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - Budgetary Basis-
Local Government Economic Assistance
For the fiscal year ended June 30, 2022

	Local Government Economic Assistance			
	Budgeted Amounts			Favorable (Unfavorable) Variance with Final Budget
Revenues:	Original	Final	Actual	
Taxes and related revenues	$ -	$ -	$ -	$ -
Service charges and fees	-	-	-	-
Licenses	-	-	-	-
Franchises	-	-	-	-
Intergovernmental	596,036	596,036	226,786	(369,250)
Miscellaneous revenue	-	-	-	-
Investment income	700	700	1,280	580
Total revenues	596,736	596,736	228,066	(368,670)
Expenditures:				
Current:				
General and administrative	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Highways and streets	247,500	247,500	54,354	193,146
Public works	-	-	-	-
Recreation	-	-	-	-
Capital outlay	-	-	116,061	(116,061)
Total expenditures	247,500	247,500	170,415	77,085
Excess (deficiency) of revenues over expenditures	349,236	349,236	57,652	(291,584)
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(26,400)	(26,400)
Total other financing uses	-	-	(26,400)	(26,400)
Excess (deficiency) of revenues and other sources over expenditures and other uses			31,252	
Fund balance, beginning of year			539,392	
Fund balance, end of year			$ 570,644	

CITY OF MORGANFIELD, KENTUCKY
Schedule of Proportionate Share of the Net Pension Liability
County Employees Retirement System

Last 10 Fiscal Years *

Non-hazardous	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.07569%	0.08945%	0.08705%	0.08341%	0.08316%	0.08288%	0.07960%	0.07406%
City's proportionate share of the net pension liability	$ 4,825,959	$ 6,860,818	$ 6,122,336	$ 5,079,801	$ 4,867,318	$ 4,080,449	$ 3,446,838	$ 2,402,752
City's covered-employee payroll	$ 1,928,204	$ 2,298,987	$ 2,248,944	$ 2,119,082	$ 2,071,030	$ 2,023,802	$ 1,918,891	$ 1,754,447
City's proportionate share of the net pension liability as a percentage of it covered employee payroll	250.28%	298.43%	272.23%	239.72%	235.02%	201.62%	179.63%	136.95%
Plan fiduciary net position as a percentage of the total pension liability.	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%

Hazardous	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.02979%	0.02911%	0.02923%	0.02934%	0.03098%	0.04107%	0.04754%	0.05259%
City's proportionate share of the net pension liability	$ 793,137	$ 877,614	$ 807,308	$ 709,503	$ 693,198	$ 704,771	$ 729,792	$ 632,004
City's covered-employee payroll	$ 178,147	$ 170,060	$ 166,450	$ 163,266	$ 170,247	$ 213,532	$ 243,174	$ 266,353
City's proportionate share of the net pension liability as a percentage of it covered employee payroll	445.21%	516.06%	485.02%	434.57%	407.17%	330.05%	300.11%	237.28%
Plan fiduciary net position as a percentage of the total pension liability.	52.26%	44.11%	46.63%	49.26%	49.80%	53.95%	57.52%	63.46%

* The amounts presented for each fiscal year were determined as of one-year prior to the fiscal year end.
Fiscal year 2015 was the first year of implementation.

* The schedule is intended to show information for 10 years. Additional years of supplementary information will be provided as this information becomes available.

CITY OF MORGANFIELD, KENTUCKY
Schedule of Contributions
County Employees Retirement System - Pension

Last 10 Fiscal Years *

Non-hazardous	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	$ 432,063	$ 372,161	$ 445,115	$ 364,770	$ 306,843	$ 288,909	$ 251,357	$ 339,068	$ 331,415
Contributions in relation to the contractually required contributions	(432,063)	(372,161)	(445,115)	(364,770)	(306,843)	(288,909)	(251,357)	(339,068)	(331,415)
Contribution (excess) deficiency	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered-employee payroll	$ 2,040,921	$ 1,928,204	$ 2,298,987	$ 2,248,944	$ 2,119,082	$ 2,071,030	$ 2,023,808	$ 1,918,891	$ 1,754,447
Contributions as a percentage of covered-employee payroll	21.17%	19.30%	19.36%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%

Hazardous	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	$ 63,094	$ 53,553	$ 51,120	$ 41,396	$ 36,245	$ 36,961	$ 43,223	$ 83,433	$ 95,088
Contributions in relation to the contractually required contributions	(63,094)	(53,553)	(51,120)	(41,396)	(36,245)	(36,961)	(43,223)	(83,433)	(95,088)
Contribution (excess) deficiency	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered-employee payroll	$ 186,338	$ 178,147	$ 170,060	$ 166,450	$ 163,266	$ 170,247	$ 213,342	$ 243,174	$ 266,353
Contributions as a percentage of covered-employee payroll	33.86%	30.06%	30.06%	24.87%	22.20%	21.71%	20.26%	20.73%	21.77%

* The amounts presented for each fiscal year were determined as of one-year prior to the fiscal year end.
Fiscal year 2015 was the first year of implementation.

* The schedule is intended to show information for 10 years. Additional years of supplementary information will be provided as this information becomes available.

Changes of benefit terms: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2014:

- A cash balance plan was introduced for members whose participation date is on or after January 1, 2014.

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

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. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2017:

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The assumed rate of wage inflation decreased by 0.95%.
- Payroll growth assumption was reduced from 4.00% to 2.00%.

CITY OF MORGANFIELD, KENTUCKY
Schedule of Proportionate Share of the Net OPEB Liability
County Employees Retirement System

Last 10 Fiscal Years *

Non-hazardous	2022	2021	2020	2019	2018
City's proportion of the net OPEB liability	0.07568%	0.08943%	0.08703%	0.08341%	0.08316%
City's proportionate share of the net OPEB liability	$ 1,448,760	$ 2,159,342	$ 1,463,822	$ 1,480,839	$ 1,671,700
City's covered-employee payroll	$ 1,928,204	$ 2,298,987	$ 2,248,944	$ 2,119,082	$ 2,071,030
City's proportionate share of the net OPEB liability as a percentage of it covered employee payroll	75.14%	93.93%	65.09%	69.88%	80.72%
Plan fiduciary net position as a percentage of the total OPEB liability.	62.91%	51.67%	60.44%	57.62%	52.40%

Hazardous	2022	2021	2020	2019	2018
City's proportion of the net OPEB liability	0.02979%	0.02910%	0.02922%	0.02934%	0.03098%
City's proportionate share of the net OPEB liability	$ 240,894	$ 268,905	$ 216,194	$ 209,182	$ 256,136
City's covered-employee payroll	$ 178,147	$ 170,060	$ 166,450	$ 163,266	$ 170,247
City's proportionate share of the net OPEB liability as a percentage of it covered employee payroll	135.22%	158.12%	129.89%	128.12%	150.45%
Plan fiduciary net position as a percentage of the total OPEB liability.	66.81%	58.84%	64.44%	64.24%	59.00%

* The amounts presented for each fiscal year were determined as of one-year prior to the fiscal year end. Fiscal year 2018 was the first year of implementation.

* The schedule is intended to show information for 10 years. Additional years of supplementary information will be provided as this information becomes available.

CITY OF MORGANFIELD, KENTUCKY
Schedule of Contributions
County Employees Retirement System - OPEB

Last 10 Fiscal Years *

Non-hazardous	2022	2021	2020	2019	2018
Contractually required contributions	$ 117,965	$ 91,764	$ 109,780	$ 118,292	$ 99,597
Contributions in relation to the contractually required contributions	(117,965)	(91,764)	(109,780)	(118,292)	(99,597)
Contribution (excess) deficiency	$ -	$ -	$ -	$ -	$ -
City's covered-employee payroll	$ 2,040,921	$ 1,928,204	$ 2,298,987	$ 2,248,944	$ 2,119,082
Contributions as a percentage of covered-employee payroll	5.78%	4.76%	4.78%	5.26%	4.70%

Hazardous	2022	2021	2020	2019	2018
Contractually required contributions	$ 19,510	$ 16,958	$ 16,190	$ 17,427	$ 15,265
Contributions in relation to the contractually required contributions	(19,510)	(16,958)	(16,190)	(17,427)	(15,265)
Contribution (excess) deficiency	$ -	$ -	$ -	$ -	$ -
City's covered-employee payroll	$ 186,338	$ 178,147	$ 170,060	$ 166,450	$ 163,266
Contributions as a percentage of covered-employee payroll	10.47%	9.52%	9.52%	10.47%	9.35%

* The amounts presented for each fiscal year were determined as of one-year prior to the fiscal year end.
Fiscal year 2018 was the first year of implementation.

* The schedule is intended to show information for 10 years. Additional years of supplementary information will be provided as this information becomes available.

Changes of benefit terms:

None

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

2017:

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The assumed rate of wage inflation decreased by 0.95%.
- Payroll growth assumption was reduced from 4.00% to 2.00%.
- The single discount rate changed from 6.85% to 5.85%

2019:

- The single discount rate changed from 5.85% to 5.68%.

2020:

- The single discount rate changed from 5.68% to 5.34%.

2021:

- The single discount rate changed from 5.34% to 5.20%.

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CPA GROUP LLP
Certified Public Accountants and Consultants

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

To the Mayor and City Council
City of Morganfield, 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 governmental activities, the business-type activities and each major fund, of the City of Morganfield, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Morganfield's basic financial statements and have issued our report thereon dated February 3, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be material weaknesses. [2022-001 and 2022-002]

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Morganfield'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

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disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Morganfield's Response to Findings

City of Morganfield's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Morganfield's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Kemper CPA Group LLP

Kemper CPA Group LLP
Certified Public Accountants and Consultants

Morganfield, Kentucky
February 3, 2023

FINDINGS – FINANCIAL STATEMENT AUDIT

2022-001 Lack of segregation of duties

Due to a limited number of personnel employed in the accounting area, incompatible work functions are often performed by the same individual and a high degree of trust in employees is necessitated. Ideally, each key step of an accounting system should be segregated among employees. However, this is not always feasible due to the cost versus benefit relationship inherent in providing internal control. In the process of segregating functions among employees, management must continually make decisions relating to the applicable costs in comparison to the expected benefits to be achieved.

Deficiency: The City has a lack of segregation of duties between employees involving key steps in the accounting system.

Criteria: Internal controls should be in place that provides reasonable assurance that accounting transactions (billings, adjustments, cash receipts and disbursements) are properly recorded and authorized.

Effect: Because of a lack of segregation of duties involving key steps in the accounting system transactions may occur that are not properly recorded or authorized.

Recommendation: We recommend the segregation of duties between accounting employees to the extent possible based on limited personnel.

Management Response: While the City agrees with the finding, it is not feasible from an economic perspective to add additional personnel. Management and those charged with governance will continue to provide strong oversight to the City's operations.

2022-002 Inability to draft financial statements and footnotes

City management and personnel responsible for the accounting and reporting function lack the qualifications and training to prepare financial statements in accordance with generally accepted accounting principles.

Deficiency: The City does not have any individual staff with the necessary knowledge and expertise to properly draft the financial statements or notes to the financial statements.

Criteria: The City should have at least one staff member with the training and expertise to properly prepare the financial statements and notes to the financial statements.

Effect: The City cannot prepare the financial statements or notes to the financial statements.

Recommendation: The City should provide the necessary training to personnel or contract with an independent contractor with the knowledge to properly prepare the financial statements and notes to the financial statements.

Management Response: The City has no plans of changing its current arrangement for the preparation of its financial statements.

KEMPER
CPA GROUP LLP
Certified Public Accountants and Consultants

February 3, 2023

To the Honorable Randy Greenwell, Mayor
And the Council Members of the
City of Morganfield, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Morganfield for the year ended June 30, 2022 . Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 11, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Morganfield are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 06/30/22. We noted no transactions entered into by City of Morganfield during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the City of Morganfield's financial statements was:

> Management's estimate of the allowance for doubtful accounts is based on any receivable in excess of 90 days. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

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Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 3, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to City of Morganfield's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as City of Morganfield's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the budgetary comparison schedules and pension and OPEB schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on budgetary comparison schedules and pension and OPEB schedules, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the information and use of the Mayor, Council, and management of City of Morganfield and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Kemper CPA Group LLP

Kemper CPA Group LLP
Certified Public Accountants and Consultants

Morganfield, Kentucky