

FOR East & West Rockcastle County, Kentucky
Area Served

P.S.C. KY. NO. 1

Fourth Revised SHEET NO. 5

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

City of Mt. Vernon
(Name of Municipal Utility)

MONTHLY WHOLESALE WATER RATE:

Kentucky-American Water Company (T)

Western Rockcastle Water Association

All Usage \$3.40 Per 1,000 Gallons (I)

(D)

DATE OF ISSUE June 2, 2024
Month / Date / Year

DATE EFFECTIVE July 16, 2024
Month / Date / Year

ISSUED BY *L. Salas*
(Signature)

TITLE MA 405

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. n/a DATED n/a

June 3, 2024

Mr. Darrell Whitaker, President
Western Rockcastle Water Association
371 New Brodhead Road
Mt. Vernon, KY 40456

RE: Wholesale Rate Increase

Dear Mr. Whitaker,

The City of Mt. Vernon, Kentucky is adding a new Powdered Activated Carbon (PAC) Reactor Basin and feed equipment to the Water Treatment Plant. The project is needed to improve the quality of our drinking water and minimize the occurrence of taste and odor incidents. The total project cost is \$4,142,000 and the City will be increasing its retail and wholesale user rates to finance the project.

The wholesale user rate will be increased from \$2.93 per 1,000 gallons to \$3.40 per 1,000 gallons. This equates to a \$0.47 increase per 1,000 gallons, or 16.04%.

Pursuant to the notice provision of the Water Purchase Agreement between the City of Mt. Vernon and Western Rockcastle Water Association, effective October 8, 1992, the City is giving 30-day notice prior to adoption of the proposed rates. The effective date of the rate increase will be July 16, 2024.

Attached are the following documents which contain the new rates, the proposed effective date, and other information as required by the Public Service Commission.

1. Customer Notice
2. Revised Tariff Sheet
3. Proposed Rate Ordinance being considered by the City Council
4. Acknowledgment/Contract Amendment

Please return a signed copy of the Acknowledgment/Contract Amendment to the City.

Sincerely,



Tim Roberts, Mayor

NOTICE

Notice is hereby given that the City of Mt. Vernon, Kentucky plans to file with the Public Service Commission (PSC) on or before June 2, 2024 to increase its rate for wholesale water service effective for services rendered on or after July 16, 2024. The proposed wholesale water rates are as follows:

Wholesale Water Rate	Current Rate (\$/1,000 gallon)	New Rate (\$/1,000 gallon)	Change (\$/1,000 gallon)	Change (%)
City of Brodhead	\$2.93	\$3.40	\$0.47	16.04%
Western Rockcastle WA	\$2.93	\$3.40	\$0.47	16.04%
Eastern Rockcastle WA	\$2.93	\$3.40	\$0.47	16.04%

Water flowing through the meter(s) before the effective date will be charged at the current rate while water flowing through the meter(s) on and after the effective date will be charged at the new rate.

This filing may be examined at Mt. Vernon City Hall, 125 Richmond Street, Mt. Vernon, KY 40456 or by contacting Crystal Rush, City Clerk, at City Hall or by phone at (606) 256-3437.

The filing may also be examined at the offices of the Public Service Commission (PSC) located at 211 Sower Boulevard in Frankfort, KY, Monday through Friday, 8:00 am to 4:30 pm, or through the PSC website at <http://psc.ky.gov>.

Comments regarding this filing may be submitted to the PSC through its website or by mail to the Public Service Commission, PO Box 615, Frankfort, KY 40602.

The rates contained in this Notice are the rates proposed by the City, but the PSC may order rates to be charged that differ from the rates proposed.

Intervention may be requested by submitting a timely written request for intervention by mail to the Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602. The request for intervention must establish the grounds for the request including the status and interest of the party.

If the PSC does not receive a written request for intervention within 30 days of the mailing of this notice, the PSC may take final action on the filing.

June 3, 2024

Jessica Maupin
Kentucky American Water
2300 Richmond Road
Lexington, KY

RE: Wholesale Rate Increase

Dear Jessica Maupin,

The City of Mt. Vernon, Kentucky is adding a new Powdered Activated Carbon (PAC) Reactor Basin and feed equipment to the Water Treatment Plant. The project is needed to improve the quality of our drinking water and minimize the occurrence of taste and odor incidents. The total project cost is \$4,142,000 and the City will be increasing its retail and wholesale user rates to finance the project.

The wholesale user rate will be increased from \$2.93 per 1,000 gallons to \$3.40 per 1,000 gallons. This equates to a \$0.47 increase per 1,000 gallons, or 16.04%.

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Sincerely,



Tim Roberts, Mayor

ACKNOWLEDGMENT

On behalf of the Kentucky American Water, I acknowledge and agree to the rate change to the contract between the Water Association and the City of Mt. Vernon as outlined in the letter from the City dated June 3, 2024. In signing, I state that that I have the authority and agree to this document as a contract amendment.

Signature

Date

Printed Name/Title

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If the PSC does not receive a written request for intervention within 30 days of the mailing of this notice, the PSC may take final action on the filing.

CITY OF MT. VERNON, KENTUCKY
FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2022



CRAFT, WANINGER, NOBLE
& COMPANY, PLLC

CPAs & Trusted Advisors
Post Office Box 827
Richmond, KY 40476
www.craftnoble.com

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Mt. Vernon
Mt. Vernon, Kentucky

Opinion

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the primary government of the City of Mt. Vernon, 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.

We did not audit the financial statements of the Mt. Vernon-Rockcastle County Tourist Commission, Inc, which is presenting as the component unit as of June 30, 2022. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for Mt. Vernon-Rockcastle County Tourist Commission, Inc are based solely on the report of the other auditors.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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



Auditor's Responsibility 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 Mt. Vernon, 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 Mt. Vernon, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability, the schedule of pension contributions and the schedule of changes in benefits and assumptions-pension, schedule of proportionate share of the net OPEB liability, the schedule of OPEB contributions, and the schedule of changes in benefits and assumptions-OPEB, beginning on pages 3-7, and pages 38 through page 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mt. Vernon, Kentucky's basic financial statements. The future funding requirements schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2023 on our consideration of the City of Mt. Vernon, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Mt. Vernon, Kentucky's internal control over financial reporting and compliance.

Craft, Waninger, Noble & Company, PLLC

Craft, Waninger, Noble & Company, PLLC

Richmond, Kentucky

December 17, 2023

MANAGEMENT’S DISCUSSION AND ANALYSIS

City of Mt. Vernon management offers readers of the financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2022. Please read this MD&A in conjunction with the City’s Financial Statements, which follow.

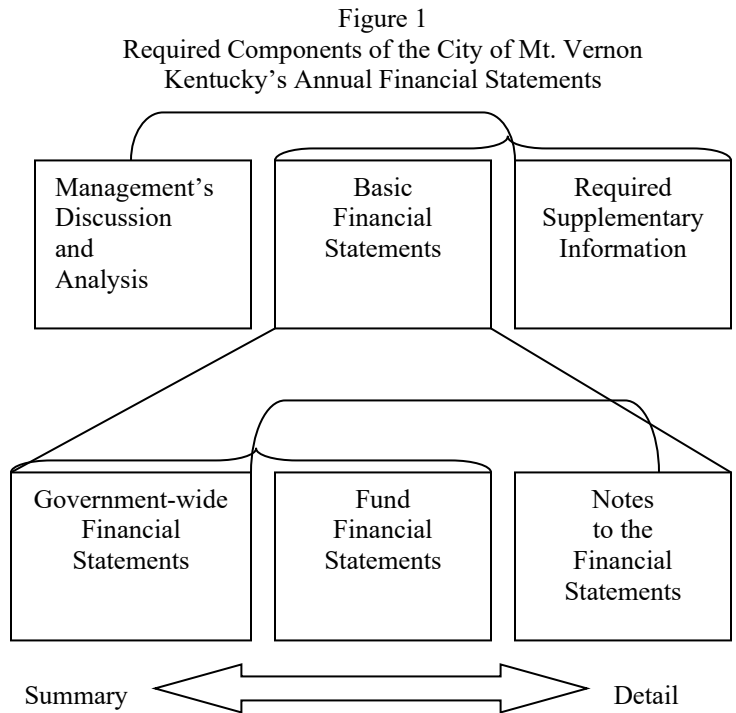
Financial Highlights

- I. *The total net position of the City of Mt. Vernon (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) at the fiscal year end of June 30, 2022 was \$7,057,684. Net assets invested in capital assets were \$6,026,875. Restricted net assets were \$1,334,722 and the unrestricted deficit in net position was \$303,913.*
- II. *The City’s total net position increased this year by \$134,893..*
- III. *The City’s governmental activities reported combined ending net position totaling \$975,467 an increase of \$127,043 from the year. Proprietary funds combined ending net position increased by \$7,850 to \$6,082,217.*
- IV. *The City has total assets of \$18,185,073, \$14,248,413 of which are fixed assets.*
- V. *The City has total liabilities of \$10,932,209, \$6,426,878 of which is long term debt and \$3,122,923 is net pension liability and \$937,487 is net OPEB liability.*

Overview of the Financial Statements

This annual report consists of three parts – *management’s discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. Figure 1 shows how the required parts of this annual report are arranged and related to one another. The basic financial statements include two kinds of statements that present different views of the City:

- I. The first two statements are government-wide financial statements that provide both long-term and short-term information about the City’s overall financial status.
- II. The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City’s operations in more detail than the government-wide statements. Proprietary fund statements offer short and long-term financial information about the activities the government operates like a business.



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Figure 2
Major Features of the City’s Government-wide and Fund Financial Statements

<u>Type of Statements</u>	<u>Fund Statements</u>		
	<u>Government-wide</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Scope	Entire Agency’s government (except fiduciary funds).	Activities of the City that are not proprietary or fiduciary.	Activities the City operates similar to private business.
Required Financial Statements	- Statement of net position - Statement of activities	- Balance sheet - Statement of revenues, expenditures & changes in fund balances	- Statement of fund net position - Statement of revenues, expenses and changes in net position - Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	All assets and liabilities, both financial and capital, and short-term and long-term
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenue and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures for goods or services that have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position – the difference between the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the city's financial health or position.

- I. Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- II. To assess the overall health of the City, one needs to consider additional non-financial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general government, public safety, streets, economic development, culture and recreation and interest on long-term debt. Property taxes, grants and some fees finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- I. Some funds are required by State law and by bond covenants.
- II. The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- I. *Governmental funds* – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information in the notes to the financial statements that explains the relationships (or differences) between them.
- II. *Proprietary funds* – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds statements, like the government-wide statements, provide both long-term and short-term financial information.

Financial Analysis of the City as a Whole

The City's combined net position was \$7,057,684 at June 30, 2022. (See Statement of Net Position, Page 8).

Approximately 19% of the City's net position is restricted for various purposes. The \$303,913 deficit of unrestricted net position represents resources available to fund the programs of the City next year.

Changes in net position

The City’s total revenues were approximately \$4.8 million dollars. Of this, 54% or approximately \$2.4 million was from charges for services and approximately \$0.6 million dollars was from grants, interest earnings and other non-tax resources. Approximately 33% or \$1.6 million dollars came from the various sources of taxes. (See Statement of Activities, Page 9).

The total cost of all programs and services was approximately \$4.6 million; 2.6 million (57%) was for water and sewer operation and the remainder was for general government, public safety, public works, economic development and interest.

During fiscal 2014-2015 the City implemented GASB 68. With the new reporting change, the City was allocated its proportionate share of the County Employees Retirement System’s net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. Decisions regarding the allocations were made by the administrators of the pension plan, not by the City of Mt. Vernon’s management.

During fiscal 2017-2018, the City implemented GASB 75. With the new reporting change, the City was allocated its proportionate share of the County Employees Retirement System’s net OPEB liability, deferred outflows of resources, deferred inflows of resources, and retirement expense. Decisions regarding the allocations were made by the administrators of the OPEB plan, not by the City of Mt Vernon’s management.

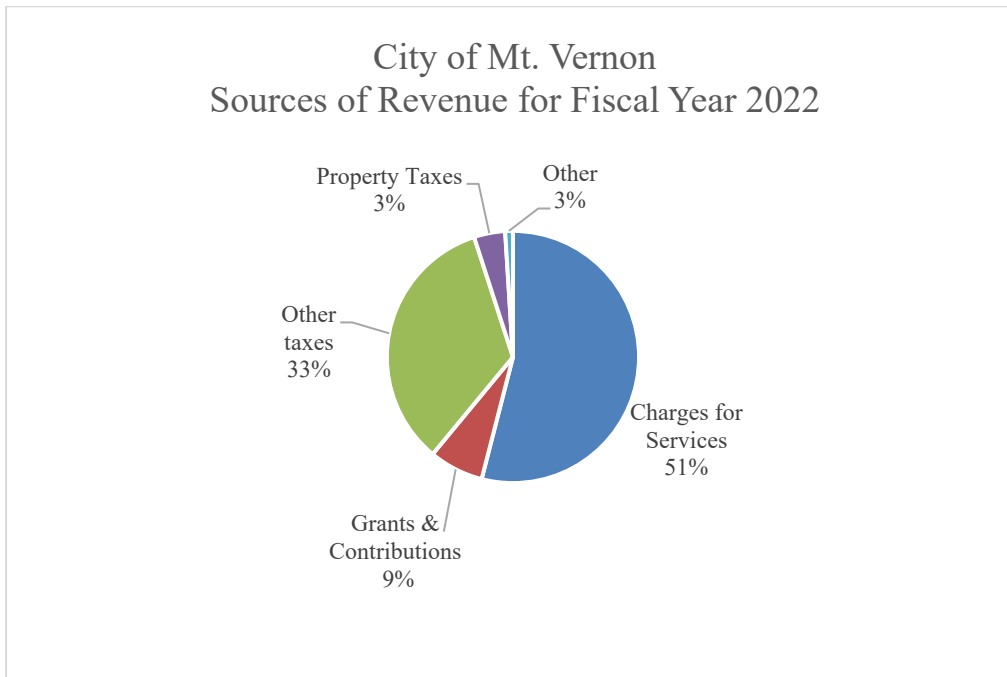
The overall increase in Net Position during the year was \$134,893.

Governmental Activities

The cost of all governmental activities this year was \$2,055,652. However, the amount that the taxpayers paid for these activities through taxes was \$1,744,764. Those who directly benefited from the programs paid \$137,402. Grants and contribution revenues were 21% of the cost of all governmental activities.

Net position for Governmental Activities as identified in the Statement of Activities (Page 9) increased by \$127,043 to \$975,467. Transfers to water & sewer funds in the amount of \$303,399 increased net position for Governmental Activities.

Sources of Revenue



Financial Analysis of the City of Mt. Vernon's Funds

Revenues from governmental activities types totaled \$2,301,219, on par with the preceding year. Total costs for the same activities decreased by approximately \$87,944. In a bid to increase tourism and local business, the City assumed direct operation of the Lake Linville marina and campground in the year ended June 30, 2015. The marina and campground generated \$110,299 in revenue in their sixth season. Expenses totaled \$93,241. Lake Linville continues to be a good source of revenue and an asset to the City.

General Fund Budgetary Highlights

Actual expenditures were \$353,045 over final budget amounts and revenues were \$2,381,433 over final budget amounts.

Business-type Activities

Program revenues of the City's Business-type Activities totaled approximately \$1.6 million or 115% of related expenses this year. Transfers were made to the general fund in the amount of \$52,094.

Contacting the City Management

The financial report is designed to provide the citizens of Mt. Vernon and its creditors with a general overview of the City's finances and to demonstrate the City's accountability of the money it receives. If you have any questions about this report or need additional financial information, do not hesitate to contact the Mayor, Tom Roberts,.

CITY OF MT. VERNON, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities	Business-Type Activities	Total	Component Unit
Assets				
Cash and cash equivalents	\$ 2,188,684	\$ 531,624	\$ 2,720,308	\$ 402,977
Receivables (net of allowance)	340,310	297,277	637,587	50,052
Inventory	8,379	71,517	79,896	60,040
Prepaid expenses	14,148	14,148	28,296	-
Total Current Assets	<u>2,551,521</u>	<u>914,566</u>	<u>3,466,087</u>	<u>513,069</u>
Restricted cash and cash equivalents	451,674	1,342,986	1,794,660	-
Noncurrent receivables	470,573	-	-	-
Fixed assets (Net)	2,302,511	10,151,242	12,453,753	2,732,957
Total Noncurrent Assets	<u>3,224,758</u>	<u>11,494,228</u>	<u>14,248,413</u>	<u>2,732,957</u>
Total Assets	<u>5,776,279</u>	<u>12,408,794</u>	<u>17,714,500</u>	<u>3,246,026</u>
Deferred Outflows of Resources				
Contributions	161,858	144,969	306,827	-
Pension related	111,639	99,991	211,630	-
OPEB related	245,505	219,889	465,394	-
Unamortized refunding charges	-	8,530	8,530	-
Total Deferred Outflows of Resources	<u>519,002</u>	<u>473,379</u>	<u>992,381</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 6,295,281</u>	<u>\$ 12,882,173</u>	<u>\$ 18,706,881</u>	<u>\$ 3,246,026</u>
Liabilities and Net Position				
Liabilities				
Accounts payable	\$ 57,034	\$ 80,297	\$ 137,331	\$ 5,630
Accrued expenses	202,653	104,937	307,590	5,658
Long-term debt due within one year	189,571	324,762	514,333	385,543
Noncurrent liabilities:				
Long-term debt due in more than one year	2,102,141	3,810,404	5,912,545	814,545
Net pension liability	1,647,408	1,475,515	3,122,923	-
Net OPEB liability	494,544	442,943	937,487	-
Total Liabilities	<u>4,693,351</u>	<u>6,238,858</u>	<u>10,932,209</u>	<u>1,211,376</u>
Deferred Inflows of Resources				
Pension related	351,726	315,027	666,753	-
OPEB related	274,737	246,071	520,808	-
Total Deferred Inflows of Resources	<u>626,463</u>	<u>561,098</u>	<u>1,187,561</u>	<u>-</u>
Net Position				
Net investment in capital assets	10,799	6,016,076	6,026,875	1,846,896
Restricted for:				
Debt service	-	408,337	408,337	-
Maintenance and depreciation	-	223,645	223,645	-
Grant restrictions	100,000	250,000	350,000	-
Street repairs	210,251	-	210,251	-
Other	125,760	-	125,760	29,117
Land improvements	16,729	-	16,729	-
Unrestricted (deficit)	511,928	(815,841)	(303,913)	158,637
Total Net Position	<u>975,467</u>	<u>6,082,217</u>	<u>7,057,684</u>	<u>2,034,650</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 6,295,281</u>	<u>\$ 12,882,173</u>	<u>\$ 19,177,454</u>	<u>\$ 3,246,026</u>

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

CITY OF MT. VERNON, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Unit
Governmental activities:								
General government	\$ 955,560	\$ 118,846	\$ 325,711	\$ -	\$ (511,003)	\$ -	\$ (511,003)	\$ -
Public safety	924,213	18,556	62,964	-	(842,693)	-	(842,693)	-
Public works	130,322	-	51,250	-	(79,072)	-	(79,072)	-
Economic development	-	-	-	-	-	-	-	-
Interest on long-term debt	45,557	-	-	-	(45,557)	-	(45,557)	-
Total governmental activities	2,055,652	137,402	439,925	-	(1,478,325)	-	(1,478,325)	-
Business-type activities:								
Water	1,829,345	1,839,593	-	-	-	10,248	10,248	-
Sewer	770,323	460,939	-	-	-	(309,384)	(309,384)	-
Total business-type activities	2,599,668	2,300,532	-	-	-	(299,136)	(299,136)	-
Total activities	\$ 4,655,320	\$ 2,437,934	\$ 439,925	\$ -	(1,478,325)	(299,136)	(1,777,461)	-
Component Unit	\$ 450,410	\$ 86,889	\$ 161,613	\$ -	-	-	-	(201,908)
General revenues:								
Taxes:								
Property taxes					153,543	-	153,543	-
Franchise and occupational taxes					1,135,407	-	1,135,407	-
Other taxes					455,814	-	455,814	294,291
Investment earnings					56,011	3,587	59,598	19
Miscellaneous					107,992	-	107,992	20,900
Transfers					(303,399)	303,399	-	-
Total general revenues, special items and transfers					1,605,368	306,986	1,912,354	315,210
Change in net position					127,043	7,850	134,893	113,302
Net position - beginning					848,424	6,074,367	6,922,791	1,921,348
Net position - ending					\$ 975,467	\$ 6,082,217	\$ 7,057,684	\$ 2,034,650

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

CITY OF MT. VERNON, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General	Special Revenue	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 451,584	\$ 1,737,100	\$ 2,188,684
Restricted cash and cash equivalents	49,242	402,432	451,674
Taxes receivable, net of allowance	220,490	-	220,490
Accounts receivable	49,912	5,329	55,241
Prepaid expenses	14,148	-	14,148
Inventory	8,379	-	8,379
Total Assets	\$ 793,755	\$ 2,144,861	\$ 2,938,616
Liabilities			
Accounts payable	\$ 57,034	\$ -	\$ 57,034
Accrued expenses	132,774	-	132,774
Total Liabilities	189,808	-	189,808
Fund Balances			
Restricted	49,242	-	49,242
Nonspendable	14,148	-	14,148
Unassigned			
General Fund	540,557	-	540,557
Special Revenue Fund	-	2,144,861	2,144,861
Total Fund Balances	603,947	2,144,861	2,748,808
Total Liabilities and Fund Balances	\$ 793,755	\$ 2,144,861	\$ 2,938,616
 Amounts reported for governmental activities in the Statement of Net Position are different because:			
Certain assets (receivables) are not due and receivable in the current year period and therefore, are not reported in the fund			\$ 535,152
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the fund			2,302,511
Deferred outflows, deferred inflows, net pension liability, and net OPEB liability related to the implementation of GASB 68 and GASB 75 are not receivable or payable in the current period and therefore, are not reported in the fund			(2,249,413)
Certain liabilities (accrued expenses and debt) are not due and payable in the current year period and therefore, are not reported in the fund			(2,361,591)
Net Position - Governmental Wide			\$ 975,467

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

CITY OF MT. VERNON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	General	Special Revenue	Total Governmental Funds
Revenues			
Taxes	\$ 1,690,027	\$ 98,156	\$ 1,788,183
Licenses and permits	32,112	-	32,112
Fines and forfeitures	1,201	-	1,201
Charges for services	136,001	1,378,807	1,514,808
Grant revenue	388,675	51,250	439,925
Interest	793	55,219	56,012
Miscellaneous income	107,992	200	108,192
	<u>2,356,801</u>	<u>1,583,632</u>	<u>3,940,433</u>
Total Revenue			
Expenditures			
General government	887,291	-	887,291
Public safety:			
Police department	772,028	-	772,028
Fire department	96,445	-	96,445
Public works	1,764	1,092	2,856
Capital outlay	45,648	-	45,648
Debt service			
Principal	182,603	-	182,603
Interest	45,557	-	45,557
	<u>2,031,336</u>	<u>1,092</u>	<u>2,032,428</u>
Total Expenditures			
Excess (deficiency) of revenue over expenditures	325,465	1,582,540	1,908,005
Other Financing Sources (uses)			
Transfers in	-	42,690	42,690
Transfers out	(346,089)	-	(346,089)
	<u>(346,089)</u>	<u>42,690</u>	<u>(303,399)</u>
Total Other Financing Sources (uses)			
Net change in fund balance	(20,624)	1,625,230	1,604,606
Fund Balance - beginning	624,571	519,631	1,144,202
Fund Balance - ending	<u>\$ 603,947</u>	<u>\$ 2,144,861</u>	<u>\$ 2,748,808</u>

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

CITY OF MT. VERNON, KENTUCKY
RECONCILIATION OF STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Net Change in Fund Balance - Governmental Funds	\$	1,604,606
<p>Government Funds report capital outlays as expenditures; however, in the Statement of Activities the cost of the asset are allocated over their useful lives and reported as depreciation expense</p>		
Capital outlay		45,648
Depreciation expense		(207,327)
<p>Government Funds report pension and OPEB contributions of \$52,897; however, the Statement of Activities reports pension and OPEB related expenses pursuant to GASB 68 and 75 of \$140,835</p>		
		(87,938)
<p>Government Funds report repayment of debt principal as expenditures; however, in the Statement of Activities the repayment is allocated against the related debt on the Statement of Net Position</p>		
		182,603
<p>Government Funds report receipt of noncurrent receivables as income; however, in the Statement of Activities the repayment is allocated against the related receivable on the Statement of Net Position</p>		
		(1,454,367)
<p>Government funds report expenses when incurred or within a 60-day window, however, the Statement of Activities reports expenses based on the accrual method of accounting</p>		
		43,818
Change in Net Position on Statement of Activities	\$	127,043

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

CITY OF MT. VERNON, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022

Assets	
Current Assets	
Cash and cash equivalents	\$ 531,624
Accounts receivable (including \$100,388 in unbilled receivables less allowance for doubtful accounts \$66,197)	297,277
Inventory	71,517
Prepaid expenses	14,148
Total Current Assets	<u>914,566</u>
Noncurrent Assets	
Restricted cash and cash equivalents	1,342,986
Capital assets:	
Land	405,087
Equipment, distribution and collection systems	22,779,639
Less accumulated depreciation	<u>(13,033,484)</u>
Total Noncurrent Assets	<u>11,494,228</u>
Total Assets	<u>12,408,794</u>
Deferred Outflows of Resources	
Contributions	144,969
Pension	99,991
OPEB	219,889
Unamortized refunding charges	8,530
Total Deferred Outflows of Resources	<u>473,379</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 12,882,173</u>
Liabilities and Net Assets	
Current Liabilities	
Accounts payable	\$ 80,297
Accrued expenses and compensated absences	104,937
Bonds, notes and loans payable	324,762
Total Current Liabilities	<u>509,996</u>
Noncurrent Liabilities	
Bonds, notes and loans payable	3,810,404
Net pension liability	1,475,515
Net OPEB liability	442,943
Total Noncurrent Liabilities	<u>5,728,862</u>
Deferred Inflows of Resources	
Pension	315,027
OPEB	246,071
Total Deferred Inflows of Resources	<u>561,098</u>
Net Position	
Invested in capital assets	6,016,076
Restricted for debt service-expendable & non-expendable	408,337
Maintenance and depreciation	223,645
Grants	250,000
Unrestricted	<u>(815,841)</u>
Total Net Position	<u>6,082,217</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 12,882,173</u>

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

CITY OF MT VERNON, KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Water and Sewer
Operating Revenues	
Charges for services - water	\$ 1,839,593
Charges for services - sewer	460,939
Total Operating Revenues	2,300,532
Operating Expenses	
Employee compensation and benefits	806,654
Contractual services	44,748
Utilities	288,769
Repairs and maintenance	573,034
Other supplies and expenses	149,638
Insurance	49,166
Depreciation	575,219
Total Operating Expenses	2,487,228
Operating Income (Loss)	(186,696)
Non-operating Revenue (Expense)	
Interest on investments	3,587
Interest expense	(112,440)
Total Non-Operating Revenue (Expense)	(108,853)
Income (Loss) Before Other Revenues and Transfers	(295,549)
Transfers in	303,399
Transfers out	-
Change in Net Position	7,850
Net Position - beginning	6,074,367
Net Position - ending	\$ 6,082,217

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

CITY OF MT. VERNON, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Water and Sewer
Cash Flows from Operating Activities	
Receipts from customers	\$ 2,250,269
Payments to suppliers	(1,104,627)
Payments to employees	(1,010,481)
Net cash provided (used) by operating activities	135,161
Cash Flows from Noncapital Financing Activities	
Transfers from other funds	303,399
Cash Flows from Capital and Related Financing Activities	
Principal paid on capital debt	(318,652)
Interest paid on capital debt	(115,613)
Net cash provided (used) by capital and related financing activities	(434,265)
Cash Flows from Investing Activities	
Interest and dividends	3,587
Net cash provided (used) by capital and related investing activities	3,587
Net increase (decrease) in cash and cash equivalents	7,882
Balances - beginning of year	1,866,728
Balances - end of year	\$ 1,874,610
Reconciliation of Operating Income (Loss) to Net Cash	
Provided (Used) by Operating Activities	
Operating income (loss)	\$ (186,696)
Adjustments to reconcile operating income to net cash provided (used)	
by operating activities:	
Depreciation expense	575,219
Interest expense	(112,440)
Retirement expenses pursuant to GASB 68 and 75	115,827
Change in assets, liabilities and deferred inflows and outflows of resources:	
Receivables, net (increase) decrease	(50,263)
Prepaid expenses (increase) decrease	(14,148)
Deferred outflows of resources for (increase) decrease	201,519
Accounts and other payables increase (decrease)	-
Accrued expenses increase (decrease)	(18,204)
Pension and OPEB liabilities increase (decrease)	(740,008)
Deferred inflows of resources increase (decrease)	364,355
Net cash provided by operating activities	\$ 135,161

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

CITY OF MT. VERNON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Mt. Vernon, Kentucky is a home rule-class city and operates under an elected mayor-council form of government. The City's major operations include police, parks, recreation, public works and general administrative services. In addition, the City owns and operates a water and sewer system.

The City's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to Governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

Reporting Entity

These financial statements present the City (the primary government) and its legally separate component unit, Mt. Vernon-Rockcastle County Tourist Commission, Inc's financial data. As required by accounting principles generally accepted in the United States of America. The component unit, discussed below, is reported in a separate column to emphasize that it is legally separate from the City, but is included in the City's reporting entity because the City has a financial obligation with it..

Discretely Presented Component Unit

The Mt. Vernon-Rockcastle County Tourist Commission, Inc. was established as a non-profit entity and awarded 501(c) (4) status by the Internal Revenue Service in 1988 and organized under the laws of the Commonwealth of Kentucky for the purpose of promoting, advertising and marketing tourist activities in the City of Mt. Vernon and Rockcastle County, Kentucky. The Tourist Commission has been determined to be a discretely presented component unit of the City based on the fact that it is financially accountable to the City for the collection and disbursement of Restaurant Tax Revenue and the City has a financial obligation for a loan payable. Separately issued financial statements of the Mt. Vernon-Rockcastle County Tourist Commission, Inc. can be obtained by contacting them directly.

Basic Financial Statements – Government-Wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police, parks, fire, recreation, public works and general administrative services are classified as governmental activities. The City's water and sewer services are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts – invested in capital assets, restricted net assets, and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and the net cost of each of the City's functions and business-type activities (police, public works, etc.). The functions are also supported by general governmental revenues (property, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, public works, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.). The City does not allocate indirect costs.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

CITY OF MT. VERNON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements – Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the City:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

- a. General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. Debt service funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary fund of the City:

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or, (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual: Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual: The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

CITY OF MT. VERNON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting

The City follows procedures pursuant to KRS 91A.030 in establishing the budgetary data reflected in the financial statements:

- The Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to July 1, the budget is legally enacted through passage of an ordinance
- Budgeted amounts may be transferred between categories within each fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
- Formal budgetary integration is employed as a management control device during the year for all governmental funds and the proprietary fund.
- Budgets for the governmental funds and proprietary fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). Actual expenditures may not exceed the legally adopted budget for any given fund. However, the City's actual expenditures exceeded the amount appropriated in the budget for expenditures, as well as revenue appropriations for the year ended June 30, 2022, without regard to the beginning fund balances. The City should have amended the budget ordinance, with approval by the City Council, for expenditures that were not anticipated during the budget process.

Cash and Investments

The City considers liquid investments with a maturity of three months or less to be cash equivalents.

The City is authorized by state statute to invest in:

1. Obligations of the United States and of its agencies and instrumentalities.
2. Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities.
3. Shares of any savings and loan association insured by an agency of the government of the United States up to the amount so insured.
4. Interest-bearing deposits in national or state banks chartered in Kentucky and insured by an agency of the government of the United States up to the amount so insured, and in larger amounts provided such bank shall pledge as security obligations of the United States government, its agencies and instrumentalities. Investments are stated at cost or amortized cost, which approximates market.

Pursuant to KRS 91A.060, the City's policy is to fully secure its deposits through FDIC insurance and pledged securities from depository institutions. At June 30, 2022, the City had deposit accounts whose balances exceeded the amount insured by the FDIC by the amount of \$3,304,510. At June 30, 2022, securities pledged for the City's deposits were valued at \$3,369,925.

Insured	\$ 935,274
Collateral held by pledging banks agent in City's name	3,304,510
Total bank deposits	<u>\$ 4,239,784</u>

CITY OF MT. VERNON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories in the enterprise fund consist of expendable supplies held for the City’s use and in the general fund were materials held for resale. All inventories are reported at cost using the first-in, first-out method.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial 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 outflow of resources (expense/expenditure) until then. The City has items that qualify, they reported subsequent pension contributions for both governmental and proprietary funds.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has items that qualify for reporting in this category. In proprietary funds, they arose from debt refunding and represent the difference between the reacquisition price and the old cost of the refunded debt and the difference between projected and actual pension earnings was reflected in both funds.

Meter Deposits

Meter deposits in the Water and Sewer Fund are recorded as a liability when such deposits are made with the City. The deposits are not restricted by city ordinance or bond covenant and are co-mingled with the operating cash of the Water and Sewer Fund.

Capital Assets

Capital assets purchased or acquired with an original cost of \$1,500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20 years
Water and sewer system	33 – 75 years
Machinery and equipment	5 – 10 years
Improvements	10 – 20 years
Other infrastructure	15 – 75 years

GASB No. 34 requires the City to report and depreciate new infrastructure assets, which include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are the largest asset class of the City.

Revenues

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB No. 33. In applying GASB No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

CITY OF MT. VERNON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenditures

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

Compensated Absences

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee.

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 Employee 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.

Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources in government-wide and proprietary fund financial statements. Net position is classified as net investment in capital assets, restricted and unrestricted.

Fund Balances/Deficit

As of June 30, 2011, the City implemented GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. Fund balances of the governmental funds are classified as follows:

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

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

CITY OF MT. VERNON, KENTUCKY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances/Deficit (Continued)

Committed – amounts that can be used only for specific purposes determined by a formal action of the City Council. The Council is the highest level of decision-making authority for the City of Mt. Vernon. Commitments may be established, modified, or rescinded only through resolutions approved by the Council.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the City Council may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

As of June 30, 2022, fund balances are composed of the following:

	General Fund	Special Revenue	Total Governmental Funds
Restricted:			
Economic Activity	\$ 49,242	\$ -	\$ 49,242
Nonspendable	14,148	-	14,148
Unassigned	540,557	2,144,861	2,685,418
	\$ 603,947	\$ 2,144,861	\$ 2,748,808

Restricted Resources

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

NOTE 2 – NOTES RECEIVABLE AND PAYABLE

On February 27, 2020 the City entered into an economic development agreement with the County of Rockcastle and the Rockcastle County Industrial Development Authority (RCIDA) in order to induce Microfoodery Holdings, LLC to locate a plant in Mt. Vernon in Rockcastle County. The County and the City each borrowed \$1,425,000 in a promissory note from Citizens Bank for the purpose of loaning the money to RCIDA on the condition it would lend it to Microfoodery as a loan, which RCIDA would oversee. The notes were collateralized with the factory and the land. The notes came due on February 27, 2019, at which time the City converted the note payable to a lease agreement for \$1,425,000. In February of 2022, the receivable was received in full, the City elected to not to pay off the note payable which is still reflected in the long-term debt.

CITY OF MT. VERNON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 – CAPITAL ASSETS

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

	Balance 7/1/2021	Increases	Decreases	Balance 6/30/2022
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 482,006	\$ -	\$ -	\$ 482,006
Depreciable capital assets:				
Buildings and improvements	484,813	-	-	484,813
Equipment	1,777,137	45,648	-	1,822,785
Road network and Lake Linville Park	4,070,504	-	-	4,070,504
Total capital assets at historical cost	<u>6,332,454</u>	<u>45,648</u>	<u>-</u>	<u>6,378,102</u>
Less accumulated depreciation for:				
Buildings and improvements	276,259	21,657	-	297,916
Equipment	1,583,822	58,203	-	1,642,025
Road network and Lake Linville Park	2,490,189	127,467	-	2,617,656
Total accumulated depreciation	<u>4,350,270</u>	<u>207,327</u>	<u>-</u>	<u>4,557,597</u>
Depreciable capital assets, net	<u>1,982,184</u>	<u>(161,679)</u>	<u>-</u>	<u>1,820,505</u>
Governmental activities capital assets, net	<u>\$ 2,464,190</u>	<u>\$ (161,679)</u>	<u>\$ -</u>	<u>\$ 2,302,511</u>
Business-type activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 405,087	\$ -	\$ -	\$ 405,087
Depreciable capital assets:				
Distribution and collection systems	22,114,230	-	-	22,114,230
Equipment	665,409	-	-	665,409
Total capital assets at historical cost	<u>22,779,639</u>	<u>-</u>	<u>-</u>	<u>22,779,639</u>
Less accumulated depreciation for:				
Distribution and collection systems	11,927,838	548,206	-	12,476,044
Equipment	530,427	27,013	-	557,440
Total accumulated depreciation	<u>12,458,265</u>	<u>575,219</u>	<u>-</u>	<u>13,033,484</u>
Depreciable capital assets, net	<u>10,321,374</u>	<u>(575,219)</u>	<u>-</u>	<u>9,746,155</u>
Business-type activities capital assets, net	<u>\$ 10,726,461</u>	<u>\$ (575,219)</u>	<u>\$ -</u>	<u>\$ 10,151,242</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 18,826
Public safety	61,035
Public works (including roads)	127,466
Total governmental activities depreciation	<u>\$ 207,327</u>
Business type activities:	
Water	\$ 287,610
Sewer	287,609
Total business-type activities depreciation	<u>\$ 575,219</u>

CITY OF MT. VERNON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 – LONG-TERM OBLIGATIONS

A summary of changes in long-term obligations follows:

<u>Governmental activities:</u>	<u>Long-term debt</u>	<u>Net Pension Liability</u>	<u>Net OPEB Liability</u>	<u>Total</u>
Payable at June 30, 2021	\$ 2,474,316	\$ 1,819,885	\$ 620,933	\$ 4,915,134
Increase in liability	-	-	-	-
Decrease in liability	(182,604)	(172,477)	(126,389)	(481,470)
Payable at June 30, 2022	<u>\$ 2,291,712</u>	<u>\$ 1,647,408</u>	<u>\$ 494,544</u>	<u>\$ 4,433,664</u>

<u>Business-type activities:</u>	<u>Long-term debt</u>	<u>Net Pension Liability</u>	<u>Net OPEB Liability</u>	<u>Total</u>
Payable at June 30, 2021	\$ 4,453,835	\$ 2,059,317	\$ 599,649	\$ 7,112,801
Increase in liability	-	-	-	-
Decrease in liability	(318,669)	(583,802)	(156,706)	(1,059,177)
Payable at June 30, 2022	<u>\$ 4,135,166</u>	<u>\$ 1,475,515</u>	<u>\$ 442,943</u>	<u>\$ 6,053,624</u>

NOTE 5 – GOVERNMENTAL ACTIVITIES LONG-TERM DEBT

On March 26, 2009, the City entered into a long-term purchase agreement with the Kentucky Area Development District Financing Trust to receive \$750,000 for the purchase of property for the benefit of the Mt. Vernon-Rockcastle County Tourist Commission. The lease comes due March 2034 and requires two semi-annual interest and fee payments and one annual principal payment. The interest rate fluctuates between 4% and 6.25%. The lease contains a provision that in the event of default, the Lessor, by appropriate court action, for the duration of the lease term, may levy an additional direct tax to all taxable property, annually in an amount sufficient to pay the lease rental payments when an as due. The balance of the lease at June 30, 2022 was \$485,000.

On September 19, 2019 the city entered into a general obligation lease with the Kentucky Association of Counties Finance Corporation which issued 2019 First Series C Revenue Bonds of \$300,000, with an interest rate of 1.82%, for the purpose of currently refunding the City of Mt. Vernon’s Kentucky Area Development District Financing Trust leases 1998 Series N and 2009 Series B. The City will reduce its total debt service payments over the next 10 years by approximately \$61,074 and obtain an economic gain of approximately \$52,568. The balance of this lease as June 30, 2022 was \$215,000.

On January 27, 2020, the City entered into a long-term government obligation contract with Republic First National Corporation to receive \$32,817.03 for the purchase of a 2020 Dodge Ram 1500 Truck for the Fire Department. The agreement is secured by the truck, with the title reverting to the lessor in the event of default. The lease come due January 27, 2026 and requires an annual principal and interest payment. The balance on the loan at June 30, 2022 was \$22,882.

On April 22, 2020, the City entered into a loan agreement with Mountain Association for Community Economic Development, Inc. (MACED) to receive \$382,762.06, at an interest rate of 4.25%, to finance the infrastructure work at the Microfoodery Plant. The loan is for ten years and requires quarterly payments of principal and interest. The loan agreement contains a provision that in the event of default, among the MACE’s remedies, they can declare all outstanding amounts to become immediately due. The balance of the loan on June 30, 2022 was \$318,830.

CITY OF MT. VERNON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5 – GOVERNMENTAL ACTIVITIES LONG-TERM DEBT (CONTINUED)

The City also entered into an agreement with the Mt. Vernon-Rockcastle County Tourism Commission on March 26, 2009, which obligated the City of Mt. Vernon to repay the lease and purchase two parcels of land, but assigned the monthly payments required under the above lease agreement to the Mt. Vernon-Rockcastle County Tourist Commission. Subsequently, in June 2009 the city entered into a land purchase agreement with the Mt. Vernon-Rockcastle County Tourist Commission, in which the City sold the two tracts of land to the Tourist Commission in exchange for the Commission servicing the indebtedness to the Kentucky Area Development District Financing Trust for the City for the sum of \$750,000. The Mt. Vernon-Rockcastle Tourist Commission shall pay the monthly installments, on behalf of the City of Mt. Vernon over the same twenty-five-year period and at the same fluctuating interest rates of 4% to 6.25% as the original lease. The balance of this lease on June 30, 2022 was \$1,250,000.

The annual requirements to amortize all governmental long-term debt outstanding as of June 30, 2022 are as follows:

Year ending June 30	Debt Total		Direct Borrowings	
	Principal	Interest & Debt Service	Principal	Interest & Debt Service
2023	\$ 184,244	\$ 88,485	\$ 5,327	\$ 1,092
2024	190,692	81,776	5,581	838
2025	197,264	74,633	5,847	572
2026	203,873	67,338	6,127	292
2027	210,551	59,534	-	-
2028 - 2032	937,206	179,336	-	-
2033 - 2036	345,000	22,728	-	-
Total	<u>\$ 2,268,830</u>	<u>\$ 573,830</u>	<u>\$ 22,882</u>	<u>\$ 2,794</u>

For total future funding requirements see pages 45-49 in the supplemental information included in this report.

NOTE 6 – BUSINESS TYPE ACTIVITIES – LONG-TERM DEBT

Bonds payable

Revenue bonds of \$2,428,000 with interest at the rate of 3.2% to 4.325% were issued by the City on May 13, 2010, for the purpose of currently refunding the City of Mt. Vernon Water and Sewer Revenue Bonds, Series 1998. The City used the net proceeds along with other resources to purchase the Series 1998 bonds from investors on the call date which was prior to the maturity date. As a result, the issue is considered defeased, and the City has removed the liability from its accounts. The reacquisition price exceeded the net carrying amount of the old debt by \$25,950. This amount is classified as a Deferred Outflow of Resources and amortized over eighteen years. Expense during the year was \$1,442. The current refunding was undertaken to reduce total debt service payments by \$298,698 and resulted in an economic gain of \$136,318. The outstanding bonds are secured by a pledge of the gross revenues of the Fund and are to be repaid over an eighteen-year period. In the event of default, a receiver may be appointed to charge and collect rates sufficient to provide for the payments of principal and interest. Bonds retired during the year ended June 30, 2022 were \$145,042, and the balance on June 30, 2022 was \$1,000,000.

2019 First Series C Revenue bonds of \$1,185,000 with interest at a rate of 2.40% were issued by the City on September 19, 2019, for the purpose of currently refunding the City of Mt. Vernon Water and Sewer Revenue Bonds, Series 1999. The City will reduce its total debt service payments over the next 18 years by approximately \$177,436 and obtain an economic gain of approximately \$144,847. Bonds retired during the year ended June 30, 2022 were \$50,000, and the balance on June 30, 2022 was \$1,065,000.

CITY OF MT. VERNON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 – BUSINESS TYPE ACTIVITIES – LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize all bonds outstanding as of June 30, 2022, are as follows:

	<u>Principal</u>	<u>Interest & Debt Service</u>	<u>Total</u>
2023	\$ 200,000	\$ 77,623	\$ 277,623
2024	210,000	69,098	279,098
2025	220,000	60,249	280,249
2026	225,000	50,984	275,984
2027	235,000	41,406	276,406
2028 - 2032	515,000	101,391	616,391
2033 - 2037	380,000	45,520	425,520
2038 - 2040	80,000	2,335	82,335
Total	<u>\$ 2,065,000</u>	<u>\$ 448,606</u>	<u>\$ 2,513,606</u>

The City was in compliance with the Sinking Fund and Depreciation Fund requirements of the bond ordinances at June 30, 2022.

Loans payable

On February 1, 2008, the City entered into an agreement for \$945,000 with the Kentucky Infrastructure Authority to help finance the cost of constructing a replacement raw water intake from Lake Linville to the water treatment plant, and appurtenances for the City’s water system. Payment of loan principal, interest and servicing fees are required semi-annually in June and December. The interest rate is .72% and the loan is amortized over thirty years. The balance of the loan on June 30, 2022 was \$513,636.

On April 1, 2013, the City entered into a loan agreement with the Kentucky Infrastructure Authority for \$3,023,310 to help finance the construction of a million gallon and a five hundred-thousand-gallon water storage tanks, one pump station and removal of some existing tanks. The construction was completed in 2019 at which point the loan was finalized. The loan includes principal forgiveness of 35% or \$1,058,159. Payment of loan principal, interest and servicing fees are required semi-annually in June and December. The interest rate is 1% and the loan is amortized over twenty years. The loan agreement contains a provision that in the event of default, among the Authority’s remedies, they can declare all outstanding amounts to become immediately due. The balance on the loan on June 30, 2022 was \$1,556,530.

The annual requirements to amortize all loans payable outstanding as of June 30, 2022 are as follows:

	<u>Principal</u>	<u>Interest & Debt Service</u>	<u>Total</u>
2023	\$ 124,762	\$ 23,820	\$ 148,582
2024	125,924	22,360	148,284
2025	127,097	20,887	147,984
2026	128,282	19,400	147,682
2027	129,478	17,899	147,377
2028 - 2032	665,724	66,476	732,200
2033 - 2037	697,364	26,758	724,122
2038 - 2040	71,535	418	71,953
Total	<u>\$ 2,070,166</u>	<u>\$ 198,018</u>	<u>\$ 2,268,184</u>

For total future funding requirements see pages 45-49 in the supplemental information included in this report.

CITY OF MT. VERNON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 – BUSINESS TYPE ACTIVITIES – LONG-TERM DEBT (CONTINUED)

Deferred Outflows of Resources – Unamortized refunding charges

Pursuant to GASB 65, for current and advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as either a deferred inflow or outflow of resources and recognized as a component of interest expense in a systematic and rational matter over the remaining life of the old debt, whichever is shorter.

For the year ended June 30, 2022 activity related to the City’s unamortized deferred refunding charges was as follows:

Balance at June 30, 2021	\$ 9,972
Amortization	<u>(1,442)</u>
Balance at June 30, 2022	<u><u>\$ 8,530</u></u>

NOTE 7 – RESTRICTED NET ASSETS

The restricted assets at June 30, 2022 consisted of the following:

	Water and Sewer Fund	General Fund	Special Revenue Fund
Debt Service and Sinking Funds	\$ 408,337	\$ -	\$ -
Depreciation, Maintenance and Replacement			
Reserve Funds	223,645	-	-
Restricted for other	250,000	100,000	
Restricted for economic development activity	-	-	100,000
Restricted for alcohol enforcement activity	-	-	25,760
Restricted for street repairs	-	210,251	-
Restricted for land improvements	-	16,729	-
Total Restricted Assets	<u><u>\$ 881,982</u></u>	<u><u>\$ 326,980</u></u>	<u><u>\$ 125,760</u></u>

Restricted cash for depreciation, maintenance and replacement reserves includes \$94,200 for Rural Development Bonds. The balance of water and sewer restricted funds is for other bonds.

NOTE 8 – PROPERTY TAX CALENDAR

Property taxes for fiscal year 2022 were levied on October 1, 2021 on the assessed property located in the City of Mt. Vernon as of the preceding January 1. The assessments are determined by the County Property Valuation Administrator in accordance with Kentucky Revised Statutes. The due date collection periods for all taxes exclusive of vehicle taxes are as follows:

Description	Date Per K.R.S. 134.015
Due date for payment	Upon receipt
2% discount applies	To November 1
Face value payment period	To December 31
Past due date, 5% penalty	To January 31
Past due date, 10% penalty	February 1
Interest charge	.5% per month effective January 1

Vehicle taxes are collected by the County Clerk of Rockcastle County and are due and collected in the birth month of the vehicles’ licensees.

CITY OF MT. VERNON, KENTUCKY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2022

NOTE 9 – RETIREMENT PLAN

The City’s employees are provided with the County Employees Retirement System.

General information about the County Employees Retirement System Non-Hazardous (“CERS”)

Plan description—Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

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

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

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

Contributions—Required contributions by the employee are based on the tier:

	<u>Required contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

CITY OF MT. VERNON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 – RETIREMENT PLAN (CONTINUED)

All current employees participating in County Employees Retirement Systems (CERS) are eligible for healthcare benefits provided by KRS in conjunction with their pension service benefits described. Retiree cost depends on length of service prior to retirement. Employer contribution rates are established annually by the KRS Board of Trustees. KRS issues separate stand-alone financial statements for the statewide multiple employer cost-sharing plan that provides other post-employment benefits for local government employees participating in CERS.

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

At June 30, 2022, the City reported a liability for its proportionate share of the net pension liability for CERS. The amount recognized by the City as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the CERS net pension liability	\$	3,122,923
Commonwealth's proportionate share of the CERS net pension liability associated with the City		6,372,661,465
		\$ 6,375,784,388

The net pension liability for each plan 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 for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2021, the City's proportion was 0.048981 percent.

For the year ended June 30, 2022, the City recognized pension expense of \$200,227 related to CERS. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual experience	\$ 35,861	\$ 30,310
Changes of assumptions	41,913	-
Difference between projected and actual earnings	121,149	537,382
Changes in proportionate share and differences between contributions and proportionate share of contributions	12,707	99,061
Contributions made subsequent to the measurement date	241,021	-
	\$ 452,651	\$ 666,753

The \$241,021 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows on the next page.

CITY OF MT. VERNON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 – RETIREMENT PLAN (CONTINUED)

Fiscal year ending June 30,	Increase (decrease) in pension expense
2023	\$ (92,604)
2024	(136,258)
2025	(95,919)
2026	(130,342)
Total	\$ (455,123)

Actuarial assumptions—The total pension 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%
Payroll growth rate	2.00%
Salary increases	3.30% to 10.30%, varying by service
Investment rate of return	6.25%, net of plan investment expense, including inflation

For CERS, the mortality table used for active members is Pub-2010 General Mortality table, for the Non-Hazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, project with the ultimate rates from the MP-2014 mortality improvements scale using a base year of 2010. The mortality table used for health retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was Pub-2010 Disabled Mortality table, with a 4-year-set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long-term inflation assumption is 2.30% per annum for both the non-hazardous and hazardous plan.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US Equity	21.75%	5.70%
International Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
High Yield	15.00%	2.80%
Core Bonds	10.00%	0.00%
Cash Equivalent	1.50%	-0.60%
Real Estate	10.00%	5.40%
Real Return	<u>10.00%</u>	<u>4.55%</u>
Total	100.00%	7.30%

CITY OF MT. VERNON, KENTUCKY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2022

NOTE 9 – RETIREMENT PLAN (CONTINUED)

Discount rate—The projection of cash flows used to determine the discount rate of 6.25% for CERS Nonhazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as amended by House Bill 362 (passed in 2018) over the remaining 30 years (closed) amortization period of the unfunded actuarial accrued liability.

Sensitivity of the City’s proportionate share of net pension liability to changes in the discount rate—The following table presents the net pension liability of the City, calculated using the discount rates selected by each pension system, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	Discount rate	City’s proportionate share of net pension liability
1% decrease	5.25%	\$ 4,005,297
Current discount rate	6.25%	\$ 3,122,923
1% increase	7.25%	\$ 2,392,779

Pension plan fiduciary net position—Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial reports of CERS.

Other Post-Employment Benefits (OPEB) Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2022, the City reported a liability for its proportionate share of the OPEB liability for CERS. The amount recognized by the City as its proportionate share of the net OPEB liability, the related Commonwealth support, and the total portion of the net OPEB liability that was associated with the City were as follows:

City's proportionate share of the CERS net OPEB liability	\$	937,487
Commonwealth’s proportionate share of the CERS net OPEB liability associated with the City		1,913,512,480
		1,914,449,967
	\$	1,914,449,967

The net OPEB liability for each plan 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 for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2021, the City’s proportion was 0.048969 percent.

CITY OF MT. VERNON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 – RETIREMENT PLAN (CONTINUED)

For the year ended June 30, 2022, the City recognized OPEB expense of \$82,096 related to CERS. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual experience	\$ 147,420	\$ 279,902
Changes of assumptions	248,546	872
Difference between projected and actual earnings	47,233	193,889
Changes in proportionate share and differences between contributions and proportionate share of contributions	22,195	46,145
Contributions made subsequent to the measurement date	65,806	-
	<u>\$ 531,200</u>	<u>\$ 520,808</u>

The \$65,806 reported as deferred outflows of resources related to OPEBs resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows related to OPEBs will be recognized as a decrease in OPEB expense as follows:

Fiscal year ending June 30,	Increase (decrease) in OPEB expense
2023	\$ 17,939
2024	(4,340)
2025	(8,701)
2026	(60,312)
Total	<u>\$ (55,414)</u>

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

Inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.30% to 10.30%, varying by service
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare Cost Trend Rate	
Pre-65	Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

For CERS, the mortality table used for active members is Pub-2010 General Mortality table, for the Non-Hazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, project with the ultimate rates from the MP-2014 mortality improvements scale using a base year of 2010. The mortality table used for health retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was Pub-2010 Disabled Mortality table, with a 4-year-set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

CITY OF MT. VERNON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 – RETIREMENT PLAN (CONTINUED)

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long-term inflation assumption is 2.30% per annum for both the non-hazardous and hazardous plan.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US Equity	21.75%	5.70%
International Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
High Yield	15.00%	2.80%
Core Bonds	10.00%	0.00%
Cash Equivalent	1.50%	-0.60%
Real Estate	10.00%	5.40%
Real Return	<u>10.00%</u>	<u>4.55%</u>
Total	100.00%	7.30%

Discount rate— Single discount rates of 5.20% for the CERS non-hazardous insurance plan were used to measure the total OPEB liability as of June 30, 2021. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 1.92%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2021. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan’s fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the plan’s actuarially determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the plan’s trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the City’s proportionate share of net OPEB liability to changes in the discount rate—The following table presents the net OPEB liability of the City, calculated using the discount rates selected by each OPEB system, as well as what the City’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	Discount rate	City’s proportionate share of net OPEB liability
1% decrease	4.20%	\$ 1,287,163
Current discount rate	5.20%	\$ 937,487
1% increase	6.20%	\$ 650,520

Sensitivity of the City’s proportionate share of net OPEB liability to changes in the healthcare cost trend rate—The following table presents the net OPEB liability of the City, 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 OF MT. VERNON, KENTUCKY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2022

NOTE 9 – RETIREMENT PLAN (CONTINUED)

	City's proportionate share of net OPEB liability
1% decrease	\$ 674,879
Current healthcare cost trend rate	\$ 937,487
1% increase	\$ 1,254,549

OPEB plan fiduciary net position—Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued financial reports of CERS. The reports are available on the Kentucky Retirement Systems website.

NOTE 10 – RISK MANAGEMENT

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

NOTE 11 – SUBSEQUENT EVENTS

Subsequent events were evaluated, through December 17, 2023 which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

**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 City Council
City of Mt. Vernon, 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 the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Mt. Vernon, 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 Mt. Vernon, Kentucky’s basic financial statements of the City’s primary government and have issued our report thereon dated December 17, 2023.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the following paragraphs, we identified certain deficiencies in internal control that we consider to be material weakness and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. However, as described in 2022-001, whose explanation follows on the schedule of findings and responses, we identified certain deficiency in internal control over financial reporting that we consider to be material weaknesses.

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. As described in 2022-002 whose explanation follows on the schedule of findings and responses, we consider this deficiency in internal control over financial reporting a significant deficiency.

Compliance and Other Matters

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



City of Mt. Vernon's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City of Mt. Vernon's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Craft, Waninger, Noble & Company, PLLC

Craft, Waninger, Noble & Company, PLLC

Richmond, Kentucky

December 17, 2023

CITY OF MT. VERNON, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2022

2022-001-Accounting Personnel

As discussed in *Standards for Internal Control in the Federal Government* published by the General Accounting Office of the United States, internal control is an integral component of an organization's management that provides reasonable assurance that an objective of reliable financial reporting is being achieved. Organizations should implement procedures to ensure this objective is achieved.

During the audit procedures performed, instances of this objective not being completely achieved were noted.

The City of Mt. Vernon, Kentucky lacks adequate controls in financial accounting and reporting to properly prepare financial statements and disclosures according to generally accepted accounting principles. Several adjustments were discovered by audit procedures, that when considered in the aggregate, were more than inconsequential to the financial statements. The City did not have effective procedures in place to ensure that all accruals and adjustments that were needed were properly recorded.

Response: The City is aware of the above and has begun to obtain training for the City Clerk and other employees, was well as consulted with our external Certified Public Accountant regarding the implementation of complex accounting standards.

2022-002 Organizational Structure

As discussed in *Standards for Internal Control in the Federal Government* published by the General Accounting Office of the United States, internal control is an integral component of an organization's management that provides reasonable assurance that an objective of reliable financial reporting is being achieved. Organizations should implement procedures to ensure this objective is achieved.

During the audit procedures performed, instances of this objective not being completely achieved were noted.

The size of the City's staff precludes an adequate separation of duties that would help detect and prevent fraud, waste, and abuse in the City. The lack of separation of duties is a preventive measure. The addition of the separation of duties would lead to a decreased risk for fraud and other activities which could lead to financial statements that are materially misstated.

Response: Due to budget constraints, it doesn't appear that that it would be economically feasible for the City to hire additional personnel. However, the City has implemented additional procedures whereby the reconciliation balances are being compared to the monthly financials by staff that has not prepared the reconciliations. It is important that the Mayor and Council continue to provide oversight and review functions.

CITY OF MT. VERNON, KENTUCKY
 BUDGET TO ACTUAL COMPARISON STATEMENT
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>		Actual Amounts Budgetary Basis	Variance From Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,325,300	1,325,300	\$ 1,788,183	\$ 462,883
Licenses and permits	20,000	20,000	32,112	12,112
Fines and forfeitures	2,400	2,400	1,201	(1,199)
Charges for services	167,250	167,250	1,514,808	1,347,558
Grant revenue	11,000	11,000	439,925	428,925
Interest income	1,200	1,200	56,012	54,812
Miscellaneous	31,850	31,850	108,192	76,342
Total Revenue	<u>1,559,000</u>	<u>1,559,000</u>	<u>3,940,433</u>	<u>2,381,433</u>
Expenditures				
General government	745,298	745,298	887,291	(141,993)
Public safety				
Police department	764,544	764,544	772,028	(7,484)
Fire department	99,541	99,541	96,445	3,096
Public works	10,000	10,000	2,856	7,144
Capital outlay	-	-	45,648	(45,648)
Debt Service	60,000	60,000	228,160	(168,160)
Total Expenditures	<u>\$ 1,679,383</u>	<u>\$ 1,679,383</u>	<u>\$ 2,032,428</u>	<u>\$ (353,045)</u>
Excess (deficiency) of revenue over expenditures	(120,383)	(120,383)	1,908,005	2,028,388
Other Financing Sources (uses)				
Transfers in	120,383	120,383	42,690	(77,693)
Transfers out	-	-	(346,089)	(346,089)
Total Other Financing Sources (uses)	<u>120,383</u>	<u>120,383</u>	<u>(303,399)</u>	<u>(423,782)</u>
Excess (deficiency)	-	-	1,604,606	1,604,606
Fund Balance - beginning	1,144,202	1,144,202	1,144,202	-
Fund Balance - ending	<u>\$ 1,144,202</u>	<u>\$ 1,144,202</u>	<u>\$ 2,748,808</u>	<u>\$ 1,604,606</u>

CITY OF MT. VERNON, KENTUCKY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEARS ENDED JUNE 30, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015 AND 2014

	2022	2021	2020	2019	2018	2017	2016	2015	2014
City's proportion of the net pension liability	0.048981%	0.050575%	0.052078%	0.050249%	0.048784%	0.051500%	0.053200%	0.044100%	0.006183%
City's proportionate share of the net pension liability	\$ 3,122,923	\$ 3,879,202	\$ 3,662,669	\$ 3,060,317	\$ 2,855,478	\$ 2,536,708	\$ 2,288,517	\$ 1,431,201	\$ 1,627,382
City's covered employee payroll	\$ 1,138,504	\$ 1,251,097	\$ 1,294,052	\$ 1,317,284	\$ 1,360,554	\$ 1,272,645	\$ 1,242,149	\$ 1,150,719	\$ 1,103,031
City's share of the net pension liability as a percentage of its covered employee payroll	274.30%	310.06%	283.04%	232.32%	209.88%	199.33%	184.24%	124.37%	147.54%
Plan fiduciary net position as a percentage of the total pension liability	57.33%	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%	61.22%

Notes: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.
See the following Schedule of Changes in Benefits and Assumptions for any changes during the periods shown above.
The amounts presented for each fiscal year were determined (measured) as of the previous fiscal year.

CITY OF MT. VERNON, KENTUCKY
SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE YEARS ENDED JUNE 30, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, 2014 AND 2013

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required employer contribution	\$ 241,021	\$ 241,462	\$ 250,028	\$ 212,918	\$ 180,334	\$ 165,694	\$ 153,063	\$ 146,886	\$ 151,181	\$ 136,346
Contributions relative to contractually required employer contribution	\$ 241,021	\$ 241,462	\$ 250,028	\$ 212,918	\$ 180,334	\$ 165,694	\$ 153,063	\$ 146,886	\$ 151,181	\$ 136,346
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Company's covered employee payroll	\$1,138,504	\$1,251,097	\$1,294,052	\$1,317,284	\$1,360,554	\$1,272,645	\$1,242,149	\$1,150,719	\$1,103,031	\$1,084,318
Employer contributions as a percentage of covered-employee payroll	21.17%	19.30%	19.32%	16.16%	13.25%	13.02%	12.32%	12.76%	13.71%	12.57%

Notes: See the following Schedule of Changes in Benefits and Assumptions for any changes during the periods shown above.
Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

CITY OF MT. VERNON, KENTUCKY
 SCHEDULE OF CHANGES IN BENEFITS AND ASSUMPTIONS
 FOR THE YEAR ENDED JUNE 30, 2022

County Employee Retirement System

Changes of benefit terms – The following changes were adopted during the 2018 legislative session.

- Benefits paid to the spouses of deceased members have been increased from 25% of the member’s final pay rate to 75% of the member’s average pay. If the member does not have a surviving spouse, benefits paid to surviving children have been increased from 10% of the member’s final pay to 50% of the average pay for one child, 65% of the average pay for two children, or 75% of the average pay for three children.

Changes in assumptions – The following changes were adopted by the Board of Trustees and reflected in the valuation performed as of June 30, listed below:

2019

- Updated the mortality tables from RP-2000 to Pub-2010
- The salary increase assumption was increased from an average of 3.05% to a range of 3.30% to 10.30%.

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%
- The payroll growth assumption was reduced from 4.00% to 2.00%

2015

- 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 (setback one year for females). For disabled members the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (setback four year 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.
- Assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.

Method and assumptions used in calculations of actuarially determined contributions –The following actuarial methods and assumptions were used to determine contribution effective for the fiscal year ended June 30, 2021:

Actuarial cost method	Entry age normal
Amortization method	Level of percentage of payroll
Remaining amortization period	30 years
Payroll growth rate	2.00%
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary increase	3.30% to 10.30%, varies by service
Investment rate of return	6.25%, net of pension plan investment expense, including inflation
Phase-in provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018

See Independent Auditor’s Report.

CITY OF MT. VERNON, KENTUCKY
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 FOR THE YEARS ENDED JUNE 30, 2022, 2021, 2020, 2019, 2018, AND 2017

	2022	2021	2020	2019	2018	2017
City's proportion of the net OPEB liability	0.048969%	0.050561%	0.052065%	0.050247%	0.048784%	0.051521%
City's proportionate share of the net OPEB liability	\$ 937,487	\$ 1,220,642	\$ 875,713	\$ 892,125	\$ 980,725	\$ 769,257
City's covered employee payroll	\$ 1,138,504	\$ 1,251,097	\$ 1,294,052	\$ 1,317,284	\$ 1,360,554	\$ 1,272,645
City's share of the net OPEB liability as a percentage of its covered employee payroll	82.34%	97.57%	67.67%	67.72%	72.08%	60.45%
Plan fiduciary net position as a percentage of the total OPEB liability	62.91%	51.67%	60.44%	57.62%	52.39%	55.24%

Notes: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.
 See the following Schedule of Changes in Benefits and Assumptions for any changes during the periods shown above.
 The amounts presented for each fiscal year were determined (measured) as of the previous fiscal year.

CITY OF MT. VERNON, KENTUCKY
SCHEDULE OF OPEB CONTRIBUTIONS
FOR THE YEARS ENDED JUNE 30, 2022, 2021, 2020, 2019, 2018, AND 2017

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required employer contribution	\$ 65,806	\$ 59,552	\$ 61,665	\$ 69,045	\$ 58,534	\$ 56,182
Contributions relative to contractually required employer contribution	<u>\$ 65,806</u>	<u>\$ 59,552</u>	<u>\$ 61,665</u>	<u>\$ 69,045</u>	<u>\$ 58,534</u>	<u>\$ 56,182</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Company's covered employee payroll	\$ 1,138,504	\$ 1,251,097	\$ 1,294,052	\$ 1,317,284	\$ 1,360,554	\$ 1,272,645
Employer contributions as a percentage of covered-employee payroll	5.78%	4.76%	4.77%	5.24%	4.30%	4.41%

Notes: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.
See the following Schedule of Changes in Benefits and Assumptions- OPEB for any changes during the periods shown above.
Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the pension fund of CERS.
The above contributions only include those contributions allocated directly to the CERS insurance fund.

CITY OF MT. VERNON, KENTUCKY
 SCHEDULE OF CHANGES IN BENEFITS AND ASSUMPTIONS- OPEB
 FOR THE YEAR ENDED JUNE 30, 2022

County Employee Retirement System

Changes of benefit terms – The following changes were adopted during the 2018 legislative session.

- The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty.

Changes in assumptions – The following changes were adopted by the Board of Trustees and reflected in the valuation performed as of June 30, listed below:

2021

- The single discount rate was decreased from 5.34% to 5.20%

2020

- The single discount rate was decreased from 5.68% to 5.34%

2019

- Updated the mortality tables from RP-2000 to Pub-2010
- The single discount rate was decreased from 5.84% to 5.68%
- The salary increase assumption was increased from an average of 3.05% to a range of 3.30% to 10.30%.

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%
- The payroll growth assumption was reduced from 4.00% to 2.00%

Method and assumptions used in calculations of actuarially determined contributions – The following actuarial methods and assumptions were used to determine contribution effective for fiscal year ending June 30, 2021:

Actuarial cost method	Entry age normal
Amortization method	Level of percentage of payroll
Remaining amortization period	30 years
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%
Payroll growth rate	2.00%
Salary increase	3.30% to 10.30%, varies by service
Investment rate of return	6.25%, net of pension plan investment expense, including inflation
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.25% at January 1, 2021, gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 5.50% at January 1, 2021, gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

See Independent Auditor’s Report.

CITY OF MT. VERNON, KENTUCKY
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

<u>Fund</u>	<u>Year</u>	<u>Principal</u>	<u>Annual Interest</u>	<u>Debt Service</u>	<u>Total</u>
Water and Sewer Fund					
Rural Development Bonds					
	2023	\$ 150,000	\$ 42,240	\$ 450	\$ 192,690
	2024	155,000	35,940	450	191,390
	2025	165,000	29,431	450	194,881
	2026	170,000	22,500	450	192,950
	2027	175,000	15,361	450	190,811
	2028	185,000	8,010	450	193,463
Total		<u>\$ 1,000,000</u>	<u>\$ 153,482</u>	<u>\$ 2,700</u>	<u>\$ 1,156,185</u>
Kentucky Infrastructure Authority Loan B07-01					
	2023	\$ 31,439	\$ 3,642	\$ 1,012	\$ 36,093
	2024	31,666	3,415	949	36,030
	2025	31,894	3,187	885	35,966
	2026	32,124	2,956	821	35,901
	2027	32,356	2,725	757	35,838
	2028	32,589	2,491	692	35,772
	2029	32,825	2,256	627	35,708
	2030	33,061	2,020	561	35,642
	2031	33,300	1,781	495	35,576
	2032	33,540	1,541	428	35,509
	2033	33,782	1,299	361	35,442
	2034	34,026	1,055	293	35,374
	2035	34,271	810	225	35,306
	2036	34,518	563	156	35,237
	2037	34,767	314	87	35,168
	2038	17,478	64	17	17,557
Total		<u>\$ 513,636</u>	<u>\$ 30,119</u>	<u>\$ 8,366</u>	<u>\$ 552,119</u>

CITY OF MT. VERNON, KENTUCKY
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

<u>Fund</u>	<u>Year</u>	<u>Principal</u>	<u>Annual Interest</u>	<u>Debt Service</u>	<u>Total</u>
Water and Sewer Fund					
Kentucky Council of Area Development Districts -1999 USDA Refunding					
	2023	\$ 50,000	\$ 31,520	\$ 3,413	\$ 84,933
	2024	55,000	29,420	3,287	87,707
	2025	55,000	27,220	3,150	85,370
	2026	55,000	25,020	3,013	83,033
	2027	60,000	22,720	2,875	85,595
	2028	60,000	20,320	2,725	83,045
	2029	65,000	17,820	2,575	85,395
	2030	65,000	15,789	2,412	83,201
	2031	70,000	14,270	2,250	86,520
	2032	70,000	12,695	2,075	84,770
	2033	70,000	11,120	1,900	83,020
	2034	75,000	9,489	1,725	86,214
	2035	75,000	7,708	1,538	84,246
	2036	80,000	5,770	1,350	87,120
	2037	80,000	3,770	1,150	84,920
	2038	80,000	1,385	950	82,335
Total		<u>\$ 1,065,000</u>	<u>\$ 256,036</u>	<u>\$ 36,388</u>	<u>\$ 1,357,424</u>
Kentucky Infrastructure Authority Loan F12-01					
	2023	\$ 93,323	\$ 15,333	\$ 3,833	\$ 112,489
	2024	94,258	14,397	3,599	112,254
	2025	95,203	13,452	3,363	112,018
	2026	96,158	12,498	3,124	111,780
	2027	97,122	11,534	2,883	111,539
	2028	98,095	10,560	2,640	111,295
	2029	99,079	9,577	2,394	111,050
	2030	100,072	8,583	2,146	110,801
	2031	101,075	7,580	1,895	110,550
	2032	102,088	6,567	1,642	110,297
	2033	103,112	5,543	1,386	110,041
	2034	104,146	4,510	1,127	109,783
	2035	105,190	3,466	866	109,522
	2036	106,244	2,411	603	109,258
	2037	107,309	1,346	337	108,992
	2038	54,056	270	68	54,394
Total		<u>\$ 1,556,530</u>	<u>\$ 127,627</u>	<u>\$ 31,906</u>	<u>\$ 1,716,063</u>

CITY OF MT. VERNON, KENTUCKY
 SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2022

<u>Fund</u>	<u>Year</u>	<u>Principal</u>	<u>Annual Interest</u>	<u>Program Fees</u>	<u>Total</u>
KY Council of Area Development					
District Financing Program 2019 First Series C					
	2023	\$ 30,000	\$ 8,630	\$ 900	\$ 39,530
	2024	35,000	7,330	825	43,155
	2025	35,000	5,930	738	41,668
	2026	35,000	4,530	650	40,180
	2027	35,000	3,130	562	38,692
	2028	35,000	1,730	475	37,205
	2029	10,000	518	387	10,905
Total		<u>\$ 215,000</u>	<u>\$ 31,798</u>	<u>\$ 4,537</u>	<u>\$ 251,335</u>
Mountain Association for Community					
Economic Development, Inc.					
	2023	\$ 34,244	\$ 13,024	\$ -	\$ 47,268
	2024	35,692	11,576	-	47,268
	2025	37,263	10,004	-	47,267
	2026	38,873	8,395	-	47,268
	2027	40,551	6,683	-	47,234
	2028	42,290	4,978	-	47,268
	2029	44,129	3,139	-	47,268
	2029	45,788	1,269	-	47,057
Total		<u>\$ 318,830</u>	<u>\$ 59,068</u>	<u>\$ -</u>	<u>\$ 377,898</u>

CITY OF MT. VERNON, KENTUCKY
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

<u>Fund</u>	<u>Year</u>	<u>Principal</u>	<u>Annual Interest</u>	<u>LOC Payment</u>	<u>Total</u>
Kentucky Area Development District Financing Trust					
Tourist Commission - Land					
	2023	\$ 30,000	\$ 29,637	\$ 1,000	\$ 60,637
	2024	30,000	27,913	1,000	58,913
	2025	30,000	26,113	1,000	57,113
	2026	35,000	24,313	1,000	60,313
	2027	35,000	22,213	1,000	58,213
	2028	40,000	20,113	1,000	61,113
	2029	40,000	17,712	1,000	58,712
	2030	45,000	15,312	1,000	61,312
	2031	45,000	12,500	1,000	58,500
	2032	50,000	9,687	1,000	60,687
	2033	50,000	6,562	1,000	57,562
	2034	55,000	3,440	1,000	59,437
Total		<u>\$ 485,000</u>	<u>\$ 215,515</u>	<u>\$ 12,000</u>	<u>\$ 712,512</u>

Kentucky Council of Area Development Districts Financing Program					
Revenue Bonds 2019 First Series D					
	2023	\$ 90,000	\$ 31,480	\$ 3,812	\$ 125,292
	2024	90,000	29,545	3,588	123,133
	2025	95,000	27,486	3,362	125,848
	2026	95,000	25,325	3,125	123,450
	2027	100,000	23,058	2,888	125,946
	2028	100,000	20,657	2,637	123,294
	2029	105,000	18,094	2,388	125,482
	2030	110,000	15,325	2,125	127,450
	2031	110,000	12,438	1,850	124,288
	2032	115,000	9,427	1,575	126,002
	2033	120,000	6,195	1,287	127,482
	2034	120,000	2,257	988	123,245
Total		<u>\$ 1,250,000</u>	<u>\$ 221,287</u>	<u>\$ 29,625</u>	<u>\$ 1,500,912</u>

CITY OF MT. VERNON, KENTUCKY
 SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2022

<u>Fund</u>	<u>Year</u>	<u>Principal</u>	<u>Annual Interest</u>	<u>Total</u>
Republic First National Corporation				
	2023	\$ 5,327	\$ 1,092	\$ 6,419
	2024	5,581	838	6,419
	2025	5,847	572	6,419
	2026	6,127	292	6,419
Total		<u>\$ 22,882</u>	<u>\$ 2,794</u>	<u>\$ 25,676</u>

CITY OF MT. VERNON, KENTUCKY
FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2023



CRAFT, WANINGER, NOBLE
& COMPANY, PLLC

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Mt. Vernon
Mt. Vernon, Kentucky

Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Mt. Vernon, Kentucky as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the primary government of the City of Mt. Vernon, Kentucky, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Mt. Vernon-Rockcastle County Tourist Commission, Inc, which is presenting as the component unit as of June 30, 2023. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for Mt. Vernon-Rockcastle County Tourist Commission, Inc is based solely on the report of the other auditors.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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



Auditor's Responsibility 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 Mt. Vernon, 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 Mt. Vernon, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability, the schedule of pension contributions and the schedule of changes in benefits and assumptions-pension, schedule of proportionate share of the net OPEB liability, the schedule of OPEB contributions, and the schedule of changes in benefits and assumptions-OPEB, beginning on pages 3-7, and pages 38 through page 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mt. Vernon, Kentucky's basic financial statements. The future funding requirements schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2024 on our consideration of the City of Mt. Vernon, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Mt. Vernon, Kentucky's internal control over financial reporting and compliance.

Craft, Waninger, Noble & Company, PLLC

Craft, Waninger, Noble & Company, PLLC

Richmond, Kentucky

February 21, 2024

MANAGEMENT’S DISCUSSION AND ANALYSIS

City of Mt. Vernon management offers readers of the financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2023. Please read this MD&A in conjunction with the City’s Financial Statements, which follow.

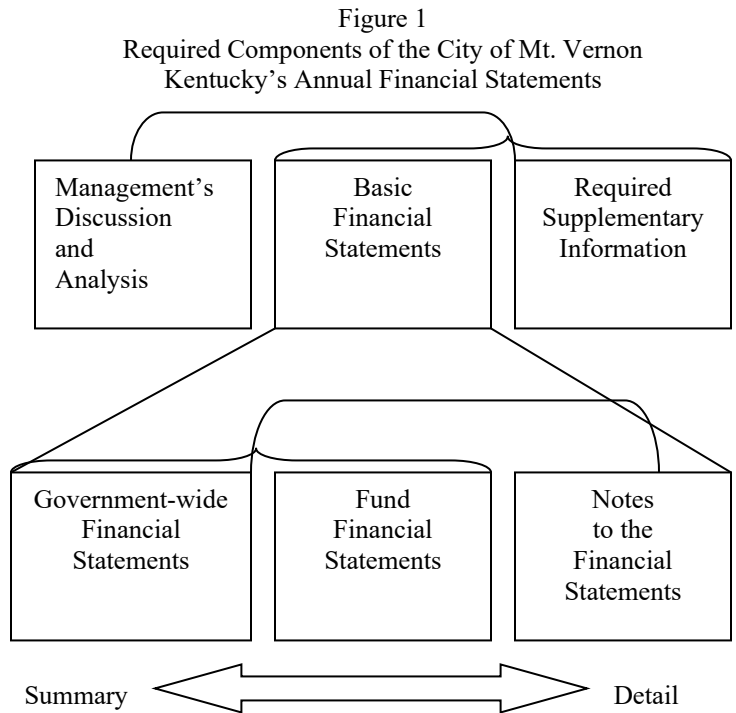
Financial Highlights

- I. *The total net position of the City of Mt. Vernon (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) at the fiscal year end of June 30, 2023 was \$6,481,353. Net assets invested in capital assets were \$6,166,026. Restricted net assets were \$1,120,794 and the unrestricted deficit in net position was \$445,467.*
- II. *The City’s total net position decreased this year by \$216,331.*
- III. *The City’s governmental funds reported combined ending net position totaling \$2,269,734 a decrease of \$479,074 from the year. Proprietary funds combined ending net position decreased by \$11,893 to \$6,070,324.*
- IV. *The City has total assets of \$17,245,377, \$12,078,512 of which are fixed assets.*
- V. *The City has total liabilities of \$10,236,128, \$5,380,289 of which is long term debt and \$2,976,329 is net pension liability and \$812,397 is net OPEB liability.*

Overview of the Financial Statements

This annual report consists of three parts – *management’s discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. Figure 1 shows how the required parts of this annual report are arranged and related to one another. The basic financial statements include two kinds of statements that present different views of the City:

- I. The first two statements are government-wide financial statements that provide both long-term and short-term information about the City’s overall financial status.
- II. The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City’s operations in more detail than the government-wide statements. Proprietary fund statements offer short and long-term financial information about the activities the government operates like a business.



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Figure 2
Major Features of the City’s Government-wide and Fund Financial Statements

<u>Type of Statements</u>	<u>Fund Statements</u>		
	<u>Government-wide</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Scope	Entire Agency’s government (except fiduciary funds).	Activities of the City that are not proprietary or fiduciary.	Activities the City operates similar to private business.
Required Financial Statements	- Statement of net position - Statement of activities	- Balance sheet - Statement of revenues, expenditures & changes in fund balances	- Statement of fund net position - Statement of revenues, expenses and changes in net position - Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	All assets and liabilities, both financial and capital, and short-term and long-term
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenue and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures for goods or services that have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position – the difference between the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the city's financial health or position.

- I. Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- II. To assess the overall health of the City, one needs to consider additional non-financial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general government, public safety, streets, economic development, culture and recreation and interest on long-term debt. Property taxes, grants and some fees finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- I. Some funds are required by State law and by bond covenants.
- II. The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- I. *Governmental funds* – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information in the notes to the financial statements that explains the relationships (or differences) between them.
- II. *Proprietary funds* – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds statements, like the government-wide statements, provide both long-term and short-term financial information.

Financial Analysis of the City as a Whole

The City's combined net position was \$6,841,353 at June 30, 2023. (See Statement of Net Position, Page 8).

Approximately 16% of the City's net position is restricted for various purposes. The \$445,467 deficit of unrestricted net position represents resources available to fund the programs of the City next year.

Changes in net position

The City's total revenues were approximately \$5.2 million. Of this, \$2.6 million was from charges for services and approximately \$0.6 million was from grants, interest earnings and other non-tax resources, and \$2.0 million came from the various sources of taxes. (See Statement of Activities, Page 9).

The total cost of all programs and services was approximately \$5.4 million; \$2.7 million (57%) was for water and sewer operation and the remainder was for general government, public safety, public works, economic development and interest.

During fiscal 2014-2015 the City implemented GASB 68. With the new reporting change, the City was allocated its proportionate share of the County Employees Retirement System's net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. Decisions regarding the allocations were made by the administrators of the pension plan, not by the City of Mt. Vernon's management.

During fiscal 2017-2018, the City implemented GASB 75. With the new reporting change, the City was allocated its proportionate share of the County Employees Retirement System's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and retirement expense. Decisions regarding the allocations were made by the administrators of the OPEB plan, not by the City of Mt. Vernon's management.

The overall decrease in Net Position during the year was \$216,331.

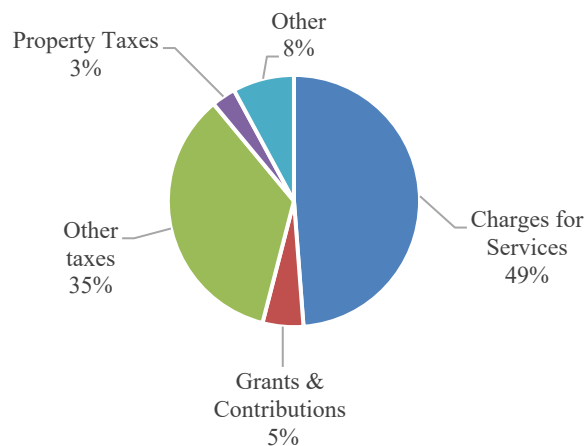
Governmental Activities

The cost of all governmental activities this year was \$2,693,438. However, the amount that the taxpayers paid for these activities through taxes was \$1,998,452. Those who directly benefited from the programs paid \$128,815. Grants and contribution revenues were \$274,349.

Net position for Governmental Activities as identified in the Statement of Activities (Page 9) decreased by \$204,438 to \$771,029. Transfers to water & sewer funds in the amount of \$241,877 decreased net position for Governmental Activities.

Sources of Revenue

City of Mt. Vernon
Sources of Revenue for Fiscal Year 2023



Financial Analysis of the City of Mt. Vernon's Funds

Revenues from governmental activities types totaled \$2,788,598 and expenses totaled \$3,025,795. In a bid to increase tourism and local business, the City assumed direct operation of the Lake Linville Marina and Campground in the year ended June 30, 2015. The Marina and Campground generated \$110,264 in revenue during the fiscal year. Expenses totaled \$144,252. Lake Linville continues to be a good source of revenue but repairs were needed during the year which increased expenses.

General Fund Budgetary Highlights

Actual expenditures were \$1,346,412 over final budget amounts and revenues were \$1,229,598 over final budget amounts.

Business-type Activities

Program revenues of the City's Business-type Activities totaled approximately \$2.4 million and expenses were approximately \$2.6 million this year. Transfers were made from the general fund in the amount of \$241,877.

Contacting the City Management

The financial report is designed to provide the citizens of Mt. Vernon and its creditors with a general overview of the City's finances and to demonstrate the City's accountability of the money it receives. If you have any questions about this report or need additional financial information, do not hesitate to contact the Mayor, Tom Roberts or City Manager, Jim Bowman.

CITY OF MT. VERNON, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities	Business-Type Activities	Total	Component Unit
Assets				
Cash and cash equivalents	\$ 1,848,065	\$ 431,721	\$ 2,279,786	\$ 386,798
Receivables (net of allowance)	366,289	333,394	699,683	50,727
Inventory	8,379	71,517	79,896	30,990
Total Current Assets	2,222,733	836,632	3,059,365	468,515
Restricted cash and cash equivalents	218,875	1,372,999	1,591,874	84,378
Noncurrent receivables	401,218	-	401,218	-
Right-to-use asset (net of amortization)	114,408	-	114,408	-
Fixed assets (net of depreciation)	2,480,163	9,598,349	12,078,512	2,667,765
Total Noncurrent Assets	3,214,664	10,971,348	14,186,012	2,752,143
Total Assets	5,437,397	11,807,980	17,245,377	3,220,658
Deferred Outflows of Resources				
Contributions	210,605	151,024	361,629	-
Pension related	237,709	170,462	408,171	-
OPEB related	198,340	177,645	375,985	-
Unamortized refunding charges	-	7,088	7,088	-
Total Deferred Outflows of Resources	646,654	506,219	1,152,873	-
Total Assets and Deferred Outflows of Resources	\$ 6,084,051	\$ 12,314,199	\$ 18,398,250	\$ 3,220,658
Liabilities and Net Position				
Liabilities				
Accounts payable	\$ 30,122	\$ 76,953	\$ 107,075	\$ 2,687
Accrued expenses	181,115	146,950	328,065	7,263
Lease liability due within one year	48,425	-	48,425	15,000
Long-term debt due within one year	196,273	335,924	532,197	449,403
Noncurrent liabilities:				
Long-term portion of lease liability	51,351	-	51,351	277,500
Long-term debt due in more than one year	1,905,809	3,474,480	5,380,289	485,923
Net pension liability	1,733,345	1,242,984	2,976,329	-
Net OPEB liability	428,557	383,840	812,397	-
Total Liabilities	4,574,997	5,661,131	10,236,128	1,237,776
Deferred Inflows of Resources				
Pension related	438,378	314,362	752,740	-
OPEB related	299,647	268,382	568,029	-
Total Deferred Inflows of Resources	738,025	582,744	1,320,769	-
Net Position				
Net investment in capital assets	378,081	5,787,945	6,166,026	1,842,532
Restricted for:				
Debt service	-	428,052	428,052	-
Maintenance and depreciation	-	224,204	224,204	-
Grant restrictions	100,000	250,000	350,000	-
Street repairs	71,581	-	71,581	-
Other	30,219	-	30,219	84,378
Land improvements	16,738	-	16,738	-
Unrestricted (deficit)	174,410	(619,877)	(445,467)	55,972
Total Net Position	771,029	6,070,324	6,841,353	1,982,882
Total Liabilities, Deferred Inflows and Net Position	\$ 6,084,051	\$ 12,314,199	\$ 18,398,250	\$ 3,220,658

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

CITY OF MT. VERNON, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Unit
Governmental activities:								
General government	\$ 1,351,001	\$ 118,025	\$ 151,421	\$ -	\$ (1,081,555)	\$ -	\$ (1,081,555)	\$ -
Public safety	1,098,394	10,790	67,097	-	(1,020,507)	-	(1,020,507)	-
Public works	177,127	-	55,831	-	(121,296)	-	(121,296)	-
Economic development	-	-	-	-	-	-	-	-
Interest on long-term debt	66,916	-	-	-	(66,916)	-	(66,916)	-
Total governmental activities	<u>2,693,438</u>	<u>128,815</u>	<u>274,349</u>	<u>-</u>	<u>(2,290,274)</u>	<u>-</u>	<u>(2,290,274)</u>	<u>-</u>
Business-type activities:								
Water	1,938,948	1,920,716	-	-	-	(18,232)	(18,232)	-
Sewer	762,696	511,264	-	-	-	(251,432)	(251,432)	-
Total business-type activities	<u>2,701,644</u>	<u>2,431,980</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(269,664)</u>	<u>(269,664)</u>	<u>-</u>
Total activities	<u>\$ 5,395,082</u>	<u>\$ 2,560,795</u>	<u>\$ 274,349</u>	<u>\$ -</u>	<u>(2,290,274)</u>	<u>(269,664)</u>	<u>(2,559,938)</u>	<u>-</u>
Component Unit	<u>\$ 655,824</u>	<u>\$ 102,665</u>	<u>\$ 135,886</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(417,273)</u>
General revenues:								
Taxes:								
Property taxes					163,360	-	163,360	-
Franchise and occupational taxes					1,243,627	-	1,243,627	-
Other taxes					591,465	-	591,465	333,583
Investment earnings					4,042	15,894	19,936	69
Miscellaneous					325,219	-	325,219	31,853
Transfers					(241,877)	241,877	-	-
Total general revenues, special items and transfers					<u>2,085,836</u>	<u>257,771</u>	<u>2,343,607</u>	<u>365,505</u>
Change in net position					(204,438)	(11,893)	(216,331)	(51,768)
Net position - beginning					975,467	6,082,217	7,057,684	2,034,650
Net position - ending					<u>\$ 771,029</u>	<u>\$ 6,070,324</u>	<u>\$ 6,841,353</u>	<u>\$ 1,982,882</u>

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

CITY OF MT. VERNON, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	General	Special Revenue	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 548,951	\$ 1,299,114	\$ 1,848,065
Restricted cash and cash equivalents	50,521	168,354	218,875
Taxes receivable, net of allowance	231,650	-	231,650
Accounts receivable	89,311	5,329	94,640
Inventory	8,379	-	8,379
Total Assets	\$ 928,812	\$ 1,472,797	\$ 2,401,609
Liabilities			
Accounts payable	\$ 30,122	\$ -	\$ 30,122
Accrued expenses	101,753	-	101,753
Total Liabilities	131,875	-	131,875
Fund Balances			
Restricted	50,521	-	50,521
Nonspendable	-	-	-
Unassigned			
General Fund	746,416	-	746,416
Special Revenue Fund	-	1,472,797	1,472,797
Total Fund Balances	796,937	1,472,797	2,269,734
Total Liabilities and Fund Balances	\$ 928,812	\$ 1,472,797	\$ 2,401,609

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

Certain assets (receivables, right-to-use asset) are not due and receivable in the current year and therefore, are not reported in the fund	\$ 555,625
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the fund	2,480,163
Deferred outflows, deferred inflows, net pension liability, and net OPEB liability related to the implementation of GASB 68 and GASB 75 are not receivable or payable in the current year and therefore, are not reported in the fund	(2,253,273)
Certain liabilities (accrued expenses, lease liability, and debt) are not due and payable in the current year and therefore, are not reported in the fund	(2,281,220)
Net Position - Governmental Wide	\$ 771,029

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

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

	General	Special Revenue	Total Governmental Funds
Revenues			
Taxes	\$ 1,795,473	\$ 129,326	\$ 1,924,799
Licenses and permits	73,653	-	73,653
Charges for services	128,815	57,720	186,535
Grant revenue	218,519	55,831	274,350
Interest	3,828	214	4,042
Miscellaneous income	325,219	-	325,219
	2,545,507	243,091	2,788,598
Expenditures			
General government	1,276,340	-	1,276,340
Public safety:			
Police department	919,586	-	919,586
Fire department	139,556	-	139,556
Public works	15,600	29,508	45,108
Capital outlay	393,183	-	393,183
Debt service			
Principal	189,629	-	189,629
Interest	62,393	-	62,393
	2,996,287	29,508	3,025,795
Excess (deficiency) of revenue over expenditures	(450,780)	213,583	(237,197)
Other Financing Sources (uses)			
Transfers in	643,770	-	643,770
Transfers out	-	(885,647)	(885,647)
	643,770	(885,647)	(241,877)
Net change in fund balance	192,990	(672,064)	(479,074)
Fund Balance - beginning	603,947	2,144,861	2,748,808
Fund Balance - ending	\$ 796,937	\$ 1,472,797	\$ 2,269,734

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

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

Net Change in Fund Balance - Governmental Funds	\$	(479,074)
Government Funds report capital outlays as expenditures; however, in the Statement of Activities the cost of the asset are allocated over their useful lives and reported as depreciation expense		
Capital outlay		393,183
Depreciation expense		(215,531)
Government Funds report pension and OPEB contributions of \$103,439; however, the Statement of Activities reports pension and OPEB related expenses pursuant to GASB 68 and 75 of \$46,276		
		57,163
Government Funds report repayment of debt principal as expenditures; however, in the Statement of Activities the repayment is allocated against the related debt on the Statement of Net Position		
		189,629
Government Funds report receipt of noncurrent receivables as income; however, in the Statement of Activities the repayment is allocated against the related receivable on the Statement of Net Position		
		(60,638)
Government funds report expenses when incurred or within a 60-day window, however, the Statement of Activities reports expenses based on the accrual method of accounting		
		(89,170)
Change in Net Position on Statement of Activities	\$	(204,438)

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

CITY OF MT. VERNON, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023

Assets	
Current Assets	
Cash and cash equivalents	\$ 431,721
Accounts receivable (including \$114,313 in unbilled receivables less allowance for doubtful accounts \$85,176)	333,394
Inventory	71,517
Total Current Assets	<u>836,632</u>
Noncurrent Assets	
Restricted cash and cash equivalents	1,372,999
Capital assets:	
Land	405,087
Equipment, distribution and collection systems	22,793,237
Less accumulated depreciation	<u>(13,599,975)</u>
Total Noncurrent Assets	<u>10,971,348</u>
Total Assets	<u>11,807,980</u>
Deferred Outflows of Resources	
Contributions	151,024
Pension	170,462
OPEB	177,645
Unamortized refunding charges	7,088
Total Deferred Outflows of Resources	<u>506,219</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 12,314,199</u>
Liabilities and Net Assets	
Current Liabilities	
Accounts payable	\$ 76,953
Accrued expenses and compensated absences	146,950
Bonds, notes and loans payable	335,924
Total Current Liabilities	<u>559,827</u>
Noncurrent Liabilities	
Bonds, notes and loans payable	3,474,480
Net pension liability	1,242,984
Net OPEB liability	383,840
Total Noncurrent Liabilities	<u>5,101,304</u>
Deferred Inflows of Resources	
Pension	314,362
OPEB	268,382
Total Deferred Inflows of Resources	<u>582,744</u>
Net Position	
Invested in capital assets	5,787,945
Restricted for debt service-expendable & non-expendable	428,052
Maintenance and depreciation	224,204
Grants	250,000
Unrestricted	<u>(619,877)</u>
Total Net Position	<u>6,070,324</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 12,314,199</u>

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

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

	Water and Sewer
Operating Revenues	
Charges for services - water	\$ 1,920,716
Charges for services - sewer	511,264
Total Operating Revenues	2,431,980
Operating Expenses	
Employee compensation and benefits	836,124
Contractual services	39,027
Utilities	302,908
Repairs and maintenance	595,710
Other supplies and expenses	165,429
Insurance	98,367
Depreciation	566,491
Total Operating Expenses	2,604,056
Operating Income (Loss)	(172,076)
Non-operating Revenue (Expense)	
Interest on investments	15,894
Interest expense	(97,588)
Total Non-Operating Revenue (Expense)	(81,694)
Income (Loss) Before Other Revenues and Transfers	(253,770)
Transfers in	241,877
Transfers out	-
Change in Net Position	(11,893)
Net Position - beginning	6,082,217
Net Position - ending	\$ 6,070,324

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

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

	Water and Sewer
Cash Flows from Operating Activities	
Receipts from customers	\$ 2,395,863
Payments to suppliers	(1,464,641)
Payments to employees	(836,124)
Net cash provided (used) by operating activities	95,098
Cash Flows from Noncapital Financing Activities	
Transfers from other funds	222,767
Cash Flows from Capital and Related Financing Activities	
Principal paid on capital debt	(324,762)
Interest paid on capital debt	(78,887)
Net cash provided (used) by capital and related financing activities	(403,649)
Cash Flows from Investing Activities	
Interest and dividends	15,894
Net cash provided (used) by capital and related investing activities	15,894
Net increase (decrease) in cash and cash equivalents	(69,890)
Balances - beginning of year	1,874,610
Balances - end of year	\$ 1,804,720
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	\$ (172,076)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	566,491
Interest expense	(97,588)
Retirement expenses pursuant to GASB 68 and 75	(52,917)
Change in assets, liabilities and deferred inflows and outflows of resources:	
Receivables, net (increase) decrease	(36,117)
Prepaid expenses (increase) decrease	14,148
Deferred outflows of resources for (increase) decrease	(13,730)
Accounts and other payables increase (decrease)	(3,344)
Accrued expenses increase (decrease)	42,013
Pension and OPEB liabilities increase (decrease)	(173,428)
Deferred inflows of resources increase (decrease)	21,646
Net cash provided by operating activities	\$ 95,098

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

CITY OF MT. VERNON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Mt. Vernon, Kentucky is a home rule-class city and operates under an elected mayor-council form of government. The City's major operations include police, parks, recreation, public works and general administrative services. In addition, the City owns and operates a water and sewer system.

The City's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to Governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

Reporting Entity

These financial statements present the City (the primary government) and its legally separate component unit, Mt. Vernon-Rockcastle County Tourist Commission, Inc's financial data. As required by accounting principles generally accepted in the United States of America. The component unit, discussed below, is reported in a separate column to emphasize that it is legally separate from the City, but is included in the City's reporting entity because the City has a financial obligation with it..

Discretely Presented Component Unit

The Mt. Vernon-Rockcastle County Tourist Commission, Inc. was established as a non-profit entity and awarded 501(c) (4) status by the Internal Revenue Service in 1988 and organized under the laws of the Commonwealth of Kentucky for the purpose of promoting, advertising and marketing tourist activities in the City of Mt. Vernon and Rockcastle County, Kentucky. The Tourist Commission has been determined to be a discretely presented component unit of the City based on the fact that it is financially accountable to the City for the collection and disbursement of Restaurant Tax Revenue and the City has a financial obligation for a loan payable. Separately issued financial statements of the Mt. Vernon-Rockcastle County Tourist Commission, Inc. can be obtained by contacting them directly.

Basic Financial Statements – Government-Wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police, parks, fire, recreation, public works and general administrative services are classified as governmental activities. The City's water and sewer services are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts – invested in capital assets, restricted net assets, and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and the net cost of each of the City's functions and business-type activities (police, public works, etc.). The functions are also supported by general governmental revenues (property, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, public works, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.). The City does not allocate indirect costs.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

CITY OF MT. VERNON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements – Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the City:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

- a. General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. Debt service funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary fund of the City:

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or, (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual: Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual: The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

CITY OF MT. VERNON, KENTUCKY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting

The City follows procedures pursuant to KRS 91A.030 in establishing the budgetary data reflected in the financial statements:

- The Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to July 1, the budget is legally enacted through passage of an ordinance
- Budgeted amounts may be transferred between categories within each fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
- Formal budgetary integration is employed as a management control device during the year for all governmental funds and the proprietary fund.
- Budgets for the governmental funds and proprietary fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). Actual expenditures may not exceed the legally adopted budget for any given fund. However, the City’s actual expenditures exceeded the amount appropriated in the budget for expenditures, as well as revenue appropriations for the year ended June 30, 2023, without regard to the beginning fund balances. The City should have amended the budget ordinance, with approval by the City Council, for expenditures that were not anticipated during the budget process.

Cash and Investments

The City considers liquid investments with a maturity of three months or less to be cash equivalents.

The City is authorized by state statute to invest in:

1. Obligations of the United States and of its agencies and instrumentalities.
2. Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities.
3. Shares of any savings and loan association insured by an agency of the government of the United States up to the amount so insured.
4. Interest-bearing deposits in national or state banks chartered in Kentucky and insured by an agency of the government of the United States up to the amount so insured, and in larger amounts provided such bank shall pledge as security obligations of the United States government, its agencies and instrumentalities. Investments are stated at cost or amortized cost, which approximates market.

Pursuant to KRS 91A.060, the City’s policy is to fully secure its deposits through FDIC insurance and pledged securities from depository institutions. At June 30, 2023, the City had deposit accounts whose balances exceeded the amount insured by the FDIC by the amount of \$2,879,624. At June 30, 2023, securities pledged for the City’s deposits were valued at \$3,263,179.

Insured	\$ 935,399
Collateral held by pledging banks agent in City’s name	2,879,624
Total bank deposits	\$ 3,815,023

CITY OF MT. VERNON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories in the enterprise fund consist of expendable supplies held for the City’s use and in the general fund were materials held for resale. All inventories are reported at cost using the first-in, first-out method.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial 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 outflow of resources (expense/expenditure) until then. The City has items that qualify, they reported subsequent pension contributions for both governmental and proprietary funds.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has items that qualify for reporting in this category. In proprietary funds, they arose from debt refunding and represent the difference between the reacquisition price and the old cost of the refunded debt and the difference between projected and actual pension earnings was reflected in both funds.

Meter Deposits

Meter deposits in the Water and Sewer Fund are recorded as a liability when such deposits are made with the City. The deposits are not restricted by city ordinance or bond covenant and are co-mingled with the operating cash of the Water and Sewer Fund.

Capital Assets

Capital assets purchased or acquired with an original cost of \$1,500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20 years
Water and sewer system	33 – 75 years
Machinery and equipment	5 – 10 years
Improvements	10 – 20 years
Other infrastructure	15 – 75 years

GASB No. 34 requires the City to report and depreciate new infrastructure assets, which include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are the largest asset class of the City.

Revenues

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB No. 33. In applying GASB No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

CITY OF MT. VERNON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenditures

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

Compensated Absences

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee.

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 Employee 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.

Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources in government-wide and proprietary fund financial statements. Net position is classified as net investment in capital assets, restricted and unrestricted.

Fund Balances/Deficit

As of June 30, 2011, the City implemented GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. Fund balances of the governmental funds are classified as follows:

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

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

CITY OF MT. VERNON, KENTUCKY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances/Deficit (Continued)

Committed – amounts that can be used only for specific purposes determined by a formal action of the City Council. The Council is the highest level of decision-making authority for the City of Mt. Vernon. Commitments may be established, modified, or rescinded only through resolutions approved by the Council.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the City Council may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

As of June 30, 2023, fund balances are composed of the following:

	General Fund	Special Revenue	Total Governmental Funds
Restricted:			
Economic Activity	\$ 50,521	\$ -	\$ 50,521
Nonspendable	-	-	-
Unassigned	746,416	1,472,797	2,219,213
	\$ 796,937	\$ 1,472,797	\$ 2,269,734

Restricted Resources

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

NOTE 2 – PROPERTY TAX CALENDAR

Property taxes for fiscal year 2023 were levied on October 1, 2022, on the assessed property located in the City of Mt. Vernon as of the preceding January 1. The assessments are determined by the County Property Valuation Administrator in accordance with Kentucky Revised Statutes. The due date collection periods for all taxes exclusive of vehicle taxes are as follows:

Description	Date Per K.R.S. 134.015
Due date for payment	Upon receipt
2% discount applies	To November 1
Face value payment period	To December 31
Past due date, 5% penalty	To January 31
Past due date, 10% penalty	February 1
Interest charge	.5% per month effective January 1

Vehicle taxes are collected by the County Clerk of Rockcastle County and are due and collected in the birth month of the vehicles’ licensees.

CITY OF MT. VERNON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

	<u>Balance 7/1/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2023</u>
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 482,006	\$ -	\$ -	\$ 482,006
Depreciable capital assets:				
Buildings and improvements	484,813	-	-	484,813
Equipment	1,822,785	217,545	-	2,040,330
Road network and Lake Linville Park	4,070,504	175,638	-	4,246,142
Total capital assets at historical cost	<u>6,378,102</u>	<u>393,183</u>	<u>-</u>	<u>6,771,285</u>
Less accumulated depreciation for:				
Buildings and improvements	297,916	9,007	-	306,923
Equipment	1,642,025	74,504	-	1,716,529
Road network and Lake Linville Park	2,617,656	132,020	-	2,749,676
Total accumulated depreciation	<u>4,557,597</u>	<u>215,531</u>	<u>-</u>	<u>4,773,128</u>
Depreciable capital assets, net	<u>1,820,505</u>	<u>177,652</u>	<u>-</u>	<u>1,998,157</u>
Governmental activities capital assets, net	<u>\$ 2,302,511</u>	<u>\$ 177,652</u>	<u>\$ -</u>	<u>\$ 2,480,163</u>
Business-type activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 405,087	\$ -	\$ -	\$ 405,087
Depreciable capital assets:				
Distribution and collection systems	22,114,230	-	-	22,114,230
Equipment	665,409	13,598	-	679,007
Total capital assets at historical cost	<u>22,779,639</u>	<u>13,598</u>	<u>-</u>	<u>22,793,237</u>
Less accumulated depreciation for:				
Distribution and collection systems	12,476,044	548,206	-	13,024,250
Equipment	557,440	18,285	-	575,725
Total accumulated depreciation	<u>13,033,484</u>	<u>566,491</u>	<u>-</u>	<u>13,599,975</u>
Depreciable capital assets, net	<u>9,746,155</u>	<u>(552,893)</u>	<u>-</u>	<u>9,193,262</u>
Business-type activities capital assets, net	<u>\$ 10,151,242</u>	<u>\$ (552,893)</u>	<u>\$ -</u>	<u>\$ 9,598,349</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 20,470
Public safety	63,041
Public works (including roads)	132,020
Total governmental activities depreciation	<u>\$ 215,531</u>
Business type activities:	
Water	\$ 283,246
Sewer	283,245
Total business-type activities depreciation	<u>\$ 566,491</u>

CITY OF MT. VERNON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 – LONG-TERM OBLIGATIONS

A summary of changes in long-term obligations follows:

<u>Governmental activities:</u>	<u>Lease Liability</u>	<u>Long-Term Debt</u>	<u>Net Pension Liability</u>	<u>Net OPEB Liability</u>
Payable at June 30, 2022	\$ -	\$ 2,291,712	\$ 1,647,408	\$ 494,544
Increase in liability	51,351	-	85,937	-
Decrease in liability	-	(385,903)	-	(65,987)
Payable at June 30, 2023	<u>\$ 51,351</u>	<u>\$ 1,905,809</u>	<u>\$ 1,733,345</u>	<u>\$ 428,557</u>

<u>Business-type activities:</u>	<u>Lease Liability</u>	<u>Long-Term Debt</u>	<u>Net Pension Liability</u>	<u>Net OPEB Liability</u>
Payable at June 30, 2022	\$ -	\$ 3,816,497	\$ 891,713	\$ 286,237
Increase in liability	-	-	351,271	97,603
Decrease in liability	-	(342,017)	-	-
Payable at June 30, 2023	<u>\$ -</u>	<u>\$ 3,474,480</u>	<u>\$ 1,242,984</u>	<u>\$ 383,840</u>

NOTE 5 – GOVERNMENTAL ACTIVITIES LONG-TERM DEBT

On March 26, 2009, the City entered into a long-term purchase agreement with the Kentucky Area Development District Financing Trust to receive \$750,000 for the purchase of property for the benefit of the Mt. Vernon-Rockcastle County Tourist Commission. The lease comes due March 2034 and requires two semi-annual interest and fee payments and one annual principal payment. The interest rate fluctuates between 4% and 6.25%. The lease contains a provision that in the event of default, the Lessor, by appropriate court action, for the duration of the lease term, may levy an additional direct tax to all taxable property, annually in an amount sufficient to pay the lease rental payments when an as due. The balance of the lease as of June 30, 2023 was \$455,000.

On September 19, 2019 the city entered into a general obligation lease with the Kentucky Association of Counties Finance Corporation which issued 2019 First Series C Revenue Bonds of \$300,000, with an interest rate of 1.82%, for the purpose of currently refunding the City of Mt. Vernon’s Kentucky Area Development District Financing Trust leases 1998 Series N and 2009 Series B. The City will reduce its total debt service payments over the next 10 years by approximately \$61,074 and obtain an economic gain of approximately \$52,568. The balance of this lease as of June 30, 2023 was \$185,000.

On January 27, 2020, the City entered into a long-term government obligation contract with Republic First National Corporation to receive \$32,817.03 for the purchase of a 2020 Dodge Ram 1500 Truck for the Fire Department. The agreement is secured by the truck, with the title reverting to the lessor in the event of default. The lease come due January 27, 2026 and requires an annual principal and interest payment. The balance on the loan as of June 30, 2023 was \$17,554.

On April 22, 2020, the City entered into a loan agreement with Mountain Association for Community Economic Development, Inc. (MACED) to receive \$382,762.06, at an interest rate of 4.25%, to finance the infrastructure work at the Microfoodery Plant. The loan is for ten years and requires quarterly payments of principal and interest. The loan agreement contains a provision that in the event of default, among MACED’s remedies, they can declare all outstanding amounts to become immediately due. The balance of the loan as of June 30, 2023 was \$284,526.

CITY OF MT. VERNON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 – GOVERNMENTAL ACTIVITIES LONG-TERM DEBT (CONTINUED)

The City also entered into an agreement with the Mt. Vernon-Rockcastle County Tourism Commission on March 26, 2009, which obligated the City of Mt. Vernon to repay the lease and purchase two parcels of land, but assigned the monthly payments required under the above lease agreement to the Mt. Vernon-Rockcastle County Tourist Commission. Subsequently, in June 2009 the city entered into a land purchase agreement with the Mt. Vernon-Rockcastle County Tourist Commission, in which the City sold the two tracts of land to the Tourist Commission in exchange for the Commission servicing the indebtedness to the Kentucky Area Development District Financing Trust for the City for the sum of \$750,000. The Mt. Vernon-Rockcastle Tourist Commission shall pay the monthly installments, on behalf of the City of Mt. Vernon over the same twenty-five-year period and at the same fluctuating interest rates of 4% to 6.25% as the original lease. The balance of this lease as of June 30, 2023 was \$1,160,000.

The annual requirements to amortize all governmental long-term debt outstanding as of June 30, 2023 are as follows:

Year ending June 30	Debt Total		Direct Borrowings	
	Principal	Interest & Debt Service	Principal	Interest & Debt Service
2024	\$ 190,692	\$ 81,776	\$ 5,581	\$ 838
2025	197,264	74,633	5,847	572
2026	203,873	67,338	6,126	293
2027	210,551	59,534	-	-
2028	217,290	51,591	-	-
2029 - 2033	889,858	142,790	-	-
2034 - 2036	175,000	7,682	-	-
Total	<u>\$ 2,084,528</u>	<u>\$ 485,344</u>	<u>\$ 17,554</u>	<u>\$ 1,703</u>

For total future funding requirements see pages 45-48 in the supplemental information included in this report.

NOTE 6 – BUSINESS TYPE ACTIVITIES – LONG-TERM DEBT

Bonds payable

Revenue bonds of \$2,428,000 with interest at the rate of 3.2% to 4.325% were issued by the City on May 13, 2010, for the purpose of currently refunding the City of Mt. Vernon Water and Sewer Revenue Bonds, Series 1998. The City used the net proceeds along with other resources to purchase the Series 1998 bonds from investors on the call date which was prior to the maturity date. As a result, the issue is considered defeased, and the City has removed the liability from its accounts. The reacquisition price exceeded the net carrying amount of the old debt by \$25,950. This amount is classified as a Deferred Outflow of Resources and amortized over eighteen years. Expense during the year was \$1,442. The current refunding was undertaken to reduce total debt service payments by \$298,698 and resulted in an economic gain of \$136,318. The outstanding bonds are secured by a pledge of the gross revenues of the Fund and are to be repaid over an eighteen-year period. In the event of default, a receiver may be appointed to charge and collect rates sufficient to provide for the payments of principal and interest. Bonds retired during the year ended June 30, 2023 were \$150,000, and the balance on June 30, 2023 was \$850,000.

2019 First Series C Revenue bonds of \$1,185,000 with interest at a rate of 2.40% were issued by the City on September 19, 2019, for the purpose of currently refunding the City of Mt. Vernon Water and Sewer Revenue Bonds, Series 1999. The City will reduce its total debt service payments over the next 18 years by approximately \$177,436 and obtain an economic gain of approximately \$144,847. Bonds retired during the year ended June 30, 2023 were \$50,000, and the balance on June 30, 2023 was \$1,015,000.

CITY OF MT. VERNON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 – BUSINESS TYPE ACTIVITIES – LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize all bonds outstanding as of June 30, 2023, are as follows:

	<u>Principal</u>	<u>Interest & Debt Service</u>	<u>Total</u>
2024	\$ 210,000	\$ 69,098	\$ 279,098
2025	220,000	60,249	280,249
2026	225,000	50,984	275,984
2027	235,000	41,406	276,406
2028	245,000	31,505	276,505
2029 - 2033	340,000	82,906	422,906
2034 - 2038	390,000	34,835	424,835
Total	<u>\$ 1,865,000</u>	<u>\$ 370,983</u>	<u>\$ 2,235,983</u>

The City was in compliance with the Sinking Fund and Depreciation Fund requirements of the bond ordinances at June 30, 2023.

Loans payable

On February 1, 2008, the City entered into an agreement for \$945,000 with the Kentucky Infrastructure Authority to help finance the cost of constructing a replacement raw water intake from Lake Linville to the water treatment plant, and appurtenances for the City’s water system. Payment of loan principal, interest and servicing fees are required semi-annually in June and December. The interest rate is .72% and the loan is amortized over thirty years. The balance of the loan as of June 30, 2023 was \$482,197.

On April 1, 2013, the City entered into a loan agreement with the Kentucky Infrastructure Authority for \$3,023,310 to help finance the construction of a million gallon and a five hundred-thousand-gallon water storage tanks, one pump station and removal of some existing tanks. The construction was completed in 2019 at which point the loan was finalized. The loan includes principal forgiveness of 35% or \$1,058,159. Payment of loan principal, interest and servicing fees are required semi-annually in June and December. The interest rate is 1% and the loan is amortized over twenty years. The loan agreement contains a provision that in the event of default, among the Authority’s remedies, they can declare all outstanding amounts to become immediately due. The balance on the loan as of June 30, 2023 was \$1,463,207.

The annual requirements to amortize all loans payable outstanding as of June 30, 2023 are as follows:

	<u>Principal</u>	<u>Interest & Debt Service</u>	<u>Total</u>
2024	\$ 125,924	\$ 22,360	\$ 148,284
2025	127,097	20,887	147,984
2026	128,282	19,400	147,682
2027	129,478	17,899	147,377
2028	130,684	16,383	147,067
2029 - 2033	671,934	58,682	730,616
2034 - 2038	632,005	18,587	650,592
Total	<u>\$ 1,945,404</u>	<u>\$ 174,198</u>	<u>\$ 2,119,602</u>

For total future funding requirements see pages 45-48 in the supplemental information included in this report.

CITY OF MT. VERNON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 – BUSINESS TYPE ACTIVITIES – LONG-TERM DEBT (CONTINUED)

Deferred Outflows of Resources –Unamortized refunding charges

Pursuant to GASB 65, for current and advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as either a deferred inflow or outflow of resources and recognized as a component of interest expense in a systematic and rational matter over the remaining life of the old debt, whichever is shorter.

For the year ended June 30, 2023 activity related to the City’s unamortized deferred refunding charges was as follows:

Balance at June 30, 2022	\$ 8,530
Amortization	<u>(1,442)</u>
Balance at June 30, 2023	<u>\$ 7,088</u>

NOTE 7 – RESTRICTED NET ASSETS

The restricted assets at June 30, 2023 consisted of the following:

	<u>Water and Sewer Fund</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
Debt Service and Sinking Funds	\$ 428,052	\$ -	\$ -
Depreciation, Maintenance and Replacement			
Reserve Funds	224,204	-	-
Restricted for other	250,000	-	-
Restricted for economic development activity	-	-	100,000
Restricted for alcohol enforcement activity	-	-	30,219
Restricted for street repairs	-	71,581	-
Restricted for land improvements	-	16,738	-
Total Restricted Assets	<u>\$ 902,256</u>	<u>\$ 88,319</u>	<u>\$ 130,219</u>

Restricted cash for depreciation, maintenance and replacement reserves includes \$94,200 for Rural Development Bonds. The balance of water and sewer restricted funds is for other bonds.

NOTE 8 – LEASES

The City entered into six 36-month leases for Police Cruisers during the fiscal year. The leases call for annual payments of \$54,452 for the leases in total. The total of the leases was recorded as a right-of-use asset and is amortized over the lease terms of 36 months. There is also a related lease liability. The future amounts of the lease commitments under non-cancelable operating leases are as follows:

<u>June 30,</u>	<u>Amount</u>
2024	\$ 48,426
2026	<u>51,350</u>
Total	<u>\$ 99,776</u>

CITY OF MT. VERNON, KENTUCKY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023

NOTE 9 – RETIREMENT PLAN

The City’s employees are provided with the County Employees Retirement System.

General information about the County Employees Retirement System Non-Hazardous (“CERS”)

Plan description—Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

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

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

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

Contributions—Required contributions by the employee are based on the tier:

	<u>Required contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

CITY OF MT. VERNON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9 – RETIREMENT PLAN (CONTINUED)

All current employees participating in County Employees Retirement Systems (CERS) are eligible for healthcare benefits provided by KRS in conjunction with their pension service benefits described. Retiree cost depends on length of service prior to retirement. Employer contribution rates are established annually by the KRS Board of Trustees. KRS issues separate stand-alone financial statements for the statewide multiple employer cost-sharing plan that provides other post-employment benefits for local government employees participating in CERS.

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

At June 30, 2023, the City reported a liability for its proportionate share of the net pension liability for CERS. The amount recognized by the City as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the CERS net pension liability	\$	2,976,329
Commonwealth's proportionate share of the CERS net pension liability associated with the City		7,226,037,167
		\$ 7,229,013,496

The net pension liability for each plan was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The City's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2022, the City's proportion was 0.041172 percent.

For the year ended June 30, 2023, the City recognized pension expense of \$2,201 related to CERS. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual experience	\$ 3,182	\$ 26,506
Changes of assumptions	-	-
Difference between projected and actual earnings	-	328,687
Changes in proportionate share and differences between contributions and proportionate share of contributions	404,989	397,547
Contributions made subsequent to the measurement date	315,869	-
	\$ 724,040	\$ 752,740

The \$315,869 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows on the next page.

CITY OF MT. VERNON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9 – RETIREMENT PLAN (CONTINUED)

Fiscal year ending June 30,	Increase (decrease) in pension expense
2024	\$ (231,538)
2025	(172,569)
2026	(25,011)
2027	84,549
Total	\$ (344,569)

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

Inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.30% to 10.30%, varying by service
Investment rate of return	6.25%, net of plan investment expense, including inflation

For CERS, the mortality table used for active members is Pub-2010 General Mortality table, for the Non-Hazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, project with the ultimate rates from the MP-2014 mortality improvements scale using a base year of 2010. The mortality table used for health retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was Pub-2010 Disabled Mortality table, with a 4-year-set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long-term inflation assumption is 2.30% per annum for both the non-hazardous and hazardous plan.

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

Asset Class	Target Allocation	Long-term Expected Real
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	-0.91%
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Expected Real Return	100.00%	4.28%
Long Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.58%

Discount rate—The projection of cash flows used to determine the discount rate of 6.25% for CERS Nonhazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as amended by House Bill 362 (passed in 2018) over the remaining 29 years (closed) amortization period of the unfunded actuarial accrued liability.

CITY OF MT. VERNON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9 – RETIREMENT PLAN (CONTINUED)

Sensitivity of the City’s proportionate share of net pension liability to changes in the discount rate—The following table presents the net pension liability of the City, calculated using the discount rates selected by each pension system, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	Discount rate	City’s proportionate share of net pension liability
1% decrease	5.25%	\$ 3,720,043
Current discount rate	6.25%	\$ 2,976,329
1% increase	7.25%	\$ 2,361,217

Pension plan fiduciary net position—Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial reports of CERS.

Other Post-Employment Benefits (OPEB) Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2023, the City reported a liability for its proportionate share of the OPEB liability for CERS. The amount recognized by the City as its proportionate share of the net OPEB liability, the related Commonwealth support, and the total portion of the net OPEB liability that was associated with the City were as follows:

City’s proportionate share of the CERS net OPEB liability	\$	812,397
Commonwealth’s proportionate share of the CERS net OPEB liability associated with the City		1,972,701,220
		\$ 1,973,513,617

The net OPEB liability for each plan was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

The City’s proportion of the net OPEB liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2022, the City’s proportion was 0.041165 percent.

For the year ended June 30, 2023, the City recognized OPEB expense of \$85,294 related to CERS. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual experience	\$ 81,775	\$ 186,301
Changes of assumptions	128,486	105,872
Difference between projected and actual earnings	151,277	118,304
Changes in proportionate share and differences between contributions and proportionate share of contributions	14,447	157,552
Contributions made subsequent to the measurement date	45,760	-
	\$ 421,745	\$ 568,029

CITY OF MT. VERNON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9 – RETIREMENT PLAN (CONTINUED)

The \$45,760 reported as deferred outflows of resources related to OPEBs resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows related to OPEBs will be recognized as a decrease in OPEB expense as follows:

Fiscal year ending June 30,	Increase (decrease) in OPEB expense
2024	\$ (39,381)
2025	(43,331)
2026	(86,388)
2027	(22,944)
Total	\$ (192,044)

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

Inflation	2.30%	
Payroll growth rate	2.00%	
Salary increases	3.30% to 10.30%, varying by service	
Investment rate of return	6.25%, net of Plan investment expense, including inflation	
Healthcare Cost Trend Rate		
Pre-65		Initial trend starting at 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Post-65		Initial trend starting at 6.30% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

For CERS, the mortality table used for active members is Pub-2010 General Mortality table, for the Non-Hazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, project with the ultimate rates from the MP-2014 mortality improvements scale using a base year of 2010. The mortality table used for health retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was Pub-2010 Disabled Mortality table, with a 4-year-set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long-term inflation assumption is 2.30% per annum for both the non-hazardous and hazardous plan.

CITY OF MT. VERNON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9 – RETIREMENT PLAN (CONTINUED)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real</u>
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	-0.91%
Real Estate	7.00%	3.67%
Real Return	<u>13.00%</u>	<u>4.07%</u>
Expected Real Return	100.00%	4.28%
Long Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.58%

Discount rate— Single discount rates of 5.70% for the CERS non-hazardous insurance plan were used to measure the total OPEB liability as of June 30, 2022. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.69%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2022. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan’s fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the plan’s actuarially determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the plan’s trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the City’s proportionate share of net OPEB liability to changes in the discount rate—The following table presents the net OPEB liability of the City, calculated using the discount rates selected by each OPEB system, as well as what the City’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	<u>Discount rate</u>	<u>City’s proportionate share of net OPEB liability</u>
1% decrease	4.70%	\$ 1,086,045
Current discount rate	5.70%	\$ 812,397
1% increase	6.70%	\$ 586,181

Sensitivity of the City’s proportionate share of net OPEB liability to changes in the healthcare cost trend rate—The following table presents the net OPEB liability of the City, 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.

	<u>City’s proportionate share of net OPEB liability</u>
1% decrease	\$ 603,999
Current healthcare cost trend rate	\$ 812,397
1% increase	\$ 1,062,643

OPEB plan fiduciary net position—Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued financial reports of CERS. The reports are available on the Kentucky Retirement Systems website.

CITY OF MT. VERNON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 – RISK MANAGEMENT

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

NOTE 11 – SUBSEQUENT EVENTS

Subsequent events were evaluated, through February 21, 2024 which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

**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 City Council
City of Mt. Vernon, 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 the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Mt. Vernon, Kentucky as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Mt. Vernon, Kentucky’s basic financial statements of the City’s primary government and have issued our report thereon dated February 21, 2024.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the following paragraphs, we identified certain deficiencies in internal control that we consider to be material weakness and significant deficiencies.

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

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. As described in 2023-002 whose explanation follows on the schedule of findings and responses, we consider this deficiency in internal control over financial reporting a significant deficiency.

Compliance and Other Matters

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



City of Mt. Vernon's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City of Mt. Vernon's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Craft, Waninger, Noble & Company, PLLC

Craft, Waninger, Noble & Company, PLLC
Richmond, Kentucky
February 21, 2024

CITY OF MT. VERNON, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2023

2022-001-Accounting Personnel

As discussed in *Standards for Internal Control in the Federal Government* published by the General Accounting Office of the United States, internal control is an integral component of an organization's management that provides reasonable assurance that an objective of reliable financial reporting is being achieved. Organizations should implement procedures to ensure this objective is achieved.

During the audit procedures performed, instances of this objective not being completely achieved were noted.

The City of Mt. Vernon, Kentucky lacks adequate controls in financial accounting and reporting to properly prepare financial statements and disclosures according to generally accepted accounting principles. Several adjustments were discovered by audit procedures, that when considered in the aggregate, were more than inconsequential to the financial statements. The City did not have effective procedures in place to ensure that all accruals and adjustments that were needed were properly recorded.

Response: The City is aware of the above and has begun to obtain training for the City Clerk and other employees, was well as consulted with our external Certified Public Accountant regarding the implementation of complex accounting standards.

2022-002 Organizational Structure

As discussed in *Standards for Internal Control in the Federal Government* published by the General Accounting Office of the United States, internal control is an integral component of an organization's management that provides reasonable assurance that an objective of reliable financial reporting is being achieved. Organizations should implement procedures to ensure this objective is achieved.

During the audit procedures performed, instances of this objective not being completely achieved were noted.

The size of the City's staff precludes an adequate separation of duties that would help detect and prevent fraud, waste, and abuse in the City. The lack of separation of duties is a preventive measure. The addition of the separation of duties would lead to a decreased risk for fraud and other activities which could lead to financial statements that are materially misstated.

Response: Due to budget constraints, it doesn't appear that that it would be economically feasible for the City to hire additional personnel. However, the City has implemented additional procedures whereby the reconciliation balances are being compared to the monthly financials by staff that has not prepared the reconciliations. It is important that the Mayor and Council continue to provide oversight and review functions.

CITY OF MT. VERNON, KENTUCKY
 BUDGET TO ACTUAL COMPARISON STATEMENT
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u>		Actual Amounts Budgetary Basis	Variance From Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,325,300	1,325,300	\$ 1,924,799	\$ 599,499
Licenses and permits	20,000	20,000	73,653	53,653
Charges for services	169,650	169,650	186,535	16,885
Grant revenue	11,000	11,000	274,350	263,350
Interest income	1,200	1,200	4,042	2,842
Miscellaneous	31,850	31,850	325,219	293,369
Total Revenue	<u>1,559,000</u>	<u>1,559,000</u>	<u>2,788,598</u>	<u>1,229,598</u>
Expenditures				
General government	745,298	745,298	1,276,340	(531,042)
Public safety				
Police department	764,544	764,544	919,586	(155,042)
Fire department	99,541	99,541	139,556	(40,015)
Public works	10,000	10,000	45,108	(35,108)
Capital outlay	-	-	393,183	(393,183)
Debt Service	60,000	60,000	252,022	(192,022)
Total Expenditures	<u>\$ 1,679,383</u>	<u>\$ 1,679,383</u>	<u>\$ 3,025,795</u>	<u>\$ (1,346,412)</u>
Excess (deficiency) of revenue over expenditures	(120,383)	(120,383)	(237,197)	(116,814)
Other Financing Sources (uses)				
Transfers in	120,383	120,383	643,770	523,387
Transfers out	-	-	(885,647)	(885,647)
Total Other Financing Sources (uses)	<u>120,383</u>	<u>120,383</u>	<u>(241,877)</u>	<u>(362,260)</u>
Excess (deficiency)	-	-	(479,074)	(479,074)
Fund Balance - beginning	<u>2,748,808</u>	<u>2,748,808</u>	<u>2,748,808</u>	<u>-</u>
Fund Balance - ending	<u><u>\$ 2,748,808</u></u>	<u><u>\$ 2,748,808</u></u>	<u><u>\$ 2,269,734</u></u>	<u><u>\$ (479,074)</u></u>

CITY OF MT. VERNON, KENTUCKY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEARS ENDED JUNE 30, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015 AND 2014

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
City's proportion of the net pension liability	0.041172%	0.048981%	0.050575%	0.052078%	0.050249%	0.048784%	0.051500%	0.053200%	0.044100%	0.006183%
City's proportionate share of the net pension liability	\$ 2,976,329	\$ 3,122,923	\$ 3,879,202	\$ 3,662,669	\$ 3,060,317	\$ 2,855,478	\$ 2,536,708	\$ 2,288,517	\$ 1,431,201	\$ 1,627,382
City's covered employee payroll	\$ 1,349,965	\$ 1,138,504	\$ 1,251,097	\$ 1,294,052	\$ 1,317,284	\$ 1,360,554	\$ 1,272,645	\$ 1,242,149	\$ 1,150,719	\$ 1,103,031
City's share of the net pension liability as a percentage of its covered employee payroll	220.47%	274.30%	310.06%	283.04%	232.32%	209.88%	199.33%	184.24%	124.37%	147.54%
Plan fiduciary net position as a percentage of the total pension liability	52.42%	57.33%	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%	61.22%

Notes: See the following Schedule of Changes in Benefits and Assumptions for any changes during the periods shown above.
The amounts presented for each fiscal year were determined (measured) as of the previous fiscal year.

CITY OF MT. VERNON, KENTUCKY
SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE YEARS ENDED JUNE 30, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, AND 2014

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required employer contribution	\$ 315,869	\$ 241,021	\$ 241,462	\$ 250,028	\$ 212,918	\$ 180,334	\$ 165,694	\$ 153,063	\$ 146,886	\$ 151,181
Contributions relative to contractually required employer contribution	\$ 315,869	\$ 241,021	\$ 241,462	\$ 250,028	\$ 212,918	\$ 180,334	\$ 165,694	\$ 153,063	\$ 146,886	\$ 151,181
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Company's covered employee payroll	\$1,349,965	\$1,138,504	\$1,251,097	\$1,294,052	\$1,317,284	\$1,360,554	\$1,272,645	\$1,242,149	\$1,150,719	\$1,103,031
Employer contributions as a percentage of covered-employee payroll	23.40%	21.17%	19.30%	19.32%	16.16%	13.25%	13.02%	12.32%	12.76%	13.71%

Notes: See the following Schedule of Changes in Benefits and Assumptions for any changes during the periods shown above.
Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

CITY OF MT. VERNON, KENTUCKY
 SCHEDULE OF CHANGES IN BENEFITS AND ASSUMPTIONS
 FOR THE YEAR ENDED JUNE 30, 2023

County Employee Retirement System

Changes of benefit terms – The following changes were adopted during the 2018 legislative session.

- Benefits paid to the spouses of deceased members have been increased from 25% of the member’s final pay rate to 75% of the member’s average pay. If the member does not have a surviving spouse, benefits paid to surviving children have been increased from 10% of the member’s final pay to 50% of the average pay for one child, 65% of the average pay for two children, or 75% of the average pay for three children.

Changes in assumptions – The following changes were adopted by the Board of Trustees and reflected in the valuation performed as of June 30, listed below:

2019

- Updated the mortality tables from RP-2000 to Pub-2010
- The salary increase assumption was increased from an average of 3.05% to a range of 3.30% to 10.30%.

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%
- The payroll growth assumption was reduced from 4.00% to 2.00%

2015

- 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 (setback one year for females). For disabled members the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (setback four year 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.
- Assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.

Method and assumptions used in calculations of actuarially determined contributions –The following actuarial methods and assumptions were used to determine contribution effective for the fiscal year ended June 30, 2022:

Actuarial cost method	Entry age normal
Amortization method	Level of percentage of payroll
Remaining amortization period	30 years
Payroll growth rate	2.00%
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary increase	3.30% to 10.30%, varies by service
Investment rate of return	6.25%, net of pension plan investment expense, including inflation
Phase-in provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018

See Independent Auditor’s Report.

CITY OF MT. VERNON, KENTUCKY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
FOR THE YEARS ENDED JUNE 30, 2023, 2022, 2021, 2020, 2019, 2018, AND 2017

	2023	2022	2021	2020	2019	2018	2017
City's proportion of the net OPEB liability	0.041165%	0.048969%	0.050561%	0.052065%	0.050247%	0.048784%	0.051521%
City's proportionate share of the net OPEB liability	\$ 812,397	\$ 937,487	\$ 1,220,642	\$ 875,713	\$ 892,125	\$ 980,725	\$ 769,257
City's covered employee payroll	\$ 1,349,965	\$ 1,138,504	\$ 1,251,097	\$ 1,294,052	\$ 1,317,284	\$ 1,360,554	\$ 1,272,645
City's share of the net OPEB liability as a percentage of its covered employee payroll	60.18%	82.34%	97.57%	67.67%	67.72%	72.08%	60.45%
Plan fiduciary net position as a percentage of the total OPEB liability	60.95%	62.91%	51.67%	60.44%	57.62%	52.39%	55.24%

Notes: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.
See the following Schedule of Changes in Benefits and Assumptions for any changes during the periods shown above.
The amounts presented for each fiscal year were determined (measured) as of the previous fiscal year.

CITY OF MT. VERNON, KENTUCKY
SCHEDULE OF OPEB CONTRIBUTIONS
FOR THE YEARS ENDED JUNE 30, 2023, 2022, 2021, 2020, 2019, 2018, AND 2017

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required employer contribution	\$ 45,760	\$ 65,806	\$ 59,552	\$ 61,665	\$ 69,045	\$ 58,534	\$ 56,182
Contributions relative to contractually required employer contribution	<u>\$ 45,760</u>	<u>\$ 65,806</u>	<u>\$ 59,552</u>	<u>\$ 61,665</u>	<u>\$ 69,045</u>	<u>\$ 58,534</u>	<u>\$ 56,182</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Company's covered employee payroll	\$ 1,349,965	\$ 1,138,504	\$ 1,251,097	\$ 1,294,052	\$ 1,317,284	\$ 1,360,554	\$ 1,272,645
Employer contributions as a percentage of covered-employee payroll	3.39%	5.78%	4.76%	4.77%	5.24%	4.30%	4.41%

Notes: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.
See the following Schedule of Changes in Benefits and Assumptions- OPEB for any changes during the periods shown above.
Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the pension fund of CERS. The above contributions only include those contributions allocated directly to the CERS insurance fund.

CITY OF MT. VERNON, KENTUCKY
 SCHEDULE OF CHANGES IN BENEFITS AND ASSUMPTIONS- OPEB
 FOR THE YEAR ENDED JUNE 30, 2023

County Employee Retirement System

Changes of benefit terms – The following changes were adopted during the 2018 legislative session.

- The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty.

Changes in assumptions – The following changes were adopted by the Board of Trustees and reflected in the valuation performed as of June 30, listed below:

2022

- The single discount rate was increased from 5.20% to 5.70%

2021

- The single discount rate was decreased from 5.34% to 5.20%

2020

- The single discount rate was decreased from 5.68% to 5.34%

2019

- Updated the mortality tables from RP-2000 to Pub-2010
- The single discount rate was decreased from 5.84% to 5.68%
- The salary increase assumption was increased from an average of 3.05% to a range of 3.30% to 10.30%.

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%
- The payroll growth assumption was reduced from 4.00% to 2.00%

Method and assumptions used in calculations of actuarially determined contributions – The following actuarial methods and assumptions were used to determine contribution effective for fiscal year ending June 30, 2022:

Actuarial cost method	Entry age normal
Amortization method	Level of percentage of payroll
Remaining amortization period	30 years
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%
Payroll growth rate	2.00%
Salary increase	3.30% to 10.30%, varies by service
Investment rate of return	6.25%, net of pension plan investment expense, including inflation
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.25% at January 1, 2021, gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 5.50% at January 1, 2021, gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

See Independent Auditor's Report.

CITY OF MT. VERNON, KENTUCKY
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
FOR THE YEAR ENDED JUNE 30, 2023

<u>Fund</u>	<u>Year</u>	<u>Principal</u>	<u>Annual Interest</u>	<u>Debt Service</u>	<u>Total</u>
Water and Sewer Fund					
Rural Development Bonds					
	2024	\$ 155,000	\$ 35,940	\$ 450	\$ 191,390
	2025	165,000	29,431	450	194,881
	2026	170,000	22,500	450	192,950
	2027	175,000	15,361	450	190,811
	2028	185,000	8,010	450	193,463
Total		<u>\$ 850,000</u>	<u>\$ 111,242</u>	<u>\$ 2,250</u>	<u>\$ 963,495</u>
Kentucky Infrastructure Authority Loan B07-01					
	2024	\$ 31,666	\$ 3,415	\$ 949	\$ 36,030
	2025	31,894	3,187	885	35,966
	2026	32,124	2,956	821	35,901
	2027	32,356	2,725	757	35,838
	2028	32,589	2,491	692	35,772
	2029	32,825	2,256	627	35,708
	2030	33,061	2,020	561	35,642
	2031	33,300	1,781	495	35,576
	2032	33,540	1,541	428	35,509
	2033	33,782	1,299	361	35,442
	2034	34,026	1,055	293	35,374
	2035	34,271	810	225	35,306
	2036	34,518	563	156	35,237
	2037	34,767	314	87	35,168
	2038	17,478	64	17	17,557
Total		<u>\$ 482,197</u>	<u>\$ 26,477</u>	<u>\$ 7,354</u>	<u>\$ 516,026</u>

CITY OF MT. VERNON, KENTUCKY
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

<u>Fund</u>	<u>Year</u>	<u>Principal</u>	<u>Annual Interest</u>	<u>Debt Service</u>	<u>Total</u>
Water and Sewer Fund					
Kentucky Council of Area Development Districts -1999 USDA Refunding					
	2024	\$ 55,000	\$ 29,420	\$ 3,287	\$ 87,707
	2025	55,000	27,220	3,150	85,370
	2026	55,000	25,020	3,013	83,033
	2027	60,000	22,720	2,875	85,595
	2028	60,000	20,320	2,725	83,045
	2029	65,000	17,820	2,575	85,395
	2030	65,000	15,789	2,412	83,201
	2031	70,000	14,270	2,250	86,520
	2032	70,000	12,695	2,075	84,770
	2033	70,000	11,120	1,900	83,020
	2034	75,000	9,489	1,725	86,214
	2035	75,000	7,708	1,538	84,246
	2036	80,000	5,770	1,350	87,120
	2037	80,000	3,770	1,150	84,920
	2038	80,000	1,385	950	82,335
Total		<u>\$ 1,015,000</u>	<u>\$ 224,516</u>	<u>\$ 32,975</u>	<u>\$ 1,272,491</u>
Kentucky Infrastructure Authority Loan F12-01					
	2024	\$ 94,258	\$ 14,397	\$ 3,599	\$ 112,254
	2025	95,203	13,452	3,363	112,018
	2026	96,158	12,498	3,124	111,780
	2027	97,122	11,534	2,883	111,539
	2028	98,095	10,560	2,640	111,295
	2029	99,079	9,577	2,394	111,050
	2030	100,072	8,583	2,146	110,801
	2031	101,075	7,580	1,895	110,550
	2032	102,088	6,567	1,642	110,297
	2033	103,112	5,543	1,386	110,041
	2034	104,146	4,510	1,127	109,783
	2035	105,190	3,466	866	109,522
	2036	106,244	2,411	603	109,258
	2037	107,309	1,346	337	108,992
	2038	54,056	270	68	54,394
Total		<u>\$ 1,463,207</u>	<u>\$ 112,294</u>	<u>\$ 28,073</u>	<u>\$ 1,603,574</u>

CITY OF MT. VERNON, KENTUCKY
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

<u>Fund</u>	<u>Year</u>	<u>Principal</u>	<u>Annual Interest</u>	<u>Program Fees</u>	<u>Total</u>
KY Council of Area Development					
District Financing Program 2019 First Series C					
	2024	\$ 35,000	\$ 7,330	\$ 825	\$ 43,155
	2025	35,000	5,930	738	41,668
	2026	35,000	4,530	650	40,180
	2027	35,000	3,130	562	38,692
	2028	35,000	1,730	475	37,205
	2029	10,000	518	387	10,905
Total		<u>\$ 185,000</u>	<u>\$ 23,168</u>	<u>\$ 3,637</u>	<u>\$ 211,805</u>
Mountain Association for Community					
Economic Development, Inc.					
	2024	\$ 35,692	\$ 11,576	\$ -	\$ 47,268
	2025	37,263	10,004	-	47,267
	2026	38,873	8,395	-	47,268
	2027	40,551	6,683	-	47,234
	2028	42,290	4,978	-	47,268
	2029	44,129	3,139	-	47,268
	2029	45,728	1,269	-	46,997
Total		<u>\$ 284,526</u>	<u>\$ 46,044</u>	<u>\$ -</u>	<u>\$ 330,570</u>
Mountain Association for Community					
	2024	\$ 5,581	\$ 838	\$ -	\$ 6,419
	2025	5,847	572	-	6,419
	2026	6,127	292	-	6,419
Total		<u>\$ 17,555</u>	<u>\$ 1,702</u>	<u>\$ -</u>	<u>\$ 19,257</u>

CITY OF MT. VERNON, KENTUCKY
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

<u>Fund</u>	<u>Year</u>	<u>Principal</u>	<u>Annual Interest</u>	<u>LOC Payment</u>	<u>Total</u>
Kentucky Area Development District Financing Trust					
Tourist Commission - Land					
	2024	\$ 30,000	\$ 27,913	\$ 1,000	\$ 58,913
	2025	30,000	26,113	1,000	57,113
	2026	35,000	24,313	1,000	60,313
	2027	35,000	22,213	1,000	58,213
	2028	40,000	20,113	1,000	61,113
	2029	40,000	17,712	1,000	58,712
	2030	45,000	15,312	1,000	61,312
	2031	45,000	12,500	1,000	58,500
	2032	50,000	9,687	1,000	60,687
	2033	50,000	6,562	1,000	57,562
	2034	55,000	3,440	1,000	59,437
Total		<u>\$ 455,000</u>	<u>\$ 185,878</u>	<u>\$ 11,000</u>	<u>\$ 651,875</u>

Kentucky Council of Area Development Districts Financing Program					
Revenue Bonds 2019 First Series D					
	2024	\$ 90,000	\$ 29,545	\$ 3,588	\$ 123,133
	2025	95,000	27,486	3,362	125,848
	2026	95,000	25,325	3,125	123,450
	2027	100,000	23,058	2,888	125,946
	2028	100,000	20,657	2,637	123,294
	2029	105,000	18,094	2,388	125,482
	2030	110,000	15,325	2,125	127,450
	2031	110,000	12,438	1,850	124,288
	2032	115,000	9,427	1,575	126,002
	2033	120,000	6,195	1,287	127,482
	2034	120,000	2,257	988	123,245
Total		<u>\$ 1,160,000</u>	<u>\$ 189,807</u>	<u>\$ 25,813</u>	<u>\$ 1,375,620</u>