

**CITY OF CYNTHIANA**  
**Cynthiana, Kentucky**



**FINANCIAL STATEMENTS**  
**June 30, 2023**

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## INDEPENDENT AUDITORS' REPORT

Mayor and Board of Commissioners  
City of Cynthiana, Kentucky

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cynthiana, 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 Cynthiana, Kentucky's basic financial statements as listed in the table of contents.

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

#### ***Basis for Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Cynthiaiana, 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 Cynthiaiana, Kentucky's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and other post-employment benefits (OPEB) schedules on pages 4–10 and 43–62 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cynthiana, Kentucky's basic financial statements. The schedule of operations – water and sewer fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of operations – water and sewer fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2024, on our consideration of the City of Cynthiana, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Cynthiana, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Cynthiana, Kentucky's internal control over financial reporting and compliance.

**RFH**

RFH, PLLC  
Lexington, Kentucky  
February 15, 2024

# City of Cynthiana

## Management's Discussion and Analysis

Our discussion and analysis of the City of Cynthiana's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2023. Please read the following in conjunction with the auditors' report on page 1 and the City's financial statements, which begin to appear on page 11.

### FINANCIAL HIGHLIGHTS

- Occupational license fees increased slightly above last year's revenue. The City continues to receive a 4% regulatory fee on all retail alcohol sales and tourism in Cynthiana.
- Beginning July 1, 2023 tourism fees will be collected by Harrison County Fiscal Court and remitted to the City on a quarterly basis. The checking account will continue to be maintained by the City.
- The City budgeted conservatively and continued cost containment measures implemented by management. The City strived to maintain current levels of service.
- The downtown area continues to grow with several new businesses.
- The Energy Savings project was completed in Fiscal Year 2023.
- The City continues to make improvements to the water infrastructure. Most of the labor for these improvements is provided by the City workforce. There is a continuing multi-year plan to repair aging infrastructure.
- The City made allocations of some of the 1.6 million dollars in American Rescue Plan Act funds, \$500,000 was allocated to the Water tank project at the Industrial Park, this project is in the planning stages and will be bid out next fiscal year.
- The City accounting software upgrade was completed in fiscal year 2023.
- The Cost for employee salaries and benefits continue to be on the rise so the City will need to focus on getting more done with the resources we have.
- The City continues to make improvements to City and County Recreational facilities.
- In conjunction with the new NexGen software programs, the City changed Utility billing from printing in-house for both monthly billing and past-due notices to now outsourcing the printing and mailing of utility bills which has resulted in time and cost savings.

### OVERVIEW OF THIS ANNUAL REPORT

This annual report consists of the management's discussion and analysis report, the independent auditors' report, the basic financial statements of the City, and the independent auditors' report on compliance. The financial statements also include notes that explain in more detail some of the information in the financial statements.

The City's financial statements present two kinds of statements, each with a different snapshot of the City's finances. The focus is both the City as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. The fund financial statements focus on the individual funds of the City, reporting the City's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison (year to year or government to government) and enhance the City's accountability.

## **GOVERNMENT – WIDE FINANCIAL STATEMENTS**

The government-wide statements report information about the City as a whole, using accounting methods similar to those used by private-sector companies. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the City's activities in a way that will help answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenditures are taken into account regardless of when cash is received or paid.

These two statements report the net position of the City and the changes in them. One can think of the City's net position—the difference between assets and deferred outflows and liabilities and deferred inflows—as one way to measure financial health or financial position. Over time, increases or decreases in the City's net position is an indicator of whether its financial health or position is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, changes in property tax rates or valuation, infrastructure asset condition, and new or changed government legislation.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

**Governmental activities** - Most of the City's basic services are reported here, including general government administration, police, fire, streets, and sanitation. Property taxes, licenses and permits (including occupational licenses fees, insurance premium fees, and franchise fees), and grants finance most of these activities.

**Business-type activities** - The City collects fees from customers to cover the costs of the services, provided by the water and sewer utility.

## **FUND FINANCIAL STATEMENTS**

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The focus is now on the City's funds. The fund financial statements provide more information about the City's funds and not the City as a whole.

The City has two kinds of funds:

**Governmental funds** – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets, that 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 fund statements provide a detailed short-term view that helps the reader 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, additional information is provided at the bottom of the governmental funds statement that explains the relationship (or differences) between them.

**Proprietary fund** - Services for which the City charges customers fees are generally reported in proprietary funds.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

### NET POSITION

Our analysis begins with a summary of the City's Statement of Net Position, which is presented on Table A-1 followed by an explanation of the results. Changes in net position are presented in Table A-2, which is also followed by an explanation of the results.

Table A-1

#### Condensed Statement of Net Position

	<u>Governmental</u>		<u>Business-type</u>		<u>Total Primary</u>	
	<u>Activities</u>		<u>Activities</u>		<u>Government</u>	
	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2022</u>
Current and Other Assets	\$ 4,150,002	\$ 4,292,066	\$ 1,641,719	\$ 969,598	\$ 5,791,721	\$ 5,261,664
Noncurrent and Capital Assets	10,784,788	10,448,981	21,205,980	21,156,932	31,990,768	31,605,913
Deferred Outflows of Resources	<u>1,919,387</u>	<u>2,060,672</u>	<u>597,982</u>	<u>686,141</u>	<u>2,517,369</u>	<u>2,746,813</u>
Total Assets and Deferred Outflows	<u>\$ 16,854,177</u>	<u>\$ 16,801,719</u>	<u>\$ 23,445,681</u>	<u>\$ 22,812,671</u>	<u>\$ 40,299,858</u>	<u>\$ 39,614,390</u>
Long-Term Accrued Leave Payable	\$ 335,348	\$ 309,850	\$ 133,707	\$ 115,169	\$ 469,055	\$ 425,019
Long-Term Debt	3,163,390	3,219,070	7,087,117	7,611,054	10,250,507	10,830,124
Net Pension and OPEB Liabilities	11,151,355	10,893,848	2,896,483	2,678,749	14,047,838	13,572,597
Deferred Inflows of Resources	1,839,858	2,397,568	295,111	574,846	2,134,969	2,972,414
Other Current Liabilities	<u>1,369,272</u>	<u>1,889,742</u>	<u>1,278,049</u>	<u>197,919</u>	<u>2,647,321</u>	<u>2,087,661</u>
Total Liabilities and Deferred Inflows	<u>\$ 17,859,223</u>	<u>\$ 18,710,078</u>	<u>\$ 11,690,467</u>	<u>\$ 11,177,737</u>	<u>\$ 29,549,690</u>	<u>\$ 29,887,815</u>
Net Position:						
Net Investment in Capital Assets	\$ 6,763,662	\$ 6,803,613	\$ 12,914,565	\$ 12,879,755	\$ 19,678,227	\$ 19,683,368
Restricted	857,736	426,298	704,298	666,123	1,562,034	1,092,421
Unrestricted	<u>(8,626,444)</u>	<u>(9,138,270)</u>	<u>(1,863,649)</u>	<u>(1,910,944)</u>	<u>(10,490,093)</u>	<u>(11,049,214)</u>
Total Net Position	<u>\$ (1,005,046)</u>	<u>\$ (1,908,359)</u>	<u>\$ 11,755,214</u>	<u>\$ 11,634,934</u>	<u>\$ 10,750,168</u>	<u>\$ 9,726,575</u>



**NET POSITION, continued**

**Table A-2**

**Condensed Statement of Activities**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2022</u>
<b>Revenues</b>						
<u>Program Revenues</u>						
Charges for service	\$ 596,035	\$ 510,704	\$ 3,909,603	\$ 3,623,604	\$ 4,505,638	\$ 4,134,308
Operating grants & contributions	791,922	786,098	-	-	791,922	786,098
Capital grants & contributions	780,303	329,657	194,583	69,550	974,886	399,207
<u>General Revenues</u>						
Taxes	787,998	815,723	-	-	787,998	815,723
License fees	4,942,809	4,725,135	-	-	4,942,809	4,725,135
Investment earnings	19,951	4,919	1,432	587	21,383	5,506
Miscellaneous	643,544	50,414	-	-	643,544	50,414
Total Revenue	<u>8,562,562</u>	<u>7,222,650</u>	<u>4,105,618</u>	<u>3,693,741</u>	<u>12,668,180</u>	<u>10,916,391</u>
<b>Program Expenses</b>						
Public affairs	756,573	608,457	-	-	756,573	608,457
Public finance	342,105	301,276	-	-	342,105	301,276
Public safety - police	2,051,514	2,207,753	-	-	2,051,514	2,207,753
Public safety - fire	1,864,847	1,796,926	-	-	1,864,847	1,796,926
Public safety - dispatch	532,472	515,533	-	-	532,472	515,533
Public works	1,020,765	809,361	-	-	1,020,765	809,361
Public property	362,340	330,747	-	-	362,340	330,747
Sanitation	596,018	496,367	-	-	596,018	496,367
Code enforcement	15,797	7,702	-	-	15,797	7,702
Main street	43,262	39,027	-	-	43,262	39,027
Interest on Debt	97,861	105,473	-	-	97,861	105,473
Water	-	-	2,419,756	2,167,760	2,419,756	2,167,760
Sewer	-	-	1,546,520	1,453,312	1,546,520	1,453,312
Total Program Expenses	<u>7,683,554</u>	<u>7,218,622</u>	<u>3,966,276</u>	<u>3,621,072</u>	<u>11,649,830</u>	<u>10,839,694</u>
<b>Other Changes</b>						
Gain (loss) on sale of assets	24,305	(158,518)	(19,062)	-	5,243	(158,518)
Total Other Changes	<u>24,305</u>	<u>(158,518)</u>	<u>(19,062)</u>	<u>-</u>	<u>5,243</u>	<u>(158,518)</u>
Change In Net Position	<u>\$ 903,313</u>	<u>\$ (154,490)</u>	<u>\$ 120,280</u>	<u>\$ 72,669</u>	<u>\$ 1,023,593</u>	<u>\$ (81,821)</u>

The City's change in Net Position above appear to be analogous to the long-standing concept of net revenues, but under the full accrual basis utilized by the governmental activities, these numbers include depreciation expense which is not a cash expenditure of the City. Additionally, the principal portions of debt obligations are excluded from the above but are reflected as debt service expenditures along with capital outlay expenditures in the City's budget for governmental activities. The business-type activities have always been on the full accrual basis.

## GOVERNMENTAL ACTIVITIES

Table A-3 details a condensed statement of the fiscal year's governmental funds.

**Table A-3**

### **Condensed Governmental Funds - Revenues & Expenditures**

	<u>FY 2023</u>	<u>FY 2022</u>	<u>Change</u>
Taxes	\$ 787,998	\$ 815,723	\$ (27,725)
Licenses and Permits	4,942,809	4,725,135	217,674
Intergovernmental	1,572,225	1,141,045	431,180
Charges for Services	596,035	510,704	85,331
Other Revenues	<u>227,022</u>	<u>55,333</u>	<u>171,689</u>
Total Revenues	<u>8,126,089</u>	<u>7,247,940</u>	<u>878,149</u>
Public affairs	623,732	527,964	95,768
Public finance	336,330	289,229	47,101
Public safety - police	1,930,343	1,945,476	(15,133)
Public safety - fire	1,866,480	1,637,929	228,551
Public safety - dispatch	518,298	500,547	17,751
Public works	756,360	558,590	197,770
Public property	334,092	323,580	10,512
Sanitation	596,018	496,367	99,651
Code enforcement	15,797	7,702	8,095
Main street	42,418	37,260	5,158
Debt Service	470,845	541,955	(71,110)
Capital Outlay	<u>831,772</u>	<u>1,086,396</u>	<u>(254,624)</u>
Total Expenditures	<u>8,322,485</u>	<u>7,952,995</u>	<u>369,490</u>
Excess (Deficiency) of Revenues over Expenditures before other financing sources	<u>\$ (196,396)</u>	<u>\$ (705,055)</u>	<u>\$ 508,659</u>

The bottom number of Table A-3 above, should not be confused with the end-of-year "Fund Balance" figure shown in the City's General Fund Budget, because the above does not reflect the General Fund's beginning-of-year balance and any debt proceeds received during the fiscal year.

## BUDGET HIGHLIGHTS

Over the course of the fiscal year, the City did amend its budget. The budget contains proposed expenditures and expected revenues. A comparison of the budget to actual amounts for General Fund is presented in the table below (Tables A-4 & A-5).

**Table A-4**

### Condensed General Fund – Revenues

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Taxes	\$ 781,241	\$ 787,998	\$ 6,757
Licenses and permits	4,891,376	4,942,809	51,433
Intergovernmental	1,429,703	1,438,487	8,784
Charges for services	595,834	596,035	201
Other revenues	<u>400,376</u>	<u>226,954</u>	<u>(173,422)</u>
Total revenues	<u>\$ 8,098,530</u>	<u>\$ 7,992,283</u>	<u>\$ (106,247)</u>

**Table A-5**

### Condensed General Fund - Expenditures

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Public affairs	\$ 602,615	\$ 623,732	\$ 21,117
Public finance	325,023	336,330	11,307
Public safety-police	1,995,552	1,930,343	(65,209)
Public safety-fire	1,828,009	1,866,480	38,471
Public safety-dispatch	525,460	518,298	(7,162)
Public works	902,397	756,360	(146,037)
Public sanitation	591,059	596,018	4,959
Public property	343,726	334,092	(9,634)
Code enforcement	15,890	15,797	(93)
Main street	43,847	42,418	(1,429)
Debt service	441,368	470,845	29,477
Capital outlay	<u>208,310</u>	<u>699,764</u>	<u>491,454</u>
Total	<u>\$ 7,823,256</u>	<u>\$ 8,190,477</u>	<u>\$ 367,221</u>

The City budgeted for a total of \$8,098,530 in revenues for 2023, but actual revenues totaled \$7,992,283. The City over budgeted revenues by \$106,247. A total of \$7,823,256 was budgeted for expenditures, but expenditures totaled \$8,190,477 for fiscal year 2023. The City was over budget on the expenses by \$367,221. This budget amount reflects the amended budget.

## CAPITAL ASSETS

Table A-6 shows summary totals for a broad range of capital assets, including police equipment, buildings, land, street equipment and fire equipment and all of the equipment and materials involved in the operation of water and sewer utilities. Table A-6 shows the breakdown of non-depreciated capital assets for both governmental and business-type activities.

**Table A-6**

### Capital Assets at Year End Without Depreciation

	<b>Governmental</b>		<b>Business-type</b>		<b>Total Primary</b>	
	<b>Activities</b>		<b>Activities</b>		<b>Government</b>	
	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2022</u>
Land & improvements	\$ 2,754,627	\$ 2,754,627	\$ -	\$ -	\$ 2,754,627	\$ 2,754,627
Construction in progress	129,064	2,223,891	182,781	66,301	311,845	2,290,192
Infrastructure	4,659,224	4,130,013	-	-	4,659,224	4,130,013
Buildings & improvements	4,498,767	2,508,750	-	-	4,498,767	2,508,750
Vehicles & equipment	3,921,826	3,920,608	567,164	567,164	4,488,990	4,487,772
Water & sewer system	-	-	42,962,645	42,614,837	42,962,645	42,614,837
<b>Total Capital Assets</b>	<b>\$ 15,963,508</b>	<b>\$ 15,537,889</b>	<b>\$ 43,712,590</b>	<b>\$ 43,248,302</b>	<b>\$ 59,676,098</b>	<b>\$ 58,786,191</b>

## DEBT

Table A-7 provides a summary of all of the City's outstanding indebtedness.

**Table A-7**

### Debt Outstanding at Year End

	<b>Governmental</b>		<b>Business-type</b>		<b>Total Primary</b>	
	<b>Activities</b>		<b>Activities</b>		<b>Government</b>	
	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2022</u>
Notes and bonds payable	\$ 2,642,906	\$ 2,779,456	\$ 6,981,900	\$ 7,463,964	\$ 9,624,806	\$ 10,243,420
Lease liability	520,484	439,614	105,217	147,090	625,701	586,704
<b>Total Debt Outstanding</b>	<b>\$ 3,163,390</b>	<b>\$ 3,219,070</b>	<b>\$ 7,087,117</b>	<b>\$ 7,611,054</b>	<b>\$ 10,250,507</b>	<b>\$ 10,830,124</b>

## ECONOMIC FACTORS AND NEXT YEARS BUDGETS

The City Commission considers many factors when setting the fiscal year budget. Some of the factors are the local economy, expected grant money and anticipated tax revenue and fees and utility services. The City anticipates revenues from occupational license, net profits, insurance premium fees and property taxes to remain steady for the fiscal year ended June 30, 2024. The City management will closely monitor revenues and expenses.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens of the City, taxpayers, customers and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jamie Hutchison, City Clerk/Finance Director, 141 East Pike Street, P. O. Box 67, Cynthiana, KY 41031.

**CITY OF CYNTHIANA, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**June 30, 2023**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 2,328,435	\$ 1,057,847	\$ 3,386,282
Receivables, net	1,797,836	607,603	2,405,439
Internal balances	<u>23,731</u>	<u>(23,731)</u>	<u>-</u>
Total current assets	<u>4,150,002</u>	<u>1,641,719</u>	<u>5,791,721</u>
Noncurrent assets			
Restricted cash and cash equivalents	857,736	1,204,298	2,062,034
Capital assets			
Nondepreciable capital assets	2,883,691	182,781	3,066,472
Depreciable capital assets, net	6,534,881	19,716,797	26,251,678
Leased vehicles and equipment, net	<u>508,480</u>	<u>102,104</u>	<u>610,584</u>
Total noncurrent assets	<u>10,784,788</u>	<u>21,205,980</u>	<u>31,990,768</u>
Total assets	<u>14,934,790</u>	<u>22,847,699</u>	<u>37,782,489</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows- pension	1,168,029	331,543	1,499,572
Deferred outflows- OPEB	<u>751,358</u>	<u>266,439</u>	<u>1,017,797</u>
Total deferred outflows of resources	<u>1,919,387</u>	<u>597,982</u>	<u>2,517,369</u>
Total assets and deferred outflows of resources	<u>\$ 16,854,177</u>	<u>\$ 23,445,681</u>	<u>\$ 40,299,858</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 71,622	\$ 151,116	\$ 222,738
Accrued leave payable, current	40,015	-	40,015
Accrued payroll liabilities	111,060	26,270	137,330
Accrued interest payable	22,872	52,198	75,070
Unearned revenue	1,163,718	989,890	2,153,608
Customer deposits	-	58,575	58,575
Lease liability, current	165,749	36,173	201,922
Bonds and notes payable, current	<u>182,374</u>	<u>485,310</u>	<u>667,684</u>
Total current liabilities	<u>1,757,410</u>	<u>1,799,532</u>	<u>3,556,942</u>
Noncurrent liabilities			
Accrued leave payable, net of current portion	295,333	133,707	429,040
Lease liability, net of current portion	354,735	69,044	423,779
Bonds and notes payable, net of current portion	2,460,532	6,496,590	8,957,122
Net pension liability	8,766,930	2,235,771	11,002,701
Net OPEB liability	<u>2,384,425</u>	<u>660,712</u>	<u>3,045,137</u>
Total noncurrent liabilities	<u>14,261,955</u>	<u>9,595,824</u>	<u>23,857,779</u>
Total liabilities	<u>16,019,365</u>	<u>11,395,356</u>	<u>27,414,721</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows- pension	901,592	56,294	957,886
Deferred inflows- OPEB	<u>938,266</u>	<u>238,817</u>	<u>1,177,083</u>
Total deferred inflows of resources	<u>1,839,858</u>	<u>295,111</u>	<u>2,134,969</u>
<b>NET POSITION</b>			
Net investment in capital assets	6,763,662	12,914,565	19,678,227
Restricted for:			
Debt service	-	704,298	704,298
Other purposes	857,736	-	857,736
Unrestricted	<u>(8,626,444)</u>	<u>(1,863,649)</u>	<u>(10,490,093)</u>
Total net position	<u>(1,005,046)</u>	<u>11,755,214</u>	<u>10,750,168</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 16,854,177</u>	<u>\$ 23,445,681</u>	<u>\$ 40,299,858</u>

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

**CITY OF CYNTHIANA, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
for the year ended June 30, 2023

<b>Functions/Programs</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Position Primary Government</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Primary government</b>							
<b>Governmental activities</b>							
Public affairs	\$ 756,573	\$ -	\$ -	\$ 515,918	\$ (240,655)	\$ -	\$ (240,655)
Public finance	342,105	-	-	-	(342,105)	-	(342,105)
Public safety-police	2,051,514	-	168,725	-	(1,882,789)	-	(1,882,789)
Public safety-fire	1,864,847	-	99,366	-	(1,765,481)	-	(1,765,481)
Public safety-dispatch	532,472	-	523,831	-	(8,641)	-	(8,641)
Public works	1,020,765	-	-	264,385	(756,380)	-	(756,380)
Public property	362,340	-	-	-	(362,340)	-	(362,340)
Sanitation	596,018	596,035	-	-	17	-	17
Code enforcement	15,797	-	-	-	(15,797)	-	(15,797)
Main street	43,262	-	-	-	(43,262)	-	(43,262)
Interest on long-term debt	97,861	-	-	-	(97,861)	-	(97,861)
Total governmental activities	<u>7,683,554</u>	<u>596,035</u>	<u>791,922</u>	<u>780,303</u>	<u>(5,515,294)</u>	<u>-</u>	<u>(5,515,294)</u>
<b>Business-type activities</b>							
Water	2,419,756	2,385,804	-	192,203	-	158,251	158,251
Sewer	1,546,520	1,523,799	-	2,380	-	(20,341)	(20,341)
Total business-type activities	<u>3,966,276</u>	<u>3,909,603</u>	<u>-</u>	<u>194,583</u>	<u>-</u>	<u>137,910</u>	<u>137,910</u>
<b>Total primary government</b>	<u>\$ 11,649,830</u>	<u>\$ 4,505,638</u>	<u>\$ 791,922</u>	<u>\$ 974,886</u>	<u>(5,515,294)</u>	<u>137,910</u>	<u>(5,377,384)</u>
<b>General revenues</b>							
Taxes:							
Property taxes, levied for general purposes							
					787,998	-	787,998
License fees:							
Franchise							
					361,502	-	361,502
Insurance premiums							
					851,145	-	851,145
Occupational							
					3,483,413	-	3,483,413
Reg fee/ retail alcohol							
					190,436	-	190,436
Other							
					56,313	-	56,313
Investment earnings							
					19,951	1,432	21,383
Miscellaneous							
					643,544	-	643,544
Total general revenues							
					6,394,302	1,432	6,395,734
Gain (loss) on disposal of capital assets							
					24,305	(19,062)	5,243
<b>Change in net position</b>							
					903,313	120,280	1,023,593
Net position-beginning of year, as restated							
					(1,908,359)	11,634,934	9,726,575
<b>NET POSITION-ENDING</b>							
					<u>\$ (1,005,046)</u>	<u>\$ 11,755,214</u>	<u>\$ 10,750,168</u>

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

**CITY OF CYNTHIANA, KENTUCKY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2023**

	<b>General</b>	<b>Municipal Road Aid</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,087,942	\$ 98,229	\$ 3,186,171
Receivables, net	1,119,585	-	1,119,585
Other receivable	646,087	-	646,087
Notes receivable, net	32,164	-	32,164
Due from other funds	23,731	-	23,731
Total assets	\$ 4,909,509	\$ 98,229	\$ 5,007,738
<b>LIABILITIES</b>			
Accounts payable	\$ 71,622	\$ -	\$ 71,622
Accrued leave payable	40,015	-	40,015
Accrued payroll liabilities	111,060	-	111,060
Unearned revenue	1,163,718	-	1,163,718
Total liabilities	1,386,415	-	1,386,415
<b>DEFERRED INFLOWS</b>			
Deferred inflows - unavailable revenue	436,473	-	436,473
<b>FUND BALANCES</b>			
Restricted			
Tourism	34,031	-	34,031
Grants and contributions	474,918	-	474,918
MRA	-	98,229	98,229
Debt service	250,558	-	250,558
Assigned			
Fire truck reserve	10,191	-	10,191
Unassigned	2,316,923	-	2,316,923
Total fund balances	3,086,621	98,229	3,184,850
Total liabilities and fund balances	\$ 4,909,509	\$ 98,229	\$ 5,007,738

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

Fund balances reported above \$ 3,184,850

Capital and leased assets used in governmental activities are not financial resources and therefore are not reported in the funds. 9,927,052

Deferred inflows - unavailable revenue related to the opioid settlement is recognized as revenue in the year of settlement in the governmental activities in accordance with the accrual basis of accounting. 436,473

Accrued interest payable on long-term debt (22,872)

Long-term liabilities, including bonds, leases, notes payable, accrued leave and related pension/OPEB deferred inflows/outflows are not due and payable in the current period and therefore are not reported in the funds. (14,530,549)

Net position of governmental activities \$ (1,005,046)

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

**CITY OF CYNTHIANA, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**for the year ended June 30, 2023**

	<b>General</b>	<b>Municipal Road Aid</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Taxes	\$ 787,998	\$ -	\$ 787,998
Licenses and permits	4,942,809	-	4,942,809
Intergovernmental	1,438,487	133,738	1,572,225
Charges for services	596,035	-	596,035
Other revenues	226,954	68	227,022
Total revenues	7,992,283	133,806	8,126,089
<b>EXPENDITURES</b>			
Current			
Public affairs	623,732	-	623,732
Public finance	336,330	-	336,330
Public safety-police	1,930,343	-	1,930,343
Public safety-fire	1,866,480	-	1,866,480
Public safety-dispatch	518,298	-	518,298
Public works	756,360	-	756,360
Public property	334,092	-	334,092
Sanitation	596,018	-	596,018
Code enforcement	15,797	-	15,797
Main street	42,418	-	42,418
Debt service	470,845	-	470,845
Capital outlay	699,764	132,008	831,772
Total expenditures	8,190,477	132,008	8,322,485
Excess (deficiency) of revenues over expenditures	(198,194)	1,798	(196,396)
Other financing sources:			
Proceeds from issuance of debt	317,534	-	317,534
Proceeds from disposal of capital assets	247,661	-	247,661
Total other financing sources	565,195	-	565,195
<b>Net change in fund balances</b>	367,001	1,798	368,799
Fund balances-beginning, as restated	2,719,620	96,431	2,816,051
<b>Fund balances-ending</b>	<b>\$ 3,086,621</b>	<b>\$ 98,229</b>	<b>\$ 3,184,850</b>
Reconciliation to government-wide change in net position:			
Net change in fund balances			\$ 368,799
Add: capital outlay expenditures			831,772
Add: debt service expenditures			470,845
Add: gain on disposal of assets			24,305
Add: opioid settlement revenue			436,473
Less: interest on long-term debt			(97,861)
Less: proceeds from sale and disposal of assets			(247,661)
Less: proceeds from issuance of debt			(317,534)
Add: change in net pension liability			287,170
Less: change in net OPEB liability			(128,253)
Less: change in long-term accrued leave payable			(20,696)
Less: depreciation and amortization on governmental activities assets			(704,046)
Change in net position Governmental Activities			<b>\$ 903,313</b>

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



**CITY OF CYNTHIANA, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**June 30, 2023**

	<b>Business-type Activities Water &amp; Sewer Fund</b>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 1,057,847
Receivables, net	<u>607,603</u>
Total current assets	<u>1,665,450</u>
Noncurrent assets	
Restricted cash and cash equivalents	1,204,298
Capital assets	
Nondepreciable capital assets	182,781
Leased vehicles and equipment	186,031
Depreciable capital assets	43,343,778
Less: accumulated depreciation and amortization	<u>(23,710,908)</u>
Total noncurrent assets	<u>21,205,980</u>
Total assets	<u>22,871,430</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows - pension	331,543
Deferred outflows - OPEB	<u>266,439</u>
Total deferred outflows of resources	<u>597,982</u>
Total assets and deferred outflows of resources	<u>\$ 23,469,412</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	\$ 151,116
Accrued payroll liabilities	26,270
Accrued interest payable	52,198
Customer deposits	58,575
Unearned revenue	989,890
Lease liability, current	36,173
Bonds and notes payable, current	485,310
Due to other funds	<u>23,731</u>
Total current liabilities	<u>1,823,263</u>
Noncurrent liabilities	
Accrued leave payable	133,707
Lease liability, net of current portion	69,044
Bonds and notes payable, net of current portion	6,496,590
Net pension liability	2,235,771
Net OPEB liability	<u>660,712</u>
Total noncurrent liabilities	<u>9,595,824</u>
Total liabilities	<u>11,419,087</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows - pension	56,294
Deferred inflows - OPEB	<u>238,817</u>
Total deferred inflows of resources	<u>295,111</u>
<b>NET POSITION</b>	
Net investment in capital assets	12,914,565
Restricted	704,298
Unrestricted	<u>(1,863,649)</u>
Total net position	<u>11,755,214</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 23,469,412</u>

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

**CITY OF CYNTHIANA, KENTUCKY  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
for the year ended June 30, 2023**

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	<b>Business-type Activities</b>
	<b>Water &amp; Sewer Fund</b>
<b>Operating revenues</b>	
Charges for services	\$ 3,789,057
Other revenues	<u>120,546</u>
Total operating revenues	<u>3,909,603</u>
 <b>Operating expenses</b>	
Salaries and employee benefits	1,436,183
Material and supplies	83,920
Repairs and maintenance	428,128
Electricity	247,306
Chemicals	281,597
Other	362,840
Depreciation and amortization	<u>953,415</u>
Total operating expenses	<u>3,793,389</u>
 Operating income (loss)	 <u>116,214</u>
 <b>Nonoperating revenues (expenses)</b>	
Investment earnings	1,432
(Loss) on disposal of capital assets	(19,062)
Grant revenue	192,203
Contributed capital	2,380
Interest expense	<u>(172,887)</u>
 Total nonoperating revenues (expenses)	 <u>4,066</u>
 <b>Change in net position</b>	 <u>120,280</u>
 Total net position-beginning	 <u>11,634,934</u>
 <b>TOTAL NET POSITION-ENDING</b>	 <u><u>\$ 11,755,214</u></u>

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

**CITY OF CYNTHIANA, KENTUCKY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
for the year ended June 30, 2023

	<b>Business-Type Activities</b>
	<b>Water &amp; Sewer Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 3,867,984
Payments to suppliers	(1,402,119)
Payments for employee services and benefits	(1,389,413)
Customer deposits received	3,361
Customer deposits returned	(4,361)
	<u>1,075,452</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Increase (decrease) in interfund loans	26,217
	<u>26,217</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of capital assets	(393,832)
Contributions in aid of construction	2,380
Grants received	1,122,250
Principal paid on bonds, notes and leases	(523,937)
Interest paid on bonds, notes, and leases	(174,911)
	<u>31,950</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	1,432
	<u>1,432</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	1,135,051
Cash and cash equivalents - beginning of the year	1,127,094
	<u>2,262,145</u>
<b>CASH AND CASH EQUIVALENTS - END OF THE YEAR</b>	<u>\$ 2,262,145</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>	
Operating income (loss)	\$ 116,214
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization	953,415
Net change in pension liability	(30,076)
Net change in OPEB liability	56,234
Change in assets and liabilities:	
Receivables, net	(41,619)
Customer deposits	(1,000)
Accounts and other payables	1,672
Accrued expenses	20,612
	<u>1,075,452</u>
Net cash provided by (used in) operating activities	<u>\$ 1,075,452</u>
<b>Reconciliation of total cash and cash equivalents</b>	
Current assets - cash and cash equivalents	\$ 1,057,847
Restricted assets - cash and cash equivalents	1,204,298
Total cash and cash equivalents	<u>\$ 2,262,145</u>
<b>Schedule of non-cash activities</b>	
Payables for capital items, net	<u>\$ 89,518</u>

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

**CITY OF CYNTHIANA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Cynthiana, Kentucky (the City) operates under the Mayor-Commission form of government and provides the following services as authorized by its charter: public affairs; public finance; public safety – police, fire and dispatch; public property; public works. The accounting policies of the City of Cynthiana conform to generally accepted accounting principles applicable to governmental units. The following is a summary of the more significant accounting policies.

**Reporting Entity**

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

The Cynthiana-Harrison County Recreation Board, the Harrison County Senior Citizens, the Harrison County Adult Activity Center, and the Cynthiana-Harrison County-Berry Joint Planning Board are not included in the reporting entity based on the application of these criteria. These potential component units have been appointed jointly by the area governments' governing bodies. These are independent units that select management staff, set user charges, establish budgets, and control all aspects of daily activities.

**Basis of Presentation**

**Government-Wide Financial Statements**

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

**Fund Financial Statements**

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

Governmental funds are those through which most governmental functions are financed. The governmental fund measurement focus is upon determination of financial position and budgetary control over revenues and expenditures. Proprietary fund types are used to account for operations that are financed and operated in a manner similar to business enterprises - where intent of the governing body is that costs of providing services are to be financed or recovered primarily through user charges.

**CITY OF CYNTHIANA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (continued)**

The following funds are used by the City of Cynthiana:

**Governmental Funds**

**General Fund** - The general operating fund of the City is used to account for all financial resources except those required to be accounted for in another fund. Most of the essential governmental services such as police and fire protection, and general administration are reported in this fund.

**Special Revenue Funds** - The special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are restricted by law to be expended for specific purposes. The following special revenue fund is maintained by the City:

**Municipal Road Aid Fund** – A special revenue fund for the money received from the state to be used exclusively on road repair.

**Proprietary Funds**

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

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

**Water and Sewer Fund** – This fund is used to account for the water and sewer services provided to residents of the City, the operations of which are financed by user charges.

**Basis of Accounting**

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

**Government-Wide Financial Statements**

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

**CITY OF CYNTHIANA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting (Continued)**

**Fund Financial Statements**

The financial transactions of the City are recorded in individual funds. Their focus is on individual funds rather than reporting funds by type. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet.

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred. Permits, fines and forfeits, and miscellaneous revenues (except for investment earnings) are recorded as revenues when received because they are generally not measurable until actually received. Investment earnings are recorded when earned since they are measurable and available in all funds.

Proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and expenses are recognized when they are incurred. Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

**Pensions**

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

**Postemployment Benefits Other Than Pensions (OPEB)**

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

**Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws and regulations of other governments.

**CITY OF CYNTHIANA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balances**

In fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into nonspendable and spendable components, if applicable. 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 constrained for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed – amounts constrained for a specific purpose by the City using its highest level of decision making authority.

Assigned – for all governmental funds, other than the general fund, any remaining positive amounts not classified as nonspendable, restricted or committed. For the general fund, amounts constrained, by intent, to be used for a specific purpose by the City or the elected City official given authority to assign amounts.

Unassigned – for the general fund, amounts not classified as nonspendable, restricted, committed or assigned. For all other government funds, amounts expended in excess of resources that are nonspendable, restricted, committed or assigned.

For resources considered to be committed, the City issues an ordinance that can be changed with another corresponding ordinance. For resources considered to be assigned, the City has designated the Mayor to carry the intent of the City commission.

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

**Budgeting**

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

Budgeted amounts in the financial statements are as adopted by ordinance of the City and have been revised for amendments authorized during the year. For fiscal year 2023, the City exceeded budgeted amounts by \$367,221 in the General Fund. This is primarily a result of capital outlay exceeding budgeted amounts by \$491,454.

**Accounts Receivable**

Governmental activities accounts receivable consists of property taxes, occupational license fees, insurance premium fees, franchise fees, service revenues and grant funds which are disbursed on an expenditure-reimbursement plan. Accounts receivable from customers are stated less an allowance for doubtful accounts of \$0 in the proprietary fund.

**Cash and Cash Equivalents**

Cash and cash equivalents - The City considers cash on hand, demand deposits, and certificates of deposit, which consist of highly liquid investments with original maturities of twelve months or less from the date of acquisition to be cash and cash equivalents.

**CITY OF CYNTHIANA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Interfund Receivables and Payables**

Interfund balances – On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “due from/to other funds”. These amounts are eliminated in the governmental and business-type activities columns of the statements of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**Capital Assets and Depreciation**

General capital and leased assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital and leased assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Leased assets are recorded at the amount of the initial measurement of the lease liability, plus any payments made at or before the commencement of the lease term. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$2,500 for assets other than land or infrastructure, that have an estimated useful life of at least five years. The capitalization threshold for infrastructure is \$30,000 and for land the capitalization threshold is \$1,000.

Transfers of capital assets between funds are recorded at the net book value of the transferred asset at the time of transfer.

All leased assets are amortized over the shorter of the lease term or the useful life of the underlying asset.

**Compensated Absences**

The City allows employees to accumulate unused sick leave to a maximum of 480 hours. Upon termination, employees in Tier 1 or Tier 2 of the Kentucky Public Pensions Authority who have worked in a full time-time position without a break in service for five years are given the option of taking credit towards their retirement for accumulated sick days or taking payment for the accumulated days with a maximum of 480 hours to be paid out. Employees in Tier 3 of the Kentucky Public Pensions Authority who have worked in a full time-time position without a break in service for five years may be paid up to 480 hours sick hours at time of retirement but are not allowed any roll over hours to the retirement system. At termination employees can be paid for up to 240 hours of vacation leave for employees who work 40 hours per week or 320 hours of vacation leave for employees who work 56 hours per week. At time of termination vested but unused vacation leave will be paid out. Employees may also request payment of vacation leave in lieu of paid time off on December 1<sup>st</sup> each year in a block of 24, 40, or 48 hours. Employees are required to have taken or scheduled to be taken 40 hours of vacation leave for 40 hours per week employees or 56 hours of vacation leave for 56 hours per week employees annually. The City's accrued liabilities for future compensated absences are recorded to the extent the future leave (1) relate to rights attributable to employee services already rendered, (2) relate to rights that vest or accumulate, (3) where payment is probable and (4) where amounts can be reasonably estimated. The amount of sick and vacation liability is included in the financial statements in the accrued leave total.



**CITY OF CYNTHIANA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Other Accounting Policies**

Bond discounts and premiums recorded in the Water and Sewer Fund are capitalized in the year of issue and amortized over the life of the bonds using the straight-line method.

Unearned revenues represent grant revenues received but unearned. Revenues are recognized when eligible expenditures are incurred.

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

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

**Change in Accounting Policy**

Effective July 1, 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-based Information Technology Arrangements. GASB Statement No. 96 requires recognition of a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability for subscription-based information technology arrangements (SBITA) that were previously classified as operating expenses. It establishes uniform guidance for SBITA accounting based on the foundational principle that SBITA are financings of the right to use vendor-provided information technology assets. Government entities are required to recognize a subscription liability and an intangible right-to-use subscription asset. These changes had no effect on the financial statements.

**Management's Review of Subsequent Events**

The City has evaluated and considered the need to recognize or disclose subsequent events through February 15, 2024, which represents the date these financials statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2023, have not been evaluated by the city.

**CITY OF CYNTHIANA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

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**2. CASH AND CASH EQUIVALENTS**

KRS 66.480 authorizes the City to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certifications of indebtedness of this state, and certificates of deposits issued by or other interest-bearing accounts of any bank or savings and loan institution which have a physical presence in Kentucky and are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). The Statute also authorizes investment in mutual funds, exchange traded funds, individual equity securities and high-quality corporate bonds that are managed by a professional investment manager and subject to additional requirements outlined in KRS 66.480.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City's investment policy states that unless matched to a specific cash flow need, the City's funds should not, in general, be invested in securities maturing more than one year from the date of purchase.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The City of Cynthiana's deposits and investments at June 30, 2023 were undercollateralized by \$692,410. This was due to a clerical error from one of the City's banks who set the collateral agreement to expire on June 6, 2023, and did not renew the collateral until July 6, 2023. At June 30, 2023 the book balance of the City's deposits was \$5,448,316 and the bank balances totaled \$5,722,172. \$1,233,013 was covered by FDIC insurance and \$3,796,749 was covered by collateral held by the custodial banks in the City's name.

**3. RECEIVABLES**

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

	<b>General Fund</b>	<b>Municipal Road Aid Fund</b>	<b>Water &amp; Sewer Fund</b>	<b>Total</b>
Taxes	\$ 25,995	\$ -	\$ -	\$ 25,995
Licenses, permits, billings	1,093,590	-	-	1,093,590
Intergovernmental	209,614	-	59,843	269,457
Customers	-	-	547,760	547,760
Other	436,473	-	-	436,473
Notes	421,164	-	-	421,164
Gross receivables	2,186,836	-	607,603	2,794,439
Less: allowance for uncollectible	<u>(389,000)</u>	<u>-</u>	<u>-</u>	<u>(389,000)</u>
Net receivables	<u>\$ 1,797,836</u>	<u>\$ -</u>	<u>\$ 607,603</u>	<u>\$ 2,405,439</u>

**CITY OF CYNTHIANA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**4. CAPITAL ASSETS**

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

<u>Governmental Activities</u>	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2022</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2023</b>
Capital assets not being depreciated:				
Land and improvements	\$ 2,754,627	\$ -	\$ -	\$ 2,754,627
Construction in progress	<u>2,223,891</u>	<u>79,271</u>	<u>(2,174,098)</u>	<u>129,064</u>
Total	<u>4,978,518</u>	<u>79,271</u>	<u>(2,174,098)</u>	<u>2,883,691</u>
Capital assets being depreciated:				
Buildings and improvements	2,508,750	1,990,017	-	4,498,767
Vehicles and equipment	3,349,477	135,877	(366,670)	3,118,684
Leased equipment	14,328	-	-	14,328
Leased vehicles	<u>556,803</u>	<u>271,494</u>	<u>(39,483)</u>	<u>788,814</u>
Total	<u>6,429,358</u>	<u>2,397,388</u>	<u>(406,153)</u>	<u>8,420,593</u>
Total non-infrastructure assets	<u>11,407,876</u>	<u>2,476,659</u>	<u>(2,580,251)</u>	<u>11,304,284</u>
Infrastructure assets	<u>4,130,013</u>	<u>529,211</u>	<u>-</u>	<u>4,659,224</u>
Total capital assets	<u>15,537,889</u>	<u>3,005,870</u>	<u>(2,580,251)</u>	<u>15,963,508</u>
Less: accumulated depreciation:				
Buildings and improvements	1,317,540	130,341	-	1,447,881
Vehicles and equipment	2,409,188	190,062	(158,931)	2,440,319
Infrastructure assets	<u>1,650,569</u>	<u>203,024</u>	<u>-</u>	<u>1,853,593</u>
Total	<u>5,377,297</u>	<u>523,427</u>	<u>(158,931)</u>	<u>5,741,793</u>
Less: accumulated amortization:				
Leased equipment	4,968	4,967	-	9,935
Leased vehicles	<u>132,941</u>	<u>175,652</u>	<u>(23,865)</u>	<u>284,728</u>
Total	<u>137,909</u>	<u>180,619</u>	<u>(23,865)</u>	<u>294,663</u>
Total accumulated depreciation and amortization	<u>5,515,206</u>	<u>704,046</u>	<u>(182,796)</u>	<u>6,036,456</u>
Governmental activities capital assets, net	<u>\$ 10,022,683</u>	<u>\$ 2,301,824</u>	<u>\$ (2,397,455)</u>	<u>\$ 9,927,052</u>

**CITY OF CYNTHIANA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**4. CAPITAL ASSETS (CONTINUED)**

<u>Business-type activities:</u>	<b>Balance July 1, 2022</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2023</b>
Construction in progress	\$ 66,301	\$ 190,391	\$ (73,911)	\$ 182,781
Equipment and vehicles	381,133	-	-	381,133
Leased vehicles	186,031	-	-	186,031
Water system	18,037,519	290,004	-	18,327,523
Sewer system	<u>24,577,318</u>	<u>57,804</u>	<u>-</u>	<u>24,635,122</u>
 Total capital assets	 43,248,302	 538,199	 (73,911)	 43,712,590
 Less: accumulated depreciation	 <u>22,716,631</u>	 <u>910,350</u>	 <u>-</u>	 <u>23,626,981</u>
 Less: accumulated amortization	 <u>40,862</u>	 <u>43,065</u>	 <u>-</u>	 <u>83,927</u>
 Total accumulated depreciation and amortization	 <u>22,757,493</u>	 <u>953,415</u>	 <u>-</u>	 <u>23,710,908</u>
 Capital assets, net	 <u>\$ 20,490,809</u>	 <u>\$ (415,216)</u>	 <u>\$ (73,911)</u>	 <u>\$ 20,001,682</u>

Depreciation expense was charged to the governmental functions as follows:

Public affairs	\$ 132,841
Public safety - police	41,680
Public safety - fire	83,154
Public works	237,504
Public property	<u>28,248</u>
 Total	 <u>\$ 523,427</u>

Amortization expense was charged to the governmental functions as follows:

Public affairs	\$ 2,001
Public safety - police	154,512
Public works	<u>24,106</u>
 Total	 <u>\$ 180,619</u>

Capital assets acquired are recorded at cost or estimated cost. Depreciation of capital assets is provided over the estimated useful lives of the respective assets using the straight-line basis. The estimated useful lives are as follows:

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

**CITY OF CYNTHIANA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**5. GOVERNMENTAL ACTIVITIES - LONG TERM DEBT**

Bonds and notes payable

In September 2014, the City partially financed a fire truck for \$229,800. The loan is for 120 months at a rate of interest of 2.14%. The fire truck, which as of June 30, 2023, had a net book value of \$31,889, is collateral on the loan. Future expected debt service requirements are as follows:

Fiscal Year Ending June 30,	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 26,978	\$ 376	\$ 27,354
	<u>\$ 26,978</u>	<u>\$ 376</u>	<u>\$ 27,354</u>

In April 2020, the City partially financed the purchase of a maintenance building for \$400,500. The loan is a shared liability of the governmental activities and water and sewer fund and has been recorded equally in both activities. The loan was set to mature on December 31, 2020, at which date all principal and accrued interest is due in a lump sum payment. The loan was refinanced with a revised maturity date of September 23, 2027. The rate of interest on the loan is 3.351%. The maintenance building, which as of June 30, 2023, had a net book value of \$437,638 is collateral on the loan. The principal balance at June 30, 2023 in the governmental activities is \$178,300. Future expected debt service requirements are as follows:

Fiscal Year Ending June 30,	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 7,842	\$ 5,953	\$ 13,795
2025	8,129	5,666	13,795
2026	8,410	5,385	13,795
2027	8,700	5,095	13,795
2028	<u>145,219</u>	<u>1,236</u>	<u>146,455</u>
	<u>\$ 178,300</u>	<u>\$ 23,335</u>	<u>\$ 201,635</u>

On July 1, 2020, the City issued Series 2020C Revenue Bonds to obtain \$3,090,000 in financing. \$2,095,000 of the bond proceeds are to finance construction for the City's energy project in the governmental activities and \$995,000 of the bond proceeds are to refinance the 2000 and 2005 Series Water and Sewer Revenue Bonds in the business-type activities. The bonds bear interest at a coupon range of 2.00% to 2.75% with payments due semi-annually, beginning on February 1, 2021 and set to mature on February 1, 2041. The principal balance for the governmental activities portion of the bonds at June 30, 2023, is \$1,970,000. Future expected debt service requirements are as follows:

Fiscal Year Ending June 30,	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 80,000	\$ 47,900	\$ 127,900
2025	85,000	46,053	131,053
2026	90,000	44,094	134,094
2027	90,000	42,069	132,069
2028	85,000	40,091	125,091
2029-2033	510,000	168,659	678,659
2034-2038	615,000	100,211	715,211
2039-2041	<u>415,000</u>	<u>18,853</u>	<u>433,853</u>
	<u>\$ 1,970,000</u>	<u>\$ 507,930</u>	<u>\$ 2,477,930</u>

**CITY OF CYNTHIANA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**5. GOVERNMENTAL ACTIVITIES - LONG TERM DEBT (CONTINUED)**

Bonds and notes payable, continued

In January 2021, the City financed a fire truck for \$360,000. The loan is for 59 months with payments beginning January 31, 2021 at an interest rate of 2.13%. The fire truck, which as of June 30, 2023, had a net book value of \$272,029 is collateral on the loan. The principal balance at June 30, 2023 is \$322,491. Future expected debt service requirements are as follows:

Fiscal Year Ending June 30,	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 15,318	\$ 6,833	\$ 22,151
2025	15,671	6,480	22,151
2026	<u>291,502</u>	<u>3,138</u>	<u>294,640</u>
	<u>\$ 322,491</u>	<u>\$ 16,451</u>	<u>\$ 338,942</u>

In April 2022, the City financed a street sweeper for \$125,000. The loan is for 60 months with annual payments beginning May 6, 2022 at an interest rate of 4.30%. The street sweeper, which as of June 30, 2023, had a net book value of \$95,833 is collateral on the loan. The principal balance at June 30, 2023 is \$75,176. Future expected debt service requirements are as follows:

Fiscal Year Ending June 30,	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 23,991	\$ 3,297	\$ 27,288
2025	25,043	2,245	27,288
2026	<u>26,142</u>	<u>1,146</u>	<u>27,288</u>
	<u>\$ 75,176</u>	<u>\$ 6,688</u>	<u>\$ 81,864</u>

In May 2022, the City financed a skid steer for \$57,538. The loan is for 36 months with payments beginning June 2, 2022 at an interest rate of 4.91%. The skid steer, which as of June 30, 2023, had a net book value of \$44,112 is collateral on the loan. The principal balance at June 30, 2023 is \$36,162. Future expected debt service requirements are as follows:

Fiscal Year Ending June 30,	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 17,675	\$ 1,269	\$ 18,944
2025	<u>18,487</u>	<u>457</u>	<u>18,944</u>
	<u>\$ 36,162</u>	<u>\$ 1,726</u>	<u>\$ 37,888</u>

In September 2021, the City financed police body cameras through seller financing for \$46,040. The loan is for 60 months with payments beginning September 1, 2021. Annual payments due on the loan total \$12,733. The City calculated the present value of future loan payments based on an incremental borrowing rate of 6.40%. The principal balance at June 30, 2023 is \$33,799. Future expected debt service requirements are as follows:

Fiscal Year Ending June 30,	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 10,570	\$ 2,163	\$ 12,733
2025	11,247	1,486	12,733
2026	<u>11,982</u>	<u>751</u>	<u>12,733</u>
	<u>\$ 33,799</u>	<u>\$ 4,400</u>	<u>\$ 38,199</u>

**CITY OF CYNTHIANA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**5. GOVERNMENTAL ACTIVITIES - LONG TERM DEBT (CONTINUED)**

Changes in long-term debt

The following is a summary of the City's long-term debt transactions for the year:

	July 1, 2022	Additions	Retirements	June 30, 2023	Current Portion
Bond and notes payable	\$ 2,779,456	\$ 46,040	\$ (182,590)	\$ 2,642,906	\$ 182,374
Lease liability	439,614	271,494	(190,624)	520,484	165,749
Accrued leave	309,850	25,498	-	335,348	40,015
Net pension liability	8,398,827	368,103	-	8,766,930	-
Net OPEB liability	<u>2,495,021</u>	<u>-</u>	<u>(110,596)</u>	<u>2,384,425</u>	<u>-</u>
Total	<u>\$ 14,422,768</u>	<u>\$ 711,135</u>	<u>\$ (483,810)</u>	<u>\$ 14,650,093</u>	<u>\$ 388,138</u>

**6. BUSINESS-TYPE ACTIVITIES - LONG-TERM DEBT**

Bonds and notes payable

The June 30, 2023 summary of bonds and notes payable of the Water and Sewer Fund is as follows:

	Amount Issued	Interest Rate	Balance Outstanding 7/1/22	Issued (Retired) During Year	Balance Outstanding 6/30/23
2015 Series	\$ 3,590,000	2.50%	\$ 3,314,500	\$ (60,000)	\$ 3,254,500
KIA Loan	\$ 5,887,374	1.00%	1,676,834	(298,077)	1,378,757
KIA Loan	\$ 754,539	0.75%	459,398	(27,128)	432,270
KIA Loan	\$ 972,600	0.50%	879,909	(46,836)	833,073
2020C Series	\$ 995,000	2.00%	940,000	(35,000)	905,000
Building Loan	\$ 200,000	3.35%	186,050	(7,750)	178,300
Excavator Loan	\$ 49,948	3.69%	<u>7,273</u>	<u>(7,273)</u>	<u>-</u>
			<u>\$ 7,463,964</u>	<u>\$ (482,064)</u>	<u>\$ 6,981,900</u>

The KIA Fund A Loan was originally issued in several draws totaling \$5,887,374. The loan was for the wastewater treatment plant. The loan carries a 1% rate of interest and had an outstanding balance totaling \$1,378,757 at June 30, 2023.

The Series 2015 Water and Sewer Revenue Bonds original issue was \$3,590,000. It is due in annual installments of \$52,000 to \$153,500 through 2055; interest rate is 2.5%. Net revenue bonds payable balance at June 30, 2023 is \$3,254,500.

The KIA Loan was issued in 2018 with draws totaling \$754,539. Principal forgiveness of \$188,636 was applied to the loan, leaving a balance of \$565,903. The balance is to be paid off in semiannual installments of \$15,262 through 2038. The loan carries an interest rate of 0.75% and had an outstanding balance of \$432,270 at June 30, 2023.

The KIA Loan was issued in 2020 with draws totaling \$972,600. The loan was for the East Side Pressure Project. The loan carries a 0.50% rate of interest and had an outstanding balance totaling \$833,073 at June 30, 2023.

**CITY OF CYNTHIANA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**6. BUSINESS-TYPE ACTIVITIES - LONG-TERM DEBT (CONTINUED)**

Bonds and notes payable, continued

In April 2020, the City partially financed the purchase of a maintenance building for \$400,500. The loan is a shared liability of the governmental activities and water and sewer fund and has been recorded equally in both activities. The loan was set to mature on December 31, 2020, at which date all principal and accrued interest was due in a lump sum payment. The loan was refinanced with a revised maturity date of September 23, 2027. The rate of interest on the loan is 3.351%. The maintenance building, which as of June 30, 2023, had a net book value of \$437,638 is collateral on the loan. The principal balance at June 30, 2023 in the water and sewer fund is \$178,300.

The revenue bonds are collateralized by the revenue of the water and sewer system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. The ordinances also contain certain provisions which require the City to maintain pledged revenues, as defined in the ordinances, for each year of at least 1.20 times the maximum annual debt service requirements.

On July 1, 2020, the City issued Series 2020C Revenue Bonds to obtain \$3,090,000 in financing. \$2,095,000 of the bond proceeds are to finance construction for the City's energy project in the governmental activities and \$995,000 of the bond proceeds are to refinance the 2000 and 2005 Series Water and Sewer Revenue Bonds in the business-type activities. The bonds bear interest at a coupon range of 2.00% to 2.75% with payments due semi-annually, beginning on February 1, 2021 and set to mature on February 1, 2043. The principal balance for the business-type activities portion of the bonds at June 30, 2023, is \$905,000.

In August 2019, the City partially financed the purchase of an excavator through a dealer financing program for \$49,948. The rate of interest on the loan is 3.69%. The excavator, which as of June 30, 2023, had a net book value of \$13,989 is collateral on the loan. The City paid off the loan during the year ended June 30, 2023.

Future expected debt service requirements are as follows:

Fiscal Year Ending June 30,	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 485,310	\$ 130,119	\$ 615,429
2025	491,056	123,922	614,978
2026	496,830	117,650	614,480
2027	502,145	111,282	613,427
2028	487,671	101,279	588,950
2029-2033	974,256	448,634	1,422,890
2034-2038	1,097,413	358,997	1,456,410
2039-2043	859,219	257,239	1,116,458
2044-2048	595,000	169,625	764,625
2049-2053	689,000	90,688	779,688
2054-2055	<u>304,000</u>	<u>11,438</u>	<u>315,438</u>
	<u>\$ 6,981,900</u>	<u>\$ 1,920,873</u>	<u>\$ 8,902,773</u>



**CITY OF CYNTHIANA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**6. BUSINESS-TYPE ACTIVITIES - LONG-TERM DEBT (CONTINUED)**

Changes in long term debt

The following is a summary of the City's long-term debt transactions for the year:

	July 1, 2022	Additions	Retirements	June 30, 2023	Current Portion
Bonds and Notes	\$ 7,463,964	\$ -	\$ (482,064)	\$ 6,981,900	\$ 485,310
Lease liability	147,090	-	(41,873)	105,217	36,173
Accrued leave	115,169	18,538	-	133,707	-
Net pension liability	2,021,772	213,999	-	2,235,771	-
Net OPEB liability	<u>656,977</u>	<u>3,735</u>	<u>-</u>	<u>660,712</u>	<u>-</u>
Total	<u>\$ 10,404,972</u>	<u>\$ 236,272</u>	<u>\$ (523,937)</u>	<u>\$ 10,117,307</u>	<u>\$ 521,483</u>

**7. LEASE LIABILITIES**

Governmental Activities

As of June 30, 2023, the City has entered into two separate lease agreements for copiers which are utilized by various departments throughout the City. The term of these lease agreements varies from 48-60 months. Monthly payments due on the copier leases total \$376. The City calculated the present value of future lease payments based on an incremental borrowing rate of 4.69%. The balance of the liability related to the copier leases as of June 30, 2023 totaled \$6,237.

In April 2017, the City entered into a master lease agreement with Enterprise FM Trust. The agreement allows the City to enter into separate individual lease agreements for vehicles as needed. The lease term for the vehicle leases are 60 months. The interest rates for the vehicle leases range from 3.15 – 6.40%. The balance of the liability related to the vehicle leases as of June 30, 2023 totaled \$514,247.

Annual requirements to maturity for all governmental long-term lease obligations are as follows:

Year ended	Principal	Interest	Total
2024	\$ 165,749	\$ 25,190	\$ 190,939
2025	154,535	17,742	172,277
2026	110,046	10,784	120,830
2027	67,378	5,279	72,657
2028	<u>22,776</u>	<u>1,123</u>	<u>23,899</u>
	<u>\$ 520,484</u>	<u>\$ 60,118</u>	<u>\$ 580,602</u>

Business-type Activities

In April 2017, the City entered into a master lease agreement with Enterprise FM Trust. The agreement allows the City to enter into separate individual lease agreements for vehicles as needed. The lease term for the vehicle leases are 60 months. The interest rates for the vehicle leases range from 3.15 – 7.25%. The balance of the liability related to the vehicle leases as of June 30, 2023 totaled \$105,217.

**CITY OF CYNTHIANA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**7. LEASE LIABILITIES (CONTINUED)**

Business-type Activities, continued

Annual requirements to maturity for all business-type long-term lease obligations are as follows:

Year ended	Principal	Interest	Total
2024	\$ 36,173	\$ 4,264	\$ 40,437
2025	32,179	2,749	34,928
2026	29,393	1,568	30,961
2027	<u>7,472</u>	<u>461</u>	<u>7,933</u>
	<u>\$ 105,217</u>	<u>\$ 9,042</u>	<u>\$ 114,259</u>

**8. RETIREMENT PLAN**

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

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

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

The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2023, participating employers contributed 26.79% of each employee's wages for non-hazardous job classifications and 49.59% of each employee's wages for hazardous job classifications.

The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 9. Plan members contributed 23.40% to the pension trust for non-hazardous job classifications and 42.81% to the pension trust for hazardous job classifications. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

**CITY OF CYNTHIANA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

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**8. RETIREMENT PLAN (CONTINUED)**

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

For the year ended June 30, 2023, the City contributed \$416,786 or 100% of the required contribution for non-hazardous job classifications, and \$640,075, for the year ended June 30, 2023, or 100% of the required contribution for hazardous job classifications.

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

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

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service.

Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

**CITY OF CYNTHIANA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**8. RETIREMENT PLAN (CONTINUED)**

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

<b>Total Net Pension Liability</b>	<b>Non-hazardous</b>	<b>Hazardous</b>
<u>\$ 11,002,701</u>	<u>\$ 4,069,790</u>	<u>\$ 6,932,911</u>

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

<b>Non-hazardous</b>	<b>Hazardous</b>
.0563%	.2272%

The proportionate share at June 30, 2022 decreased .0014% for non-hazardous and decreased .0261% for hazardous compared to the proportionate share as of June 30, 2021.

For the year ended June 30, 2023, the City recognized pension expense of \$736,421. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ 203,130	\$ 36,243
Changes of assumptions	-	-
Net difference between projected and actual earnings on Plan Investments	264,466	-
Changes in proportion and differences between City contributions and proportionate share of contributions	34,320	921,643
City contributions subsequent to the measurement date	<u>997,656</u>	<u>-</u>
Total	<u>\$ 1,499,572</u>	<u>\$ 957,886</u>

The \$997,656 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Contributions exclude \$59,205 of contributions for employees that previously retired and were subsequently re-employed. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<b>Year ending June 30,</b>	
2024	\$ (196,156)
2025	\$ (241,549)
2026	\$ (259,412)
2027	\$ 241,147

**CITY OF CYNTHIANA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**8. RETIREMENT PLAN (CONTINUED)**

*Actuarial Assumptions* – The total pension liabilities in the June 30, 2022 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

**Non-hazardous**

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

**Hazardous**

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

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

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2021) to the plan's fiscal year ending June 30, 2022. The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>Growth</b>	<b>60.00%</b>	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
<b>Liquidity</b>	<b>20.00%</b>	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	-0.91%
<b>Diversifying Strategies</b>	<b>20.00%</b>	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
<b>Total</b>	<b>100.00%</b>	<b>4.28%</b>
<b>Long term inflation assumption</b>		<b>2.30%</b>
<b>Expected nominal return for portfolio</b>		<b>6.58%</b>

**CITY OF CYNTHIANA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**8. RETIREMENT PLAN (CONTINUED)**

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

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

	Non-hazardous		Hazardous	
	Discount rate	City's proportionate share of net pension liability	Discount rate	City's proportionate share of net pension liability
1% decrease	5.25%	\$ 5,086,733	5.25%	\$ 8,636,075
Current discount rate	6.25%	\$ 4,069,790	6.25%	\$ 6,932,911
1% increase	7.25%	\$ 3,228,694	7.25%	\$ 5,545,789

*Payable to the Pension Plan* – At June 30, 2023, the City reported a payable of \$118,002 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2023. The payable includes both the pension and insurance contribution allocation.

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

*Plan Description* – As more fully described in Note 8, the City participates in the County Employees' Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

*Contributions* – As more fully described in Note 8, plan members contribute to CERS for non-hazardous and hazardous job classifications. For the year ending June 30, 2023, the employer's contribution was 3.39% to the insurance trust for non-hazardous job classifications and 6.78% to the insurance trust for hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

**CITY OF CYNTHIANA, KENTUCKY**  
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**9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

For the year ended June 30, 2023, the City contributed \$60,380, or 100% of the required contribution for non-hazardous job classifications, and \$101,371, or 100% of the required contribution for hazardous job classifications.

*Benefits* – CERS provides health insurance benefits to Plan employees and beneficiaries.

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

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

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

<b>Total Net OPEB Liability</b>	<b>Non-hazardous</b>	<b>Hazardous</b>
\$ <u>3,045,137</u>	\$ <u>1,110,851</u>	\$ <u>1,934,286</u>

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

<b>Non-hazardous</b>	<b>Hazardous</b>
.0563%	.2271%

The proportionate share at June 30, 2022 decreased .0014% for non-hazardous and decreased .0262% for hazardous compared to the proportionate share as of June 30, 2021.

**CITY OF CYNTHIANA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

For the year ended June 30, 2023, the City recognized OPEB expense of \$348,773. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ 154,555	\$ 369,303
Changes of assumptions	498,578	477,588
Net difference between projected and actual earnings on Plan investments	115,687	-
Changes in proportion and differences between City contributions and proportionate share of contributions	35,238	330,192
City contributions subsequent to the measurement date	<u>213,739</u>	<u>-</u>
Total	<u>\$ 1,017,797</u>	<u>\$ 1,177,083</u>

The \$213,739 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Contributions exclude \$9,167 of contributions for employees that previously retired and were subsequently re-employed. Contributions also include an allocation for the implicit subsidy of \$61,153, which is required to be recognized as deferred outflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in expense as follows:

<b>Year ending June 30,</b>	
2024	\$ (36,232)
2025	\$ (59,992)
2026	\$ (169,230)
2027	\$ (17,210)
2028	\$ (90,361)

*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:

**Non-hazardous**

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

- Pre – 65: Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
- Post – 65: Initial trend starting at 9.00% at January 1, 2024, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.



**CITY OF CYNTHIANA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Hazardous**

Inflation	2.30%
Salary increases	3.55 to 19.05%, varies by service, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare trend	
Pre – 65:	Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post – 65:	Initial trend starting at 9.00% at January 1, 2024, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

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

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

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

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>Growth</b>	<b>60.00%</b>	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
<b>Liquidity</b>	<b>20.00%</b>	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	-0.91%
<b>Diversifying Strategies</b>	<b>20.00%</b>	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
<b>Total</b>	<b>100.00%</b>	<b>4.28%</b>
<b>Long term inflation assumption</b>		<b>2.30%</b>
<b>Expected nominal return for portfolio</b>		<b>6.58%</b>

**CITY OF CYNTHIANA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2023

**9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

*Discount Rate* – The discount rate used to measure the total OPEB liability was 5.70% and 5.61% for non-hazardous and hazardous classifications, respectively. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index.” However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

*Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate* – The following presents the City’s proportionate share of the net OPEB liability calculated using the discount rate as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Non-hazardous		Hazardous	
	Discount rate	City’s proportionate share of net OPEB liability	Discount rate	City’s proportionate share of net OPEB liability
1% decrease	4.70%	\$ 1,485,031	4.61%	\$ 2,687,633
Current discount rate	5.70%	\$ 1,110,851	5.61%	\$ 1,934,286
1% increase	6.70%	\$ 801,529	6.61%	\$ 1,322,428

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

	Non-hazardous		Hazardous	
		City’s proportionate share of net OPEB liability		City’s proportionate share of net OPEB liability
1% decrease		\$ 825,893		\$ 1,350,688
Current trend rate		\$ 1,110,851		\$ 1,934,286
1% increase		\$ 1,453,032		\$ 2,645,651

*OPEB plan fiduciary net position* – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued financial report.

**10. DEFERRED COMPENSATION PLAN**

The City of Cynthiana also provides its employees a deferred compensation plan. All employees can choose to voluntarily participate in the plan. Employees may contribute up to the federal limitations. The City does not provide any contributions to these plans.

**CITY OF CYNTHIANA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

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**11. RISK MANAGEMENT**

The City of Cynthiana 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.

**12. PROPERTY TAX CALENDAR**

Property taxes for fiscal year 2023 were levied in September 2022, on the assessed property located in the City of Cynthiana 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:

<b>Description</b>	<b>Date Per K.R.S. 134.020</b>
1. Due date for payment	Upon receipt
2. Face value payment period	To November 30
3. Past due date, 20% penalty	December 1
4. Interest charge	1.0% per month effective January 1

Vehicle taxes are collected by the County Clerk of Harrison County and are due and collected in the birth month of the vehicle's licensee.

**13. LOAN RECEIVABLE**

The City has forgivable loan agreements related to the sale of seven properties for the Westside Redevelopment Project. The loan agreements are comprised of housing development loans financed by resource allocations from the U.S. Department of Housing and Urban Development (HUD). The loans were made with home buyers in 2018, 2019, 2020, and 2021 and were to be applied to the down payment and closing costs on the sale of the homes. The term of the loans are ten years and the funds are subject to recapture if the property is sold or conveyed by the purchasers within ten years from the date of purchase. Ten percent of the loan balances are forgiven each year for the remaining term of the loans. Also, the City has a forgivable loan agreement related to the sale of a property known as the Lerman Building. The loan started effective September 1, 2021 with a term of five years. The property is subject to recapture if the property is sold or conveyed by the purchaser within five years from the date of purchase. The principal balance of the loans receivable and the allowance for uncollectible loans as of June 30, 2023 was \$389,000.

The City entered into an agreement with Cynthiana-Harrison County Home Assistance, Inc (CHCHA) for repayment of expenses incurred by the City on the properties deeded to CHCHA for the Westside Redevelopment Project. The term of the agreement is 6 years with equal, quarterly installments of \$2,144 being paid to the City beginning on April 27, 2021. The principal balance of the note receivable as of June 30, 2023 was \$32,164.

**14. JOINT VENTURE**

The City entered into a joint venture with Harrison County to form a public properties corporation to construct a community service center project. The public properties corporation has title to property that is leased to the Community Service Center of Harrison County, Inc. The public properties corporation also obtained a loan in the amount of \$499,000 to finance the construction of the community service center in addition to funds from the Community Service Center of Harrison County, Inc. and a grant of \$350,000. The note is repaid from lease payments obtained for use of the building. The City's interest is reported in the capital assets of the City, totaling \$199,625 at June 30, 2023.

**CITY OF CYNTHIANA, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

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**15. CONCENTRATIONS**

The City has a concentration of revenue in the Water and Sewer Fund. One customer generated approximately 38% of the Water and Sewer Fund's service revenue and 35% of the accounts receivable at June 30, 2023.

**16. RESTATEMENT OF NET POSITION**

American Rescue Plan Act grant funds were recognized in fiscal year 2022 that were not expended. Those funds should have been deferred at June 30, 2022, which resulted in a restatement of beginning net position as follows:

<b>Governmental Activities</b>	<b>2023</b>
Net position-beginning	\$ (1,883,069)
Beginning unearned revenue	<u>(25,290)</u>
Net position-beginning, as restated	<u>\$ (1,908,359)</u>
<b>General Fund</b>	
Fund balance-beginning	\$ 2,744,910
Beginning unearned revenue	<u>(25,290)</u>
Fund balance-beginning, as restated	<u>\$ 2,719,620</u>

**17. SUBSEQUENT EVENTS**

On July 25, 2023, the City took out a loan totaling \$99,999 to finance the purchase of a hydro excavator for the Utility Fund. The loan is to be paid annually over five years and bears interest at 5.20%.

On November 16, 2023, the City took out a loan totaling \$712,055 to finance the purchase of a fire engine for the General Fund. The loan is to be paid over ten years and bears interest at 5.44%.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF CYNTHIANA, KENTUCKY**  
**REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2023**

	<b>Enacted Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Property taxes</b>				
Real estate and tangible	\$ 565,000	\$ 552,200	\$ 551,762	\$ (438)
Public service companies	88,000	59,430	58,844	(586)
Bank shares	80,000	60,921	78,999	18,078
Payment in lieu of taxes	9,000	8,992	8,992	-
Penalties	15,000	7,847	8,845	998
Motor vehicle	67,500	74,173	73,494	(679)
Real estate and tangible prior year	<u>24,000</u>	<u>17,678</u>	<u>7,062</u>	<u>(10,616)</u>
	<u>848,500</u>	<u>781,241</u>	<u>787,998</u>	<u>6,757</u>
<b>Licenses, permits and billings</b>				
Occupational license fees	3,250,000	3,175,000	3,180,006	5,006
Occupational license net profits fees	340,000	285,000	303,407	18,407
Privilege license fees	3,000	2,900	3,030	130
Liquor and beer licenses	25,000	24,710	39,200	14,490
Insurance premium license fees	799,000	817,000	851,145	34,145
Residential rental licenses	10,000	11,020	11,020	-
Utility franchise licenses	340,000	368,300	361,502	(6,798)
Reg fee/ retail alcohol	190,000	202,561	190,436	(12,125)
Tourism license fee	<u>5,000</u>	<u>4,885</u>	<u>3,063</u>	<u>(1,822)</u>
	<u>4,962,000</u>	<u>4,891,376</u>	<u>4,942,809</u>	<u>51,433</u>
<b>Intergovernmental revenue</b>				
Police incentive pay	108,000	69,574	65,477	(4,097)
Fire incentive pay	105,000	101,601	99,366	(2,235)
E-911 reimbursement	610,000	504,036	523,831	19,795
Other grants	<u>198,277</u>	<u>754,492</u>	<u>749,813</u>	<u>(4,679)</u>
	<u>1,021,277</u>	<u>1,429,703</u>	<u>1,438,487</u>	<u>8,784</u>
<b>Charges for service</b>				
Sanitation fees	<u>576,000</u>	<u>595,834</u>	<u>596,035</u>	<u>201</u>
<b>Other revenues</b>				
Parking tickets	150	135	135	-
Interest income	7,000	10,500	19,883	9,383
Miscellaneous	<u>65,150</u>	<u>389,741</u>	<u>206,936</u>	<u>(182,805)</u>
	<u>72,300</u>	<u>400,376</u>	<u>226,954</u>	<u>(173,422)</u>
<b>TOTAL REVENUES</b>	<u>\$ 7,480,077</u>	<u>\$ 8,098,530</u>	<u>\$ 7,992,283</u>	<u>\$ (106,247)</u>

**CITY OF CYNTHIANA, KENTUCKY**  
**REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2023**

	Enacted Budget	Amended Budget	Actual	Variance
<b>PUBLIC AFFAIRS</b>				
Mayor's salary	\$ 34,165	\$ 34,165	\$ 34,164	\$ (1)
City attorney expense	19,815	19,815	19,815	-
Other legal expenses	1,000	1,220	1,220	-
Medical and hospital insurance	37,000	35,976	35,976	-
Social security	4,129	4,129	4,129	-
Workers' compensation	150	-	-	-
City picnic	3,000	-	-	-
Telephone	1,400	2,300	2,134	(166)
Website	500	7,000	12,891	5,891
Office supplies	2,500	4,046	4,046	-
Travel and training	300	2,900	2,338	(562)
Publishing	5,000	8,827	9,507	680
Membership dues	2,600	2,594	2,594	-
Regional cable commission dues	1,000	-	-	-
Bluegrass Area Development District	1,250	1,203	1,203	-
Mayor and commissioners' bond	500	4,501	4,501	-
Public officials liability insurance	9,000	5,000	5,000	-
Emergency management agency	6,615	6,615	6,615	-
Recreation board operations	227,790	228,390	228,390	-
Senior citizens	20,000	20,000	20,000	-
EDA	36,000	37,000	37,000	-
Joint planning	75,000	75,000	75,000	-
Airport board	5,000	5,000	5,000	-
Chamber of commerce	10,000	10,675	10,750	75
Fireworks	5,500	5,500	6,000	500
Rape crisis center	10,000	10,000	10,000	-
Tourism funding	10,000	10,841	10,841	-
Cynthiana-Harrison county museum	7,000	6,500	6,178	(322)
Humane society	1,000	1,000	1,000	-
Miscellaneous	133,381	49,340	65,062	15,722
ARPA small business grants	-	3,078	2,378	(700)
<b>Total public affairs</b>	<u>670,595</u>	<u>602,615</u>	<u>623,732</u>	<u>21,117</u>

**CITY OF CYNTHIANA, KENTUCKY**  
**REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2023**

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	Enacted Budget	Amended Budget	Actual	Variance
<b>PUBLIC FINANCE</b>				
Commissioner salary	\$ 11,434	\$ 11,434	\$ 11,434	\$ -
Salaries	113,000	114,326	117,206	2,880
Overtime and holiday pay	500	50	50	-
Longevity pay	2,500	1,998	1,998	-
Retirement	32,000	30,772	30,750	(22)
Medical and hospital insurance	47,025	48,238	48,238	-
Social security	10,000	9,144	9,133	(11)
Workers' compensation	300	300	300	-
Employee assistance program	500	-	-	-
HR incentives	12,000	8,000	7,795	(205)
Employee training	2,500	4,050	4,050	-
Telephone	4,000	4,100	4,022	(78)
Insurance and fees	5,000	2,000	2,000	-
City auditor	8,000	11,900	11,900	-
Office supplies	12,000	12,000	10,523	(1,477)
Training	500	400	672	272
Copier maintenance and fees	2,400	2,400	-	(2,400)
Computer maintenance	10,000	11,380	23,848	12,468
Ordinance update	4,000	-	-	-
Clothing allowance	1,000	1,000	937	(63)
Miscellaneous	18,650	23,608	24,192	584
Policies and procedures update	5,000	6,923	6,923	-
Tax assessment and bills	21,000	21,000	20,359	(641)
	323,309	325,023	336,330	11,307
Total public finance	323,309	325,023	336,330	11,307



**CITY OF CYNTHIANA, KENTUCKY**  
**REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2023**

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	<b>Enacted Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>PUBLIC SAFETY-POLICE</b>				
Commissioner salary	\$ 11,434	\$ 11,434	\$ 11,434	\$ -
Policemen salaries	735,000	747,187	728,437	(18,750)
Police clerk / typist	41,000	41,185	41,197	12
Overtime pay	90,000	146,800	146,409	(391)
Holiday pay	32,000	26,354	26,354	-
Longevity pay	7,200	5,516	5,516	-
Policemen incentive pay	75,000	54,695	51,986	(2,709)
Employee retirement	445,000	326,797	332,634	5,837
Medical and hospital insurance	160,000	117,771	119,438	1,667
Social security	82,000	78,000	78,036	36
Workers' compensation	50,000	44,758	44,758	-
Medical exam/hospital expense	500	16	16	-
Police projects	4,000	2,978	2,713	(265)
Telephone	24,000	24,000	24,284	284
Insurance	55,000	53,029	53,029	-
Gas and oil	75,000	71,000	70,548	(452)
Supplies	23,200	31,762	11,477	(20,285)
Training ammunition	2,000	1,652	1,652	-
Training	10,000	22,000	22,074	74
Copier maintenance and fees	3,800	3,518	1,407	(2,111)
Uniforms and body armor	15,000	12,500	12,451	(49)
Maintenance and repairs	21,000	25,659	27,726	2,067
Membership fees	5,100	933	1,433	500
Miscellaneous	64,900	99,725	100,097	372
Equipment	41,800	46,283	15,237	(31,046)
	<u>2,073,934</u>	<u>1,995,552</u>	<u>1,930,343</u>	<u>(65,209)</u>
<b>Total public safety-police</b>	<u>2,073,934</u>	<u>1,995,552</u>	<u>1,930,343</u>	<u>(65,209)</u>

**CITY OF CYNTHIANA, KENTUCKY**  
**REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2023**

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	<b>Enacted Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>PUBLIC SAFETY-FIRE</b>				
Firemen salaries	\$ 640,000	\$ 789,700	\$ 789,784	\$ 84
Holiday pay	26,000	26,789	26,789	-
Overtime pay	100,000	56,500	60,197	3,697
Firemen incentive pay	70,000	69,972	69,516	(456)
Longevity pay	20,500	17,182	17,182	-
Employee retirement	420,000	435,841	464,706	28,865
Medical and hospital insurance	212,000	219,610	219,610	-
Social security	67,000	70,798	71,238	440
Workers' compensation	26,000	22,800	22,800	-
Telephone	4,200	7,000	7,098	98
Insurance for vehicles	23,000	23,800	23,800	-
Gas and oil	11,000	12,365	13,665	1,300
Supplies	11,000	7,861	8,388	527
Firefighting protective clothing	18,000	14,081	14,493	412
Travel and training	6,000	4,208	4,344	136
Training material	2,500	2,222	2,267	45
Fire prevention program materials	1,000	297	297	-
Uniforms	8,000	8,860	8,860	-
Maintenance and repairs	16,000	14,000	12,737	(1,263)
Membership fees	150	311	103	(208)
Equipment and tools	37,770	7,600	12,939	5,339
Miscellaneous	22,000	16,212	15,667	(545)
	<u>1,742,120</u>	<u>1,828,009</u>	<u>1,866,480</u>	<u>38,471</u>
<b>Total public safety-fire</b>	<u>1,742,120</u>	<u>1,828,009</u>	<u>1,866,480</u>	<u>38,471</u>

**CITY OF CYNTHIANA, KENTUCKY**  
**REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2023**

	<b>Enacted Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>PUBLIC SAFETY-DISPATCH</b>				
Radio operator salary	\$ 290,000	\$ 247,864	\$ 273,912	\$ 26,048
Overtime pay	70,000	65,137	63,460	(1,677)
Holiday pay	13,000	6,682	6,682	-
Longevity pay	2,000	2,114	2,114	-
Employee retirement	84,000	79,488	79,762	274
Medical and hospital insurance	60,000	42,359	42,359	-
Social security	25,000	24,420	24,363	(57)
Workers' compensation	2,000	2,000	2,000	-
Telephone	3,600	4,200	3,922	(278)
Supplies	4,000	2,700	2,700	-
Utilities	12,000	6,712	16,498	9,786
Miscellaneous	<u>2,500</u>	<u>41,784</u>	<u>526</u>	<u>(41,258)</u>
 Total public safety-dispatch	 <u>568,100</u>	 <u>525,460</u>	 <u>518,298</u>	 <u>(7,162)</u>
 Total public safety	 <u>4,384,154</u>	 <u>4,349,021</u>	 <u>4,315,121</u>	 <u>(33,900)</u>
<b>PUBLIC WORKS</b>				
Commissioner salary	11,434	11,434	11,434	-
Salaries	298,500	290,294	293,763	3,469
Overtime and holiday pay	8,500	7,277	8,155	878
Longevity pay	4,500	4,856	4,856	-
Employee retirement	70,000	81,050	81,616	566
Medical and hospital insurance	78,000	83,945	83,945	-
Social security	22,000	23,344	23,501	157
Worker's compensation	12,000	18,740	18,740	-
Telephone	3,500	4,200	4,002	(198)
Insurance	12,500	19,379	19,379	-
Gas and oil	17,000	21,300	22,148	848
Supplies	12,000	-	17,393	17,393
Rental equipment	2,000	127	4,263	4,136
Training	1,500	4,428	4,428	-
Clothing allowance	4,000	6,710	5,878	(832)
Truck repairs	6,000	1,200	1,239	39
Leaf vacuum machine repairs	1,500	4,232	4,484	252
Backhoe repair	5,000	4,955	5,601	646
Miscellaneous repairs	60,500	171,644	123,894	(47,750)
Street signs	4,000	5,123	5,123	-
Contract Labor	5,000	-	815	815
Miscellaneous	6,100	128,090	1,634	(126,456)
Salt	<u>14,000</u>	<u>10,069</u>	<u>10,069</u>	<u>-</u>
 Total public works	 <u>659,534</u>	 <u>902,397</u>	 <u>756,360</u>	 <u>(146,037)</u>

**CITY OF CYNTHIANA, KENTUCKY**  
**REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2023**

	<b>Enacted Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>PUBLIC SANITATION</b>				
Contract garbage service	\$ 592,200	\$ 591,059	\$ 596,018	\$ 4,959
Total public sanitation	<u>592,200</u>	<u>591,059</u>	<u>596,018</u>	<u>4,959</u>
<b>PUBLIC PROPERTY</b>				
Overtime and holiday pay	-	-	-	-
Retirement	-	-	-	-
Social security	-	-	-	-
Insurance	25,000	23,901	23,901	-
Supplies	40,000	40,000	41,437	1,437
Cemetery upkeep	-	6,579	6,579	-
Parking lot fees	2,400	2,438	2,438	-
Install and remove decorations	1,750	1,050	1,050	-
Utilities	195,600	215,701	218,285	2,584
Maintenance and repairs	3,000	2,946	2,946	-
Miscellaneous	<u>59,000</u>	<u>51,111</u>	<u>37,456</u>	<u>(13,655)</u>
Total public property	<u>326,750</u>	<u>343,726</u>	<u>334,092</u>	<u>(9,634)</u>
<b>CODE ENFORCEMENT</b>				
Telephone	1,400	1,250	1,157	(93)
Supplies	-	356	356	-
Miscellaneous	<u>6,700</u>	<u>14,284</u>	<u>14,284</u>	<u>-</u>
Total code enforcement	<u>8,100</u>	<u>15,890</u>	<u>15,797</u>	<u>(93)</u>
<b>MAIN STREET</b>				
Salaries	31,200	28,815	28,915	100
Social security	2,300	2,275	2,212	(63)
Telephone	700	875	904	29
Projects	-	2,570	2,570	-
Retirement	8,300	8,100	7,746	(354)
Supplies	<u>1,500</u>	<u>1,212</u>	<u>71</u>	<u>(1,141)</u>
Total main street	<u>44,000</u>	<u>43,847</u>	<u>42,418</u>	<u>(1,429)</u>

**CITY OF CYNTHIANA, KENTUCKY**  
**REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2023**

	<b>Enacted Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Debt Service</b>				
Public finance	\$ -	\$ 12,755	\$ 2,144	\$ (10,611)
Public safety - police	145,000	146,026	196,323	50,297
Public safety - fire	47,774	47,774	47,805	31
Public works	70,800	77,825	66,835	(10,990)
Public properties	<u>157,788</u>	<u>156,988</u>	<u>157,738</u>	<u>750</u>
 Total debt service	 <u>421,362</u>	 <u>441,368</u>	 <u>470,845</u>	 <u>29,477</u>
 <b>Capital Outlay</b>				
Public affairs	-	41,000	38,000	(3,000)
Public safety - police	8,000	-	370,924	370,924
Public safety - fire	67,500	22,837	19,900	(2,937)
Public works	123,000	99,455	246,785	147,330
Public properties	<u>37,261</u>	<u>45,018</u>	<u>24,155</u>	<u>(20,863)</u>
 Total capital outlay	 <u>235,761</u>	 <u>208,310</u>	 <u>699,764</u>	 <u>491,454</u>
 <b>TOTAL EXPENDITURES</b>	 <u>7,665,765</u>	 <u>7,823,256</u>	 <u>8,190,477</u>	 <u>367,221</u>
 <b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	 (185,688)	 275,274	 (198,194)	 (473,468)
 <b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from issuance of debt	159,500	-	317,534	317,534
Proceeds from disposal of capital assets	<u>20,000</u>	<u>7,185</u>	<u>247,661</u>	<u>240,476</u>
 <b>TOTAL OTHER FINANCING SOURCES (USES)</b>	 <u>179,500</u>	 <u>7,185</u>	 <u>565,195</u>	 <u>558,010</u>
 <b>NET CHANGE IN FUND BALANCE</b>	 <u>\$ (6,188)</u>	 <u>\$ 282,459</u>	 <u>\$ 367,001</u>	 <u>\$ 84,542</u>

**CITY OF CYNTHIANA, KENTUCKY**  
**REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON**  
**MUNICIPAL ROAD AID FUND**  
**for the year ended June 30, 2023**

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	<b>Enacted Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES</b>				
Intergovernmental	\$ 132,000	\$ 133,738	\$ 133,738	\$ -
Other revenues	<u>10</u>	<u>30</u>	<u>68</u>	<u>38</u>
<b>TOTAL REVENUES</b>	<u>\$ 132,010</u>	<u>\$ 133,768</u>	<u>\$ 133,806</u>	<u>\$ 38</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>\$ 132,000</u>	<u>\$ 132,008</u>	<u>\$ 132,008</u>	<u>\$ -</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 132,000</u>	<u>\$ 132,008</u>	<u>\$ 132,008</u>	<u>\$ -</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 10</u>	<u>\$ 1,760</u>	<u>\$ 1,798</u>	<u>\$ (38)</u>

**CITY OF CYNTHIANA, KENTUCKY  
REQUIRED SUPPLEMENTARY SCHEDULE  
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NONHAZARDOUS  
Last Ten Fiscal Years**

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<b>Reporting Fiscal Year (Measurement Date)</b>	<b>2014 (2013)</b>	<b>2015 (2014)</b>	<b>2016 (2015)</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>	<b>2021 (2020)</b>	<b>2022 (2021)</b>	<b>2023 (2022)</b>
City's proportion of the net pension liability	0.0582%	0.0582%	0.0544%	0.0512%	0.0530%	0.0544%	0.0548%	0.0571%	0.0577%	0.0563%
City's proportionate share of the net pension liability (asset)	\$ 2,142,224	\$ 1,888,670	\$ 2,340,926	\$ 2,520,568	\$ 3,100,673	\$ 3,312,639	\$ 3,852,491	\$ 4,377,068	\$ 3,677,616	\$ 4,069,790
City's covered employee payroll	\$ 1,434,925	\$ 1,408,687	\$ 1,320,802	\$ 1,288,744	\$ 1,358,548	\$ 1,413,102	\$ 1,436,240	\$ 1,502,150	\$ 1,503,881	\$ 1,627,514
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	149.29%	134.07%	177.24%	195.58%	228.23%	234.42%	268.23%	291.39%	244.54%	250.06%
Plan fiduciary net position as a percentage of the total pension liability	61.22%	66.80%	59.97%	55.50%	53.32%	53.54%	50.45%	47.81%	57.33%	52.42%

**CITY OF CYNTHIANA, KENTUCKY  
REQUIRED SUPPLEMENTARY SCHEDULE  
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - HAZARDOUS  
Last Ten Fiscal Years**

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<b>Reporting Fiscal Year (Measurement Date)</b>	<b>2014 (2013)</b>	<b>2015 (2014)</b>	<b>2016 (2015)</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>	<b>2021 (2020)</b>	<b>2022 (2021)</b>	<b>2023 (2022)</b>
City's proportion of the net pension liability	0.2487%	0.2487%	0.2406%	0.2542%	0.2742%	0.2581%	0.2749%	0.2751%	0.2533%	0.2272%
City's proportionate share of the net pension liability (asset)	\$ 3,323,154	\$ 2,989,338	\$ 3,693,014	\$ 4,362,032	\$ 6,133,857	\$ 6,242,981	\$ 7,592,556	\$ 8,295,368	\$ 6,742,983	\$ 6,932,911
City's covered employee payroll	\$ 1,220,846	\$ 1,228,544	\$ 1,230,686	\$ 1,318,707	\$ 1,506,751	\$ 1,447,139	\$ 1,626,824	\$ 1,663,603	\$ 1,644,063	\$ 1,642,965
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	272.20%	243.32%	300.08%	330.78%	407.09%	431.40%	466.71%	498.64%	410.14%	421.98%
Plan fiduciary net position as a percentage of the total pension liability	57.74%	63.46%	57.52%	53.95%	49.78%	49.26%	46.63%	44.11%	52.26%	47.11%



**CITY OF CYNTHIANA, KENTUCKY  
REQUIRED SUPPLEMENTARY  
SCHEDULE OF PENSION CONTRIBUTIONS - NONHAZARDOUS  
Last Ten Fiscal Years**

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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required employer contribution	\$ 193,554	\$ 168,402	\$ 160,062	\$ 189,517	\$ 204,617	\$ 232,958	\$ 289,915	\$ 290,249	\$ 370,748	\$ 416,786
Contributions relative to contractually required employer contribution	<u>193,554</u>	<u>168,402</u>	<u>160,062</u>	<u>189,517</u>	<u>204,617</u>	<u>232,958</u>	<u>289,915</u>	<u>290,249</u>	<u>370,748</u>	<u>416,786</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered employee payroll	\$ 1,408,687	\$ 1,320,802	\$ 1,288,744	\$ 1,358,548	\$ 1,413,102	\$ 1,436,240	\$ 1,502,150	\$ 1,503,881	\$ 1,627,514	\$ 1,781,136
Employer contributions as a percentage of covered-employee payroll	13.74%	12.75%	12.42%	13.95%	14.48%	16.22%	19.30%	19.30%	22.78%	23.40%

**CITY OF CYNTHIANA, KENTUCKY  
REQUIRED SUPPLEMENTARY  
SCHEDULE OF PENSION CONTRIBUTIONS - HAZARDOUS  
Last Ten Fiscal Years**

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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required employer contribution	\$ 253,286	\$ 255,121	\$ 267,170	\$ 327,116	\$ 321,265	\$ 397,599	\$ 500,079	\$ 494,205	\$ 584,896	\$ 640,075
Contributions relative to contractually required employer contribution	<u>253,286</u>	<u>255,121</u>	<u>267,170</u>	<u>327,116</u>	<u>321,265</u>	<u>397,599</u>	<u>500,079</u>	<u>494,205</u>	<u>584,896</u>	<u>640,075</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered employee payroll	\$ 1,228,544	\$ 1,230,686	\$ 1,318,707	\$ 1,506,751	\$ 1,447,139	\$ 1,626,824	\$ 1,663,603	\$ 1,644,063	\$ 1,642,965	\$ 1,495,152
Employer contributions as a percentage of covered-employee payroll	20.62%	20.73%	20.26%	21.71%	22.20%	24.44%	30.06%	30.06%	35.60%	42.81%

**CITY OF CYNTHIANA, KENTUCKY  
REQUIRED SUPPLEMENTARY SCHEDULE  
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - NONHAZARDOUS  
Last Seven Fiscal Years**

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<b>Reporting Fiscal Year (Measurement Date)</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>	<b>2021 (2020)</b>	<b>2022 (2021)</b>	<b>2023 (2022)</b>
City's proportion of the net OPEB liability	0.0530%	0.0530%	0.0544%	0.0548%	0.0571%	0.0577%	0.0563%
City's proportionate share of the net OPEB liability (asset)	\$ 835,306	\$ 1,064,938	\$ 965,684	\$ 921,089	\$ 1,377,850	\$ 1,104,006	\$ 1,110,851
City's covered employee payroll	\$ 1,288,744	\$ 1,358,548	\$ 1,413,102	\$ 1,436,240	\$ 1,502,150	\$ 1,503,881	\$ 1,627,514
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	64.82%	78.39%	68.34%	64.13%	91.73%	73.41%	68.25%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%	60.44%	51.67%	62.91%	60.95%

The above schedule will present 10 years of historical data, once available.

**CITY OF CYNTHIANA, KENTUCKY  
REQUIRED SUPPLEMENTARY SCHEDULE  
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - HAZARDOUS  
Last Seven Fiscal Years**

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<b>Reporting Fiscal Year (Measurement Date)</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>	<b>2021 (2020)</b>	<b>2022 (2021)</b>	<b>2023 (2022)</b>
City's proportion of the net OPEB liability	0.2742%	0.2742%	0.2582%	0.2748%	0.2750%	0.2533%	0.2271%
City's proportionate share of the net OPEB liability (asset)	\$ 1,354,288	\$ 2,266,452	\$ 1,840,690	\$ 2,033,209	\$ 2,541,725	\$ 2,047,992	\$ 1,934,286
City's covered employee payroll	\$ 1,318,707	\$ 1,506,751	\$ 1,447,139	\$ 1,626,824	\$ 1,663,603	\$ 1,644,063	\$ 1,642,965
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	102.70%	150.42%	127.20%	124.98%	152.78%	124.57%	117.73%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	58.99%	64.24%	64.44%	58.84%	66.81%	64.13%

The above schedule will present 10 years of historical data, once available.

**CITY OF CYNTHIANA, KENTUCKY  
REQUIRED SUPPLEMENTARY  
SCHEDULE OF OPEB CONTRIBUTIONS - NONHAZARDOUS  
Last Ten Fiscal Years**

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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required employer contribution	\$ 72,547	\$ 64,984	\$ 59,798	\$ 64,259	\$ 66,416	\$ 75,546	\$ 71,502	\$ 71,585	\$ 67,867	\$ 60,380
Contributions relative to contractually required employer contribution	<u>72,547</u>	<u>64,984</u>	<u>59,798</u>	<u>64,259</u>	<u>66,416</u>	<u>75,546</u>	<u>71,502</u>	<u>71,585</u>	<u>67,867</u>	<u>60,380</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 1,408,687	\$ 1,320,802	\$ 1,288,744	\$ 1,358,548	\$ 1,413,102	\$ 1,436,240	\$ 1,502,150	\$ 1,503,881	\$ 1,627,514	\$ 1,781,136
Employer contributions as a percentage of covered-employee payroll	5.15%	4.92%	4.64%	4.73%	4.70%	5.26%	4.76%	4.76%	4.17%	3.39%

**CITY OF CYNTHIANA, KENTUCKY  
REQUIRED SUPPLEMENTARY  
SCHEDULE OF OPEB CONTRIBUTIONS- HAZARDOUS  
Last Ten Fiscal Years**

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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required employer contribution	\$ 162,070	\$ 167,127	\$ 167,344	\$ 140,881	\$ 135,307	\$ 167,432	\$ 158,375	\$ 156,515	\$ 143,431	\$ 101,371
Contributions relative to contractually required employer contribution	<u>162,070</u>	<u>167,127</u>	<u>167,344</u>	<u>140,881</u>	<u>135,307</u>	<u>167,432</u>	<u>158,375</u>	<u>156,515</u>	<u>143,431</u>	<u>101,371</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 1,228,544	\$ 1,230,686	\$ 1,318,707	\$ 1,506,751	\$ 1,447,139	\$ 1,626,824	\$ 1,663,603	\$ 1,644,063	\$ 1,642,965	\$ 1,495,152
Employer contributions as a percentage of covered-employee payroll	13.19%	13.58%	12.69%	9.35%	9.35%	10.29%	9.52%	9.52%	8.73%	6.78%

**CITY OF CYNTHIANA, KENTUCKY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2023**

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**1. GENERAL INFORMATION**

**Contributions**

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

**Payroll**

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

**2. CHANGES OF ASSUMPTIONS**

**June 30, 2022 – Pension and OPEB – Hazardous and Nonhazardous**

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for OPEB:

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

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for pension.

**June 30, 2021 – Pension and OPEB – Hazardous and Nonhazardous**

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

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

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

**June 30, 2020 – Pension and OPEB – Hazardous and Nonhazardous**

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for OPEB:

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

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for pension.

**CITY OF CYNTHIANA, KENTUCKY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2023**

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**2. CHANGES OF ASSUMPTIONS (CONTINUED)**

**June 30, 2019 – Pension and OPEB – Hazardous and Nonhazardous**

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

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

**June 30, 2018 – Pension and OPEB – Hazardous and Nonhazardous**

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

**June 30, 2017 – Pension and OPEB – Hazardous and Nonhazardous**

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

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

**June 30, 2016 – Pension and OPEB – Hazardous and Nonhazardous**

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

**June 30, 2015 – Pension – Hazardous and Nonhazardous**

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

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

**June 30, 2014 – Pension – Hazardous and Nonhazardous**

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



**CITY OF CYNTHIANA, KENTUCKY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2023**

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**2. CHANGES OF ASSUMPTIONS (CONTINUED)**

**June 30, 2013 – Pension – Hazardous and Nonhazardous**

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

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

## **SUPPLEMENTARY INFORMATION**

**CITY OF CYNTHIANA, KENTUCKY**  
**SCHEDULE OF OPERATIONS**  
**WATER AND SEWER FUND**  
for the year ended June 30, 2023

	Water	Sewer	Total
<b>OPERATING REVENUES</b>			
Water and sewer service	\$ 2,314,818	\$ 1,474,239	\$ 3,789,057
Other income	<u>70,986</u>	<u>49,560</u>	<u>120,546</u>
Total operating revenues	<u>2,385,804</u>	<u>1,523,799</u>	<u>3,909,603</u>
<b>OPERATING EXPENSES</b>			
Salaries	577,435	292,438	869,873
Overtime and holiday pay	29,622	4,955	34,577
Longevity pay	7,320	1,957	9,277
Accrued pay	9,460	9,078	18,538
Employee retirement	179,697	86,520	266,217
Medical and hospital insurance	104,653	44,620	149,273
Social security	45,464	22,290	67,754
Workers' compensation	13,591	7,083	20,674
Repairs	301,171	126,957	428,128
Electricity	132,802	114,504	247,306
Hauling	-	60,997	60,997
Consulting	1,719	1,719	3,438
Telephone	8,445	5,686	14,131
Insurance	87,750	47,459	135,209
Gas and oil	15,087	8,346	23,433
Postage	7,970	-	7,970
Chemicals	187,878	67,584	255,462
Analysis and testing	10,104	16,031	26,135
Professional services	9,500	9,550	19,050
Office supplies	15,726	5,786	21,512
Other supplies	42,261	12,177	54,438
Travel and training	9,925	3,177	13,102
Clothing allowance	5,328	3,729	9,057
Miscellaneous	70,005	14,418	84,423
Depreciation and amortization	<u>460,400</u>	<u>493,015</u>	<u>953,415</u>
Total operating expenses	<u>2,333,313</u>	<u>1,460,076</u>	<u>3,793,389</u>
<b>OPERATING INCOME (LOSS)</b>	<u>\$ 52,491</u>	<u>\$ 63,723</u>	<u>\$ 116,214</u>



**INDEPENDENT AUDITORS' 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**

Mayor and Board of Commissioners  
Cynthiana, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cynthiana, 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 Cynthiana, Kentucky's basic financial statements, and have issued our report thereon dated February 15, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Cynthiana, 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 Cynthiana, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Cynthiana, 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 accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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

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

## **Report on Compliance and Other Matters**

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

## **The City of Cynthiana, Kentucky's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City of Cynthiana, Kentucky's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City of Cynthiana, Kentucky's responses were not subjected to the other 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.

**RFH**

RFH, PLLC  
Lexington, Kentucky  
February 15, 2024

**CITY OF CYNTHIANA, KENTUCKY  
SCHEDULE OF FINDINGS AND RESPONSES  
for the year ended June 30, 2023**

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**FINDING:**

**2023-001 – Material Weakness – Audit Adjustments (Recurring)**

***Criteria:***

The City is required to have internal controls over the period-end financial reporting process that enables the City to record and process year-end journal entries to produce financial records that are in accordance with generally accepted accounting principles.

***Condition:***

Material misstatements were identified throughout the audit process.

***Cause:***

During the fiscal year, the City had complex activity related to construction projects, debt issuance, and material grant funds. Inexperience with this type of activity resulted in the City's unadjusted financial statements being materially misstated.

***Effect:***

Material audit adjustments were required so that the City's financial statements were fairly stated. These material audit adjustments contributed to the City exceeding budgeted amounts in the General Fund.

***Recommendation:***

We recommend the City review its controls over the fiscal year-end financial reporting process. We recommend when management encounters unusual or complex financial activity, that they engage a consultant to help management identify adjustments required so that its financial statements are fairly presented.

***Response:***

Management agrees with the auditors' recommendation and will consult with auditors on complex or unusual financial activity. Management will engage a consultant to help with fiscal year-end financial reporting and adjustments if needed.

**2023-002 – Material Weakness – Bank Reconciliations (Recurring)**

***Criteria:***

The City should have internal controls in place that ensure that all bank accounts are reconciled to the City's financial records monthly and have a secondary review to ensure proper oversight over the process.

***Condition:***

Bank accounts were not reconciled timely, and some transactions were not recorded accurately. In addition, the City Clerk is preparing the bank reconciliations, but there is not a review process from an individual other than the individual preparing the bank reconciliation. This has compromised segregation of duties.

***Cause:***

The City's internal controls were disrupted by changing personnel roles and the COVID-19 pandemic resulting in lockdowns.

***Effect:***

Auditors identified several bank accounts that were not reconciled timely and audit adjustments were needed in order for the City's fiscal year end financial statements to be fairly presented. Also, the City does not have proper segregation of duties related to preparation and review of bank reconciliations.

***Recommendation:***

We recommend that the City take steps to ensure that all bank accounts are reconciled monthly, and that the City implement a secondary review of bank reconciliations to provide oversight and mitigate risks from lack of segregation of duties.

**CITY OF CYNTHIANA, KENTUCKY  
SCHEDULE OF FINDINGS AND RESPONSES  
for the year ended June 30, 2023**

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**2023-002 – Material Weakness – Bank Reconciliations (Recurring), Continued**

***Response:***

Management has updated the City's accounting software to improve controls over bank reconciliations to perform reconciliations timely and accurately. Reconciliations plan to be completed using NexGen Financial management software beginning sometime in fiscal year 2024. The City has budgeted an additional staff member to improve controls and segregation of duties. Commissioner of Public Property and Finance will sign-off on monthly bank reconciliations.

**2023-003 – Significant Deficiency – Financial Statements (Recurring)**

***Criteria:***

The City is required to have internal controls in place that enable it to prepare complete financial statements, including note disclosures, in compliance with generally accepted accounting principles.

***Condition:***

Management was unable to prepare draft financial statements, including the related notes to the financial statements.

***Cause:***

The City lacks personnel with the expertise to apply generally accepted accounting principles in preparing its financial statements including note disclosures and thus, does not have the internal control procedures required to draft the financial statements in conformity with generally accepted accounting principles.

***Effect:***

Management engaged the auditor to prepare draft financial statements, including the related notes to the financial statements. Management reviewed, approved and accepted responsibility for the financial statements prior to their issuance.

***Recommendation:***

We recommend management review the costs and benefits involved to retain a consultant with the required expertise to prepare the financial statements or review the financial statements as prepared by the auditor for compliance with generally accepted accounting principles.

***Response:***

This is an ongoing finding. Management has determined that it is more cost effective to continue to engage the auditor to draft the financial statements and related notes.