

**CITY OF LEWISPORT, KENTUCKY**  
**FINANCIAL STATEMENTS**  
**AND**  
**ACCOMPANYING INFORMATION**  
**JUNE 30, 2023**

**CITY OF LEWISPORT, KENTUCKY**  
**Contents**  
**June 30, 2023**

	<u>Page</u>
<b>Independent Auditors' Report</b>	1-3
<b>Basic Financial Statements:</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Position	4
Statement of Activities	5
<b>Fund Financial Statements:</b>	
Balance Sheet - Governmental Fund	6
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	7
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund to the Statement of Activities	9
Statement of Net Position - Proprietary Funds	10
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	11
Statement of Cash Flows - Proprietary Funds	12
<b>Notes to the Financial Statements</b>	13-33
<b>Required Supplementary Information:</b>	
Budgetary Comparison Schedule - General Fund	34
Schedule of the City's Proportionate Share of the Net Pension Liability	35
Schedule of City Pension Contributions	36
Schedule of the City's Proportionate Share of the Net OPEB Liability	37
Schedule of City OPEB Contributions	38
Notes to Required Supplementary Information	39-40
<b>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 <i>Government Auditing Standards</i></b>	41-42
<b>Schedule of Findings and Responses</b>	43



## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council  
City of Lewisport, Kentucky

### Report on the Audit of the Financial Statements

#### Qualified and Unmodified Opinions

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

#### Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-type Activities	Unmodified
General Fund	Unmodified
Gas System Fund	Unmodified
Water System Fund	Unmodified
Sewer System Fund	Unmodified

#### Qualified Opinion on Governmental Activities

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the City of Lewisport, Kentucky as of June 30, 2023, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Business-type Activities, the General Fund, the Gas System Fund, Water System, Fund, and the Sewer System Fund

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the General Fund, the Gas System Fund, Water System, Fund, and the Sewer System Fund as of June 30, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles general accepted in the United States of America.

#### Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Lewisport, 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 qualified and unmodified audit opinions.

#### Matter Giving Rise to the Qualified Opinion on the Governmental Activities

The City did not report donated property in the governmental activities in accordance with GASB 72, which states it is required to be reported at acquisition value. The amount by which the departure would affect assets, net position and revenues of the governmental activities has not been determined.

#### **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 Lewisport, 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 auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, 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 Lewisport, 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 Lewisport, 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 budgetary comparison information on page 34 and the pension and OPEB schedules on pages 35-38 and notes to required supplementary information on pages 39-40 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.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated on March 19, 2024 our consideration of City of Lewisport, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Lewisport, Kentucky's internal control over financial reporting and compliance.

*Altitude & Company CPAS PSC*

Owensboro, Kentucky  
March 19, 2024

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

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Current Assets</b>			
Cash and cash equivalents	\$ 252,536	\$ 968,823	\$ 1,221,359
Receivables, net:			
Taxes	4,938	-	4,938
Accounts - trade	-	109,080	109,080
Miscellaneous	52,517	132,611	185,128
Inventories	-	185,284	185,284
Prepaid expenses	7,110	28,467	35,577
<b>Total current assets</b>	<b>317,101</b>	<b>1,424,265</b>	<b>1,741,366</b>
<b>Noncurrent Assets</b>			
Restricted cash	-	204,156	204,156
Capital assets:			
Land and construction in progress	130,803	856,324	987,127
Other capital assets, net of depreciation	1,308,494	4,908,192	6,216,686
<b>Total noncurrent assets</b>	<b>1,439,297</b>	<b>5,968,672</b>	<b>7,407,969</b>
<b>Total assets</b>	<b>1,756,398</b>	<b>7,392,937</b>	<b>9,149,335</b>
<b>Deferred Outflows of Resources</b>			
Deferred amounts related to OPEB	75,904	145,922	221,826
Deferred amounts related to pensions	92,843	195,683	288,526
<b>Total deferred outflows of resources</b>	<b>168,747</b>	<b>341,605</b>	<b>510,352</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	19,717	210,061	229,778
Accrued expenses	-	3,968	3,968
Accrued wages payable	36,377	27,515	63,892
Unearned revenue	-	23,003	23,003
Lease payable	4,128	36,037	40,165
Notes payable	-	17,853	17,853
<b>Total current liabilities</b>	<b>60,222</b>	<b>318,437</b>	<b>378,659</b>
<b>Noncurrent Liabilities</b>			
Meter deposits	-	193,940	193,940
Compensated absences	70,916	34,738	105,654
Lease payable	-	157,862	157,862
Note payable	-	327,799	327,799
Net OPEB liability	178,414	327,871	506,285
Net pension liability	653,664	1,201,229	1,854,893
<b>Total noncurrent liabilities</b>	<b>902,994</b>	<b>2,243,439</b>	<b>3,146,433</b>
<b>Total liabilities</b>	<b>963,216</b>	<b>2,561,876</b>	<b>3,525,092</b>
<b>Deferred Inflows of Resources</b>			
Debt issuance cost, net of amortization	-	1,740	1,740
Deferred amounts related to OPEB	67,642	124,308	191,950
Deferred amounts related to pensions	5,822	10,697	16,519
<b>Total deferred inflows of resources</b>	<b>73,464</b>	<b>136,745</b>	<b>210,209</b>
<b>NET POSITION</b>			
Net investment in capital assets	1,435,169	5,223,225	6,658,394
Restricted	10,716	-	10,716
Unrestricted	(557,420)	(187,304)	(744,724)
<b>Total net position</b>	<b>\$ 888,465</b>	<b>\$ 5,035,921</b>	<b>\$ 5,924,386</b>

See accompanying notes.



**CITY OF LEWISPORT, KENTUCKY  
BALANCE SHEET  
GOVERNMENTAL FUND  
June 30, 2023**

	<b>General Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 252,536
Receivables:	
Taxes, net	4,938
Miscellaneous	52,515
Prepaid expenses	7,110
<b>Total assets</b>	\$ 317,099
 <b>LIABILITIES AND FUND BALANCES</b>	
<b>Liabilities</b>	
Accounts payable	\$ 19,717
Accrued wages	36,377
<b>Total liabilities</b>	56,094
 <b>Fund balance</b>	
Restricted	10,716
Assigned	49,386
Unassigned	200,903
<b>Total fund balances</b>	261,005
<b>Total liabilities and fund balance</b>	\$ 317,099

See accompanying notes.



**CITY OF LEWISPORT, KENTUCKY**  
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION**  
**June 30, 2023**

**Total Governmental Fund Balance** \$ 261,005

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

Capital assets used in governmental activities are not financial resources and therefore not reported as assets in governmental funds.

Gross capital assets	3,763,331	
Accumulated depreciation	<u>(2,324,034)</u>	1,439,297

Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore are not reported in the governmental funds.

Deferred outflows of resources	92,843	
Deferred inflows of resources	<u>(5,822)</u>	87,021

Deferred outflows and inflows of resources related to OPEB are applicable to future periods and therefore are not reported in the governmental funds.

Deferred outflows of resources	75,904	
Deferred inflows of resources	<u>(67,642)</u>	8,262

Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental fund.

Compensated absences	(70,914)	
Lease payable	(4,128)	
Net OPEB liability	(178,414)	
Net pension liability	<u>(653,664)</u>	<u>(907,120)</u>

**Total Net Position of Governmental Activities** **\$ 888,465**

See accompanying notes.

**CITY OF LEWISPORT, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
**June 30, 2023**

	<b>General Fund</b>
<b>Revenues</b>	
Property taxes	\$ 155,026
Insurance premium tax	259,275
Franchise taxes	23,068
Intergovernmental:	
Federal and state grants	47,141
County grants	60,000
State highway grants	34,886
Local government economic assistance	2,238
HB413 revenue	5,424
Interest income	285
Miscellaneous	53,211
<b>Total revenues</b>	<b>640,554</b>
<b>Expenditures</b>	
Current:	
General government	275,952
Public safety	361,374
Highways and streets	4,334
Planning and zoning	10,000
Culture and recreation	72,659
Debt service:	
Principal	6,300
Interest	271
Capital outlay	143,310
<b>Total expenditures</b>	<b>874,200</b>
<b>Deficiency of revenues over expenditures</b>	<b>(233,646)</b>
<b>Other Financing Sources (Uses)</b>	
Transfers in	151,234
Transfers out	(97,197)
<b>Total other financing sources (uses)</b>	<b>54,037</b>
<b>Change in fund balance</b>	<b>(179,609)</b>
<b>Fund balance, June 30, 2022</b>	<b>440,614</b>
<b>Fund balance, June 30, 2023</b>	<b>\$ 261,005</b>

See accompanying notes.

**CITY OF LEWISPORT, KENTUCKY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND**  
**TO THE STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2023**

**Change in Fund Balance - Governmental Fund** \$ (179,609)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	143,310	
Depreciation expense	<u>(119,558)</u>	23,752

Capital leases provide current financial resources to governmental funds, while the repayment of the capital lease consumes the current financial resources of governmental funds. In the Statement of Activities, neither transaction has any effect on the change in net position.

Payments on capital lease	6,300
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Governmental funds report pension contributions as expenditures when made. In the Statement of Net Position, pension and OPEB contributions are reported as deferred outflows of resources because the reported net pension and OPEB liability is measured one year before the City's report date. Pension and OPEB expense, which is the change in net pension and OPEB liability, adjusted for changes in deferred outflows and inflows of resources related to pensions and OPEB, is reported in the Statement of Activities.

(232,882)

Certain expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds.

Change in compensated absences	<u>214</u>
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**Change in Net Position of Governmental Activities** \$ (382,225)

See accompanying notes.

**CITY OF LEWISPORT, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2023**

	<u>Gas System</u>	<u>Water System</u>	<u>Sewer System</u>	<u>Total</u>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 259,447	\$ 709,376	\$ -	\$ 968,823
Receivables:				
Trade	25,400	55,215	28,465	109,080
Miscellaneous	54,896	77,715	-	132,611
Inventories	86,492	53,963	44,829	185,284
Prepaid expenses	14,386	7,800	6,281	28,467
<b>Total current assets</b>	<u>440,621</u>	<u>904,069</u>	<u>79,575</u>	<u>1,424,265</u>
<b>Noncurrent assets</b>				
Restricted cash	162,621	41,535	-	204,156
Capital assets:				
Land and construction in progress	591,725	261,339	3,260	856,324
Other capital assets, net of depreciation	1,373,742	1,146,621	2,387,829	4,908,192
<b>Total noncurrent assets</b>	<u>2,128,088</u>	<u>1,449,495</u>	<u>2,391,089</u>	<u>5,968,672</u>
<b>Total assets</b>	<u>2,568,709</u>	<u>2,353,564</u>	<u>2,470,664</u>	<u>7,392,937</u>
<b>Deferred outflows of resources</b>				
Deferred amounts related to OPEB	63,047	48,054	34,821	145,922
Deferred amounts related to pensions	85,931	64,014	45,738	195,683
<b>Total deferred outflows of resources</b>	<u>148,978</u>	<u>112,068</u>	<u>80,559</u>	<u>341,605</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable	67,520	139,238	3,303	210,061
Accrued expenses	1,292	2,676	-	3,968
Accrued wages payable	12,200	8,484	6,831	27,515
Unearned revenue	20,225	1,775	1,003	23,003
Lease payable	36,037	-	-	36,037
Note payable	-	11,843	6,010	17,853
<b>Total current liabilities</b>	<u>137,274</u>	<u>164,016</u>	<u>17,147</u>	<u>318,437</u>
<b>Noncurrent liabilities</b>				
Meter deposits	152,405	41,535	-	193,940
Compensated absences	17,516	9,878	7,344	34,738
Lease payable	157,862	-	-	157,862
Note payable	-	195,997	131,802	327,799
Net OPEB liability	140,444	108,345	79,082	327,871
Net pension liability	514,548	396,947	289,734	1,201,229
<b>Total noncurrent liabilities</b>	<u>982,775</u>	<u>752,702</u>	<u>507,962</u>	<u>2,243,439</u>
<b>Total liabilities</b>	<u>1,120,049</u>	<u>916,718</u>	<u>525,109</u>	<u>2,561,876</u>
<b>Deferred inflows of resources</b>				
Debt issuance costs, net of amortization	1,740	-	-	1,740
Deferred amounts related to OPEB	53,248	41,078	29,982	124,308
Deferred amounts related to pensions	4,582	3,535	2,580	10,697
<b>Total deferred inflows of resources</b>	<u>59,570</u>	<u>44,613</u>	<u>32,562</u>	<u>136,745</u>
<b>NET POSITION</b>				
Net investment in capital assets	1,769,828	1,200,120	2,253,277	5,223,225
Unrestricted	(231,760)	304,181	(259,725)	(187,304)
<b>Total net position</b>	<u>\$ 1,538,068</u>	<u>\$ 1,504,301</u>	<u>\$ 1,993,552</u>	<u>\$ 5,035,921</u>

See accompanying notes.

**CITY OF LEWISPORT, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2023**

	<u>Gas System</u>	<u>Water System</u>	<u>Sewer System</u>	<u>Total</u>
<b>Operating Revenues</b>				
Charges for services	\$ 1,140,867	\$ 560,722	\$ 302,954	\$ 2,004,543
Miscellaneous revenue	12,790	52,222	12,012	77,024
<b>Total operating revenues</b>	<u>1,153,657</u>	<u>612,944</u>	<u>314,966</u>	<u>2,081,567</u>
<b>Operating Expenses</b>				
Chemicals	-	85,396	2,377	87,773
Depreciation expense	78,011	67,035	143,957	289,003
Education and training	-	466	3,710	4,176
Insurance	21,761	12,446	6,337	40,544
Miscellaneous	22,987	9,657	8,364	41,008
Natural gas purchases and transportation	412,220	-	-	412,220
Office supplies	11,648	7,388	3,650	22,686
Professional and legal fees	2,463	2,463	2,463	7,389
Quality testing	-	5,707	15,895	21,602
Repairs and maintenance	78,458	74,942	6,031	159,431
Salaries and benefits	327,499	265,025	199,248	791,772
Telephone	14,903	-	-	14,903
Utilities	30,769	29,443	57,428	117,640
Vehicles expense	15,851	14,650	7,237	37,738
<b>Total operating expenses</b>	<u>1,016,570</u>	<u>574,618</u>	<u>456,697</u>	<u>2,047,885</u>
<b>Operating income (loss)</b>	<u>137,087</u>	<u>38,326</u>	<u>(141,731)</u>	<u>33,682</u>
<b>Non-operating Revenues and Expenses</b>				
Capital grants	118,035	52,115	-	170,150
Interest income	2,003	4,388	29	6,420
Interest expense	(5,851)	(6,387)	-	(12,238)
<b>Total non-operating revenues and expenses</b>	<u>114,187</u>	<u>50,116</u>	<u>29</u>	<u>164,332</u>
<b>Income (Loss) Before Capital Contributions and Transfers</b>	251,274	88,442	(141,702)	198,014
<b>Transfers in</b>	103,023	72,459	57,107	232,589
<b>Transfers out</b>	<u>(251,233)</u>	<u>(19,404)</u>	<u>(15,989)</u>	<u>(286,626)</u>
<b>Change in Net Position</b>	103,064	141,497	(100,584)	143,977
<b>Net Position, June 30, 2022</b>	<u>1,435,004</u>	<u>1,362,804</u>	<u>2,094,136</u>	<u>4,891,944</u>
<b>Net Position, June 30, 2023</b>	<u>\$ 1,538,068</u>	<u>\$ 1,504,301</u>	<u>\$ 1,993,552</u>	<u>\$ 5,035,921</u>

See accompanying notes.

**CITY OF LEWISPORT, KENTUCKY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**June 30, 2023**

	<u>Gas System</u>	<u>Water System</u>	<u>Sewer System</u>	<u>Total</u>
<b>Cash Flows from Operating Activities</b>				
Cash received from customers	\$ 1,118,012	\$ 530,571	\$ 316,384	\$ 1,964,967
Cash payments to suppliers of goods or services	(583,791)	(138,880)	(155,672)	(878,343)
Cash payments to employees for services	(417,892)	(294,837)	(223,001)	(935,730)
<b>Net cash provided by (used in) operating activities</b>	<u>116,329</u>	<u>96,854</u>	<u>(62,289)</u>	<u>150,894</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers in from other funds	103,023	72,459	57,107	232,589
Transfers to other funds	(251,233)	(19,404)	(15,989)	(286,626)
<b>Net cash provided by (used in) noncapital financing activities</b>	<u>(148,210)</u>	<u>53,055</u>	<u>41,118</u>	<u>(54,037)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition and construction of capital assets	(214,649)	(123,701)	(7,769)	(346,119)
Principal paid on capital leases	(34,724)	-	-	(34,724)
Principal paid on notes payable	(82)	(11,844)	-	(11,926)
Capital grants	118,035	52,115	-	170,150
Interest paid on debt	(5,851)	(6,387)	-	(12,238)
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(137,271)</u>	<u>(89,817)</u>	<u>(7,769)</u>	<u>(234,857)</u>
<b>Cash Flows from Investing Activities</b>				
Interest income	2,003	4,388	29	6,420
<b>Net cash provided by (used in) operating activities</b>	<u>2,003</u>	<u>4,388</u>	<u>29</u>	<u>6,420</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(167,149)	64,480	(28,911)	(131,580)
<b>Cash and cash equivalents - beginning</b>	589,217	686,431	28,911	1,304,559
<b>Cash and cash equivalents - ending</b>	<u>\$ 422,068</u>	<u>\$ 750,911</u>	<u>\$ -</u>	<u>\$ 1,172,979</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>				
Operating income (loss)	\$ 137,087	\$ 38,326	\$ (141,731)	\$ 33,682
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>				
Depreciation	78,011	67,035	143,957	289,003
Decrease (increase) in assets				
Accounts receivable	(43,801)	(84,685)	462	(128,024)
Inventories	10,259	(22,570)	(27,174)	(39,485)
Prepaid expenses	(734)	(1,765)	(1,794)	(4,293)
Deferred outflows of resources	(718)	(2,537)	(882)	(4,137)
Increase (decrease) in liabilities				
Accounts payable	17,625	129,373	(13,212)	133,786
Accrued expenses	119	278	2,567	2,964
Accrued wages payable	3,868	960	956	5,784
Unearned revenue	3,861	1,672	-	5,533
Meter deposits	4,295	640	-	4,935
Compensated absences	5,083	2,866	2,131	10,080
Net OPEB liability	(12,328)	(1,381)	(554)	(14,263)
Net pension liability	5,662	31,446	24,464	61,572
Deferred inflows of resources	(91,960)	(62,804)	(51,479)	(206,243)
<b>Total Adjustments</b>	<u>(20,758)</u>	<u>58,528</u>	<u>79,442</u>	<u>117,212</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>\$ 116,329</u>	<u>\$ 96,854</u>	<u>\$ (62,289)</u>	<u>\$ 150,894</u>

See accompanying notes.

**CITY OF LEWISPORT, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Lewisport, Kentucky (City) was incorporated on February 27, 1844, under the provisions of the Commonwealth of Kentucky. The City operates under a mayor-council form of government and provides the following services: public safety – police and fire; streets; culture and recreation; public improvements; planning and zoning; general administrative services; and water, and sewer operations. As required by accounting principles generally accepted in the United States of America (GAAP), the financial statements of the reporting entity include those of the City of Lewisport (the primary government).

Financial Reporting Entity

The City of Lewisport is a municipality governed by a mayor and six-member council. The City, for financial reporting purposes, includes all of the funds relevant to the operations of the City of Lewisport. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of Lewisport.

The financial statements of the City include those of separately administered organizations that are controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the primary government (the City). These statements include the financial activities of the overall government. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category - governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

**CITY OF LEWISPORT, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Basis of Presentation (continued)

The City reports the following major governmental fund:

1. General Fund - This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

1. Gas System – This fund accounts for the operations, maintenance, and development of natural gas distribution lines.
2. Water System - This fund accounts for the operation, maintenance, and development of the water plant and water distribution lines.
3. Sewer System - This fund accounts for the operation, maintenance, and development of the sewage treatment plant and sewage lines.

Measurement Focus and Basis of Accounting

Government-Wide and Proprietary Fund Financial Statements

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Fund Financial Statements

The governmental fund is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental fund to be available if the revenues are collected within sixty days after year-end. Property taxes, franchise taxes, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the governmental fund. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.



**CITY OF LEWISPORT, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Deposits and Investments

The City considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash.

Management Estimates

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

Capital Assets

In the government-wide financial statements, fixed assets are accounted for as capital assets. In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures upon acquisition.

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The City maintains a capitalization threshold of \$5,000.

General infrastructure assets acquired prior to July 1, 2001 are not reported in the basic financial statements. General infrastructure assets include all roads, road improvements, and other infrastructure assets acquired subsequent to July 1, 2001.

Depreciation is provided in the government-wide financial statements in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. Depreciation is recorded as an unallocated expense in the Statement of Activities. The service lives by type of asset are as follows:

Buildings and improvements	40 years
Land improvements	20 years
Distribution/collection systems	10 - 50 years
Vehicles	5 - 15 years
Furniture and fixtures	3 - 10 years
Equipment	5 - 10 years

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 borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Unrestricted assets are those assets that do not meet the definition of "restricted" or "net investment in capital assets".

**CITY OF LEWISPORT, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Receivables

Property tax receivables in the General Fund and trade receivables in the Gas System are shown net of allowances of \$436 and \$821, respectively, for uncollectible accounts. No provision is made for uncollectible water and sewer bills due to management's position that any uncollectible accounts would be insignificant. Bad debts are written off annually.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Compensated Absences

The City allows employees to accumulate unused vacation and sick leave until termination or retirement. Upon termination for any cause, the City pays up to a maximum of sixty-five days of vacation leave, but the employee is not compensated for unused sick leave. Any vacation days accumulated in excess of sixty-five days and unused sick leave will be forfeited by the employee. The City only accrues unused vacation pay.

Inventory

The City records inventory for materials and supplies used for routine maintenance and repairs. The inventories are valued at cost using the FIFO (first in-first out) method or net realizable value, whichever is lower. Inventory reported by the Gas System also includes natural gas purchased and stored prior to year-end and is recorded using the weighted average cost of gas method.

Allocation of Indirect Expenses

Expenses that are not specifically related to an individual fund are allocated. Those expenses include salaries, employee benefits, insurance, operating supplies, office supplies, postage, truck expenses, and other expenses. Those allocations are based on time spent in the General Fund, Gas System, Water System, and Sewer System, as estimated by the City Administrator.

Fund Balance

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable fund balance - amounts that are not in a spendable form (such as inventory and prepayments) or are required to be maintained intact.

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

**CITY OF LEWISPORT, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Fund Balance, (continued)

Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned fund balance - amounts that are available for any purpose.

The City did not establish any fund balance commitments for the fiscal year. Assigned fund balance is established by the Mayor through adoption or amendment of the budget as intended for a specific purpose. Unrestricted and unassigned fund balances are reduced first, unless expenditures are incurred for a specific purpose for which fund balance has been restricted, committed, or assigned.

Interfund Activity

Interfund receivables and payables may arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Amounts owed between funds within the business-type activities are eliminated in the government-wide Statement of Net Position. Amounts not expected to be repaid are considered transfers.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses using the consumption method.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports the deferred amounts related to pensions and OPEB in the Statement of Net Position in this category. Deferred amounts related to pensions and OPEB include pension and OPEB contributions made during the current fiscal year but applicable to a future measurement period of the net pension and OPEB liability.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The City reports the deferred amount related to pensions and OPEB in the Statement of Net Position in this category.

**CITY OF LEWISPORT, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Pensions and Other Postemployment Benefits (“OPEB”)

For the purpose of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB and pension expense and OPEB, information about the fiduciary net position of the County Employees Retirement System (CERS) of the Kentucky Retirement System (KRS), have been determined on the same basis as they are reported by KRS for the CERS Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms of the CERS Plan of Kentucky.

**NOTE B - DEPOSITS AND INVESTMENTS**

Statutes authorize the City to invest in certificates of deposit, passbooks, and other available bank investments provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds. In addition, the City can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law. The governing body has not formally adopted deposit and investment policies that limit the City’s allowable deposits or investments and address the specific types of risk to which it is exposed.

The City considers cash and cash equivalents to be cash on hand, demand deposits, and certificates of deposit. At June 30, 2023, the reported amount of the City’s deposits was \$1,424,696 and the bank balance was \$1,543,837. Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. All of the City’s deposits were either insured or collateralized with securities pledged by their financial institution.

Restricted Cash

Proprietary Funds are required to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments) that can be used only to service outstanding liabilities, such as meter deposits. Certificates of deposit used as loan collateral are also considered restricted. For purposes of the Statement of Cash Flows, the Proprietary Funds consider all certificates of deposit to be cash equivalents. Cash and cash equivalents at June 30, 2023 consisted of the following:

	Gas System	Water System	Sewer System	Total
Cash	\$ 259,447	\$ 709,376	\$ -	\$ 968,823
Restricted Cash	162,621	41,535	-	204,156
	\$ 422,068	\$ 750,911	\$ -	\$ 1,172,979

**NOTE C - CONCENTRATION OF CREDIT RISK**

The City operates and grants credit to customers in Lewisport, Kentucky, located in Western Kentucky. The region is highly dependent on aluminum and farming production. One financial instrument that potentially subjects the City to credit risk is accounts receivable. Accounts receivable are not collateralized.

**CITY OF LEWISPORT, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE D - CAPITAL ASSETS**

The following table provides a summary of changes in capital assets:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
<b><u>Governmental Activities</u></b>				
Capital assets not depreciated:				
Land	\$ 130,803	\$ -	\$ -	\$ 130,803
Construction in progress	-	-	-	-
Total capital assets not depreciated:	<u>130,803</u>	<u>-</u>	<u>-</u>	<u>130,803</u>
Capital assets depreciated:				
Buildings and improvements	1,601,726	62,416	-	1,664,142
Equipment	351,020	23,718	-	374,738
Land improvements	1,013,237	27,178	-	1,040,415
Furniture and fixtures	75,398	-	-	75,398
Vehicles	447,839	29,998	-	477,837
Total capital assets depreciated	<u>3,489,220</u>	<u>143,310</u>	<u>-</u>	<u>3,632,530</u>
Less accumulated depreciation:				
Buildings and improvements	880,622	39,231	-	919,853
Equipment	308,568	16,031	-	324,599
Land improvements	597,934	42,367	-	640,301
Furniture and fixtures	59,066	3,435	-	62,501
Vehicles	358,287	18,496	-	376,783
Total accumulated depreciation	<u>2,204,477</u>	<u>119,560</u>	<u>-</u>	<u>2,324,037</u>
Total capital assets depreciated, net	<u>1,284,743</u>	<u>23,750</u>	<u>-</u>	<u>1,308,493</u>
Total capital assets, net	<u>\$ 1,415,546</u>	<u>\$ 23,750</u>	<u>\$ -</u>	<u>\$ 1,439,296</u>
<b><u>Business-Type Activities</u></b>				
Capital assets not depreciated:				
Land	\$ 312,402	\$ -	\$ -	\$ 312,402
Construction in progress	302,185	241,737	-	543,922
Total capital assets not depreciated:	<u>614,587</u>	<u>241,737</u>	<u>-</u>	<u>856,324</u>
Capital assets depreciated:				
Distribution/collection systems	10,212,145	-	-	10,212,145
Equipment	794,034	104,383	-	898,417
Furniture and fixtures	59,883	-	-	59,883
Improvements	8,208	-	-	8,208
Vehicles	290,935	-	-	290,935
Total capital assets depreciated	<u>11,365,205</u>	<u>104,383</u>	<u>-</u>	<u>11,469,588</u>
Less accumulated depreciation:				
Distribution/collection systems	5,404,151	242,688	-	5,646,839
Equipment	574,304	32,381	-	606,685
Furniture and fixtures	45,374	2,348	-	47,722
Improvements	8,123	88	-	8,211
Vehicles	240,440	11,499	-	251,939
Total accumulated depreciation	<u>6,272,392</u>	<u>289,004</u>	<u>-</u>	<u>6,561,396</u>
Total capital assets depreciated, net	<u>5,092,813</u>	<u>(184,621)</u>	<u>-</u>	<u>4,908,192</u>
Total capital assets, net	<u>\$ 5,707,400</u>	<u>\$ 57,116</u>	<u>\$ -</u>	<u>\$ 5,764,516</u>

**CITY OF LEWISPORT, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE E - PROPERTY TAXES**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are due and payable at that time. All unpaid taxes levied November 1 become delinquent February 1 of the following year. The City's property tax rate is \$.202 per \$100 valuation.

City resolution requires the Gas System to make an annual payment to the General Fund in lieu of tax in the amount of 10% of the net property and equipment of the gas system, not to exceed \$140,000. During the year ended June 30, 2023 the Gas System paid the General Fund \$90,000 for this purpose and the amount was recorded as a transfer.

**NOTE F - RISK MANAGEMENT**

The City of Lewisport is exposed to various risks and losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance for risks related to injuries to employees and all other risks of loss. The City Attorney estimates that the amount of actual or potential claims against the City as of June 30, 2023, will not materially affect the financial condition of the City. Therefore, there are no provisions for claims.

**NOTE G - BUDGETS**

The City's budgetary process accounts for certain transactions on a basis other than GAAP. The major differences between the budgetary basis and the GAAP basis are revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP). Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP). The City Council approves total budget appropriations by ordinance, and amendments are made as needed throughout the year. Formal budgetary integration is employed as a management control device during the year.

**NOTE H – LONG-TERM LIABILITIES**

Changes in noncurrent liabilities, including current portions, for the year ended June 30, 2023 were as follows:

	July 1, 2022	Additions	Reductions	June 30, 2023	Due in One Year
<b><u>Governmental Activities</u></b>					
Compensated absences	\$ 71,269	\$ 23,557	\$ (23,910)	\$ 70,916	\$ -
Lease payable	10,428	-	(6,300)	4,128	4,128
Net pension liability	407,108	246,556	-	653,664	-
Net OPEB liability	122,214	198,681	(142,481)	178,414	-
Total	<u>\$ 611,019</u>	<u>\$ 468,794</u>	<u>\$ (172,691)</u>	<u>\$ 907,122</u>	<u>\$ 4,128</u>
<b><u>Business-Type Activities</u></b>					
Meter deposits	\$ 189,005	\$ 30,600	\$ (25,665)	\$ 193,940	\$ -
Compensated absences	24,658	20,732	(10,652)	34,738	-
Lease payable	228,121	-	(34,222)	193,899	36,037
Note payable	363,025	-	(17,373)	345,652	17,853
Net pension liability	1,139,657	207,287	(145,715)	1,201,229	-
Net OPEB liability	342,134	300,468	(314,731)	327,871	-
Total	<u>\$ 2,286,600</u>	<u>\$ 559,087</u>	<u>\$ (548,358)</u>	<u>\$ 2,297,329</u>	<u>\$ 53,890</u>

**CITY OF LEWISPORT, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE H – LONG-TERM LIABILITIES (continued)**

Compensated absences, net pension and OPEB liabilities have been liquidated in the Governmental and Proprietary Funds. Meter deposits have been liquidated in the Proprietary Funds (Water and Gas Systems). The lease payable will be liquidated in the Gas System. The amounts due in one year for meter deposits, compensated absences, and net pension liability could not be determined.

Debt Service Requirements – Notes Payable

During 2017, the City's Water Fund obtained financing from the Kentucky Infrastructure authority to finance a construction project for the sandblasting, re-coating, chlorinating and painting the interior of a 200,000 gallon water tank in Lewisport, Kentucky. The total amount of the construction note is \$267,500 and bears an interest rate of 2.75% for 20 years. As of June 30, 2023, the balance is \$207,840.

On April 23, 2020, the City signed a note payable with the Kentucky Infrastructure Authority for a sewer project. The note has an interest rate of 2.75%. Loan payment is each June 1 and December 1 and commenced on June 1, 2021. As of June 30, 2023, the balance is \$137,812.

Future payments on the notes payable are as follows:

Year Ending	Business-type
<u>30-Jun</u>	<u>Activities</u>
2024	17,853
2025	18,347
2026	18,854
2027	19,378
Thereafter	271,220
	<u>\$ 345,652</u>

**CITY OF LEWISPORT, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE H – LONG-TERM LIABILITIES (continued)**

Debt Service Requirements – Lease Payable

Capital leases included in governmental activities include a capital lease of a fire truck and a police cruiser. Capital leases for business-type activities include a general obligation lease to provide funding to the City for improvements and to purchase equipment. The schedule of future minimum lease payments on the capital lease as of June 30, 2023 is as follows:

	Year Ending June 30	Governmental Activities	Business-type Activities
	2024	4,182	41,080
	2025	-	40,630
	2026	-	45,180
	2027	-	30,051
	2028	-	26,575
	2029	-	26,010
Future Minimum Payments		4,182	209,526
Less Interest		(54)	(15,627)
Present Value of Future Minimum Payments		4,128	193,899
	Less current portion	4,128	36,037
	Noncurrent portion	\$ -	\$ 157,862

**NOTE I - COMMITMENTS AND CONTINGENCIES**

The City receives federal and state grants for specific purposes that are subject to review and audit by state agencies. Such audits could result in a request for reimbursement for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of city management, such disallowances, if any, will not be significant.

**NOTE J - RETIREMENT PLAN**

Defined Benefit Plan

*Plan Description* – All full-time employees of City of Lewisport, Kentucky are covered by the County Employees Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers all regular full-time members employed in non-hazardous duty positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in CERS. 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. Prior to July 1, 2009, COLAs were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA. If the recipient has been



**CITY OF LEWISPORT, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE J - RETIREMENT PLAN (continued)**

Defined Benefit Plan (continued)

receiving a benefit for less than 12 months prior to effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands. No COLA has been granted since July 1, 2011.

The County Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601-6124, calling 502-696-8822, or on the internet at [www.kyret.gov](http://www.kyret.gov).

*Contributions* – For the fiscal year ended June 30, 2023, plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. The 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 basis of an annual valuation last preceding 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 bases adopted by the Board. For the fiscal year ended June 30, 2023, participating employers contributed 23.40%, of each employee's creditable compensation. Administrative costs of KRS are financed through employer contributions and investment earnings. The actuarially determined rates set by the Board for the fiscal year ended June 30, 2022 was 23.40%.

Plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 6% of their annual creditable compensation. These members were classified in the Tier 2 structure of benefits. Five percent of the contribution was deposited to the member's account while the 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited. For plan members who began participating prior to September 1, 2008, their contributions remain at 5% of their annual creditable compensation.

Plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. These members were classified in the Tier 3 structure of benefits. 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. Non-hazardous members contribute 5% of their annual creditable compensation and 1% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

**CITY OF LEWISPORT, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE J - RETIREMENT PLAN (continued)**

The City's total payroll for the years ended June 30, 2023 was \$733,274 and the payroll for employees covered under CERS was \$699,392. The contribution requirement for CERS, for the year ended June 30, 2023 was \$224,085, which consisted of \$186,919 from the City and \$37,166 from the employees, respectively.

The City has met 100% of its contribution funding requirement for the fiscal year ended June 30, 2023.

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

At June 30, 2023, the City reported a liability of \$1,854,893 for its proportionate share of the net pension liability. 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 that date.

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (continued)*

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. As of June 30, 2023, the City's proportion was .0025659 percent, an increase from .0024260 percent in the prior year.

For the year ended June 30, 2023, the City recognized pension expense of \$198,725 for CERS. At June 30, 2023 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Difference between expected & actual experience	\$ 1,983	\$ 16,519
Net difference between projected and actual investment earnings on pension plan investments	47,552	-
Changes of assumption	-	-
Changes in proportion and differences between City contributions and proportional share of contributions	75,725	-
City contributions subsequent to the measurement date	163,266	-
	<u>\$ 288,526</u>	<u>\$ 16,519</u>

**CITY OF LEWISPORT, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE J - RETIREMENT PLAN (continued)**

The \$163,266 of deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred inflows related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2024	\$ 38,876
2025	32,761
2026	(15,587)
2027	52,691
2028	-
	\$ 108,741

Actuarial Methods and Assumptions – The total pension liability was determined by applying procedures to the actuarial valuation as of June 30, 2020 using the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

*Actuarial Methods and Assumptions*

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

Valuation Date	June 30, 2020 rolled forward to 2021
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Remaining Amortization Period	30 year-closed period at June 30, 2019
Asset Valuation Method	20% of the difference between market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30-10.3%, varies by service
Investment Rate of Return	6.25%

The mortality table used for active members is system specific 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 long - term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2013 through 2018, is outlined in a report dated April 30, 2019. Several factors are considered in evaluating the long - term rate of return assumption including long term historical data, estimates inherent in current market data, and a log - normal distribution analysis in which best - estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class.

These ranges were combined to produce the long - term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10 year

**CITY OF LEWISPORT, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE J - RETIREMENT PLAN (continued)**

*Actuarial Methods and Assumptions (Continued)*

horizon and may not be useful in setting the long - term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Specialty Credit/High Yield	10.00%	2.28%
Core Bonds	10.00%	0.28%
Real Estae	7.00%	3.67%
Real Return	13.00%	4.07%
Cash Equivalent	0.00%	-0.91%
Total	<u>100%</u>	

*Discount Rate*

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

The Schedule of Deferred Outflows and Inflows, and Pension Expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2023, is based on the June 30, 2022, actuarial valuation for the first year of implementation. As a result, there are no differences between expected and actual experience or changes in assumptions subject to amortization.

**CITY OF LEWISPORT, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE J - RETIREMENT PLAN (continued)**

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period.

	1% Decrease 5.25%	Current Discount 6.25%	1% Increase 7.25%
City's proportionate share of the net pension liability	\$ 2,318,386	\$ 1,854,893	\$ 1,471,545

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued CERS financial report.

The City also participates in the Kentucky Public Employees 401(k) Deferred Compensation (Plan II). Participation in the plan is voluntary and contributions are withheld from participating employees’ wages. No contributions were made by the City.

**NOTE K – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

*Plan description.* Employees of the City are provided hospital and medical insurance through the Kentucky Retirement Systems' Insurance Fund (Insurance Fund), a cost-sharing multiple-employer defined benefit OPEB plan. The KRS was created by state statute under Kentucky Revised Statue Section 61.645. The KRS Board of Trustees is responsible for the proper operation and administration of the KRS. The KRS issues a publicly available financial report that can obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502)564-4646.

*Benefits provided.* The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The Insurance Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous members killed in the line of duty. As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

*Contributions.* Contribution requirements of the participating employers are established and may be amended by the KRS Board of Trustees. The City’s contractually required contribution rate for the year ended June 30, 2023 was 3.39% of covered payroll. Contributions to the Insurance Fund from the City were \$23,653 for the year ended June 30, 2023. Employees that entered the plan prior to September 1, 2008 are not required to contribute to the Insurance Fund. Employees that entered the plan after September 1, 2008 are required to contribute 1% of their annual creditable compensation which is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E).

**CITY OF LEWISPORT, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE K – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)**

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

At June 30, 2023, the City reported a liability of \$506,285 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net OPEB liability and OPEB expense was determined using the employers' actual contributions for fiscal year 2022. This method is expected to be reflective of the employers' long-term contribution effort. As of June 30, 2023, the City's proportion was .025654 percent, an increase from .024255 percent in the prior year.

For the year ended June 30, 2023, the City recognized OPEB expense of \$82,810. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Difference between expected and actual experience	\$ 50,962	\$ 116,103
Net difference between projected and actual investment earnings on pension plan investments	20,549	-
Changes of assumption	80,073	65,979
Changes in proportion and differences between City contributions and proportional share of contributions	28,335	9,868
City contributions subsequent to the measurement date	<u>41,907</u>	<u>-</u>
	<u>\$ 221,826</u>	<u>\$ 191,950</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$18,254 is an implicit subsidy and \$23,653 resulted from City contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2023.

**CITY OF LEWISPORT, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE K – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the City's OPEB expense as follows:

Year Ending June 30	Amount
2024	\$ 5,071
2025	2,177
2026	(26,062)
2027	6,783
2028	-
	\$ (12,031)

*Actuarial Assumptions*

The total other postemployment benefits plan ("OPEB") was determined by an actuarial valuation as of June 30, 2020 rolled forward to 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.30 percent
Payroll growth rate	2.00 percent
Salary increases	3.30 percent
Investment rate of return	6.25 percent

Healthcare Trend Rates (Pre - 65) Initial trend starting at 6.20 percent at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05 percent over a period of 13 years.

Healthcare Trend Rates (Post - 65) Initial trend starting at 9 percent at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05 percent over a period of 13 years.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB. The mortality table used for active members is system specific based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

Discount rate assumptions:

(a) Discount Rate: The discount rate used to measure the total OPEB liability was 5.70% which was increased from 5.20% discount rate used in the prior year.

(b) Projected Cash Flows: The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability.

(c) Long-Term Rate of Return: The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System.

**CITY OF LEWISPORT, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE K – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

Discount rate assumptions:

(d) Municipal Bond Rate: The discount rate determination used a municipal bond rate of 3.62% as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022.

(e) Period of Projected Benefit Payments: Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the system's actuarial determined contributions, and it is the actuary's understanding that any cost associated with the implicit subsidy will not be paid out of the system's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Specialty Credit/High Yield	10.00%	2.28%
Core Bonds	10.00%	0.28%
Real Estae	7.00%	3.67%
Real Return	13.00%	4.07%
Cash Equivalent	0.00%	-0.91%
Total	<u>100%</u>	



**CITY OF LEWISPORT, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE K – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

*Sensitivity of the City's proportionate share of the collective net OPEB liability to changes in the discount rate.* The following presents the City's proportionate share of the collective net OPEB liability as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.70%) or 1 percentage point higher (6.70%) than the current discount rate:

	1% Decrease 4.70%	Current Discount 5.70%	1% Increase 6.70%
City's proportionate share of the net OPEB liability	\$ 676,823	\$ 506,285	\$ 365,308

The following presents the Bureau's allocated portion of the net OPEB liability of the System, calculated using the healthcare cost trend rate of percent, as well as what the Bureau's allocated portion of the System's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB liability	\$ 376,412	\$ 506,285	\$ 662,239

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

**NOTE L - TRANSFER OF FUNDS**

The following transfers were made during the year:

From Fund	To Fund	Amount	Purpose
General	Gas	\$ 97,197	Allocated expenses
General	Sewer	31,666	Allocated expenses
Gas	General	90,000	In lieu
Gas	Water	72,459	Allocated expenses
Gas	Sewer	57,107	Allocated expenses
Water	General	14,867	Allocated expenses
Water	Gas	4,538	Allocated expenses
Sewer	General	15,895	Allocated expenses
Sewer	Gas	94	Allocated expenses

**CITY OF LEWISPORT, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE M - FUND BALANCE**

The fund balance for the Governmental Fund was classified as follows:

Fund Balance	General Fund
Restricted:	
Fire department	\$ 10,716
Total Restricted	10,716
Assigned:	
Municipal improvements	45,933
Heritage Festival	3,453
Total Assigned	49,386
Unassigned	200,903
Total Fund Balance	\$ 261,005

**NOTE N - RELATED PARTIES**

The Mayor is a vice president and branch manager of First Financial Bank, which provides all banking services to the City.

**NOTE O - GRANTS AND DONATIONS**

County Grants

For the year ended June 30, 2023 the General Fund received \$60,000 from the Hancock County, Kentucky Fiscal Court for financial assistance. The County designated \$50,000 for operations and \$10,000 for the fire department.

State Capital Grant

The Kentucky Transportation Cabinet has elected to widen Highway 60 from Hawesville (Hancock County Career Center) to Highway 1957 in Lewisport. The Kentucky Transportation Cabinet has agreed to a grant to reimburse the total cost of moving those utility lines. The City submits invoices to the state as they are received. At June 30, 2023, construction in progress related to this project was \$498,522.

Clean Water Grant

The City was approved for several KIA Clean Water Grants for construction of a new water plant, a sewer lift station rehabilitation, and an interconnect project for emergency water distribution. A grant for \$37,325 was awarded for the interconnect project. During the year, grants were awarded for the water plant and lift station rehabilitation of \$388,087. During the year ended June 30, 2023, \$44,250 of these grants had been spent.

**CITY OF LEWISPORT, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE P – SUBSEQUENT EVENTS**

Clean Water Grant

The City was approved for additional KIA Clean Water Grants for construction of the new water plant and sewer lift station rehabilitation. The additional grants bring to total KIA Clean Water Grants regarding these projects to \$647,798.

The City evaluated subsequent events through March 19, 2024, which is the date the financial statements were available to be issued, for events requiring disclosure in the financial statements for the year ended June 30, 2023. There were no subsequent events identified requiring disclosure.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF LEWISPORT, KENTUCKY  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
Year Ended June 30, 2023**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>General Fund</b>				
Revenues	\$ 1,092,246	\$ 1,163,244	\$ 640,554	\$ (522,690)
Expenditures	(1,067,140)	(1,151,468)	(874,200)	277,268
Transfers	-	-	54,037	54,037
<b>Revenues and other financing sources over expenditures and other financing uses</b>	<u>25,106</u>	<u>11,776</u>	<u>(179,609)</u>	<u>(191,385)</u>
<b>Fund balance, June 30, 2022</b>	<u>440,614</u>	<u>440,614</u>	<u>440,614</u>	<u>-</u>
<b>Fund balance, June 30, 2023</b>	<u>\$ 465,720</u>	<u>\$ 452,390</u>	<u>\$ 261,005</u>	<u>\$ (191,385)</u>

CITY OF LEWISPORT, KENTUCKY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 LAST 10 FISCAL YEARS\*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM</b>									
<b><u>Non-Hazardous</u></b>									
City's proportion of the net pension liability	0.025666%	0.024260%	0.024174%	0.023301%	0.024718%	0.023826%	0.021850%	0.224100%	0.023274%
City's proportionate share of the net pension liability	\$ 1,854,893	\$ 1,546,765	\$ 1,854,126	\$ 1,638,770	\$ 1,505,402	\$ 1,394,609	\$ 1,075,957	\$ 963,626	\$ 755,000
City's covered employee-payroll	\$ 709,826	\$ 619,671	\$ 619,256	\$ 587,738	\$ 612,631	\$ 570,065	\$ 532,311	\$ 522,912	\$ 533,942
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	261.32%	249.61%	299.41%	278.83%	245.73%	244.64%	202.13%	184.28%	141.40%
Plan fiduciary net position as a percentage of the total pension liability	52.42%	57.33%	47.81%	50.45%	53.34%	53.33%	55.50%	59.97%	66.80%

**Note:** The data provided in this schedule is based on the measurement date of the CERS net pension liability, which is as of June 30th of the prior fiscal year.

\* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF LEWISPORT, KENTUCKY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS  
 LAST 10 FISCAL YEARS\*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM</b>									
<b><u>Non-Hazardous</u></b>									
Contractually required contribution	\$ 163,266	\$ 150,207	\$ 119,597	\$ 119,509	\$ 95,315	\$ 88,709	\$ 79,524	\$ 90,812	\$ 92,399
Contributions in relation to the contractually required contribution	(163,266)	(150,207)	(119,597)	(119,509)	(95,315)	(88,709)	(79,524)	(90,812)	(92,399)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 699,392	\$ 709,826	\$ 619,671	\$ 619,256	\$ 587,738	\$ 612,631	\$ 570,065	\$ 532,311	\$ 522,912
Contributions as a percentage of covered-employee payroll	23.40%	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%

\* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF LEWISPORT, KENTUCKY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
 LAST 10 FISCAL YEARS\*

COUNTY EMPLOYEES RETIREMENT SYSTEM	2023	2022	2021	2020	2019	2018
<b><u>Non-Hazardous</u></b>						
City's proportion of the net OPEB liability	0.025654%	0.024255%	0.024167%	0.023295%	0.024717%	0.023826%
City's proportionate share of the net OPEB liability	\$ 506,285	\$ 464,348	\$ 583,558	\$ 391,811	\$ 438,845	\$ 478,984
City's covered employee-payroll	\$ 709,826	\$ 619,671	\$ 619,256	\$ 587,738	\$ 612,631	\$ 570,065
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	71.33%	74.93%	94.24%	66.66%	71.63%	84.02%
Plan fiduciary net position as a percentage of the total OPEB liability	60.95%	62.91%	51.60%	65.26%	57.62%	52.40%

*Notes:*

- 1) The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.
- 2) This is a ten-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until ten years of information is available.



**CITY OF LEWISPORT, KENTUCKY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE CITY'S OPEB CONTRIBUTIONS  
LAST 10 FISCAL YEARS\***

<b>COUNTY EMPLOYEES RETIREMENT SYSTEM</b>	2023	2022	2021	2020	2019	2018
<b><u>Non-Hazardous</u></b>						
Statutorily required contribution	\$ 41,207	\$ 41,011	\$ 43,818	\$ 30,915	\$ 30,931	\$ 28,794
Contributions in relation to the statutorily required contribution	(41,207)	(41,011)	(43,818)	(30,915)	(30,931)	(28,794)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's contributions as a percentage of statutorily required contribution	100%	100%	100%	100%	100%	100%
City's covered-employee payroll	\$ 699,392	\$ 709,826	\$ 619,671	\$ 619,256	\$ 587,738	\$ 612,631
Contributions as a percentage of covered-employee payroll	3.39%	5.78%	4.76%	4.76%	5.26%	4.70%

**Note:**

- 1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, City is presenting information for those years for which information is available.

**CITY OF LEWISPORT, KENTUCKY  
REQUIRED SUPPLEMENTAL INFORMATION  
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION  
JUNE 30, 2023**

**NOTES TO BUDGETARY COMPARISON SCHEDULE**

**NOTE A - BASIS OF PRESENTATION**

The City prepares its financial statements using accounting principles generally accepted in the United States of America (GAAP). All governmental fund budgets are maintained on the cash basis (budgetary basis) of accounting, which is a comprehensive basis of accounting other than GAAP.

The budget and all transactions are presented in accordance with the City's budgetary basis in the Budgetary Comparison Schedule - General Fund to provide a meaningful comparison of actual results with the budget. No adjustments have been made to convert the actual data presented on the GAAP basis to the cash basis of accounting for revenues because any differences were deemed to be immaterial.

The amount reported as fund balance on the budgetary basis of accounting derives from the basis of accounting used in preparing the City's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund because of the cumulative effect of transactions such as those described above.

**NOTE B - BUDGET SHORTFALL**

For certain line items and total expenditures, the General Fund experienced an excess of outlays over final budget appropriations.

**NOTES TO PENSION SCHEDULES**

**NOTE C – CHANGES IN BENEFIT TERMS**

Pension Benefit Changes

During the 2021 legislative session, Senate Bill 169 passed, which increased the disability benefits for certain members who become totally and permanently disabled in the line of duty or as a result of a duty-related disability. The minimum disability benefit increased from 25 percent of the member's monthly final rate of pay to 75 percent of the members' monthly pay. For non-hazardous members to be eligible for this benefit, they must be working in a position that could be certified as a hazardous position.

Benefit terms were updated during the 2020 legislative session as follows, the monthly payments to a surviving spouse of a member whose death was due to a duty-related injury upon remarriage of the spouse was reduced and benefits were increased for a small number of beneficiaries. There have been no other changes in benefit terms since 2020.

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

**CITY OF LEWISPORT, KENTUCKY  
REQUIRED SUPPLEMENTAL INFORMATION  
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION  
JUNE 30, 2023**

**NOTE C – CHANGES IN BENEFIT TERMS (continued)**

OPEB Benefit Changes

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100 percent of the insurance premium for spouses and children of all active members who die in the line of duty.

OPEB changes in assumptions:

The 2020 valuation, which is used to determine the Commission's proportionate share of the net OPEB liability at June 30, 2021, updated certain assumptions, including a decreased discount rate from 5.34 to 5.20 percent from the non-hazardous insurance fund.

**NOTE D – CHANGES OF ASSUMPTIONS**

There have been no assumption changes since June 30, 2020. Senate Bill 249 passed during the 2020 Legislative Session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the contributions rates that would be payable starting July 1, 2020.

The 2019 valuation, which is used to determine the City's proportionate share of the net pension liability at June 30, 2020, updated certain assumptions, including a change in the mortality tables used. For active members, the mortality tables used is the Pub-2010 General Mortality table, for the Non-Hazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries, the mortality table used is the 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. For disabled members, the Pub-2010 Disabled Mortality table is used, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The assumed rates of retirement, disability, withdrawal, and mortality were updated based on the 2018 experience study.

The 2017 valuation, which is used to determine the City's proportionate share of the net pension liability at June 30, 2018, updated certain assumptions, including a decreased investment rate of return from 7.50 to 6.25 percent. The assumed rate of inflation was reduced from 3.25 to 2.30 percent. The payroll growth assumption was reduced from 4.00 to 2.00 percent.

The 2015 valuation, which is used to determine the City's proportionate share of the net pension liability at June 30, 2016, updated certain assumptions, including a decrease in the assumed investment rate of return from 7.75 to 7.50 percent. The assumed rate of inflation was reduced from 3.50 to 3.25 percent. The assumed rate of wage inflation was reduced from 1.00 to 0.75 percent. The payroll growth assumption was reduced from 4.50 to 4.00 percent. The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50 percent for males and 30 percent 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 one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. The assumed rates of retirement withdrawal, and disability were updated to more accurately reflect experience.

**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***

Honorable Mayor and Members of the City Council  
City of Lewisport, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Lewisport, Kentucky (City) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 19, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2023-001 we consider to be a material weakness.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **City of Lewisport, Kentucky's Response to Findings**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

*Altitude & Company CPAS PSC*

Owensboro, Kentucky  
March 19, 2024

**CITY OF LEWISPORT, KENTUCKY  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2023**

**FINDINGS – FINANCIAL STATEMENT AUDIT**

2023-001     Material Weakness (repeat):

Segregation of Duties

*Condition:* The small size of the City's staff limits the extent of the separation of duties. Consequently, the separation of duties, which is the basic premise of a good internal control structure, does not exist.

*Criteria:* The City should have adequate segregation of duties over the handling of cash receipts and disbursements.

*Cause:* Budgetary constraints limit the number of staff members.

*Effect:* Significant controls over transaction processing were absent.

*Recommendation:* We recommend the City divide the responsibilities of handling cash receipts and disbursements among various employees at the City.

*View of Responsible Officials and Planned Corrective Action:* Management realizes the need for segregation of duties, however because of budget limitations and because of cost/benefit, proper segregation is not feasible at this time.