

CITY OF JACKSON, KENTUCKY

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

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor
and Members of City Council
City of Jackson
Jackson, Kentucky

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of City's Proportionate Share of the Net Pension and OPEB Liability and the Schedule of Pension and OPEB Contributions on pages 34-39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Kelley Dalloway Smith Goalsky, PSC

Ashland, Kentucky
March 1, 2024

CITY OF JACKSON, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 626,045	\$ 136,387	\$ 762,432
Accounts receivable	31,552	300,034	331,586
Grants receivable	357,877	-	357,877
Taxes receivable	4,836	-	4,836
Due from (to) other funds	762,904	(762,904)	-
Restricted assets -			
Cash and cash equivalents	1,238,169	250,497	1,488,666
Nondepreciable capital assets	575,000	2,455,783	3,030,783
Depreciable capital assets	10,615,931	32,415,208	43,031,139
Accumulated depreciation	(7,652,211)	(17,365,505)	(25,017,716)
 Total assets	 <u>6,560,103</u>	 <u>17,429,500</u>	 <u>23,989,603</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred savings from debt refunding	21,000	-	21,000
Deferred outflows - pension related	452,584	194,700	647,284
Deferred outflows - OPEB related	296,485	127,546	424,031
Total deferred outflow of resources	<u>770,069</u>	<u>322,246</u>	<u>1,092,315</u>
LIABILITIES			
Accounts payable	98,142	82,780	180,922
Unearned revenue	351,631	-	351,631
Other accrued liabilities	144,802	16,790	161,592
Current portion of long-term debt	324,250	311,851	636,101
Accrued interest payable	-	9,879	9,879
Customer deposits	-	202,719	202,719
Long-term debt, net of current portion	633,500	5,269,997	5,903,497
Accrued compensated absences, noncurrent	206,448	91,543	297,991
Net pension liability, due in more than one year	2,573,734	1,107,207	3,680,941
Net OPEB liability, due in more than one year	702,503	302,213	1,004,716
 Total liabilities	 <u>5,035,010</u>	 <u>7,394,979</u>	 <u>12,429,989</u>
DEFERRED INFLOW OF RESOURCES			
Deferred inflows - pension related	27,700	11,916	39,616
Deferred inflows - OPEB related	273,675	117,734	391,409
Total deferred inflow of resources	<u>301,375</u>	<u>129,650</u>	<u>431,025</u>
NET POSITION			
Net investment in capital assets	2,601,970	11,923,638	14,525,608
Restricted	886,538	250,497	1,137,035
Unrestricted	(1,494,721)	(1,947,018)	(3,441,739)
 Total net position	 <u>\$ 1,993,787</u>	 <u>\$ 10,227,117</u>	 <u>\$ 12,220,904</u>

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

**CITY OF JACKSON, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General government	\$ 1,831,482	\$ -	\$ 1,653,291	\$ -	\$ (178,191)	\$ -	\$ (178,191)
Police	1,445,858	24,630	-	-	(1,421,228)	-	(1,421,228)
Fire	510,558	-	-	-	(510,558)	-	(510,558)
Streets	218,226	-	280,296	-	62,070	-	62,070
Sanitation	421,016	397,206	-	-	(23,810)	-	(23,810)
Tourism	-	-	-	-	-	-	-
Parks	832,923	65,444	-	-	(767,479)	-	(767,479)
Social service	75,171	-	-	-	(75,171)	-	(75,171)
Infrastructure depreciation	18,601	-	-	-	(18,601)	-	(18,601)
Debt service	49,600	-	-	-	(49,600)	-	(49,600)
Total governmental activities	<u>5,403,435</u>	<u>487,280</u>	<u>1,933,587</u>	<u>-</u>	<u>(2,982,568)</u>	<u>-</u>	<u>(2,982,568)</u>
Business-Type Activities							
Water	2,098,201	1,687,983	-	42,374	-	(367,844)	(367,844)
Sewer	780,785	715,684	-	-	-	(65,101)	(65,101)
Total business-type activities	<u>2,878,986</u>	<u>2,403,667</u>	<u>-</u>	<u>42,374</u>	<u>-</u>	<u>(432,945)</u>	<u>(432,945)</u>
Total primary government	<u>\$ 8,282,421</u>	<u>\$ 2,890,947</u>	<u>\$ 1,933,587</u>	<u>\$ 42,374</u>	<u>(2,982,568)</u>	<u>(432,945)</u>	<u>(3,415,513)</u>
General Revenues:							
Property and other local taxes					533,172	-	533,172
Occupational license fees					1,696,229	-	1,696,229
Insurance premiums					400,848	-	400,848
Tourism tax					389,610	-	389,610
Coal/mineral severance & LGEA					50,373	-	50,373
Interest income					2,345	3,941	6,286
Other income					825,328	-	825,328
Total general revenues					<u>3,897,905</u>	<u>3,941</u>	<u>3,901,846</u>
Change in net position					<u>915,337</u>	<u>(429,004)</u>	<u>486,333</u>
Net position, June 30, 2022					<u>1,078,450</u>	<u>10,656,121</u>	<u>11,734,571</u>
Net position, June 30, 2023					<u>\$ 1,993,787</u>	<u>\$ 10,227,117</u>	<u>\$ 12,220,904</u>

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

CITY OF JACKSON, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	General	Special Revenue	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 626,045	\$ -	\$ -	\$ 626,045
Accounts receivable	31,552	-	-	31,552
Grants receivable	357,877	-	-	357,877
Taxes receivable	4,836	-	-	4,836
Restricted-cash and cash equivalents	-	1,065,633	172,536	1,238,169
Due from other funds	762,904	-	-	762,904
Total assets	<u>\$ 1,783,214</u>	<u>\$ 1,065,633</u>	<u>\$ 172,536</u>	<u>\$ 3,021,383</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 98,142	\$ -	\$ -	\$ 98,142
Unearned revenue	-	351,631	-	351,631
Accrued expenses	144,802	-	-	144,802
Total liabilities	<u>242,944</u>	<u>351,631</u>	<u>-</u>	<u>594,575</u>
Fund Balances:				
Restricted	-	714,002	172,536	886,538
Unassigned	1,540,270	-	-	1,540,270
Total fund balances	<u>1,540,270</u>	<u>714,002</u>	<u>172,536</u>	<u>2,426,808</u>
Total liabilities and fund balances	<u>\$ 1,783,214</u>	<u>\$ 1,065,633</u>	<u>\$ 172,536</u>	<u>\$ 3,021,383</u>

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

CITY OF JACKSON, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total fund balance - total governmental funds			\$ 2,426,808
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets of \$11,190,931 net of accumulated depreciation of \$7,652,211 used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			3,538,720
Savings from debt refunding are not available to pay current period expenditures and therefore are not reported in the governmental funds			21,000
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds			447,694
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.			
Debt	(957,750)		
Accrued compensated absences	(206,448)		
Net pension liability	(2,573,734)		
Net OPEB liability	(702,503)	(4,440,435)	
Net position - governmental activities			<u>\$ 1,993,787</u>

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

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

	General	Special Revenue	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 319,670	\$ -	\$ -	\$ 319,670
Delinquent property taxes	40,362	-	-	40,362
Franchise taxes	68,078	-	-	68,078
Occupational license fees	1,696,229	-	-	1,696,229
Arrest fees, fines and forfeitures	-	-	24,630	24,630
Garbage collections	397,206	-	-	397,206
Tourism tax	344,224	45,386	-	389,610
Insurance premiums	400,848	-	-	400,848
Parks and recreation	-	-	65,444	65,444
Grant income	1,653,291	201,758	-	1,855,049
Coal/mineral severance & LGEA	50,373	-	-	50,373
Municipal road aid	30,535	48,003	-	78,538
Alcohol revenues	-	-	105,062	105,062
Interest income	1,726	619	-	2,345
Other income	816,049	2,604	6,675	825,328
Total revenues	<u>5,818,591</u>	<u>298,370</u>	<u>201,811</u>	<u>6,318,772</u>
Expenditures				
General government	1,519,154	-	-	1,519,154
Police	1,276,332	-	138,441	1,414,773
Fire	411,708	19,659	-	431,367
Streets	180,994	14,762	-	195,756
Sanitation	382,120	-	-	382,120
Tourism	-	-	-	-
Parks	663,487	-	62,000	725,487
Social service	-	75,171	-	75,171
Capital outlay	629,753	512,954	-	1,142,707
Debt service	350,450	-	-	350,450
Total expenditures	<u>5,413,998</u>	<u>622,546</u>	<u>200,441</u>	<u>6,236,985</u>
Excess (deficiency) of revenues over (under) expenditures	<u>404,593</u>	<u>(324,176)</u>	<u>1,370</u>	<u>81,787</u>
Other financing sources (uses):				
Transfer to other funds	(422,962)	-	-	(422,962)
Transfer from other funds	-	422,962	-	422,962
Total other financing sources (uses)	<u>(422,962)</u>	<u>422,962</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(18,369)	98,786	1,370	81,787
Fund balance, beginning of year	<u>1,558,639</u>	<u>615,216</u>	<u>171,166</u>	<u>2,345,021</u>
Fund balance, end of year	<u>\$ 1,540,270</u>	<u>\$ 714,002</u>	<u>\$ 172,536</u>	<u>\$ 2,426,808</u>

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

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

Net change in fund balances - total governmental funds	\$	81,787
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		817,040
Generally, expenditures recognized in the fund financial statements are limited to only those that use current financial resources, but expenses are recognized in the Statement of Activities when they are incurred for the following:		
Capitalized savings from debt refunding amortization expense		(8,400)
Accrued compensated absences		(68,353)
Governmental funds report CERS contributions as expenditures when paid. However, in the Statement of Activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions, OPEB, and investment experience.		
Pension and OPEB expense	<u>(215,987)</u>	(215,987)
Bond and notes payable payments are recognized as expenditures of current financial resources in the fund financial statements, but are reductions of liabilities in the Statement of Net Position.		<u>309,250</u>
Change in net position of governmental activities	\$	<u><u>915,337</u></u>

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

CITY OF JACKSON, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023

	Business-Type Activities		
	Water Fund	Sewer Fund	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 96,675	\$ 39,712	\$ 136,387
Due from other funds	-	111,872	111,872
Accounts receivable - utilities	201,515	98,519	300,034
Total current assets	298,190	250,103	548,293
Restricted Assets:			
Cash and cash equivalents	163,354	87,143	250,497
Total restricted assets	163,354	87,143	250,497
Capital Assets:			
Property, plant and equipment	23,718,439	11,152,552	34,870,991
Less: Accumulated depreciation	(11,510,263)	(5,855,242)	(17,365,505)
Total capital assets - net	12,208,176	5,297,310	17,505,486
Total assets	12,669,720	5,634,556	18,304,276
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension related	157,510	37,190	194,700
Deferred outflows - OPEB related	103,183	24,363	127,546
Total deferred outflows of resources	260,693	61,553	322,246
LIABILITIES			
Current liabilities (payable from current assets):			
Accounts payable	57,951	24,829	82,780
Due to other funds	832,072	42,704	874,776
Accrued liabilities	14,606	2,184	16,790
Accrued interest payable	7,007	2,872	9,879
Current portion of debt	212,736	99,115	311,851
Total current liabilities (payable from current assets)	1,124,372	171,704	1,296,076
Current liabilities (payable from restricted assets):			
Customer deposits	202,719	-	202,719
Total current liabilities (payable from restricted assets)	202,719	-	202,719
Long-term debt, net of current portion	2,853,771	2,416,226	5,269,997
Accrued compensated absences	77,042	14,501	91,543
Net pension liability	895,716	211,491	1,107,207
Net OPEB liability	244,486	57,727	302,213
Total liabilities	5,398,106	2,871,649	8,269,755
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension related	9,640	2,276	11,916
Deferred inflows - OPEB related	95,245	22,489	117,734
Total deferred inflows of resources	104,885	24,765	129,650
NET POSITION			
Net investment in capital assets	9,141,669	2,781,969	11,923,638
Restricted	163,354	87,143	250,497
Unrestricted	(1,877,601)	(69,417)	(1,947,018)
Total net position	\$ 7,427,422	\$ 2,799,695	\$ 10,227,117

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

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

	Business-Type Activities		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Water sales	\$ 1,656,641	\$ -	\$ 1,656,641
Sewer service	-	693,618	693,618
Miscellaneous	31,342	22,066	53,408
Total operating revenues	<u>1,687,983</u>	<u>715,684</u>	<u>2,403,667</u>
OPERATING EXPENSES			
Personnel	522,863	141,000	663,863
Net pension and OPEB adjustment	(144,589)	(16,314)	(160,903)
Depreciation	622,653	232,952	855,605
Utilities	215,957	37,544	253,501
Supplies	609,080	256,674	865,754
Insurance	96,262	37,536	133,798
Contract labor	23,411	33,793	57,204
Miscellaneous	45,502	10,967	56,469
Total operating expenses	<u>1,991,139</u>	<u>734,152</u>	<u>2,725,291</u>
OPERATING INCOME (LOSS)	<u>(303,156)</u>	<u>(18,468)</u>	<u>(321,624)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	3,918	23	3,941
Transfer in (out)	34,102	(34,102)	-
Grant income	42,374	-	42,374
Interest expense	(107,062)	(46,633)	(153,695)
Total non-operating revenues (expenses)	<u>(26,668)</u>	<u>(80,712)</u>	<u>(107,380)</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS AND CAPITAL CONTRIBUTIONS	<u>(329,824)</u>	<u>(99,180)</u>	<u>(429,004)</u>
CAPITAL CONTRIBUTIONS (TAPS)	<u>-</u>	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN NET POSITION	<u>(329,824)</u>	<u>(99,180)</u>	<u>(429,004)</u>
NET POSITION, JUNE 30, 2022	<u>7,757,246</u>	<u>2,898,875</u>	<u>10,656,121</u>
NET POSITION, JUNE 30, 2023	<u>\$ 7,427,422</u>	<u>\$ 2,799,695</u>	<u>\$ 10,227,117</u>

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

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

	Business-Type Activities		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,660,004	\$ 686,957	\$ 2,346,961
Cash payments to suppliers for goods and services	(998,145)	(376,903)	(1,375,048)
Cash payments to employees	(515,774)	(143,129)	(658,903)
Other operating revenues	31,342	22,066	53,408
Net cash provided by operating activities	177,427	188,991	366,418
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Issuance of debt	-	-	-
Transfers in (out)	34,102	(34,102)	-
Change in customer deposits	(2,625)	-	(2,625)
Net cash provided by (used for) non-capital financing activities	31,477	(34,102)	(2,625)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on long-term debt	(192,183)	(113,782)	(305,965)
Interest paid on long-term debt	(107,235)	(47,038)	(154,273)
Issuance of debt	-	929,687	929,687
Purchase of property, plant & equipment	(42,374)	(931,975)	(974,349)
Capital grants	42,374	-	42,374
Capital contributions	-	-	-
Net cash provided by (used for) capital and related financing activities	(299,418)	(163,108)	(462,526)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	3,918	23	3,941
Net cash provided by investing activities	3,918	23	3,941
Net increase (decrease) in cash and cash equivalents	(86,596)	(8,196)	(94,792)
Cash and cash equivalents, June 30, 2022	346,625	135,051	481,676
Cash and cash equivalents, June 30, 2023	\$ 260,029	\$ 126,855	\$ 386,884
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (303,156)	\$ (18,468)	\$ (321,624)
Adjustments:			
Depreciation	622,653	232,952	855,605
Net pension and OPEB adjustment	(144,588)	(18,135)	(162,723)
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	3,363	(6,661)	(3,298)
Increase (decrease) in accounts payable	(7,933)	(389)	(8,322)
Increase (decrease) in other accrued liabilities	7,088	(308)	6,780
Net cash provided by operating activities	\$ 177,427	\$ 188,991	\$ 366,418
Reconciliation of cash			
Cash and cash equivalents	\$ 96,675	\$ 39,712	\$ 136,387
Restricted cash and cash equivalents	163,354	87,143	250,497
Total cash and cash equivalents	\$ 260,029	\$ 126,855	\$ 386,884

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

CITY OF JACKSON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property taxes	\$ 330,000	\$ (10,330)	\$ 319,670	\$ 319,670	\$ -
Delinquent taxes	6,000	32,355	38,355	40,362	2,007
Franchise taxes	46,000	22,078	68,078	68,078	-
Occupational license fee	1,400,000	291,945	1,691,945	1,696,229	4,284
Garbage collections	375,000	889	375,889	397,206	21,317
Tourism tax	350,000	(5,775)	344,225	344,224	(1)
Insurance premium tax	330,000	72,076	402,076	400,848	(1,228)
Grant income	-	1,704,382	1,704,382	1,683,826	(20,556)
Coal severance	-	-	-	50,373	50,373
Interest income	500	(307)	193	1,726	1,533
Other income	-	260,522	260,522	816,049	555,527
Total revenues	2,837,500	2,367,835	5,205,335	5,818,591	613,256
Expenditures					
General government	1,154,800	496,590	1,651,390	1,519,154	132,236
Police	650,000	633,756	1,283,756	1,276,332	7,424
Fire	350,000	138,733	488,733	411,708	77,025
Park	313,000	347,255	660,255	663,487	(3,232)
Streets	180,000	(6,433)	173,567	180,994	(7,427)
Sanitation	300,000	80,690	380,690	382,120	(1,430)
Social service	10,000	(10,000)	-	-	-
Capital outlay	-	630,596	630,596	629,753	843
Debt service	379,700	163,134	542,834	350,450	192,384
Total expenditures	3,337,500	2,474,321	5,811,821	5,413,998	397,823
Excess (deficiency) of revenues over (under) expenditures	(500,000)	(106,486)	(606,486)	404,593	1,011,079
Other financing sources (uses):					
Transfers out	-	-	-	(422,962)	(422,962)
Total other financing sources (uses)	-	-	-	(422,962)	(422,962)
Net change in fund balances	(500,000)	(106,486)	(606,486)	(18,369)	588,117
Fund balance, beginning of year	500,000	106,486	606,486	1,558,639	952,153
Fund balance, end of year	\$ -	\$ -	\$ -	\$ 1,540,270	\$ 1,540,270

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

CITY OF JACKSON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Tourism tax	\$ -	\$ -	\$ -	\$ 45,386	\$ 45,386
Insurance premium tax	-	-	-	-	-
Grant income	25,000	25,373	50,373	201,758	151,385
Coal severance	2,000	(454)	1,546	-	(1,546)
Municipal road aid	49,464	(4,167)	45,297	48,003	2,706
Interest income	30	(30)	-	619	619
Other income	-	-	-	2,604	2,604
Total revenues	<u>76,494</u>	<u>20,722</u>	<u>97,216</u>	<u>298,370</u>	<u>201,154</u>
Expenditures					
Fire	-	-	-	19,659	(19,659)
Streets	51,494	(51,494)	-	14,762	(14,762)
Tourism	-	-	-	-	-
Parks	-	-	-	-	-
Social service	-	-	-	75,171	(75,171)
Capital outlay	-	-	-	512,954	(512,954)
Debt service	-	-	-	-	-
Total expenditures	<u>51,494</u>	<u>(51,494)</u>	<u>-</u>	<u>622,546</u>	<u>(622,546)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>25,000</u>	<u>72,216</u>	<u>97,216</u>	<u>(324,176)</u>	<u>(421,392)</u>
Other financing sources (uses):					
Transfers in	-	-	-	422,962	422,962
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>422,962</u>	<u>422,962</u>
Net change in fund balances	25,000	72,216	97,216	98,786	1,570
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>615,216</u>	<u>615,216</u>
Fund balance, end of year	<u>\$ 25,000</u>	<u>\$ 72,216</u>	<u>\$ 97,216</u>	<u>\$ 714,002</u>	<u>\$ 616,786</u>

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

CITY OF JACKSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by the City of Jackson, Kentucky (the "City") conform to U.S. generally accepted accounting principles. The following notes are an integral part of the City of Jackson, Kentucky's financial statements.

The City of Jackson, Kentucky was created by the Acts of the Kentucky General Assembly and operates under an elected Mayor and City Council form of government and provides such services as police, fire, streets, sanitation, parks and recreation, and social service.

a. Reporting Entity

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility including, but not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

Based upon these criteria, the City has no component units to be reported in these financial statements.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon

as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major Governmental Funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The Special Revenue Fund is a major fund.

The City reports the following major Proprietary Funds:

Water Fund - The Water Fund is used to account for water services for the City and surrounding communities.

Sewer Fund - The Sewer Fund is used to account for sewer services for the City and surrounding communities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City Utility Fund and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

d. Budgeting

Prior to June 30, the Mayor submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The proposed budget includes proposed operating and capital expenditures and the means of financing them. The Mayor is authorized to transfer budgeted amounts within departments of any fund; however, any revisions that alter the total expenditures of any department or fund must be approved by the City Council. Therefore, the level of control on budgetary items is maintained at the department level. Management is of the opinion that its method of adopting the budget is in compliance with applicable regulations.

e. Investments

Investments are carried at market value. The investment policy allows the City to invest in those instruments authorized by KRS 66.480.

f. Capital Assets and Depreciation

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capitalized assets are recorded at their acquisition values as of the date received. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All reported capital assets are depreciated with the exception of land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Estimated Lives</u>
Water and Sewer Systems	40-50 years
Equipment & Vehicles	3-10 years
Buildings	40 years
Infrastructure	20 years

The City is required by GASB 34 to prospectively report general infrastructure assets in the statement of net position.

g. Fund Balances

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance-amounts that are not in a spendable form (such as inventory) 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;
- Committed fund balance-amounts constrained to specific purposes by the City itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the City takes the action to remove or change the constraint;
- Assigned fund balance-amounts the City intends to use for a specific purpose (such as encumbrances); intent can be expressed by the City Commissioners or by an official or body to which the City delegates the authority;
- Unassigned fund balance-amounts that are available for any purpose; unassigned amounts are reported only in the General Fund.

When committed, assigned and unassigned resources are available for use, it is the City's policy to use committed and assigned resources first, then unassigned resources as they are needed.

h. Statement of Cash Flows

For the purpose of the Statement of Cash Flows, the Proprietary Funds consider all highly liquid investments (including restricted cash) with a maturity of three months or less when purchased to be cash equivalents.

i. Bond Issuance Costs

Debt issuance costs are expensed in the period they are incurred.

j. Deferred Outflows/Inflows of Resources

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

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

k. Pension and OPEB

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

l. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenditures during the reporting period. Material estimates that are particularly susceptible to significant changes relate to the determination of the allowance for uncollectible accounts and the useful lives used to depreciate capital assets, and actuarial assumptions used in determining pension costs. Actual results could differ from estimated amounts.

m. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers or as reimbursements of expenses, when applicable.

n. Interfund Receivables (Payables)

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds."

o. New Accounting Pronouncements

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations* (“GASB 91”), which aims to provide a single method of reporting conduit debt obligations by issuers and to eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. GASB 91 achieves those objectives by (1) clarifying the existing definition of a conduit debt obligation; (2) establishing that a conduit debt obligation is not a liability of the issuer; (3) establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and (4) improving required note disclosures. This Statement addresses arrangements (i.e., often characterized as leases) that are associated with conduit debt obligations. In such arrangements, (1) capital assets are constructed or acquired from the proceeds of a conduit debt obligation and are used by third-party obligors in the course of their activities; (2) payments from third-party obligors are intended to cover and coincide with debt service payments; (3) issuers retain the titles to the capital assets, which may or may not pass to the obligors at the end of the arrangements, depending upon the circumstances; and (4) issuers should neither report those arrangements as leases, nor recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. Additionally, this Statement requires issuers to disclose general information concerning their conduit debt obligations, organized by type of commitment(s). Issuers that recognize liabilities related to conduit debt obligations also should disclose information concerning the amount recognized and the manner in which the liabilities changed during the reporting period. GASB 91 was effective for reporting periods beginning after December 15, 2021, with earlier application encouraged. The adoption of this standard did not have a material effect on the City’s financial statements.

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

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

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

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

Requirements that relate to the extension of the use of LIBOR, accounting for SNAP distributions, disclosures for non-monetary transactions, pledges of future revenues by pledging governments, clarifications of certain provisions in Statement No. 34, and terminology updates were effective upon issuance. Requirements related to leases, public-public and public-private partnerships (PPPs), and SBITAs were effective for the City beginning with its year ending June 30, 2023. Requirements related to other requirements related to derivative instruments will be effective for the City beginning with its year ending June 30, 2024. Adoption of the provisions required thru the year ending June 30, 2023, did not have a material effect on the City's financial statements. Management is currently evaluating the impact of the remaining provisions of this Statement on its financial statements.

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

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

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

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

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

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

June 30, 2025. Management is currently evaluating the impact of this Statement on its financial statements.

(2) CASH AND INVESTMENTS

Deposits - The funds of the City must be deposited and invested under the terms of a contract. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect the City's funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At June 30, 2023, the carrying amount of the City's deposits (including amounts in restricted asset accounts) was \$2,251,098 and the bank balances totaled \$2,517,871. The difference between the carrying amounts and the bank balances was due to items in transit. Of the bank balances, \$606,124 was covered by the Bank Insurance Fund as of June 30, 2023 and the remainder was collateralized by pledge securities.

Restricted Cash - The Jackson Municipal Waterworks System is required to maintain restricted bank accounts in accordance with ordinances established in connection with the sale of the Waterworks debt issues of 2010, 2012, 2013, 2017, 2018, and 2019B. Specified amounts of current operating receipts are to be deposited to the restricted bank accounts monthly. Disbursements from the accounts are restricted as specified to the retirement of outstanding bonds, semiannual interest payments, and utility plant additions or replacements.

Investments - At June 30, 2023, the City had the following investments that were considered cash equivalents and maturities:

Investment Type -	Investment Maturities (in years)				
	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
U.S. Government					
Mutual funds	\$ 106,124	\$ 106,124	\$ -	\$ -	\$ -

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

Credit Risk. The City may invest the monies in interest-bearing bonds of any county, urban-county government or city of the first, second, or third class in the State of Kentucky, or in any securities in which trustees are permitted to invest trust funds under the laws of the State of Kentucky, including participation in a local government pension investment fund created pursuant to KRS 95.895.

(3) PROPERTY TAXES

Property is assessed at its value on January 1 of each year. Taxes are payable in one installment on or before January 31 of the next year. The City bills and collects its own property taxes.

The 2023 assessed value for real and tangible property was \$118,027,915. The tax rate adopted was \$.283 and \$.283 per \$100 valuation for real and tangible property, respectively.

(4) CAPITAL ASSETS

A summary of changes in the City's capital assets is as follows:

	June 30, 2022	Increases	Decreases	June 30, 2023
<u>Governmental Activities</u>				
Capital Assets, Not Depreciated:				
Land	\$ 575,000	\$ -	\$ -	\$ 575,000
Capital Assets, Depreciated:				
City Hall	1,178,137	-	-	1,178,137
Administrative office & equipment	26,760	-	-	26,760

Infrastructure	366,021	-	-	366,021
Street equipment	364,176	54,929	-	419,105
Fire equipment & vehicles	1,634,486	512,954	-	2,147,440
Fire department buildings	776,431	-	-	776,431
Parks and recreation	3,936,516	-	-	3,936,516
Sanitation equipment	600,564	-	-	600,564
Police department buildings	-	574,824	-	574,824
Police equipment & vehicles	589,583	-	-	589,583
Totals	9,943,247	1,142,707	-	11,190,931
Less: Accumulated Depreciation	(7,326,544)	(325,667)	-	(7,652,211)
Governmental Activities				
Capital Assets, Net	<u>\$ 2,721,680</u>	<u>\$ 817,040</u>	<u>\$ -</u>	<u>\$ 3,538,720</u>
<u>Business-type Activities</u>				
Capital Assets, Not Depreciated:				
Land	\$ 536,862	\$ -	\$ -	\$ 536,862
Construction in progress	493,596	972,062	535,971	929,687
Capital Assets, Depreciated:				
Distribution plant and equipment	31,044,390	538,259	-	31,582,649
Machinery and equipment	1,821,793	-	-	1,821,793
Totals	33,896,641	1,510,321	535,971	34,870,991
Less: Accumulated Depreciation	(16,509,900)	(855,605)	-	(17,365,505)
Business-type Activities				
Capital Assets, Net	<u>\$ 17,386,741</u>	<u>\$ 654,716</u>	<u>\$ 535,971</u>	<u>\$ 17,505,486</u>

Depreciation expense was allocated to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 27,988
Police	31,085
Fire	79,191
Street	22,470
Sanitation	38,896
Park	107,436
Infrastructure	18,601
	<u>\$ 325,667</u>
Business-type activities:	
Water	\$ 622,653
Sewer	232,952
	<u>\$ 855,605</u>

(5) LONG-TERM DEBT

Business-Type Activities

Long-term debt of Proprietary Funds at June 30, 2023 consists of the following:

Bonds Payable:

\$650,000 City of Jackson Waterworks and Sewer System Revenue Bonds, Issue of 2016, payable in annual installments ranging from \$11,500 to \$24,500 through 2056, with interest paid semi-annually at 2.0%

\$ 590,500
590,500

Notes Payable - KLC:

\$890,000 assistance agreement with the Kentucky League of Cities, payable in monthly installments through February, 2040, with interest at rates ranging from 1.1% to 4.7%

622,500

\$465,000 assistance agreement with the Kentucky League of Cities, payable in monthly installments through February, 2038, with interest at 3.125%	244,583
\$2,825,000 assistance agreement with the Kentucky League of Cities, payable in monthly installments through January, 2040, with interest at 2.25%	<u>2,286,667</u>
	<u>3,153,750</u>
<u>Notes Payable - KIA:</u>	
\$1,500,000 subordinated ARRA assistance agreement to the Kentucky Infrastructure Authority ("KIA"), payable in annual installments in the amount of \$39,789 through 2030 with interest paid semi-annually at 1.0%	291,979
\$700,000 subordinated ARRA assistance agreement to the Kentucky Infrastructure Authority ("KIA"), payable in annual variable installments with interest paid semi-annually at 1.0%, maturing December, 2034	377,553
\$593,000 subordinated assistance agreement to the Kentucky Infrastructure Authority ("KIA"), payable in annual variable installments through 2038 with interest paid semi-annually at .25%	238,379
\$1,016,000 subordinated assistance agreement to the Kentucky Infrastructure Authority ("KIA"), up to 50% is forgivable once the project is complete, and then payable in semi-annual installments with interest at .5%, maturing December 2053	<u>929,687</u>
	<u>1,837,598</u>
Total long-term debt - proprietary funds	5,581,848
Less - current portion	<u>(312,653)</u>
	<u>\$ 5,269,195</u>

The debt service requirements on the above proprietary fund indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 312,653	\$ 117,848	\$ 430,501
2025	317,788	112,333	430,121
2026	324,477	106,208	430,685
2027	327,921	99,846	427,767
2028	325,459	90,931	416,390
2029-2033	1,496,802	362,662	1,859,463
2034-2038	1,273,376	208,910	1,482,287
2039-2043	595,941	100,486	696,427
2044-2048	260,642	30,642	291,283
2049-2053	274,789	16,176	290,965
2054-2056	72,000	2,900	99,800
	<u>\$ 5,581,848</u>	<u>\$1,248,942</u>	<u>\$ 6,830,790</u>

The Rural Development revenue bonds require annual deposits to the reserve account of approximately \$2,520 to attain a balance of \$7,560 as of June 30, 2023. The balance of this reserve at June 30, 2023 was \$7,867. The 2018 KIA loan requires annual deposits to the reserve account of \$1,750 starting January 1, 2018 to attain a balance of \$30,000. The 2013 KIA loan requires annual deposits to the reserve account of \$1,750 starting December 1, 2015 to attain a balance of \$17,500. The 2010 KIA loan requires annual deposits to the reserve account of \$3,750 starting December 1, 2011 to attain a balance of \$37,500. The City had \$102,504 of KIA reserve funds at June 30, 2023.

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2023:

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
<u>Governmental Activities</u>				
Financing obligation with Kentucky League of Cities, \$3,385,000 with monthly payments through January, 2027, secured by general obligations	\$ 1,255,000	\$ -	\$ 306,250	\$ 948,750
Interest-free note payable to Breathitt County Health Department, \$42,000 due in annual installments of \$3,000 through July, 2026, parking lot	12,000	-	3,000	9,000
Net pension liability	1,997,423	576,311	-	2,573,734
Net OPEB liability	599,626	102,877	-	702,503
Compensated absences	138,095	68,353	-	206,448
	<u>\$ 4,002,144</u>	<u>\$ 747,541</u>	<u>\$ 309,250</u>	<u>\$ 4,440,435</u>
<u>Business-type Activities</u>				
Notes payable - KIA	\$ 992,478	\$ 929,687	\$ 84,567	\$ 1,837,598
Notes payable - KLC	3,362,648	-	208,898	3,153,750
Bonds payable	603,000	-	12,500	590,500
Net pension liability	1,054,729	52,478	-	1,107,207
OPEB liability	316,630	-	14,417	302,213
Compensated absences	76,844	14,699	-	91,543
Total Business-type Activities	<u>\$ 6,406,329</u>	<u>\$ 996,864</u>	<u>\$ 320,382</u>	<u>\$ 7,082,811</u>

Governmental Activities

The total governmental activities long-term debt is as follows:

Current portion - City of Jackson	\$ 324,250
Long-term portion	633,500
Total	<u>\$ 957,750</u>

The annual requirements to amortize the City's indebtedness as of June 30, 2023 (including interest payments) are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 324,250	\$ 31,286	\$ 355,536
2025	337,165	20,843	358,008
2026	240,915	9,983	250,898
2027	55,420	2,055	57,475
	<u>\$ 957,750</u>	<u>\$ 64,167</u>	<u>\$ 1,021,917</u>

(6) LEGAL CONTINGENCIES

The City is a defendant in various legal actions arising from normal business operations. The City's legal counsel believes these actions are without merit, adequately covered by insurance, or that the ultimate liability, if any, will not materially affect the City's financial position or results of operations.

(7) RISK MANAGEMENT

Significant losses are covered by commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

(8) RETIREMENT PLAN

County Employees Retirement System

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

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

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

Contributions: Funding for CERS is provided by members, who contribute 5.00% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions, and by employers of members. For the year ending June 30, 2023, employers were required to contribute 26.79% (23.40% - pension, 3.39% - insurance) of the member's salary. During the year ending June 30, 2023, the City contributed \$380,624 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

At June 30, 2023, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2021. An expected total pension liability as of June 30, 2022 was determined using standard roll-forward techniques. The City's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2022. At June 30, 2022, the City's proportion was 0.050919%.

For the year ended June 30, 2023, the City recognized pension expense of \$363,159. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,935	\$ 32,780
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	94,366	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	168,359	6,836
City's contributions subsequent to the measurement date	380,624	-
Total	<u>\$ 647,284</u>	<u>\$ 39,616</u>

At June 30, 2023, the City reported deferred outflows of resources for the City contributions subsequent to the measurement date of \$380,624. These contributions will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

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

<u>Year</u>	
2024	\$ 81,688
2025	71,721
2026	(30,933)
2027	104,568
	<u>\$ 227,044</u>

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

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

The mortality table used for active members is PUB-2010 General Mortality Table projected with ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For non-disable

retired members, a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019 is utilized. For disabled members, the mortality table used is the PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	60.00%	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income	20.00%	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	(0.91)%
Inflation Protected	20.00%	
Real Estate	7.00%	3.67%
Real Return	<u>13.00%</u>	<u>4.07%</u>
Expected Real Return	<u>100.00%</u>	4.28%
Long Term Inflation Assumption		<u>2.30%</u>
Expected Nominal Return for Portfolio		<u>6.58%</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 benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	<u>1% Decrease (5.25%)</u>	<u>Current discount rate (6.25%)</u>	<u>1% Increase (7.25%)</u>
City's proportionate share of the net pension liability	\$ 4,600,720	\$ 3,680,941	\$ 2,920,208

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

Payables to the pension plan: At June 30, 2023, there was a payable to the CERS Pension Plan of \$42,344.

(9) OTHER POSTEMPLOYMENT BENEFIT (“OPEB”) PLAN

County Employees Retirement System

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

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

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

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

Contributions: CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the year ending June 30, 2023, CERS allocated 3.39% of the 26.79% actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1.00% of the contributions by employees hired after September 1, 2008 are allocated to the health insurance plan. During the year ending June 30, 2023, the City contributed \$55,142 to the CERS Insurance Fund. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

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

At June 30, 2023, the City reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2021. An expected total pension liability as of June 30, 2022 was determined using standard roll-forward techniques. City's

proportion of the net OPEB liability was based on contributions to CERS during the fiscal year ended June 30, 2022. At June 30, 2022, the City's proportion was 0.050910%.

For the year ended June 30, 2023, the City recognized OPEB expense of \$156,182, including an implicit subsidy of \$32,500. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 101,133	\$ 230,405
Changes of assumptions	158,903	130,935
Net difference between projected and actual earnings on investments	40,778	-
Changes in proportion and differences between City contributions and proportionate share of contributions	68,075	30,069
City contributions subsequent to the measurement date	55,142	-
	<u>\$ 424,031</u>	<u>\$ 391,409</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$55,142 resulting 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, 2024.

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

Year	
2024	\$ 1,924
2025	5,687
2026	(44,508)
2027	14,377
2028	-
	<u>\$ (22,520)</u>

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

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	29 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service

Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.20% at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Post-65	Initial trend starting at 9.00% in 2024, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-Hazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Post-retirement (non- disabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

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

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

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	60.00%	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income	20.00%	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	(0.91)%
Inflation Protected	20.00%	
Real Estate	7.00%	3.67%
Real Return	<u>13.00%</u>	<u>4.07%</u>
Expected Real Return	<u>100.00%</u>	4.28%
Long Term Inflation Assumption		<u>2.30%</u>
Expected Nominal Return for Portfolio		<u>6.58%</u>

Discount rate – The discount rate used to measure the total OPEB liability was 5.70%. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.69%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. However, the cost associated with the implicit employer subsidy was not included in the calculation of the KRS' actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS' trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The following table presents the City's proportionate share of the collective net OPEB liability of the Nonhazardous CERS Insurance Fund, calculated using the discount rate of 5.70%, 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 rate:

	<u>1% Decrease (4.70%)</u>	<u>Current discount rate (5.70%)</u>	<u>1% Increase (6.70%)</u>
City's proportionate share of the net OPEB liability	\$ 1,343,145	\$ 1,004,716	\$ 635,788

Sensitivity of the City's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates: 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 healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current trend rate</u>	<u>1% Increase</u>
City's proportionate share of the net OPEB liability	\$ 746,984	\$ 1,004,716	\$ 1,314,203

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

Payables to the OPEB plan: At June 30, 2023, there was a payable to the CERS OPEB Plan of \$6,132.

(10) INTERFUND TRANSACTIONS

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water Fund	\$ 720,200
Sewer Fund	Water Fund	111,872
General Fund	Sewer Fund	42,704

In addition, the General Fund refinanced debt of the Water and Sewer Funds in 2006 for which the Water Fund is paying \$6,170.75/month and the Sewer Fund is paying \$5,890.67/month to the General Fund for their portion of the debt service which offsets debt service expense. On July 3, 2020, the City entered into a loan agreement with the Water Fund in the amount of \$79,000. The balance of this loan at June 30, 2023 was \$73,800 and included in the due to/from balances of the respective funds.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF JACKSON
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION AND OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2023

	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)	Reporting Fiscal Year (Measurement Date) 2015 (2014)
Pension:									
City's proportion of the net pension liability	0.050919%	0.047871%	0.047262%	0.049844%	0.466620%	0.049515%	0.052896%	0.058417%	0.052225%
City's proportionate share of the net pension liability	\$ 3,680,941	\$ 3,052,152	\$ 3,624,956	\$ 3,505,551	\$ 2,841,858	\$ 2,898,265	\$ 2,604,411	\$ 2,511,669	\$ 1,694,000
City's covered-employee payroll	\$ 1,553,332	\$ 1,222,756	\$ 1,207,166	\$ 1,314,852	\$ 1,158,841	\$ 1,175,233	\$ 1,261,812	\$ 1,331,290	\$ 1,198,115
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	236.971%	249.612%	300.287%	266.612%	245.233%	246.612%	206.403%	188.664%	141.389%
Plan fiduciary net position as a percentage of the total pension liability	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%
OPEB:									
City's proportion of the net OPEB liability	0.050910%	0.047860%	0.047248%	0.049831%	0.046661%	0.049515%			
City's proportionate share of the net OPEB liability	\$ 1,004,716	\$ 916,256	\$ 1,140,896	\$ 838,135	\$ 828,457	\$ 995,421			
City's covered-employee payroll	\$ 1,553,332	\$ 1,222,756	\$ 1,207,166	\$ 1,314,852	\$ 1,158,841	\$ 1,175,233			
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	64.681%	74.934%	94.510%	63.744%	71.490%	84.700%			
Plan fiduciary net position as a percentage of the total OPEB liability	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%			

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

**CITY OF JACKSON
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF PENSION AND OPEB CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2023**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Pension:										
Contractually required contribution	\$ 380,624	\$ 299,793	\$ 235,992	\$ 232,983	\$ 213,269	\$ 167,811	\$ 163,945	\$ 156,717	\$ 169,739	\$ 164,621
Contributions in relation to the contractually required contribution	<u>380,624</u>	<u>299,793</u>	<u>235,992</u>	<u>232,983</u>	<u>213,269</u>	<u>167,811</u>	<u>163,945</u>	<u>156,717</u>	<u>169,739</u>	<u>164,621</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
City's covered-employee payroll	\$ 1,626,598	\$ 1,553,332	\$ 1,222,756	\$ 1,207,166	\$ 1,314,852	\$ 1,158,841	\$ 1,175,233	\$ 1,261,812	\$ 1,331,290	\$ 1,198,115
City's contributions as a percentage of its covered-employee payroll	23.40%	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%
OPEB:										
Contractually required contribution	\$ 55,142	\$ 81,852	\$ 58,203	\$ 57,461	\$ 69,169	\$ 54,455	\$ 55,589			
Contributions in relation to the contractually required contribution	<u>55,142</u>	<u>81,852</u>	<u>58,203</u>	<u>57,461</u>	<u>69,169</u>	<u>54,455</u>	<u>55,589</u>			
Contribution deficiency (excess)	-	-	-	-	-	-	-			
City's covered-employee payroll	\$ 1,626,598	\$ 1,553,332	\$ 1,222,756	\$ 1,207,166	\$ 1,314,852	\$ 1,158,841	\$ 1,175,233			
City's contributions as a percentage of its covered-employee payroll	3.39%	5.78%	4.76%	4.76%	5.26%	4.70%	4.73%			

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

CITY OF JACKSON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023

(1) CHANGES OF ASSUMPTIONS

CERS - Pension

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

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

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

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

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

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% (varies by service).
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020:

- Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This

change does not impact the calculation of the Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2019.

CERS – Insurance Fund

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

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

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

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.33% (varies by service).
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

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

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

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

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

CERS - Pension

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

Valuation Date	June 30, 2020
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	30 years closed period at June 30, 2019 (Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases)
Payroll Growth	2.00%

Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB362 enacted in 2018
Mortality	System specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

CERS - OPEB

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

Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years, closed period at June 30, 2019 (Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases)
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post - 65	Initial trend starting at 6.30% on January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement. Additionally, Humana provided "Not to Exceed" 2022 Medicare premiums, which were incorporated and resulted in an assumed 2.90% increase in Medicare premiums at January 1, 2022.
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

(3) CHANGES OF BENEFITS

CERS - Pension

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2019 is determined using these updated benefit provisions.

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

CERS - Insurance Fund

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2019, is determined using these updated benefit provisions.

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

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

SUPPLEMENTARY INFORMATION

CITY OF JACKSON, KENTUCKY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023

	Park	Shop With A Cop	ABC Account	Police Grants	Total Non-Major Governmental Funds
Assets					
Cash and cash equivalents	\$ 24,282	\$ 13,180	\$ 70,614	\$ 64,460	\$ 172,536
Total assets	<u>\$ 24,282</u>	<u>\$ 13,180</u>	<u>\$ 70,614</u>	<u>\$ 64,460</u>	<u>\$ 172,536</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Restricted	<u>24,282</u>	<u>13,180</u>	<u>70,614</u>	<u>64,460</u>	<u>172,536</u>
Total fund balances	<u>24,282</u>	<u>13,180</u>	<u>70,614</u>	<u>64,460</u>	<u>172,536</u>
Total liabilities and fund balances	<u>\$ 24,282</u>	<u>\$ 13,180</u>	<u>\$ 70,614</u>	<u>\$ 64,460</u>	<u>\$ 172,536</u>

CITY OF JACKSON, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Park	Shop With A Cop	ABC Account	Police Grants	Total Non-Major Governmental Funds
Revenues					
Arrest fees, fines and forfeitures	\$ -	\$ -	\$ -	\$ 24,630	\$ 24,630
Parks and recreation	65,444	-	-	-	65,444
Grant income	-	-	-	-	-
Alcohol revenue	-	-	105,062	-	105,062
Other income	-	6,675	-	-	6,675
Total revenues	<u>65,444</u>	<u>6,675</u>	<u>105,062</u>	<u>24,630</u>	<u>201,811</u>
Expenditures					
Police	-	17,049	113,503	7,889	138,441
Parks	62,000	-	-	-	62,000
Capital outlay	-	-	-	-	-
Debt service	-	-	-	-	-
Total expenditures	<u>62,000</u>	<u>17,049</u>	<u>113,503</u>	<u>7,889</u>	<u>200,441</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,444</u>	<u>(10,374)</u>	<u>(8,441)</u>	<u>16,741</u>	<u>1,370</u>
Other financing sources (uses):					
Transfer from other funds	-	-	-	-	-
Proceeds from debt	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	3,444	(10,374)	(8,441)	16,741	1,370
Fund balance, beginning of year	<u>20,838</u>	<u>23,554</u>	<u>79,055</u>	<u>47,719</u>	<u>171,166</u>
Fund balance, end of year	<u>\$ 24,282</u>	<u>\$ 13,180</u>	<u>\$ 70,614</u>	<u>\$ 64,460</u>	<u>\$ 172,536</u>

CITY OF JACKSON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-Through Grant Number	Passed Through to Subrecipients	Expenditures
<u>U.S. Department of Transportation</u>				
Passed Through the Kentucky Office of Highway Safety -				
Dept of State Police Highway Safety Program	20.600	KY0033604	\$ -	\$ 10,988
Total U.S. Department of Transportation			-	10,988
<u>U.S. Department of Agriculture</u>				
Passed through Rural Development -				
Community Facilities Grant	10.766	20-013 (Utility Truck)	-	35,300
Community Facilities Grant	10.766	20-013 (Police Department)	-	480,000
Community Facilities Grant	10.766	20-013 (Garbage Truck)	-	34,700
Total U.S. Department of Agriculture			-	550,000
<u>U.S. Department of Housing and Urban Development</u>				
Passed Through Kentucky Department for Local Government:				
Community Development Block Grant	14.228	Waterline Extension - 19-021	-	10,000
Total U.S. Department of Housing and Urban Development			-	10,000
<u>Appalachian Regional Commission</u>				
Passed Through Kentucky Department for Local Government:				
Appalachian Regional Commission	23.002	Waterline Extension - 19-021	-	32,374
Total Appalachian Regional Commission			-	32,374
<u>U. S. Department of Treasury</u>				
Passed Through Kentucky Department for Local Government:				
American Rescue	21.027	C064	-	68,382
Total U.S. Department of Treasury			-	68,382
<u>U. S. Department of Homeland Security</u>				
Passed Through Kentucky Emergency Management:				
FEMA	97.036	FEMA-4663-Dr-KY	-	329,753
Hazard Mitigation	97.039	FEMA-4663-Dr-KY	-	449,951
Total U.S. Department of Homeland Security			-	779,704
<u>Environmental Protection Agency</u>				
Passed Through Kentucky Infrastructure Authority:				
Capitalization Grants for Clean Water State Revolving Funds	66.458	A20-030	-	231,241
Total Environmental Protection Agency			-	231,241
Total Expenditures of Federal Awards			\$ -	\$ 1,682,689

* Denotes major program.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - BASIS OF PRESENTATION

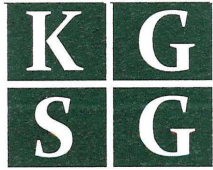
The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Jackson under the programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code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

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - INDIRECT COST RATE

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



Kelley Galloway
Smith Goolsby, PSC

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

The Honorable Mayor
and Members of City Council
City of Jackson
Jackson, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jackson (the "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 1, 2024.

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 the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City'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 questioned costs to be material weaknesses, 2023-001 and 2023-002.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and questioned costs as item 2023-003.

City's Response to Findings

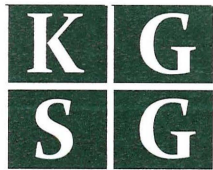
The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kelley Galloway Smith Goshy, PSC

Ashland, Kentucky
March 1, 2024



Kelley Galloway
Smith Goolsby, PSC

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

The Honorable Mayor
and Members of City Council
City of Jackson
Jackson, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements

of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Kelley Gallaway Smith Goolsby, PSC

Ashland, Kentucky

March 1, 2024

CITY OF JACKSON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether
the financial statements audited were prepared
in accordance with GAAP:

Unmodified

Internal control over financial reporting:

☐ Material weakness(es) identified?

 X Yes No

☐ Significant deficiency(ies) identified?

 Yes X None reported

Noncompliance material to the
financial statements noted?

 X Yes No

Federal Awards

Internal control over major federal programs:

☐ Material weakness(es) identified?

 Yes X No

☐ Significant deficiency(ies) identified?

 Yes X None reported

Type of auditor's report issued on
compliance for major federal programs:

Unmodified

Any audit findings disclosed that are
required to be reported in accordance
with 2 CFR 200.516(a)?

 Yes X No

Identification of Major Programs:

FEMA

Asset Listing No.

97.036

Hazard Mitigation

97.039

Dollar threshold used to distinguish between type A
and type B programs:

\$750,000

Auditee qualified as low risk auditee?

 Yes X No

CITY OF JACKSON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2023

B. FINANCIAL STATEMENT FINDINGS

2023-001 PAYABLES AND RECEIVABLES

Statement of Condition: The City maintains their financial records on a cash basis; therefore, we had several audit adjustments related to unrecorded accounts payable, accrued liabilities, and accounts receivable at June 30, 2023.

Criteria for Condition: Modified accrual or accrual (for Proprietary Fund Types) basis of accounting is recommended by the American Institute of Certified Public Accountants in its industry audit guide, "Audits of State and Local Governmental Units."

Cause of Condition: The City currently maintains its accounting records on the cash basis of accounting.

Effect of Condition: As a result, financial statements prepared during the year could be misleading.

Recommendation for Correction: We recommend that the City utilize the accounts payable function within their accounting system to be able to view at any point in time open invoices/accounts payable and to adjust the other liabilities and accounts receivable balances on at least an annual basis.

Management Response and Corrective Action Plan: The City will provide a list of vendors and amounts due to them as of June 30, 2024 in order to make the necessary adjustments for the audit. The City will record recurring accounts payable and others when feasible.

2023-002 BANK RECONCILIATIONS

Statement of Condition: We noted several bank reconciliations that did not agree to the general ledger and/or contained old outstanding items listed, some that had already cleared the bank.

Criteria for Condition: Performing timely and accurate bank reconciliations provide for more accurate financial statements.

Cause of Condition: Personnel do not investigate outages or old outstanding items on a timely basis.

Effect of Condition: Inaccurate bank reconciliations.

Recommendation for Correction: We recommend that any bank reconciliation outages be investigated until found each month. Also, any outstanding items that have been outstanding for more than 90 days should be investigated further. In addition, the Mayor should start reviewing and initialing all bank reconciliations to ensure that they are being prepared properly.

Management's Response and Corrective Action Plan: The City will make every effort to reconcile bank statements on a timely basis and follow-up on old outstanding items.

2023-003 BUDGET

Statement of Condition: During the year ended June 30, 2023, expenditures exceeded appropriated amounts in the Special Revenue Fund by \$622,546 mainly due to the purchase of a new fire truck and flood recovery expenditures not being budgeted.

Criteria for Condition: All expenditures of the City should be budgeted in accordance with KRS 91A.030.

Cause of Condition: Those funds are maintained in separate accounts.

Effect of Condition: Noncompliance with KRS 91A.030.

Recommendation for Correction: We recommend that the City implement a process whereby they monitor the budget versus actual financial results monthly in order to identify the need for budgetary amendments prior to the end of the fiscal year.

Management's Response and Corrective Action Plan: The City will review the budget to the actual at year end to determine if an amendment is necessary.

C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None noted in current year.

CITY OF JACKSON
333 Broadway
Jackson, KY 41339
Phone: 606-666-7069 Fax: 606-666-7046

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2023

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2023-001	The City will provide a list of vendors and amounts due to them as of June 30, 2024 in order to make the necessary adjustments for the audit. The City will record recurring accounts payable and others when feasible.	Immediately	Laura Thomas, Mayor
2023-002	The City will make every effort to reconcile bank statements on a timely basis and follow-up on old outstanding items.	Immediately	Laura Thomas, Mayor
2023-003	The City will review the budget to the actual before year-end to determine if an amendment is necessary.	Immediately	Laura Thomas, Mayor

CITY OF JACKSON
333 Broadway
Jackson, KY 41339
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2023

Findings

2022-001

Findings/Noncompliance

We recommend that the City utilize the accounts payable function within their accounting system to be able to view at any point in time open invoices/accounts payable and to adjust the other liabilities and accounts receivable balances on at least an annual basis.

Status: This was repeated as 2023-001 in the current year.

2022-002

We noted several bank reconciliations that did not agree to the general ledger and/or contained old outstanding items listed, some that had already cleared the bank.

Status: This was repeated as 2023-002 in the current year.