

# LEGAL NOTICE

## CITY OF RUSSELLVILLE, KENTUCKY MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) YEAR ENDED JUNE 30, 2023

Assigned	2,001	-	2,001
Unassigned	2,651,823	-	2,651,823
<b>Total fund balance</b>	<b>5,392,466</b>	<b>171,125</b>	<b>5,563,591</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,357,582</b>	<b>\$ 171,125</b>	<b>\$ 7,528,707</b>

GASB 68 (pension) and GASB 75 (OPEB) require the net pension liability and the net OPEB liability to equal the City's proportionate share of each plan's collective:

- Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service.
- Minus plan assets available to pay these benefits.

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for-benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. Changes in benefits, contribution rates and return on investments affect the balance of these liabilities but are outside the control of the local government.

In the event that contributions, investment returns and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows of resources.

Following are summary schedules of changes in the City's net position for the years ended June 30, 2023 and 2022:

### Changes in Net Position – Governmental Activities

	2023	2022
<b>REVENUES</b>		
Program revenues		
Charges for services	\$ 77,392	\$ 73,485
Operating grants and contributions	335,495	286,539
Capital grants and contributions	291,381	641,533
General revenues		
Taxes	1,697,504	1,722,829
Licenses and permits	6,549,760	5,562,231
Interest income	22,595	17,276
Unrealized gain (loss) on investments	36,930	114,979
Miscellaneous	1,297	34,718
<b>Total revenues</b>	<b>9,012,354</b>	<b>8,453,590</b>
<b>EXPENSES</b>		
General government	1,323,280	1,177,351
Public safety	3,617,440	3,440,954
Highways and streets	1,075,838	788,974
Service Center	246,587	224,495
Cemetery	384,191	311,882
Parks	780,775	456,196
Community development	177,401	177,941
Interest expense	5,449	4,134
<b>Total expenses</b>	<b>7,610,961</b>	<b>6,581,927</b>
<b>Change in net position before transfers</b>	<b>1,401,393</b>	<b>1,871,663</b>
<b>Transfers in (out)</b>	<b>(737,192)</b>	<b>(539,507)</b>
<b>Change in net position after transfers</b>	<b>\$ 664,201</b>	<b>\$ 1,332,156</b>

This statement is presented on an accrual basis of accounting and includes all the governmental activities of the City. This statement includes depreciation expense, but excludes capital asset purchase costs.

### Changes in Net Position – Business-type Activities

	2023	2022
<b>REVENUES</b>		
Charges for services	\$ 4,528,423	\$ 4,336,179
Interest income	1,168	719
<b>Total revenues</b>	<b>4,529,591</b>	<b>4,336,898</b>
<b>EXPENSES</b>		
Interest expense	48,362	4,903
Depreciation	803,817	747,489
Carpenter Center	375,445	413,142
Water, sewer, inflow & infiltration	3,966,358	3,547,515
<b>Total expenses</b>	<b>5,193,982</b>	<b>4,713,049</b>
<b>Change in net position before transfers</b>	<b>(664,391)</b>	<b>(376,151)</b>
<b>Transfers in (out)</b>	<b>737,192</b>	<b>539,507</b>
<b>Change in net position after transfers</b>	<b>\$ 72,801</b>	<b>\$ 163,356</b>

This statement is presented on an accrual basis of accounting and includes all the business-type activities of the City. This statement includes depreciation expense, but excludes capital asset purchase costs.

### FINANCIAL OUTLOOK

- The City continues to provide funds for unforeseen emergencies. The City will add \$25,000 each to the General Fund restricted savings account and Water & Sewer restricted savings account.
- The City continues to look and apply for all applicable they qualify for to assist in funding projects or areas that need attention.
- The financial future and growth continues to look strong and healthy for the City of Russellville. This financial strength has allowed for the implementation of a strategic plan of infrastructural and recreational parks improvements.

### BUDGETARY HIGHLIGHTS

The City's General Fund revenues (excluding debt proceeds, transfers and grants) for the fiscal year ended June 30, 2023 were \$8.5 million. General Fund budgeted receipts compared to actual receipts varied from line item to line item with the ending actual balance being \$850K more than anticipated. The total cost of all General Fund programs and services (excluding extraordinary expenses and unrealized loss on investments) was \$7.7 million. The actual cost of all General Fund programs and services was \$84K more than anticipated.

### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances, comply with finance related laws and regulations and demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the Mayor or City Clerk at 270.726.5007 or by mail at 168 S. Main Street, Russellville, Kentucky 42276.

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

#### CITY OF RUSSELLVILLE, KENTUCKY STATEMENT OF NET POSITION JUNE 30, 2023

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,943,034	\$ 455,951	\$ 4,398,985
Receivables, net of allowance for uncollectible	1,100,874	788,567	1,889,441
Inventory	16,741	242,325	259,066
Restricted assets			
Cash and cash equivalents	1,982,108	1,145,801	3,127,909
Investments, at fair value	460,290	-	460,290
Receivables	25,660	-	25,660
Capital Assets			
Non-depreciable	930,618	2,242,277	3,172,895
Depreciable, net	8,526,139	6,123,254	14,649,393
<b>Total assets</b>	<b>16,985,464</b>	<b>10,998,175</b>	<b>27,983,639</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
OPEB related	1,271,921	365,106	1,637,027
Pension related	2,347,988	645,130	2,993,118
<b>Total deferred outflows of resources</b>	<b>3,619,909</b>	<b>1,010,236</b>	<b>4,630,145</b>
<b>LIABILITIES</b>			
Accounts payable	299,000	253,718	552,718
Accrued interest payable	3,651	2,295	5,946
Accrued liabilities	-	18,130	18,130
Customer deposits	-	327,419	327,419
Deferred revenue	1,666,116	2,737	1,668,853
Compensated absences			
Due within one year	41,501	17,913	59,414
Due beyond one year	547,701	214,228	761,929
Long-term liabilities			
Due within one year	26,415	171,935	198,350
Due beyond one year	222,424	1,342,886	1,565,310
Net OPEB liability	2,712,864	705,719	3,418,583
Net pension liability	9,726,198	2,637,531	12,363,729
<b>Total liabilities</b>	<b>15,245,870</b>	<b>5,694,511</b>	<b>20,940,381</b>

### GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

#### CITY OF RUSSELLVILLE, KENTUCKY BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2023

	General	Nonmajor Municipal Road Aid	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,943,034	\$ -	\$ 3,943,034
Receivables, net of allowance for uncollectible	1,100,874	-	1,100,874
Inventory	16,741	-	16,741
Restricted assets			
Cash and cash equivalents	1,836,643	145,465	1,982,108
Investments, at fair value	460,290	-	460,290
Receivables	-	25,660	25,660
<b>Total assets</b>	<b>7,357,582</b>	<b>\$ 171,125</b>	<b>\$ 7,528,707</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable and accrued liabilities	\$ 299,000	\$ -	\$ 299,000
Deferred revenue	1,666,116	-	1,666,116
<b>Total liabilities</b>	<b>1,965,116</b>	<b>-</b>	<b>1,965,116</b>
Fund balances			
Restricted	2,272,474	171,125	2,443,599
Committed	406,168	-	406,168

### CITY OF RUSSELLVILLE, KENTUCKY RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION JUNE 30, 2023

Total fund balances per fund financial statements	\$ 5,563,591
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of assets	21,565,377
Accumulated depreciation	(12,108,620)
Other postemployment benefits (OPEB) and pension related items:	
Deferred outflows - OPEB	1,271,921
Deferred outflows - pension	2,347,988
Deferred inflows - OPEB	(1,371,166)
Deferred inflows - pension	(1,382,358)
Net OPEB liability	(2,712,864)
Net pension liability	(9,726,198)
Long-term liabilities, including interest payable, are not due and payable in the current period; therefore, they are not reported as liabilities in governmental funds. Long-term liabilities at year end consist of:	
Notes payable	(239,214)
Equipment lease	(9,625)
Interest payable on notes	(3,651)
Accrued compensated absences	(589,202)
<b>Net position for governmental activities</b>	<b>\$ 2,605,979</b>

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

	General	Nonmajor Municipal Road Aid	Total
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from grants	291,381	-	291,381
Leases issued	10,500	-	10,500
Unrealized gain on investments	36,930	-	36,930
Operating transfers in (out)	(52,385)	52,385	-
Operating transfers to Carpenter Center	(737,192)	-	(737,192)
<b>Total other financing sources (uses)</b>	<b>(450,766)</b>	<b>52,385</b>	<b>(398,381)</b>
<b>Net change in fund balance</b>	<b>400,663</b>	<b>103,471</b>	<b>504,134</b>
<b>Fund balance, beginning of year</b>	<b>4,991,803</b>	<b>67,654</b>	<b>5,059,457</b>
<b>Fund balance, end of year</b>	<b>\$ 5,392,466</b>	<b>\$ 171,125</b>	<b>\$ 5,563,591</b>

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

Net change in total fund balances per fund financial statements	\$ 504,134
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Expenditures for capital assets 861,501	(861,501)
Current year depreciation	(885,942)
Bond and note proceeds are reported as financing sources in governmental funds, and thus, contribute to the change in fund balance.	
Lease proceeds	(10,500)
Note payments	23,790
Lease payments	875
Under the modified accrual basis of accounting used in the governmental funds, in the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of bond and note principal is an expenditure in the governmental funds financial statements but is a reduction of the liability in the statement of net position.	
Lease proceeds	(10,500)
Note payments	23,790
Lease payments	875
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment reflects the net change in the liability balances during the year.	
Deferred other postemployment benefits	(151,678)
Deferred pension	367,416
Increase in accrued compensated absences	(45,758)
Increase in interest payable	363
<b>Change in net position of governmental activities</b>	<b>\$ 664,201</b>

### PROPRIETARY FUNDS FINANCIAL STATEMENTS

#### CITY OF RUSSELLVILLE, KENTUCKY FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

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