

CITY OF OAK GROVE, KENTUCKY

**Financial Statements
and
Supplementary Information**

**For the Year Ended
June 30, 2024**

CITY OF OAK GROVE, KENTUCKY

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Oak Grove, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Oak Grove, Kentucky (the City), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Oak Grove Tourism & Convention Commission (the Commission), which is both a major fund and 55 percent, 104 percent, and 36 percent, respectively, of the assets, net position, and revenues of the governmental activities as of June 30, 2024. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Commission, is based solely on the report of the other auditors.

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 the 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, 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.

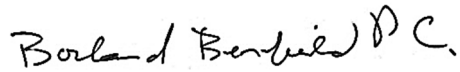
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 4-10), Budgetary Comparison Schedule (page 52), Schedule of the City's Proportionate Share of the Net Pension Liability (page 53), Schedule of the City's Pension Contributions (page 54), Schedule of the City's Proportionate Share of the Net OPEB Liability (page 55), Schedule of the City's OPEB Contributions (page 56), and notes to the required supplementary information (pages 57-58) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2026, 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, 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.

A handwritten signature in black ink that reads "Borland Benefield P.C." with a stylized flourish at the end.

Borland Benefield, P.C.
Birmingham, Alabama
June 4, 2026

CITY OF OAK GROVE, KENTUCKY

Management's Discussion and Analysis For the Year Ended June 30, 2024

The City of Oak Grove's (the City) Management's Discussion and Analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position, identify any material deviations from the financial plan, and identify individual fund issues or concerns.

Since the Management's Discussion and Analysis is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The City's assets and deferred outflows exceeded its liabilities and deferred inflows at the close of the June 30, 2024 fiscal year by \$6,578,287 (total net position).
- The City's total liabilities at the close of the fiscal year on June 30, 2024, were \$13,457,325, a decrease of \$2,942,981 from the previous fiscal year.
- The City's total net position decreased in fiscal year 2024 by \$320,327.
- As of the close of the current fiscal year, the City's governmental funds reported ending fund balances of \$2,400,189. Of this amount, an amount of \$734,021 is available for spending at the government's discretion (unassigned fund balance). This is approximately 11% of total governmental fund expenditures for the fiscal year ended June 30, 2024.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a long-term view of the City's finances. For governmental activities, these statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail by providing information about the City's most significant funds.

Reporting on the City as a Whole

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

These two statements report the City's *net position* and changes in it. You can think of the City's net position as one way to measure the City's *financial health* or *financial position*. Over time, *increases* or *decreases* in the City's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors, such as changes in the City's business base and the condition of the City's roads, to assess the overall health of the City.

CITY OF OAK GROVE, KENTUCKY

Management's Discussion and Analysis (continued) For the Year Ended June 30, 2024

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

- Governmental Activities – Most of the City's basic services are reported here, including general government, public safety, public works, and parks and recreation. Property taxes, sales taxes, insurance premium taxes, and occupational and license taxes finance most of these activities.
- Business-type Activities – The City's Water fund is reported here. Activities for this fund include administration, operation and maintenance of the water fund, and billing and collection activities.
- Component Unit – The City's financial statements include the activities of a separate legal entity, the Oak Grove Tourism and Convention Commission (the Commission). Separate financial statements for the Commission may be obtained by writing to the Commission at P.O. Box 756, Oak Grove, Kentucky 42262.

Reporting on the City's Funds

The fund financial statements provide detailed information about the City's funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. The City's funds can be divided into two broad categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains three governmental funds: the General Fund, the Municipal Road Aid Fund, and the American Rescue Plan Act Fund. Information is presented in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget. See the table of contents.

CITY OF OAK GROVE, KENTUCKY

Management's Discussion and Analysis (continued) For the Year Ended June 30, 2024

Proprietary Funds

When the City charges customers for the services it provides, these services are generally reported in the proprietary fund. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Water Fund, which is considered to be a major fund of the City.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The following table presents a condensed Statement of Net Position as of June 30, 2024 and 2023:

	<u>Primary Government</u>		<u>Component Unit</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Assets				
Current and other assets	\$ 9,622,154	\$ 11,950,750	\$ 1,554,419	\$ 1,513,394
Capital assets	10,441,391	9,978,980	7,649,464	7,795,496
Total Assets	<u>\$ 20,063,545</u>	<u>\$ 21,929,730</u>	<u>\$ 9,203,883</u>	<u>\$ 9,308,890</u>
Deferred Outflows of Resources	<u>3,182,547</u>	<u>2,701,047</u>	<u>432,063</u>	<u>339,786</u>
Liabilities				
Current and other liabilities	\$ 3,947,870	\$ 5,283,928	\$ 573,782	\$ 543,227
Long-term liabilities	9,509,455	11,116,378	3,091,597	3,587,952
Total Liabilities	<u>13,457,325</u>	<u>16,400,306</u>	<u>3,665,379</u>	<u>4,131,179</u>
Deferred Inflows of Resources	<u>3,210,480</u>	<u>1,331,857</u>	<u>448,104</u>	<u>192,003</u>
Net Position				
Net investment in capital assets	10,441,391	9,978,980	4,911,621	4,703,022
Restricted	1,414,592	1,883,671	391,202	439,495
Unrestricted	(5,277,696)	(4,964,037)	219,640	182,977
Total Net Position	<u>\$ 6,578,287</u>	<u>\$ 6,898,614</u>	<u>\$ 5,522,463</u>	<u>\$ 5,325,494</u>

The City's unrestricted net position decreased by \$313,659 from (\$4,964,037) on June 30, 2023, to (\$5,277,696) on June 30, 2024. On June 30, 2024, cash on hand of \$5,462,671 represented 83% of the net position compared to 83% in the prior period. Liabilities include current and long-term debt totaling \$2,722,014, a decrease of \$351,525 (11%). No new debt was incurred by the City during the year ended June 30, 2024.

For more detailed information, see the Statement of Net Position.

CITY OF OAK GROVE, KENTUCKY

Management's Discussion and Analysis (continued) For the Year Ended June 30, 2024

Change in Net Position

The following table presents a summary of the revenues and expenses of the total primary government and component unit for the years ended June 30, 2024 and 2023:

	<u>Primary Government</u>		<u>Component Unit</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Revenues				
Program revenues				
Charges for services	\$ 2,271,137	\$ 2,225,191	\$ 276,955	\$ 205,664
Grants and contributions	325,379	330,898	186,801	39,745
General revenues				
Taxes	5,102,563	4,802,811	1,833,296	1,711,095
Fines and forfeitures	57,031	12,527	-	-
Interest income	5,164	6,613	27	24
Miscellaneous	553,625	294,668	698	2,595
Transfers	-	-	-	-
Gain on disposal of property	5,600	38,085	-	-
Total Revenues	<u>8,320,499</u>	<u>7,710,793</u>	<u>2,297,777</u>	<u>1,959,123</u>
Expenses				
General government	1,885,774	784,712	-	-
Public safety	3,898,127	3,994,591	-	-
Public works	434,986	445,276	-	-
Parks and recreation	412,154	431,105	-	-
Business-type activities	2,009,785	3,111,777	-	-
Tourism Commission	-	-	2,100,808	1,830,035
Total Expenses	<u>8,640,826</u>	<u>8,767,461</u>	<u>2,100,808</u>	<u>1,830,035</u>
Change in net position	(320,327)	(1,056,668)	196,969	129,088
Net Position - Beginning of Year	<u>6,898,614</u>	<u>7,955,282</u>	<u>5,325,494</u>	<u>5,196,406</u>
Net Position - End of Year	<u>\$ 6,578,287</u>	<u>\$ 6,898,614</u>	<u>\$ 5,522,463</u>	<u>\$ 5,325,494</u>

The City's change in net position was -\$320,327 for the year ended June 30, 2024. Key elements of this change are as follows:

- Total revenues were \$8,320,499, an increase of \$609,706 (8%) from the prior year. Program revenues represent 31% of total revenues. Major sources of program revenues include operating and capital grants, contributions, and charges for services. General revenues represent the remaining 69% of total revenues. Major sources of general revenues include property taxes, insurance premium taxes, and occupational and license taxes.

CITY OF OAK GROVE, KENTUCKY

Management's Discussion and Analysis (continued) For the Year Ended June 30, 2024

- Expenses totaled \$8,640,826, a decrease of 1% from the prior year. Major functions include general government, public safety, and public utilities (business-type) expenses.
- General government expenses increased by \$1,101,062. Public safety expenses decreased by \$96,464. Public works expenses decreased by \$10,290. Parks and recreation expenses decreased by \$18,951. Business-type expenses decreased by \$1,101,992.

Consistent revenues, sound budget practices, and a strong financial base allowed the City to fund basic general government expenses, public safety, street projects, repairs, and capital purchases from both unrestricted and restricted sources on hand.

Financial Analysis of the City of Oak Grove's Funds

Governmental Funds

Currently, the City has three major governmental funds: the General Fund, the Municipal Road Aid Fund, and the American Rescue Plan Fund. As of the end of the June 30, 2024 fiscal year, the total fund balance of the general fund was \$1,640,510, a decrease of \$34,080, or 2%. The unassigned general fund balance was \$738,150, a decrease of \$173,090, or 19%. The unassigned fund balance is intended for availability as working capital and for current spending in accordance with the purposes of the general fund. Of the remainder of the general fund balance, \$655,368, is restricted for special projects, and \$251,576 is nonspendable.

The Municipal Road Aid Fund had cash totaling \$759,224. The fund balance totaling \$759,224 is restricted for special projects. The Municipal Road Aid Fund reported total revenues of \$186,735 and total expenditures of \$689,030. The change in fund balance totaled (\$502,295) for the current year.

The American Rescue Plan Act (ARPA) Fund had cash totaling \$1,824,330 and unearned revenue of \$1,823,875. The City received the ARPA funds in the prior year, with the majority of the grant remaining unspent as of June 30, 2024. Change in fund balance totaled \$182 (interest earned on restricted cash) for the current year.

Proprietary Funds

The City reports one proprietary fund, the Water Fund. As of the end of the June 30, 2024 fiscal year, the total net position of the Water Fund was \$1,270,189, a \$255,764 increase from the prior year. Total operating revenues, consisting of charges for services and other operating revenues, were \$2,223,558, an increase of \$29,243 from the prior year. Operating expenses totaled \$2,009,785, a \$1,101,992 decrease from the prior year. Total non-operating revenue was \$6,987, consisting of interest income and gain on disposal of assets. Total capital contributions and transfers were \$35,004.

CITY OF OAK GROVE, KENTUCKY

Management's Discussion and Analysis (continued) For the Year Ended June 30, 2024

Budget Reporting

The budget has always been used to encourage spending adherence, ensuring that expenditures do not exceed the budget and therefore comply with a legally adopted budget. The form of the budget historically set forth a "budget-to-actual" comparison statement. The General Fund budget adopted and amended by the City Council for the fiscal year ended June 30, 2024 projected \$6,109,425 and \$447,325 in revenues and other financing sources, respectively, and \$5,870,500 in expenditures. Actual General Fund revenues for the period were \$5,892,937, which were \$216,488 less than budgeted. Revenue budget variances are largely the result of the timing of revenue recognized for financial statement line items such as taxes and licenses, as well as grants. Actual General Fund expenditures totaled \$5,902,113 above budgeted amounts by \$31,613. At times during the fiscal year, the City Council formally amends its budget to more closely match actual revenues and expenditures.

A detailed analysis of the variance between actual results and budgeted amounts is included in the Budgetary Comparison Schedule - General Fund, contained in the Required Supplementary Information section of the accompanying financial statements, and is herein incorporated by reference.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

On June 30, 2024, net capital assets of the governmental activities totaled \$9,197,568. Current year additions totaled \$1,118,641. The capital additions for governmental activities included building improvements, equipment, and vehicles. Current year disposals totaled \$57,844, which included vehicles and equipment sold at public auction.

On June 30, 2024, net capital assets of the business-type activities totaled \$1,243,823. Current year additions totaled \$179,235 for business-type activities. The capital additions for business-type activities included infrastructure and equipment. Disposals totaled \$22,077 in the current year.

Long-Term Debt

On June 30, 2024, long-term debt of the governmental activities totaled \$2,722,014. The current and long-term portions of debt are \$366,134 and \$2,355,880, respectively. The governmental activities did not incur any new debt during the fiscal year. Principal reductions during the year totaled \$355,756.

On June 30, 2024, long-term debt of the business-type activities totaled \$-0-. The business-type activities did not incur any new debt during the fiscal year.

ECONOMIC FACTORS AFFECTING THE CITY OF OAK GROVE AND NEXT YEAR'S BUDGET INFORMATION

Key Revenue Assumptions and Trends for Fiscal Year 2023-2024

The 2023-2024 fiscal year brought a steady increase in realized revenues, including tax and license revenues, and charges for services. The fiscal year had new developments, both commercial and residential. The Oak Grove Racing and Gaming operations continued at full capacity as well. Additional revenue increases were recognized by the revaluation of real property by the Christian County PVA office. The City plans to remain focused on economic development efforts in both residential and commercial areas to increase long-term revenues.

CITY OF OAK GROVE, KENTUCKY

Management's Discussion and Analysis (continued) For the Year Ended June 30, 2024

Key Revenue Assumptions and Trends for Fiscal Year 2024-2025

Management expects revenues to increase for the 2024-2025 fiscal year. Taxes and licenses should meet the budgeted amount, with residential and commercial real property assessed values projected to remain relatively unchanged from last fiscal year, while the City continues to comply with Kentucky law, limiting municipal revenue increases to 4% over the previous year's property tax revenue. The City's local economy continues to consist of commercial, retail, light industrial businesses, and a gaming facility adjacent to Fort Campbell, Kentucky, with approximately 30,000 active duty military personnel and their families.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the Oak Grove Finance Director at the City of Oak Grove, P.O. Box 250, Oak Grove, KY 42262.

CITY OF OAK GROVE, KENTUCKY

**Statement of Net Position
As of June 30, 2024**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 742,360	\$ 1,481,389	\$ 2,223,749	\$ 707,074
Receivables, net				
Accounts/utilities	-	516,814	516,814	-
Taxes and liens	353,538	-	353,538	215,369
Occupational license and franchise fees	145,904	-	145,904	-
Other	-	7,087	7,087	3,073
Internal balances	26,185	(26,185)	-	-
Other current assets	251,576	143,119	394,695	35,004
Restricted assets				
Cash and cash equivalents	3,238,922	-	3,238,922	593,899
Capital assets				
Depreciable, net	6,422,430	1,153,653	7,576,083	5,874,539
Non-depreciable	2,775,138	90,170	2,865,308	1,759,096
Net OPEB asset	-	19,431	19,431	15,829
Note Receivable - Tourism Commission				
Within one year	366,134	-	366,134	-
More than one year	2,355,880	-	2,355,880	-
Total Assets	<u>\$ 16,678,067</u>	<u>\$ 3,385,478</u>	<u>\$ 20,063,545</u>	<u>\$ 9,203,883</u>
Deferred Outflows of Resources				
Pension related (See Note 9)	\$ 2,020,686	\$ 308,874	\$ 2,329,560	\$ 299,649
OPEB related (See Note 10)	730,635	122,352	852,987	132,414
Total Deferred Outflows of Resources	<u>\$ 2,751,321</u>	<u>\$ 431,226</u>	<u>\$ 3,182,547</u>	<u>\$ 432,063</u>

See accompanying notes to financial statements.

CITY OF OAK GROVE, KENTUCKY

Statement of Net Position (continued)
As of June 30, 2024

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Liabilities				
Accounts payable and other current liabilities	\$ 418,297	\$ 709,143	\$ 1,127,440	\$ -
Accrued liabilities	51,950	8,938	60,888	11,402
Utility deposits	-	494,156	494,156	-
Compensated absences	64,174	11,203	75,377	12,958
Grant advances	-	-	-	183,288
Unearned revenue	1,823,875	-	1,823,875	-
Liabilities payable from restricted assets:				
Current portion of long-term debt	366,134	-	366,134	366,134
Non-current liabilities				
Due to City of Oak Grove	-	-	-	2,355,880
Financed purchases	2,355,880	-	2,355,880	-
Net OPEB liability	187,594	-	187,594	-
Net pension liability	6,062,932	903,049	6,965,981	735,717
Total Liabilities	<u>\$ 11,330,836</u>	<u>\$ 2,126,489</u>	<u>\$ 13,457,325</u>	<u>\$ 3,665,379</u>
Deferred Inflows of Resources				
Pension related (See Note 9)	\$ 867,261	\$ 97,630	\$ 964,891	\$ 164,594
OPEB related (See Note 10)	1,923,193	322,396	2,245,589	283,510
Total Deferred Inflows of Resources	<u>\$ 2,790,454</u>	<u>\$ 420,026</u>	<u>\$ 3,210,480</u>	<u>\$ 448,104</u>
Net Position				
Net investment in capital assets	\$ 9,197,568	\$ 1,243,823	\$ 10,441,391	\$ 4,911,621
Restricted	1,414,592	-	1,414,592	391,202
Unrestricted	(5,304,062)	26,366	(5,277,696)	219,640
Total Net Position	<u>\$ 5,308,098</u>	<u>\$ 1,270,189</u>	<u>\$ 6,578,287</u>	<u>\$ 5,522,463</u>

See accompanying notes to financial statements.

CITY OF OAK GROVE, KENTUCKY

**Statement of Activities
For the Year Ended June 30, 2024**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
						Governmental Activities	Business-Type Activities	Component Unit
							Total	
Primary Government								
Governmental Activities								
General government	\$ 1,885,774	\$ 47,579	\$ 17,835	\$ -	\$ (1,820,360)	\$ -	\$ (1,820,360)	\$ -
Public safety	3,898,127	-	112,061	-	(3,786,066)	-	(3,786,066)	-
Public works	434,986	-	185,383	-	(249,603)	-	(249,603)	-
Parks and recreation	412,154	-	-	-	(412,154)	-	(412,154)	-
Total Governmental Activities	6,631,041	47,579	315,279	-	(6,268,183)	-	(6,268,183)	-
Business-Type Activities								
Water	2,009,785	2,223,558	-	10,100	-	223,873	223,873	-
Total Primary Government	\$ 8,640,826	\$ 2,271,137	\$ 315,279	\$ 10,100	\$ (6,268,183)	\$ 223,873	\$ (6,044,310)	\$ -
Component Unit								
Tourism Commission	\$ 2,100,808	\$ 276,955	\$ 186,801	\$ -	\$ -	\$ -	\$ -	\$ (1,637,052)
General Revenues								
Taxes and related revenues:								
Property taxes					\$ 1,351,305	\$ -	\$ 1,351,305	\$ -
Insurance premium taxes					1,231,201	-	1,231,201	-
Hotel/motel taxes					-	-	-	584,120
Restaurant taxes					-	-	-	1,249,176
Parks and recreation taxes					282,883	-	282,883	-
Occupational and license taxes					1,525,364	-	1,525,364	-
Franchise taxes					259,201	-	259,201	-
Other taxes					452,609	-	452,609	-
Fines and forfeitures					57,031	-	57,031	-
Interest income					3,777	1,387	5,164	27
Miscellaneous					553,625	-	553,625	698
Gain on disposal of property					-	5,600	5,600	-
Transfers					(24,904)	24,904	-	-
Total General Revenues and Transfers					5,692,092	31,891	5,723,983	1,834,021
Change in Net Position					(576,091)	255,764	(320,327)	196,969
Net Position - Beginning of Year					5,884,189	1,014,425	6,898,614	5,325,494
Net Position - End of Year					\$ 5,308,098	\$ 1,270,189	\$ 6,578,287	\$ 5,522,463

See accompanying notes to financial statements.

CITY OF OAK GROVE, KENTUCKY

**Balance Sheet
Governmental Funds
As of June 30, 2024**

	<u>General Fund</u>	<u>Municipal Road Aid Fund</u>	<u>American Rescue Plan Fund</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 742,360	\$ -	\$ -	\$ 742,360
Receivables, net				
Taxes and liens	353,538	-	-	353,538
Occupational license and franchise fees	145,904	-	-	145,904
Due from other fund	26,185	-	-	26,185
Prepaid expense	251,576	-	-	251,576
Restricted assets				
Cash and cash equivalents	655,368	759,224	1,824,330	3,238,922
Total Assets	<u>\$ 2,174,931</u>	<u>\$ 759,224</u>	<u>\$ 1,824,330</u>	<u>\$ 4,758,485</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable and accrued liabilities	\$ 418,297	\$ -	\$ -	\$ 418,297
Accrued liabilities	51,950	-	-	51,950
Compensated absences	64,174	-	-	64,174
Unearned revenue	-	-	1,823,875	1,823,875
Total Liabilities	<u>534,421</u>	<u>-</u>	<u>1,823,875</u>	<u>2,358,296</u>
Fund Balance				
Nonspendable	251,576	-	-	251,576
Restricted				
Special projects	655,368	759,224	-	1,414,592
Unassigned	733,566	-	455	734,021
Total Fund Balances	<u>1,640,510</u>	<u>759,224</u>	<u>455</u>	<u>2,400,189</u>
Total Liabilities and Fund Balances	<u>\$ 2,174,931</u>	<u>\$ 759,224</u>	<u>\$ 1,824,330</u>	<u>\$ 4,758,485</u>

See accompanying notes to financial statements.

CITY OF OAK GROVE, KENTUCKY

**Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
For the Year Ended June 30, 2024**

Total fund balance, governmental funds		\$ 2,400,189
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 in the governmental funds balance sheet.		9,197,568
Long-term receivable due from Tourism Commission		2,722,014
Deferred outflows of resources related to pension and OPEB are not reported in the governmental fund because the consumption of net position will occur in future periods.		2,751,321
Some liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds balance sheet.		
Those liabilities consist of the following:		
Long-term debt	(2,722,014)	
Net OPEB liability	(187,594)	
Net pension liability	<u>(6,062,932)</u>	(8,972,540)
Deferred inflows of resources related to pension and OPEB are not reported in the governmental fund because the acquisition of net position will occur in future periods.		<u>(2,790,454)</u>
Net Position - Governmental Activities		<u>\$ 5,308,098</u>

See accompanying notes to financial statements.

CITY OF OAK GROVE, KENTUCKY

**Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds**

For the Year Ended June 30, 2024

	General Fund	Municipal Road Aid Fund	American Rescue Plan Fund	Total Governmental Funds
Revenues				
Taxes and licenses	\$ 5,102,563	\$ -	\$ -	\$ 5,102,563
Charges for services	47,579	-	-	47,579
Grants	118,976	-	-	118,976
Fines and forfeitures	57,031	-	-	57,031
Intergovernmental	10,920	185,383	-	196,303
Interest income	2,243	1,352	182	3,777
Miscellaneous	553,625	-	-	553,625
Total Revenues	<u>5,892,937</u>	<u>186,735</u>	<u>182</u>	<u>6,079,854</u>
Expenditures				
Current				
General government	1,212,724	-	-	1,212,724
Public safety	3,589,536	-	-	3,589,536
Public works	311,958	2,839	-	314,797
Parks and recreation	351,495	-	-	351,495
Capital outlays	436,400	686,191	-	1,122,591
Total Expenditures	<u>5,902,113</u>	<u>689,030</u>	<u>-</u>	<u>6,591,143</u>
Excess of Revenues Over Expenditures	<u>(9,176)</u>	<u>(502,295)</u>	<u>182</u>	<u>(511,289)</u>
Other Financing (Uses)				
Transfers	<u>(24,904)</u>	<u>-</u>	<u>-</u>	<u>(24,904)</u>
Total Other Financing (Uses)	<u>(24,904)</u>	<u>-</u>	<u>-</u>	<u>(24,904)</u>
Net Change in Fund Balance	<u>(34,080)</u>	<u>(502,295)</u>	<u>182</u>	<u>(536,193)</u>
Fund Balances - Beginning	<u>1,674,590</u>	<u>1,261,519</u>	<u>273</u>	<u>2,936,382</u>
Fund Balances - Ending	<u>\$ 1,640,510</u>	<u>\$ 759,224</u>	<u>\$ 455</u>	<u>\$ 2,400,189</u>

See accompanying notes to financial statements.

CITY OF OAK GROVE, 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, 2024**

Net change in fund balances - total governmental funds:	\$ (536,193)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays of \$1,118,641 (net of \$3,950 not meeting capitalization threshold) exceeded depreciation of \$660,537 in the current period.

458,104

Governmental funds report pension and OPEB contributions as expenditures when paid. However, in the Statement of Activities, pension and OPEB expense is the cost of benefits earned, adjusted for member contributions, the recognition of charges in deferred outflows and inflows of resources related to pension and OPEB, and investment experience.

(498,002)

Change in Net Position - Governmental Activities

\$ (576,091)

See accompanying notes to financial statements.

CITY OF OAK GROVE, KENTUCKY

Statement of Net Position
Proprietary Fund
As of June 30, 2024

	<u>Water Fund</u>
Assets	
Current Assets	
Cash and cash equivalents	\$ 1,481,389
Receivables, net	
Accounts	516,814
Other	7,087
Prepaid expense	<u>143,119</u>
Total Current Assets	<u>2,148,409</u>
Noncurrent Assets	
Depreciable assets, net	1,153,653
Non-depreciable assets	90,170
Net OPEB Asset	<u>19,431</u>
Total Noncurrent Assets	<u>1,263,254</u>
Total Assets	<u>\$ 3,411,663</u>
Deferred Outflows of Resources	
Pension related	\$ 308,874
OPEB related	<u>122,352</u>
Total Deferred Outflows of Resources	<u>\$ 431,226</u>

See accompanying notes to financial statements.

CITY OF OAK GROVE, KENTUCKY

Statement of Net Position (continued)

Proprietary Funds

As of June 30, 2024

	<u>Water Fund</u>
Liabilities	
Current Liabilities	
Accounts payable	\$ 709,143
Utility deposits	494,156
Compensated absences	11,203
Accrued salaries	8,938
Due to other fund	<u>26,185</u>
Total Current Liabilities	<u>1,249,625</u>
 Noncurrent Liabilities	
Net pension liability	<u>903,049</u>
Total Noncurrent Liabilities	<u>903,049</u>
Total Liabilities	<u>\$ 2,152,674</u>
 Deferred Inflows of Resources	
Pension related	\$ 97,630
OPEB related	<u>322,396</u>
Total Deferred Inflows of Resources	<u>\$ 420,026</u>
 Net Position	
Net investment in capital assets	\$ 1,243,823
Unrestricted	<u>26,366</u>
Total Net Position	<u>\$ 1,270,189</u>

See accompanying notes to financial statements.

CITY OF OAK GROVE, KENTUCKY

**Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2024**

	Water Fund
Operating Revenues	
Charges for services - water	\$ 1,947,611
Charges for services - sanitation	47,691
Other operating revenues	<u>228,256</u>
Total Operating Revenues	<u>2,223,558</u>
Operating Expenses	
Personnel services	536,021
Water cost	749,327
Contractual services	69,387
Bad debt expense	1,141
Repairs and maintenance	48,299
Materials and supplies	220,148
Office and administrative	210,534
Depreciation	<u>174,928</u>
Total Operating Expenses	<u>2,009,785</u>
Operating Income	<u>213,773</u>
Non-Operating Revenue	
Interest income	1,387
Gain on disposal of property	<u>5,600</u>
Total Non-Operating Revenue	<u>6,987</u>
Increase in Net Position Before Contributions and Transfers	<u>220,760</u>
Capital Contributions and Transfers	
Customers	10,100
Transfers in	<u>24,904</u>
Total Capital Contributions and Transfers	<u>35,004</u>
Change in Net Position	255,764
Net Position - Beginning	<u>1,014,425</u>
Net Position - Ending	<u>\$ 1,270,189</u>

See accompanying notes to financial statements.

CITY OF OAK GROVE, KENTUCKY

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2024

	Water Fund
Cash Flows From by Operating Activities	
Receipts from customers	\$ 2,326,581
Payments to suppliers	(1,600,279)
Payments to employees	<u>(897,121)</u>
Net Cash (Used) By Operating Activities	<u>(170,819)</u>
Cash Flows From Non-Capital Financing Activities	
Contributions from customers	10,100
Transfers from other funds	<u>24,904</u>
Net Cash Provided By Non-Capital Financing Activities	<u>35,004</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds from sale of capital assets	5,600
Acquisition and construction of capital assets	<u>(179,235)</u>
Net Cash (Used) By Capital And Related Financing Activities	<u>(173,635)</u>
Cash Flows From Investing Activities	
Interest income	<u>1,387</u>
Net Cash Provided By Investing Activities	<u>1,387</u>
Net (Decrease) In Cash And Cash Equivalents	(308,063)
Cash and Equivalents, Beginning of the Year	<u>1,789,452</u>
Cash and Equivalents, End of the Year	<u>\$ 1,481,389</u>

See accompanying notes to financial statements.

CITY OF OAK GROVE, KENTUCKY

Statement of Cash Flows (continued)

Proprietary Funds

For the Year Ended June 30, 2024

	Water Fund
Reconciliation of Operating Income to	
Net Cash (Used) by Operating Activities:	
Operating Income	\$ 213,773
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	174,928
Pension	(245,727)
OPEB	(115,373)
Change in operating assets and liabilities:	
Decrease (increase) in:	
Accounts receivable	50,477
Prepaid expense	(66,263)
Increase (decrease) in:	
Accounts payable	(255,181)
Utility deposits	52,547
Due to other fund	20,000
Net Cash (Used) By Operating Activities	<u>\$ (170,819)</u>

See accompanying notes to financial statements.

CITY OF OAK GROVE, KENTUCKY

Notes to the Financial Statements For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the City of Oak Grove, Kentucky (the “City”) and its discretely presented component unit have been established in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governments. The following is a summary of the most significant accounting policies:

Reporting Entity

The City is in the south-central portion of Kentucky, adjacent to the Tennessee-Kentucky state line. The City was incorporated in 1974. The City operates under a Mayor-Council form of government and provides general government services, public safety, public works, parks, and recreation services, as authorized by its charter.

The governmental reporting entity consists of the City (Primary Government) and its component unit. Component units are legally separate organizations for which the City is financially accountable or other organizations whose nature and significant relationship with the City are such that exclusion would cause the City’s financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit’s board, and (i) either the City’s ability to impose its will on the organization or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on the City.

Discretely Presented Component Unit

As required by generally accepted accounting principles, these financial statements present the financial position and results of operations of the City and its component unit, the Oak Grove Tourism and Convention Commission (the Tourism Commission). The Tourism Commission was established through City ordinance under the laws of the State of Kentucky. The Tourism Commission was established to promote recreational, tourism and convention activities within the City’s limits. Separate financial statements for the Tourism Commission may be obtained from the Tourism Commission by writing the Commission at P.O. Box 756, Oak Grove, Kentucky.

The City allocates 100% of restaurant and hotel taxes to the Tourism Commission. For the fiscal year ended June 30, 2024, no restaurant and hotel taxes were collected and remitted to the Tourism Commission by the City. Instead, the Tourism Commission collects these tax revenues directly from taxpayers. The City reports a note receivable from the Tourism Commission for the City’s long-term debt obligations to the Kentucky League of Cities associated with the Oak Grove Convention Center facility. There were no other significant transactions between the City and the Tourism Commission during the fiscal year.

Basis of Presentation

The government-wide financial statements (Statement of Net Position and the Statement of Activities) report information on all the activities of the primary government and its component unit. For the most part, the effect of inter-fund activity has been removed from these statements. These statements distinguish between the governmental and business-type activities of the City. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

CITY OF OAK GROVE, KENTUCKY

Notes to the Financial Statements (continued) For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (continued)

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. Indirect expenses are allocated to programs based on an estimate of their proportional relevance to each individual program. 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.

Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate financial statements are provided for governmental funds and proprietary funds. The City has no fiduciary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statement. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The City reports the following major governmental funds:

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. The primary revenue resources are ad valorem taxes, grants, and various other taxes, licenses, and charges for services. The primary expenditures are for general government, public safety, public works, parks, and recreational activities.

The **Municipal Road Aid Fund** is a special revenue fund that is used to account for the state allocation of the gasoline tax to the City. These funds may be used for street construction, reconstruction, and maintenance. The Department of Local Government requires the City to maintain receipts and disbursements from this funding source in a fund separate from the General Fund.

The **American Rescue Plan Fund** is a special revenue fund that is used to account for funds provided to the City under the American Rescue Plan Act of 2021.

The City reports the following proprietary fund:

The **Water Fund** is used to account for the provision of water and trash collection services to the residents of the City. Activities of the fund include administration, operation, and maintenance of the water system. The fund is also used to account for the accumulation of resources for, and the payment of, long-term debt relative to the water system. All the costs of the water system are financed through charges to utility customers.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

All funds of the City are maintained during the year using the modified accrual basis of accounting.

CITY OF OAK GROVE, KENTUCKY

Notes to the Financial Statements (continued) For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (continued)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are non-exchange transactions, and revenues from property taxes are recognized 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.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Inter-fund services provided and used are not eliminated in the process of consolidation.

Proprietary funds are presented in the financial statements on the accrual basis of accounting, similar to the basis used by government-wide statements, and are accounted for on a flow of economic resources measurement focus. Under this basis, revenues are recognized in the accounting period when earned and expenses are recognized in the period they are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental funds are reported using the current financial resources management focus and the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period when they become susceptible to accrual (i.e., when they are "measurable" and "available"). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to pay the 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 year.

Expenditures are recorded when the related fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt, which is recognized when due, and certain compensated absences, claims, and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financial sources.

Property taxes, franchise taxes, licenses, charges for services, intergovernmental revenues, and interest income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

CITY OF OAK GROVE, KENTUCKY

Notes to the Financial Statements (continued) For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (continued)

Reconciliation of Government-Wide and Fund Financial Statements

The governmental funds balance sheet includes a reconciliation of the fund balances in the governmental funds to the net position reported in the government-wide statements. The reconciling items reflect the changes necessary to report the governmental fund balances on the economic resources measurement focus and accrual basis of accounting. In addition, capital assets and long-term debt are added to the governmental funds to compile the long-term view in the governmental activities column of the government-wide statement of net position.

A similar reconciliation is included for the statement of revenues, expenditures, and changes in fund balances of the governmental funds. The reconciling items reflect the transition from the modified accrual accounting basis used for governmental funds to the accrual basis of accounting used in the statement of activities. Capital outlay is replaced with depreciation expense. The principal payments on long-term debt are eliminated from operating costs.

Budgetary Control

Annual budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles. Proprietary fund budgets are adopted on the modified accrual basis of accounting. All annual appropriations lapse at the fiscal year-end. The mayor submits the proposed budget to the council no later than June 1. The Council revises and adopts the budget no later than June 30. The budget ordinance establishes authorized appropriations at the department level of control. Amendments are adopted during the year, as necessary. No budgets were adopted by the City Council for the Municipal Road Aid Fund and American Rescue Plan Act Fund for the year ended June 30, 2024.

Deposits and Investments

Kentucky Revised Statute 66.480 permits the City to invest in obligations of the United States and of its agencies and instrumentalities, including repurchase agreements, commercial bank certificates of deposit, savings and loan deposits, and the Commonwealth of Kentucky investment pool. As security for deposits in excess of FDIC insurance coverage, the City requires banks to pledge securities in an amount to exceed such excess deposits. Investments of the City are carried at fair value. Certificates of deposit are carried at cost since redemption terms do not consider market or interest rate risks.

Cash and Cash Equivalents

The City considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

Restricted Assets

Certain proceeds from bonds and grants, funds set aside for the repayment of bonds and loans, and other amounts required to be set aside by third parties are classified as restricted assets because their use is limited by applicable laws, grant agreements, or debt covenants.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

See independent auditor's report.

CITY OF OAK GROVE, KENTUCKY

Notes to the Financial Statements (continued) For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (continued)

Allowance for Doubtful Accounts

All utility and property tax receivables are shown net of an allowance for uncollectible accounts. Utility receivables that have been classified as inactive have been included in the allowance for uncollectible accounts. Estimated uncollectible accounts are established based on the type and age of the related receivables and historical experience.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost in excess of \$5,000 and an estimated useful life in excess of one year. Additions or improvements that significantly add value to an asset or increase its capability or efficiency are capitalized. Other costs for repairs and maintenance are expensed as incurred.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed by the City.

Property, utility plant, and equipment of the primary government and its component unit are depreciated using the straight-line method over the following estimated useful lives:

Building and Improvements	15 to 40 Years
Vehicles	5 Years
Furniture and Equipment	5 to 10 Years
Infrastructure and Utility Plant	30 to 50 Years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the City has elected to report infrastructure prospectively.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as debt insurance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable is reported net of the applicable bond premiums or discounts. All other bond or debt issuance costs are expensed as they are incurred.

CITY OF OAK GROVE, KENTUCKY

Notes to the Financial Statements (continued) For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond insurance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Insurance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated absences

All full-time employees are entitled to vacation leave based on the following schedule:

One year of service	40 hours per year
Two years of service	80 hours per year
Five years of service	120 hours per year
Ten years of service	160 hours per year

Annual leave accrues from the anniversary of the date of hire, on a pro-rated basis. Carryover of accumulated leave is limited to 80 hours, as of the anniversary of the date of hire. Resigning employees will be paid for accumulated annual leave, up to the maximum (80 hours) they are permitted to carry over, provided the employee gives at least fourteen (14) calendar days' prior written notice of their resignation.

Based upon the limitations on the carryover of accumulated leave, all accrued leave is considered a current liability and, thus, is recorded as a current liability in the government-wide financial statements.

Net Position and Fund Balances

Net position in government-wide and proprietary fund financial statements is classified as net investment in capital assets: restricted and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or law or regulations of other governments or imposed by law through state statute. At year-end, restricted net position consisted of restricted cash and investments held for payments of future construction contracts, amounts restricted to payment of future debt service obligations, and amounts restricted for use in street improvements and construction projects.

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balance as follows:

- Non-spendable Fund Balance – Amounts that cannot be spent because they are either (1) not in spendable form, or (2) legally or contractually required to be maintained intact. Amounts reported as non-spendable fund balance in the Governmental Funds balance sheet relate to prepaid expenditures.
- Restricted Fund Balance – Amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

See independent auditor's report.

CITY OF OAK GROVE, KENTUCKY

Notes to the Financial Statements (continued) For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (continued)

- Committed Fund Balance – Amounts that can only be used for specific purposes pursuant to constraints established by formal action of the City's highest level of decision-making authority, which would be ordinances or resolutions passed by the City Council. Those committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by ordinance or resolution.
- Assigned Fund Balance – Amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the City Council, City Mayor, or any other body or official that has been delegated the authority to assign amounts to be used for a specific purpose.
- Unassigned Fund Balance – Amounts of spendable fund balance that have not been restricted, committed, or assigned to a specific purpose or other fund.

The City has not adopted a minimum fund balance policy for the General Fund. The City considers restricted amounts to be spent first when both restricted and unrestricted fund balances are available. Additionally, for purposes of fund balance classification, expenditures are to be spent first from restricted fund balance, followed, in order, by committed fund balance, assigned fund balance, and lastly unassigned fund balance.

Non-Exchange Transactions

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, entitlements, grants, and donations. Property taxes levied are recorded when there is an enforceable legal claim and when the revenue is measurable and available. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements (which specify the year when the resources are required to be used or the year when use is first permitted) and matching requirements (which require the City to provide local resources to be used for a specific purpose). On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

Use of Estimates

The City used estimates and assumptions in preparing these financial statements in accordance with generally accepted principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that were used.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes 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 will not be recognized as an outflow of resources (expense/expenditure) until then. The City has pension and OPEB-related activities that qualify for reporting in this category (see Note 9 and Note 10, respectively).

CITY OF OAK GROVE, KENTUCKY

Notes to the Financial Statements (continued) For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (continued)

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The City has pension and OPEB-related activities that qualify for reporting in this category (see Note 9 and Note 10, respectively).

Pension

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

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Kentucky Retirement Systems' (KRS) County Employees Retirement Systems (CERS) Insurance Fund (the plan) 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, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Note 2 – Deposits

Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. State statutes require that all deposits in financial institutions be fully collateralized by United States Government obligations or direct obligations of the State of Kentucky (including agencies and instrumentalities). Pledged collateral must have a market value of not less than the principal amount of deposits. As of June 30, 2024, the carrying amount of the City's deposits was \$5,462,671, with bank balances totaling \$6,379,023. The City's deposits were all FDIC-insured or collateralized as required by State statute on June 30, 2024.

As of June 30, 2024, the carrying amount of the Tourism Commission's deposits was \$1,300,973, and the bank balance was \$1,325,906. Of the Tourism Commission's bank balance, \$250,000 was covered by Federal Deposit Insurance.

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See independent auditor's report.

CITY OF OAK GROVE, KENTUCKY

Notes to the Financial Statements (continued) For the Year Ended June 30, 2024

Note 3 - Receivables

As of June 30, 2024, the City's major receivables, including the applicable allowance for uncollectible accounts, were as follows:

	Governmental	Business Type	Total	Component Unit
Accounts/utilities	\$ -	\$ 554,599	\$ 554,599	\$ -
Taxes and liens	379,561	-	379,561	215,369
Occupational license and franchise fees	145,904	-	145,904	-
Other	-	7,087	7,087	3,073
	<u>525,465</u>	<u>561,686</u>	<u>1,087,151</u>	<u>218,442</u>
Gross receivables	525,465	561,686	1,087,151	218,442
Allowance for uncollectible accounts	<u>(26,023)</u>	<u>(37,785)</u>	<u>(63,808)</u>	<u>-</u>
Net Receivables	<u>\$ 499,442</u>	<u>\$ 523,901</u>	<u>\$ 1,023,343</u>	<u>\$ 218,442</u>

Note 4 – Investments

Kentucky Revised Statute (KRS 66.480) authorizes Kentucky municipalities to invest in obligations of the United States Treasury and United States agencies and instrumentalities (including repurchase agreements with national or state chartered banks); obligations and options to purchase obligations of the United States Treasury and certain government agencies; obligations of any corporation of the United States government; certificates of deposit and interest bearing accounts held with banks or savings and loan institutions insured by FDIC or collateralized, to the extent uninsured, by any obligations permitted by KRS 41.240(4); uncollateralized certificates of deposit and banker's acceptances issued by any bank or savings and loan institution rated in one of the three highest categories by a nationally recognized rating agency; commercial paper rated in the highest category by a nationally recognized rating agency; bonds or certificates of indebtedness of the State of Kentucky and its agencies and instrumentalities; securities issued by state or local government, or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a nationally recognized rating agency; and certain shares of mutual funds having specific characteristics.

The City has not formally adopted deposit and investment policies that limit allowable deposits or investments and address exposure to specific risks.

Note 5 – Property Taxes

The City's property tax is levied each October 1 on assessed values as of the prior January 1, for all real and business personal property located within the City. Taxable assessed value represents the appraisal value less applicable exemptions authorized by the City Council. Taxes are due November 1, immediately following the levy date, and are delinquent after January 31 of the following year. The City assesses a maximum penalty of 10% on delinquent taxes.

Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and, therefore, susceptible to accrual in accordance with generally accepted accounting principles, have been recognized as revenue.

See independent auditor's report.

CITY OF OAK GROVE, KENTUCKY

Notes to the Financial Statements (continued) For the Year Ended June 30, 2024

Note 6 – Restricted Assets

The City held cash that was restricted as to use and consisted of the following on June 30, 2024:

Roads	\$ 759,224
Relief fund	1,824,330
Operations and maintenance	<u>655,368</u>
Totals	<u>\$ 3,238,922</u>
Component Unit	
Oak Grove Tourism & Convention Commission	<u>\$ 593,899</u>

Note 7 – Capital Assets

Capital assets activity of the City for the year ended June 30, 2024, was as follows:

	Balance June 30, 2023	Additions/ Adjustments	Disposals/ Adjustments	Balance June 30, 2024
Governmental Activities:				
Non-depreciable:				
Land	\$ 2,770,836	\$ 4,302	\$ -	\$ 2,775,138
Total non-depreciable capital assets	<u>\$ 2,770,836</u>	<u>\$ 4,302</u>	<u>\$ -</u>	<u>\$ 2,775,138</u>
Depreciable				
Buildings	\$ 3,956,412	\$ 54,218	\$ 17,100	\$ 3,993,530
Infrastructure	3,211,563	686,191	-	3,897,754
Machinery and equipment	2,574,301	531,647	-	3,105,948
Vehicles	<u>2,450,914</u>	<u>214,484</u>	<u>412,945</u>	<u>2,252,453</u>
Total depreciable capital assets	<u>\$ 12,193,190</u>	<u>\$ 1,486,540</u>	<u>\$ 430,045</u>	<u>\$ 13,249,685</u>
Less: Accumulated depreciation				
Buildings	\$ (1,702,155)	\$ (109,756)	\$ -	\$ (1,811,911)
Infrastructure	(1,011,820)	(95,288)	-	(1,107,108)
Machinery and equipment	(2,517,919)	(172,386)	-	(2,690,305)
Vehicles	<u>(992,668)</u>	<u>(283,107)</u>	<u>(57,844)</u>	<u>(1,217,931)</u>
Total Accumulated depreciation	<u>\$ (6,224,562)</u>	<u>\$ (660,537)</u>	<u>\$ (57,844)</u>	<u>\$ (6,827,255)</u>
Total depreciable capital assets, net	<u>\$ 5,968,628</u>	<u>\$ 826,003</u>	<u>\$ 372,201</u>	<u>\$ 6,422,430</u>
Total Governmental Activities				
Capital Assets, Net	<u>\$ 8,739,464</u>	<u>\$ 830,305</u>	<u>\$ 372,201</u>	<u>\$ 9,197,568</u>

See independent auditor's report.

CITY OF OAK GROVE, KENTUCKY

Notes to the Financial Statements (continued)
For the Year Ended June 30, 2024

Note 7 – Capital Assets (continued)

	Balance June 30, 2023	Additions/ Adjustments	Disposals/ Adjustments	Balance June 30, 2024
Business-type Activities				
Non-depreciable:				
Land	\$ 90,170	\$ -	\$ -	\$ 90,170
Depreciable:				
Buildings	\$ 154,553	\$ -	\$ -	\$ 154,553
Infrastructure	4,758,194	86,240	-	4,844,434
Machinery and equipment	377,963	23,632	-	401,595
Vehicles	142,825	69,363	22,077	190,111
Total depreciable capital assets	\$ 5,433,535	\$ 179,235	\$ 22,077	\$ 5,590,693
Less: Accumulated depreciation				
Buildings	\$ (83,293)	\$ (4,339)	\$ -	\$ (87,632)
Infrastructure	(3,711,283)	(132,816)	-	(3,844,099)
Machinery and equipment	(345,839)	(14,505)	-	(360,344)
Vehicles	(143,774)	(23,268)	(22,077)	(144,965)
Total accumulated depreciation	\$ (4,284,189)	\$ (174,928)	\$ (22,077)	\$ (4,437,040)
Total depreciable capital assets, net	\$ 1,149,346	\$ 4,307	\$ -	\$ 1,153,653
Total Business-Type Capital Assets, Net	\$ 1,239,516	\$ 4,307	\$ -	\$ 1,243,823
	Balance June 30, 20223	Additions/ Adjustments	Disposals/ Adjustments	Balance June 30, 2024
Component Unit				
Non-depreciable:				
Land	\$ 1,759,096	\$ -	\$ -	\$ 1,759,096
Depreciable:				
Buildings and improvements	\$ 8,713,434	\$ -	\$ -	\$ 8,713,434
Furniture, fixtures and equipment	839,240	158,020	-	997,260
Vehicles	49,331	-	-	49,331
Total depreciable capital assets	\$ 9,602,005	\$ 158,020	\$ -	\$ 9,760,025
Less: Accumulated depreciation				
Buildings and improvements	\$ (2,990,047)	\$ (232,515)	\$ -	\$ (3,222,562)
Furniture, fixtures and equipment	(567,267)	(62,117)	-	(629,384)
Vehicles	(27,224)	(6,316)	-	(33,540)
Total accumulated depreciation	\$ (3,584,538)	\$ (300,948)	\$ -	\$ (3,885,486)
Total depreciable capital assets, net	\$ 6,017,467	\$ (142,928)	\$ -	\$ 5,874,539
Total Component Unit Capital Assets, Net	\$ 7,776,563	\$ (142,928)	\$ -	\$ 7,633,635

See independent auditor's report.

CITY OF OAK GROVE, KENTUCKY

Notes to the Financial Statements (continued)
For the Year Ended June 30, 2024

Note 7 – Capital Assets (continued)

For the year ended June 30, 2024, depreciation on capital assets was charged to the governmental functions as follows:

Governmental Activities	
General government	\$ 171,098
Public safety	308,591
Public works	120,189
Parks and recreation	<u>60,659</u>
Total Depreciation Expense	<u>\$ 660,537</u>
 Business-Type Activities	
Water fund	<u>\$ 174,928</u>
 Component Unit	
Tourism Commission	<u>\$ 300,948</u>

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See independent auditor's report.

CITY OF OAK GROVE, KENTUCKY

Notes to the Financial Statements (continued)
For the Year Ended June 30, 2024

Note 8 – Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2024 are as follows:

	<u>June 30, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2024</u>	<u>Due Within One Year</u>
Governmental Activities:					
Financed Purchases					
KY League of Cities Leases Payable:					
2005 Convention Center	\$ 1,225,463	\$ -	\$ 96,095	\$ 1,129,368	\$ 99,905
2009 Convention Center	1,874,514	-	259,660	1,614,854	270,459
Net premium/(discount)	<u>(26,438)</u>	<u>-</u>	<u>(4,230)</u>	<u>(22,208)</u>	<u>(4,230)</u>
Total Financed Purchases	<u>3,073,539</u>	<u>-</u>	<u>351,525</u>	<u>2,722,014</u>	<u>366,134</u>
Other Obligations					
Net OPEB Liability	1,503,211	-	1,315,617	187,594	-
Net Pension Liability	<u>5,415,127</u>	<u>647,805</u>	<u>-</u>	<u>6,062,932</u>	<u>-</u>
Total Other Obligations	<u>6,918,338</u>	<u>647,805</u>	<u>1,315,617</u>	<u>6,250,526</u>	<u>-</u>
Total Governmental Activities	<u>\$ 9,991,877</u>	<u>\$ 647,805</u>	<u>\$ 1,667,142</u>	<u>\$ 8,972,540</u>	<u>\$ 366,134</u>
	<u>June 30, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2024</u>	<u>Due Within One Year</u>
Business-type Activities:					
Other Obligations					
Net OPEB (Asset)	\$ 316,503	\$ -	\$ 335,934	\$ (19,431)	\$ -
Net Pension Liability	<u>1,159,525</u>	<u>-</u>	<u>256,476</u>	<u>903,049</u>	<u>-</u>
Total Other Obligations	<u>1,476,028</u>	<u>-</u>	<u>592,410</u>	<u>883,618</u>	<u>-</u>
Total Business-type Activities	<u>\$ 1,476,028</u>	<u>\$ -</u>	<u>\$ 592,410</u>	<u>\$ 883,618</u>	<u>\$ -</u>

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See independent auditor's report.

CITY OF OAK GROVE, KENTUCKY

Notes to the Financial Statements (continued)
For the Year Ended June 30, 2024

Note 8 – Long-Term Liabilities (continued)

	<u>June 30, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2024</u>	<u>Due Within One Year</u>
Component Unit:					
Financed Purchases					
2005 Convention Center	\$ 1,225,464	\$ -	\$ 96,096	\$ 1,129,368	\$ 99,905
2009 Convention Center	1,874,514	-	259,660	1,614,854	270,460
Net premium/(discount)	<u>(26,438)</u>	<u>-</u>	<u>(4,230)</u>	<u>(22,208)</u>	<u>(4,231)</u>
Total Financed Purchases	<u>3,073,540</u>	<u>-</u>	<u>351,526</u>	<u>2,722,014</u>	<u>366,134</u>
Other Obligations					
Net OPEB (Asset)	185,688	-	201,517	(15,829)	-
Net Pension Liability	<u>680,250</u>	<u>55,467</u>	<u>-</u>	<u>735,717</u>	<u>-</u>
Total Other Obligations	<u>865,938</u>	<u>55,467</u>	<u>201,517</u>	<u>719,888</u>	<u>-</u>
Total Component Unit	<u>\$ 3,939,478</u>	<u>\$ 55,467</u>	<u>\$ 553,043</u>	<u>\$ 3,441,902</u>	<u>\$ 366,134</u>

Long-term debt payable on June 30, 2024, was comprised of the following:

	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>June 30, 2024</u>
Governmental Activities:			
KY League of Cities Financed Purchases:			
2005 Convention Center	Variable *	2034	\$ 1,129,368
2009 Convention Center	Variable *	2029	1,614,854
Net Bond Discount			<u>(22,208)</u>
Total Governmental Activities			<u>2,722,014</u>
Total Long-Term Debt - General Government			<u>\$ 2,722,014</u>

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See independent auditor's report.

CITY OF OAK GROVE, KENTUCKY

Notes to the Financial Statements (continued) For the Year Ended June 30, 2024

Note 8 – Long-Term Liabilities (continued)

	Interest Rate	Final Maturity Date	June 30, 2024
Component Unit:			
City of Oak Grove - Financed Purchase:			
2005 Convention Center	Variable *	2034	\$ 1,129,368
2009 Convention Center	Variable *	2029	1,614,854
Discount			<u>(22,208)</u>
Total Long-Term Debt - Component Unit			<u><u>\$ 2,722,014</u></u>

In 2005 and 2009, the City entered into lease agreements with the Kentucky League of Cities Funding Trust (the Funding Trust) for \$2,500,000 and \$4,500,000, respectively. Concurrently, in 2005 and 2009, the City entered into sub-lease agreements with the Tourism Commission (Component Unit) for the same terms and amounts as the Funding Trust lease agreements to fund the construction of a convention center.

The Funding Trust was created by the Kentucky League of Cities (KLC) to provide tax-exempt financing to Kentucky cities. The Funding Trust issues tax-exempt bonds in order to provide funding for its lease program to participating members at variable rates of interest.

As previously stated, the Tourism Commission entered into sub-leases with the City of Oak Grove (Primary Government) to fund the construction of a convention center. The leases are solely secured by liens on the pledges of the net revenues of the Tourism Commission. Ordinances provide that the revenue of the Tourism Commission be used first to pay operating and maintenance expenses of the Tourism Commission and, second, to establish and maintain the lease payments. The remaining revenues may then be used for any lawful purpose.

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CITY OF OAK GROVE, KENTUCKY

Notes to the Financial Statements (continued)
For the Year Ended June 30, 2024

Note 8 – Long-Term Liabilities (continued)

Annual Requirements to Retire Debt Obligations:

Governmental Activities			
Year Ending June 30	Principal	Interest	Total Debt Service
Financed Purchases			
2025	\$ 370,364	\$ 94,133	\$ 464,497
2026	386,273	80,538	466,811
2027	402,462	63,865	466,327
2028	419,265	51,601	470,866
2029	436,930	35,867	472,797
2030-2034	728,928	54,972	783,900
Total Financed Purchases	<u>2,744,222</u>	<u>380,976</u>	<u>3,125,198</u>
Total Governmental Activities	<u>\$ 2,744,222</u>	<u>\$ 380,976</u>	<u>\$ 3,125,198</u>

Component Unit			
Year Ending June 30	Principal	Interest	Total Debt Service
Financed Purchases			
2025	\$ 370,364	\$ 94,133	\$ 464,497
2026	386,273	80,538	466,811
2027	402,462	63,865	466,327
2028	419,265	51,601	470,866
2029	436,930	35,867	472,797
2030-2024	728,928	54,972	783,900
Total Financed Purchases	<u>2,744,222</u>	<u>380,976</u>	<u>3,125,198</u>
Total Component Unit	<u>\$ 2,744,222</u>	<u>\$ 380,976</u>	<u>\$ 3,125,198</u>

All remaining general government debt is being liquidated through the City General Fund. Proprietary fund and Component Unit obligations are being liquidated through those funds, respectively. Interest costs incurred and expensed by the Component Unit for the fiscal year ended June 30, 2024 amounted to \$156,605.

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See independent auditor's report.

CITY OF OAK GROVE, KENTUCKY

Notes to the Financial Statements (continued) For the Year Ended June 30, 2024

Note 9 – Employee Retirement System

Plan description – The City and its Component Unit are participants in the County Employees' Retirement System (CERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments are provided at the discretion of the state legislature. Under the provision of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided – CERS provides retirement, health insurance, death, and disability benefits to plan members and beneficiaries. Employees are vested in the plan after five years of service. For retirement purposes, non-hazardous and hazardous employees are grouped into three tiers based on hire date. Tier 1 members are those participants in the plan before September 1, 2008, Tier 2 are those who began participation September 1, 2008 through December 31, 2013 and Tier 3 are those members who began participation on or after January 1, 2014.

Non-hazardous members:

Tier 1	Participation date	Prior to September 1, 2008
	Unreduced retirement	27 years of service or 65 years old
	Reduced retirement	Minimum 5 years of service and 55 years old Minimum 25 years of service and any age
Tier 2	Participation date	September 1, 2008 to December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 65 years old Age of 57 or older and sum of service years plus age equal 87
	Reduced retirement	Minimum 10 years of service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 65 years old Age of 57 or older and sum of service years plus age equal 87
	Reduced retirement	Not available

Hazardous members:

Tier 1	Participation date	Prior to September 1, 2008
	Unreduced retirement	20 years of service and any age Minimum 5 years of service and 55 years old
	Reduced retirement	Minimum 15 years of service and 50 years old
Tier 2	Participation date	September 1, 2008 to December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 60 years old 25 years of service and any age
	Reduced retirement	Minimum 15 years of service and 50 years old

See independent auditor's report.

CITY OF OAK GROVE, KENTUCKY

Notes to the Financial Statements (continued) For the Year Ended June 30, 2024

Note 9 – Employee Retirement System (continued)

Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 60 years old
	Reduced retirement	25 years of service and any age Not available

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

Plan funding – State statute requires active members to contribute a percentage of creditable compensation based on the tier:

<i>Non-hazardous</i>		<i>Hazardous</i>	
	<u>Required Contribution</u>		<u>Required Contribution</u>
Tier 1	5%	Tier 1	8%
Tier 2	5% plus 1% for insurance	Tier 2	8% plus 1% for insurance
Tier 3	5% plus 1% for insurance	Tier 3	8% plus 1% for insurance

Employers contribute at the rate determined by the CERS Board of Trustees to be necessary for the actuarial soundness of the system, as required by KRS 61.565 and 61.702. The City's required contribution rate was 23.34% for non-hazardous employees and 43.69% for hazardous employees for the year ended June 30, 2024.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – On June 30, 2023, a liability of \$6,965,981 was recognized for the proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 and rolled forward using generally accepted actuarial principles.

The proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. On June 30, 2023, the proportion was 0.039943% and 0.163320% for non-hazardous and hazardous employees, respectively.

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See independent auditor's report.

CITY OF OAK GROVE, KENTUCKY

Notes to the Financial Statements (continued)
For the Year Ended June 30, 2024

Note 9 – Employee Retirement System (continued)

For the year ended June 30, 2024, the total pension expense recognized was \$1,096,847. On June 30, 2024, the reported deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources:

	Deferred Outflows of of Resources	Deferred Inflows of of Resources
Differences between expected and actual experience	\$ 333,968	\$ 6,964
Changes of assumptions	-	578,760
Net difference between projected and actual investment earnings on pension plan investments	-	79,131
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,169,988	300,036
Employer contributions subsequent to the measurement date	825,604	-
Total	\$ 2,329,560	\$ 964,891

Deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date totaling \$825,604 will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Hazardous	Non-Hazardous
Year ended June 30:		
2025	\$ 42,640	\$ 183,816
2026	38,802	39,771
2027	212,274	57,215
2028	(10,642)	(24,811)
2029	-	-
Thereafter	-	-

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See independent auditor's report.

CITY OF OAK GROVE, KENTUCKY

Notes to the Financial Statements (continued) For the Year Ended June 30, 2024

Note 9 – Employee Retirement System (continued)

Actuarial assumptions – The Kentucky Retirement Systems Board of Trustees adopted new actuarial assumptions on June 30, 2018. These assumptions are documented in the report titled “Kentucky Retirements Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018”. The total pension liability as of June 30, 2023, was determined using these updated assumptions:

Inflation	2.30%
Payroll growth rate	2.00% for non-hazardous and hazardous
Salary increases	3.30% to 10.30%, varies by service for non-hazardous 3.55% to 19.05%, varies by service for hazardous
Investment rate of return	6.25% for non-hazardous and hazardous

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

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

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CITY OF OAK GROVE, KENTUCKY

Notes to the Financial Statements (continued)
For the Year Ended June 30, 2024

Note 9 – Employee Retirement System (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	60.00%	
Public Equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Fixed Income	20.00%	
Core Bonds	10.00%	2.45%
Specialty Credit/High Yield	10.00%	3.65%
Cash	0.00%	1.39%
Inflation Protected	20.00%	
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
Expected Real Return	100.00%	5.75%
Long Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		8.25%

Discount rate – The projection of cash flows used to determine the discount rate of 6.50% assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond.

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

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Non-hazardous proportionate share of net pension liability	\$ 3,235,874	\$ 2,562,946	\$ 2,003,717
Hazardous proportionate share of net pension liability	\$ 5,559,883	\$ 4,403,035	\$ 3,458,153

See independent auditor's report.

CITY OF OAK GROVE, KENTUCKY

Notes to the Financial Statements (continued) For the Year Ended June 30, 2024

Note 10 – Other Post-Employment Benefits

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems financial report.

Plan description – Employees whose positions do not require a degree beyond a high school diploma are covered by the County Employee Retirement System (CERS), a cost-sharing multiple-employer defined benefit plan. CERS is administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provision of the Kentucky Revised Statute (KRS) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions.

The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided – CERS provides retirement, health insurance, death and disability benefits to plan employees and beneficiaries. To be eligible for medical benefits, the member must have retired either for service or disability. Benefits are grouped into three tiers, based on participation dates.

Tier 1 participation began before July 1, 2003. Members are eligible for benefits if they are the recipient of a retirement allowance. The percentage of the member's premium paid by the retirement system is based on the number of years of service as indicated below:

Less than 4 years	0%
4-9 years	25%
10-14 years	50%
15-19 years	75%
20 or more years	100%

Tier 2 participation began on or after July 1, 2003, but before September 1, 2008. Members are eligible for benefits if they are the recipient of a retirement allowance with at least 120 months of service at retirement. The retirement system provides a monthly contribution of \$10 for each year of earned service. The monthly contribution is increased by 1.5% each July. As of July 1, 2016, the monthly contribution was \$12.99/year of service.

Tier 3 participation began on or after September 1, 2008. Benefits to Tier 2, except Tier 3 members are required to have at least 180 months of service to be eligible.

Contributions – Required contributions by the employee are based on the tier. Tier 1 members contribute 0% of gross salary. Tier 2 and 3 members both contribute 1% of gross salary.

Employer contribution rates for the fiscal year were adopted by the Board of KRS based on actuarially recommended rates. Contributions for the year ended June 30, 2024 were \$32,818.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – On June 30, 2024 the City reported a liability of \$168,163 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB was determined by an actuarial valuation as of June 30, 2022 and rolled forward using generally accepted actuarial principles.

See independent auditor's report.

CITY OF OAK GROVE, KENTUCKY

Notes to the Financial Statements (continued) For the Year Ended June 30, 2024

Note 10 – Other Post-Employment Benefits (continued)

The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. On June 30, 2023, the City's proportion was 0.039942% for non-hazardous and 0.163211% for hazardous.

For the year ended June 30, 2024, the total OPEB expense recognized was \$(99,638). On June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of of Resources	Deferred Inflows of of Resources
Differences between expected and actual experience	\$ 58,643	\$ 1,703,668
Changes of assumptions	261,003	308,421
Net difference between projected and actual investment earnings on OPEB plan investments	-	43,552
Changes in proportion and differences between employer contributions and proportionate share of contributions	482,700	189,948
Employer contributions subsequent to the measurement date	34,704	-
Implicit subsidy	15,937	-
Total	\$ 852,987	\$ 2,245,589

Deferred outflows of resources resulting from the City's contributions subsequent to the measurement date and implicit subsidy, \$34,704 and \$15,937, respectively, will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

	Hazardous	Non-Hazardous
Year ended June 30:		
2025	\$ (162,014)	\$ (142,539)
2026	(193,548)	(186,411)
2027	(170,965)	(129,335)
2028	(204,420)	(127,478)
2029	(126,533)	-
Thereafter	-	-

See independent auditor's report.

CITY OF OAK GROVE, KENTUCKY

Notes to the Financial Statements (continued) For the Year Ended June 30, 2024

Note 10 – Other Post-Employment Benefits (continued)

Actuarial assumptions – The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified:

Inflation rate	2.30%
Payroll growth rate	2.00%
Salary increases	3.30% to 10.30%, varies by service for non-hazardous 3.55% to 19.05%, varies by service for hazardous
Investment rate of return	6.25%
Healthcare trend rates	
Pre-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.
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 mortality table used for active members is PUB-2010 General Mortality table, for the Non-Hazardous System, and PUB-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 improvement scale using the base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using the base year of 2019. The mortality table used for the disabled members is 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 assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2019 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in medical costs. The anticipated savings from the repeal of the “Cadillac Tax” and “Health Insurer Fee”, which occurred in December 2019, are reflected in the June 30, 2020 GASB 75 actuarial information. The assumed load on pre-Medicare premiums to reflect the cost of the Cadillac Tax was removed, and the Medicare premiums were reduced by 11% to reflect the repeal of the Health Insurer Fee. There were no other material assumption changes.

The long-term expected rate of return was determined by using the 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 the arithmetic real rate of return of each major asset class are summarized below. The current long-term inflation assumption is 2.30% per annum for both the non-hazardous and hazardous systems.

CITY OF OAK GROVE, KENTUCKY

Notes to the Financial Statements (continued)
For the Year Ended June 30, 2024

Note 10 – Other Post-Employment Benefits (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	60.00%	
Public Equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Fixed Income	20.00%	
Core Bonds	10.00%	2.45%
Specialty Credit/High Yield	10.00%	3.65%
Cash	0.00%	1.39%
Inflation Protected	20.00%	
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
Expected Real Return	100.00%	5.75%
Long Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		8.25%

Fully-insured premiums Kentucky Retirement Systems pays for the Kentucky Employee's 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. GASB 75 requires that the liability associated with the implicit subsidy be included in the calculation of the total OPEB liability.

Discount Rate – The projection of cash flows used to determine the discount rates of 5.93% (non-hazardous) and 5.97% (hazardous) assumes that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25% and a municipal bond rate of 3.86%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2023. However, the cost associated with the implicit employer subsidy was not included in the calculation of KRS' actuarially 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.

CITY OF OAK GROVE, KENTUCKY

Notes to the Financial Statements (continued) For the Year Ended June 30, 2024

Note 10 – Other Post-Employment Benefits (continued)

Sensitivity of the City's proportionate share of the collective net OPEB liability to changes in the discount rate: The following table presents the City's proportionate share of the collective net OPEB liability, calculated using the discount rates of 5.93% (non-hazardous) and 5.97% (hazardous), 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 or 1 percentage point higher than the current rates.

	1% Decrease	Current Discount Rate	1% Increase
Non-hazardous proportionate share of net OPEB liability (asset)	\$ 103,490	\$ (55,147)	\$ (187,986)
Hazardous proportionate share of net OPEB liability (asset)	\$ 564,755	\$ 223,310	\$ (61,204)

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.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Non-hazardous proportionate share of net OPEB liability (asset)	\$ (176,756)	\$ (55,147)	\$ 94,239
Hazardous proportionate share of net OPEB liability (asset)	\$ 2,544	\$ 223,310	\$ 489,930

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Retirement System financial report.

Note 11 – Deferred Compensation

The City allows all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority administers tax-sheltered supplemental retirement plans for all state, public school, and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit full-time employees to defer taxation of a portion of their salary until future years. Participation in these plans is voluntary and these plans are funded entirely by employee contributions.

CITY OF OAK GROVE, KENTUCKY

Notes to the Financial Statements (continued) For the Year Ended June 30, 2024

Note 12 – Contributed Capital

Contributed capital includes contributed infrastructure within new property developments and fees collected for new connections and tap fees. The City accepts responsibility for the maintenance of water and sewer lines, and streets one year after the completion of any new subdivision or development within the City. Upon acceptance of this responsibility, the City records the value of these improvements as contributed capital. There were no contributed capital infrastructure additions during the fiscal year ended June 30, 2024.

Note 13 – Significant Financial Influence

The City is located adjacent to Fort Campbell Military Base. Significant changes in operations, the size of the base, or its personnel could have a financial impact on the City. Management is not aware of any plans by the Federal Government for significant changes to the base.

Note 14 – Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injury to employees; and natural disasters. The City carries commercial insurance to protect it against these types of risks, including workers' compensation.

Note 15 – Note Receivable-Tourism Convention Center

Effective September 27, 2005, the City executed a long-term lease with the Kentucky League of Cities Funding Trust for a new Convention Center. The lease agreement required 344 monthly payments beginning October 1, 2005 and ending May 1, 2034. On September 27, 2005, the Convention Center was sub-leased to the Tourism Commission. The sub-lease required monthly lease payments from the Tourism Commission to the City in amounts equal to the lease payments due to the Kentucky League of Cities Funding Trust.

Effective October 2, 2009, the City executed a second long-term lease with the Kentucky League of Cities Funding Trust related to the Convention Center. The lease agreement required 240 monthly payments beginning November 1, 2009 and ending October 1, 2029. On October 2, 2009, the Convention Center was sub-leased to the Tourism Commission. The sub-lease required monthly lease payments from the Tourism Commission to the City in amounts equal to the lease payments due to the Kentucky League of Cities Funding Trust.

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CITY OF OAK GROVE, KENTUCKY

Notes to the Financial Statements (continued) For the Year Ended June 30, 2024

Note 15 – Note Receivable-Tourism Convention Center (continued)

	2005 Lease	2009 Lease	Totals
Sublease balance - beginning of year	\$ 1,225,464	\$ 1,874,514	\$ 3,099,978
Less payments made by Tourism			
Commission during the fiscal year	96,096	259,660	355,756
Sublease balance - end of year	1,129,368	1,614,854	2,744,222
Unamortized lease discount	-	(22,208)	(22,208)
Sublease balance - end of year	<u>\$ 1,129,368</u>	<u>\$ 1,592,646</u>	<u>\$ 2,722,014</u>

Presented on the statement of net position
under the following captions:

Note Receivable:

Within one year	\$ 366,134
More than one year	2,355,880
	<u>\$ 2,722,014</u>

Future minimum sublease payments to be received from the Tourism Commission:

Year Ending June 30	Principal	Interest/ Administrative	Discount	Total
2025	\$ 370,365	\$ 94,132	\$ (4,231)	\$ 460,266
2026	386,273	80,538	(4,230)	462,581
2027	402,462	63,865	(4,230)	462,097
2028	419,265	51,601	(4,230)	466,636
2029	436,929	35,867	(4,230)	468,566
2030-2034	728,928	90,839	(1,057)	818,710
	<u>\$ 2,744,222</u>	<u>\$ 416,842</u>	<u>\$ (22,208)</u>	<u>\$ 3,138,856</u>

Note 16 - Commitments

On May 2, 2000, the City entered into an agreement (effective January 1, 2003) with the Logan Todd Regional Water Commission (the Commission), whereby the Commission agrees to sell and deliver to the City, and the City agrees to purchase and receive from the Commission, substantially all the water required by the City. Under the contract, the City pays the Commission a minimum rate of \$59,411 for the first 25,831,000 gallons of water needed each month, and an additional \$2.30 per additional 1,000 gallons used each month. The agreement covers a period of 50 years and expires in 2053.

Note 17 - Contingencies

Under the terms of federal and state grants, periodic audits are required, and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. City management believes that disallowances, if any, will not be significant.

See independent auditor's report.

CITY OF OAK GROVE, KENTUCKY

Notes to the Financial Statements (continued) For the Year Ended June 30, 2024

Note 17 – Contingencies (continued)

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City, with the following exception. A litigation involving the City is such that an adverse judgment and the cost of legal defense could be substantial. The amount of any contingent liability cannot be determined at this time. The City intends to vigorously defend its position in each lawsuit.

Note 18 – Interfund Receivables, Payables, and Transfers

At times throughout the year, interfund receivables and payables exist. As of June 30, 2024, an interfund balance of \$26,185 is reported for collected stormwater fees owed to the general fund from the water fund.

Note 19 – Future GASB Pronouncements

The Governmental Accounting Standards Board has issued statements that will become effective in the subsequent fiscal years. The statements address:

- Accounting Changes and Error Corrections
- Compensated Absences
- Certain Risk Disclosures

The City is currently evaluating the effects that these statements will have on its financial statements for subsequent fiscal years.

Note 20 – Subsequent Events

Management has evaluated subsequent events through June 4, 2026, the date the financial statements were available to be issued.

CITY OF OAK GROVE, KENTUCKY

**Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2024**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Taxes and licenses	\$ 5,563,500	\$ 5,282,750	\$ 5,102,563	\$ (180,187)
Charges for services	46,500	40,800	47,579	6,779
Grants	120,000	126,675	118,976	(7,699)
Fines and forfeitures	45,000	45,000	57,031	12,031
Intergovernmental	174,000	199,950	10,920	(189,030)
Interest income	8,000	4,750	2,243	(2,507)
Miscellaneous	379,000	409,500	553,625	144,125
Total Revenues	<u>6,336,000</u>	<u>6,109,425</u>	<u>5,892,937</u>	<u>(216,488)</u>
Expenditures				
Current				
General government	1,210,000	1,194,190	1,212,724	(18,534)
Public safety	3,748,000	3,428,705	3,589,536	(160,831)
Public works	375,500	370,630	311,958	58,672
Parks and recreation	377,500	375,600	351,495	24,105
Capital Outlays	460,000	501,375	436,400	64,975
Total Expenditures	<u>6,171,000</u>	<u>5,870,500</u>	<u>5,902,113</u>	<u>(31,613)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>165,000</u>	<u>238,925</u>	<u>(9,176)</u>	<u>(248,101)</u>
Other Financing Sources (Uses)				
Sale of property	35,000	-	-	-
Transfers in (out)	(200,000)	447,325	(24,904)	(472,229)
Total Other Financing Sources (Uses)	<u>(165,000)</u>	<u>447,325</u>	<u>(24,904)</u>	<u>(472,229)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 686,250</u>	<u>\$ (34,080)</u>	<u>\$ (720,330)</u>
Fund Balances - Beginning			<u>1,674,590</u>	
Fund Balances - Ending			<u>\$ 1,640,510</u>	

CITY OF OAK GROVE, KENTUCKY

**Schedule of the City's Proportionate Share of the Net Pension Liability
County Employee's Retirement System
Last 10 Fiscal Years Ending June 30**

Non-Hazardous

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
City's proportion of the net pension liability (asset)	0.039943%	0.033426%	0.028797%	0.029049%	0.022014%	0.031409%	0.037110%	0.042729%	0.034328%	0.046944%
City's proportionate share of the net pension liability (asset)	\$ 2,562,946	\$ 2,416,370	\$ 1,836,035	\$ 2,228,034	\$ 1,548,254	\$ 1,912,904	\$ 2,172,162	\$ 2,103,834	\$ 1,475,960	\$ 1,523,041
City's covered-employee payroll	1,826,132	1,581,994	735,560	724,654	1,023,665	845,953	919,005	1,297,242	1,303,541	1,352,945
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	140.35%	152.74%	249.61%	307.46%	151.25%	226.12%	236.36%	162.18%	113.23%	112.57%
Plan fiduciary net position as a percentage of the total pension liability	57.48%	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%

Hazardous

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
City's proportion of the net pension liability (asset)	0.163320%	0.136272%	0.129450%	0.164369%	0.131164%	0.122927%	0.121350%	0.103267%	0.089884%	0.097915%
City's proportionate share of the net pension liability (asset)	\$ 4,403,035	\$ 4,158,282	\$ 3,446,165	\$ 4,955,772	\$ 3,623,137	\$ 2,972,937	\$ 2,714,937	\$ 1,772,006	\$ 1,379,808	\$ 1,176,772
City's covered-employee payroll	1,380,977	1,120,146	886,335	1,072,579	1,189,723	819,972	766,288	619,719	736,982	697,834
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	318.83%	371.23%	388.81%	462.04%	304.54%	362.57%	354.30%	285.94%	187.22%	168.63%
Plan fiduciary net position as a percentage of the total pension liability	52.96%	47.11%	52.26%	44.11%	46.63%	49.26%	49.80%	53.95%	57.52%	63.50%

The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

CITY OF OAK GROVE, KENTUCKY

**Schedule of the City's Pension Contributions
County Employee's Retirement System
Fiscal Years Ending June 30**

Non-Hazardous

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 344,546	\$ 299,764	\$ 231,917	\$ 147,146	\$ 143,666	\$ 100,289	\$ 122,494	\$ 128,201	\$ 138,825	\$ 100,046
Contributions in relation to the contractually required contribution	<u>(344,546)</u>	<u>(299,764)</u>	<u>(231,917)</u>	<u>(147,146)</u>	<u>(143,666)</u>	<u>(100,289)</u>	<u>(122,494)</u>	<u>(128,201)</u>	<u>(138,825)</u>	<u>(100,046)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll*	\$ 1,718,003	\$ 1,826,132	\$ 1,581,994	\$ 735,560	\$ 724,654	\$ 1,023,665	\$ 845,953	\$ 919,005	\$ 1,297,242	\$ 1,303,541
Contributions as a percentage of covered-employee payroll	20.06%	16.42%	14.66%	20.00%	19.83%	9.80%	14.48%	13.95%	10.70%	7.67%

Hazardous

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 522,931	\$ 561,887	\$ 372,792	\$ 271,154	\$ 324,206	\$ 248,408	\$ 182,034	\$ 168,532	\$ 124,196	\$ 112,106
Contributions in relation to the contractually required contribution	<u>(522,931)</u>	<u>(561,887)</u>	<u>(372,792)</u>	<u>(271,154)</u>	<u>(324,206)</u>	<u>(248,408)</u>	<u>(182,034)</u>	<u>(168,532)</u>	<u>(124,196)</u>	<u>(112,106)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll*	\$ 1,293,125	\$ 1,380,977	\$ 1,120,146	\$ 886,335	\$ 1,072,579	\$ 1,189,723	\$ 819,972	\$ 766,288	\$ 619,719	\$ 736,982
Contributions as a percentage of covered-employee payroll	40.44%	40.69%	33.28%	30.59%	30.23%	20.88%	22.20%	21.99%	20.04%	15.21%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

CITY OF OAK GROVE, KENTUCKY

**Schedule of the City's Proportionate Share of the Net OPEB Liability
County Employee's Retirement System
Last 10 Fiscal Years Ending June 30**

<u>Non-Hazardous</u>							
	2023	2022	2021	2020	2019	2018	2017
City's proportion of the net OPEB liability (asset)	0.039943%	0.033420%	0.028791%	0.029358%	0.022008%	0.031407%	0.037110%
City's proportionate share of the net OPEB liability (asset)	\$ (55,147)	\$ 659,548	\$ 551,189	\$ 708,906	\$ 370,165	\$ 557,625	\$ 746,038
City's covered-employee payroll	1,826,132	1,581,994	735,560	724,654	1,023,665	845,953	919,005
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-3.02%	41.69%	74.93%	97.83%	36.16%	65.92%	81.18%
Plan fiduciary net position as a percentage of the total OPEB liability	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%
<u>Hazardous</u>							
	2023	2022	2021	2020	2019	2018	2017
City's proportion of the net OPEB liability (asset)	0.163320%	0.136203%	0.129450%	0.166506%	0.131138%	0.122933%	0.121350%
City's proportionate share of the net OPEB liability (asset)	\$ 223,310	\$ 1,160,166	\$ 1,046,680	\$ 1,538,691	\$ 970,237	\$ 876,462	\$ 1,003,166
City's covered-employee payroll	1,380,977	1,120,146	886,335	1,072,579	1,189,723	819,972	766,288
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	16.17%	103.57%	118.09%	143.46%	81.55%	106.89%	130.91%
Plan fiduciary net position as a percentage of the total OPEB liability	92.27%	64.13%	66.81%	58.84%	64.44%	64.24%	59.00%

The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

CITY OF OAK GROVE, KENTUCKY

**Schedule of the City's OPEB Contributions
County Employee's Retirement System
Fiscal Years Ending June 30**

Non-Hazardous

	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	\$ -	\$ 43,427	\$ 42,454	\$ 36,291	\$ 35,433	\$ 32,523	\$ 39,760	\$ 43,469
Contributions in relation to the contractually required contribution	-	(43,427)	(42,454)	(36,291)	(35,433)	(32,523)	(39,760)	(43,469)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll*	\$ 1,718,003	\$ 1,826,132	\$ 1,581,994	\$ 735,560	\$ 724,654	\$ 1,023,665	\$ 845,953	\$ 919,005
Contributions as a percentage of covered-employee payroll	0.00%	2.38%	2.68%	4.93%	4.89%	3.18%	4.70%	4.73%

Hazardous

	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	\$ 32,818	\$ 88,988	\$ 91,418	\$ 85,874	\$ 102,676	\$ 104,577	\$ 76,667	\$ 72,583
Contributions in relation to the contractually required contribution	(32,818)	(88,988)	(91,418)	(85,874)	(102,676)	(104,577)	(76,667)	(72,583)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll*	\$ 1,293,125	\$ 1,380,977	\$ 1,120,146	\$ 886,335	\$ 1,072,579	\$ 1,189,723	\$ 819,972	\$ 766,288
Contributions as a percentage of covered-employee payroll	2.54%	6.44%	8.16%	9.69%	9.57%	8.79%	9.35%	9.47%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

CITY OF OAK GROVE, KENTUCKY

**Notes to Required Supplementary Information on Pension and OPEB Schedules
For the Year Ended June 30, 2024**

County Employees' Retirement System (CERS) Pension Plan and Other Postemployment Benefits (OPEB) Plan

Pension Plan

Valuation Date: Actuarially determined contribution rates for 2023 were calculated based on the June 30, 2021, actuarial valuation.

Actuarial Cost Method: Entry Age Normal

Amortization Method: Level Percent of Pay

Remaining Amortization Period: 30 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 19.05%, varies by service

Investment Rate of Return: 6.25%

Mortality: System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019.

Other Post-Employment Benefits

Valuation Date: Actuarially determined contribution rates from 2023 were calculated based on the June 30, 2021, actuarial valuation.

Actuarial Cost Method: Entry Age Normal

Amortization Method: Level Percent of Pay

Remaining Amortization Period: 30 Years, Closed on June 30, 2019; gains/losses incurred after June 30, 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 19.05%, varies by service.

Investment Rate of Return: 6.25%

CITY OF OAK GROVE, KENTUCKY

Notes to Required Supplementary Information on Pension and OPEB Schedules (continued) For the Year Ended June 30, 2024

Mortality: System-specific mortality table based on mortality experience from 2013-2018, projected with ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019.

Healthcare Rate Trends:

Pre-65 – Initial trend starting a 6.30% on January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2022 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 2022 premiums were known at the time of the valuation and were incorporated into the liability measurement.

BORLAND

BENEFIELD

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

To the Mayor and City Council
City of Oak Grove, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Oak Grove, Kentucky (the City), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 4, 2026. Our report includes a reference to other auditors who audited the financial statements of the Oak Grove Tourism and Convention Commission (the Tourism Commission), as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2024-1, 2024-2, 2024-3, 2024-4, 2024-5, and 2024-6 that we consider to be material weaknesses.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Oak Grove, Kentucky's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Borland Benefield, P.C.
Birmingham, Alabama
June 4, 2026

CITY OF OAK GROVE, KENTUCKY

Schedule of Findings and Responses For the Year Ended June 30, 2024

2024-1 – Segregation of Duties and Oversight of Financial Reporting

Criteria: Management is responsible for the preparation and fair presentation of the City's financial statements; this includes 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. Ideally, the key functions of an accounting system should be segregated. This is a repeat finding.

Condition: During our audit, we identified accounting functions that lacked adequate segregation amongst the staff without proper mitigations or supervisory review. Specifically, one or more City employees associated with the custody of assets also record journal entries to the general ledger and reconcile internal accounting records. These functions are incompatible as they involve the custody of the assets, recording of transactions, and subsequent reconciliation of those transactions. Additionally, there were no documented reviews and approvals by an individual outside of that accounting function.

Cause: Due to a limited number of staff and significant turnover of personnel in the Finance Department within the fiscal year, incompatible work functions were often performed by the same individual and lacked the appropriate review and approval by an individual outside of that accounting function.

Effect: A lack of segregation of duties increases the risk of material misstatement of financial information.

Recommendation: We recommend that the functions associated with the custody of assets be segregated from the functions associated with accounting for and recording transactions to the extent possible through staff assignments and secondary approvals.

Management's Response: Management is in agreement with our recommendation.

2024-2 – Segregation of Duties and Oversight Over Utility Billing Process

Criteria: Effective internal controls should be in place that provide reasonable assurance that utility bills are being processed and recorded accurately. This is a repeat finding.

Condition: During our audit, we noted that there is a lack of segregation of duties in the utility billing process. We observed that the same utility employees prepare, review, and print utility billing statements and are also responsible for processing cash receipts as customers pay their bills.

Cause: Due to a limited number of staff and significant turnover of personnel in the Water Department, incompatible utility functions were often performed by the same individuals.

Effect: The utility employees have access to both the asset (cash) and the recordkeeping for the asset, which increases the risk of misappropriation of cash or unintentional error.

Recommendation: We recommend segregating duties related to billing and cash handling, with secondary reviews where staffing limitations exist.

Management's Response: Management is in agreement with our recommendation.

CITY OF OAK GROVE, KENTUCKY

Schedule of Findings and Responses (continued) For the Year Ended June 30, 2024

2024-3 – Lack of Supporting Documentation for Cash Receipts

Criteria: All revenue transactions should have proper supporting documentation of cash receipts in accordance with sound internal control policies. This is a repeat finding.

Condition: In our testing sample of 60 governmental revenue transactions, supporting documentation was missing for 7 transactions.

Cause: The City does not adhere to an effective and consistently enforced system of controls for cash receipts.

Effect: Cash receipt transactions may be accounted for incorrectly and/or subject to misappropriation.

Recommendation: We recommend the City implement and enforce a policy to ensure that all cash receipts are supported by appropriate documentation and retained in accordance with record retention policies.

Management's Response: Management is in agreement with our recommendation.

2024-4 – Lack of Supporting Documentation and Approvals for Cash Disbursements

Criteria: Effective internal controls should be in place that provide reasonable assurance that proper supporting documentation has been maintained for cash disbursements and that purchase orders have been approved by appropriate management personnel. This is a repeat finding.

Condition: During our testing of cash disbursements, we identified several cash disbursement transactions that were lacking proper supporting documentation and/or adequate approval of purchase orders. From a sample of 60 general fund cash disbursement transactions, 5 purchase orders were missing signature approvals and 1 transaction was missing supporting documentation. Additionally, from a sample of 60 water fund cash disbursement transactions, 17 purchase orders were missing signature approvals and 10 transactions were missing supporting documentation.

Cause: The City does not adhere to an effective and consistently enforced system of controls for cash disbursements.

Effect: Cash disbursements may be accounted for incorrectly and/or subject to misappropriation.

Recommendation: We recommend the City implement and enforce comprehensive internal controls requiring documented approval and retention of all purchase orders and disbursement documentation.

Management's Response: Management is in agreement with our recommendation.

2024-5 – Lack of Supporting Documentation For Payroll and Personnel Information

Criteria: Effective internal controls should be in place to provide reasonable assurance that employee compensation, including pay rates, is properly authorized, documented, and accurately maintained within the payroll system.

Condition: Of 60 payroll transactions sampled, 25 lacked approved pay rate documentation; 1 lacked a supporting time sheet.

CITY OF OAK GROVE, KENTUCKY

Schedule of Findings and Responses (continued) For the Year Ended June 30, 2024

Cause: The City does not maintain a formalized and consistently enforced control process requiring documented approval of pay rates and timesheets.

Effect: Increased risk of misstatement and misappropriation.

Recommendation: We recommend the City implement effective procedures requiring formal, documented approval of all employee pay rates and any subsequent changes (e.g., signed authorization forms or electronic approvals). Access to modify pay rates within the payroll system should be restricted to authorized personnel, and all changes should be subject to independent review. Also, all time sheets should be maintained digitally to document approval and support employee compensation.

Management's Response: Management is in agreement with our recommendation.

2024-6 – Inconsistencies and Delays in the Performance of Account Reconciliations Resulting in Material Audit Adjustments

Criteria: The performance of account reconciliations is a basic accounting function that should be performed on a timely basis. The purpose of performing reconciliations is to verify the accuracy of amounts recorded in the accounting system of the City. Discrepancies should be investigated and resolved as soon as possible for accurate reporting and protection of the City's assets.

Condition: Through the performance audit procedures we found a number of financial statement accounts were not reconciled timely, accurately, or at all resulting in material audit adjustments. These items included all basic financial statement accounts such as cash, receivables, interfund accounts, prepaid expenses, capital assets, accounts payable and accrued liabilities, compensated absences, fund balance, revenues, expenses, and transfers.

Cause: The City has experienced significant turnover in key finance department personnel.

Effect: Unreconciled financial statement accounts created opportunities for undetected errors to remain in the accounting system. As a result, numerous audit adjusting journal entries were required to correct these account balances. This led to delays in audit completion and failure to meet the State of Kentucky filing deadline.

Recommendation: We recommend that account reconciliations be performed timely and resolve any unexplained differences. In addition, we recommend a daily cash reconciliation performed on the main bank accounts for the general fund and water fund.

Management's Response: Management is in agreement with our recommendation.